

Financial Report

of

**The Parking Authority of the
City of Elizabeth**

For the Years Ended December 31, 2022 and 2021

Prepared By

The Parking Authority of the City of Elizabeth

Finance Department

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Parking Authority of the City of Elizabeth
Elizabeth, New Jersey 07201

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the City of Elizabeth, which comprises the statements of net position as of December 31, 2022 and 2021 and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Parking Authority of the City of Elizabeth, for the years ended December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the Parking Authority of the City of Elizabeth and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parking Authority of the City of Elizabeth's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parking Authority of the City of Elizabeth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parking Authority of the City of Elizabeth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis and the schedules related to accounting, reporting for pensions in Schedules R-1 through R-3, and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedules S-1 through S-3 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of the Parking Authority of the City of Elizabeth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Parking Authority of the City of Elizabeth's internal control over financial reporting and compliance.

September 29, 2023





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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners
Parking Authority of the City of Elizabeth
Elizabeth, New Jersey 07201

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Parking Authority of the City of Elizabeth as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Parking Authority of the City of Elizabeth's financial statements, and have issued our report thereon dated September 29, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parking Authority of the City of Elizabeth's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Parking Authority of the City of Elizabeth's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parking Authority of the City of Elizabeth's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority of the City of Elizabeth's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 29, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis Unaudited

In this section of the annual report, management of the Parking Authority of the City of Elizabeth (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended December 31, 2022 and 2021. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended December 31, 2022 and 2021. The Authority's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Financial Highlights

Total Assets and Deferred Outflows amount to \$36.8 million and \$31.3 million at December 31, 2022 and 2021, respectively. In 2022 total Assets includes the implementation of GASB 87 requiring future scheduled lease payments to be reflected at net present value. A total of \$6.1 million was recognized as the net present value of Leases Receivable for future lease commitments for the rental of the office building adjacent to the J. Christian Bollwage Garage. Total Assets and Deferred Outflows are largely comprised of Cash and Cash Equivalents, Deferred Outflows, and Fixed Assets.

Total Liabilities and Deferred Inflows amount to \$35.7 million and \$31.0 million at December 31, 2022 and 2021, respectively. Liabilities are largely comprised of Bonds Payable financing the investments in fixed assets. Liabilities includes the Net Pension Liability of \$1.8 million and \$1.6 million at December 31, 2022 and 2021, respectively, and the Net OPEB Liability of \$3.5 million and \$3.8 million, at December 31, 2022 and 2021, respectively. Deferred Inflows total \$10.9 million and \$5.4 million, at December 31, 2022 and 2021, respectively; largely related to the Capital Financing Leases, Net Pension Liability, and Net OPEB Liability as well as the premium received on the sale of Bonds in 2021. Working capital balances are adequate to meet the operational needs of the Authority.

The Authority implemented GASB 87 requiring the recognition of Leases Receivable and Deferred Inflows of \$6.1 million. This Leases Receivable is comprised of the future lease payments under tenant lease agreements at present value for the office building adjacent to the J. Christian Bollwage Garage.

Operating Revenues total \$5.1 million, an increase of \$1.1 million or 27.9% from 2021. The increase is attributed to increased parking activity continuing the return in activity following the COVID-19 Pandemic in 2020. In 2021, a \$1.0 million American Rescue Funds grant assistance from the City of Elizabeth was received and is included in operating revenues. Operating Revenues include \$541 thousand and \$430 thousand of rental income in the years 2022 and 2021, respectively, resulting from the rental of office space in the office building adjacent to the J. Christian Bollwage Garage.

Operating Expenses total \$4.3 million, an increase of \$625.0 thousand.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring, and planning.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and Notes to the financial statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. This statement presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The Parking Authority of the City of Elizabeth (the "Authority") was created by the City of Elizabeth (the "City") through an ordinance pursuant to authority granted by statutes in 1954. An Agreement was entered into between the City and the Parking Authority providing that the Parking Authority would undertake the management and operation of the existing on-street metered parking system and have the exclusive right and power to institute, manage and operate a system of on-street and off-street parking within the City.

Revenue is provided primarily from parking fees collected from customers using the parking lots or metered spaces.

Bonds Payable

The Authority issued bonds for the purpose of paying construction costs relating to the Authority's parking system. A summary of the Bonds Payable activity for the year is as follows:

Bonds Payable at December 31, 2021	\$ 19,500,000
Bonds Issued	--
Scheduled Principal Payments	<u>(1,230,000)</u>
Bonds Payable at December 31, 2022	<u>\$18,270,000</u>

On November 30, 2021 the Authority issued City Guaranteed Parking Revenue Bonds, Series 2021, in the amount of \$14,880,000 to acquire the J. Christian Bollwage Garage from PACE QALICB, Inc. The Authority has been managing this garage from its inception in 2011.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Executive Director of Parking Authority of the City of Elizabeth, 233 Commerce Place, Elizabeth, New Jersey 07201.

Elizabeth Parking Authority
Condensed Financial Statements
MD&A
Condensed Statement of Net Position

	December 31,			
	<u>2022</u>	<u>2021</u>	<u>Net Change</u>	<u>2020</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,207,641	\$ 4,555,220	\$ (347,579)	\$ 1,688,824
Fixed Assets (Net)	24,599,226	24,829,194	(229,968)	11,623,996
Accounts Receivable	145,412	602,385	(456,973)	74,484
Leases Receivable	6,142,272	-	6,142,272	74,485
Other Assets	268,658	216,201	52,457	246,278
Deferred Outflows - Pension Related	362,228	220,936	141,292	556,675
Deferred Outflows - OPEB Related	1,081,460	876,125	205,335	992,471
Total Assets and Deferred Outflows	\$ 36,806,897	\$ 31,300,061	\$ 5,506,836	\$ 15,257,213
<u>Liabilities</u>				
Accounts Payable and Accrued Expenses	\$ 634,118	\$ 524,827	\$ 109,291	\$ 380,726
Bonds Payable	18,270,000	19,500,000	(1,230,000)	5,000,000
Financing Lease Payable	83,292	163,940	(80,648)	-
Deferred Revenues	374,850	-	374,850	320,997
Net Pension Liability	1,836,734	1,614,302	222,432	2,462,916
Net OPEB Liability	3,495,741	3,751,694	(255,953)	3,961,356
Deferred Inflows - Premium on Sale of Bonds	1,695,923	1,787,957	(92,034)	165,088
Deferred Inflows - Pension Related	762,409	1,377,133	(614,724)	1,195,562
Deferred Inflows - OPEB Related	2,435,219	2,254,194	181,025	2,345,592
Deferred Inflows - Capital Lease	6,142,272	-	6,142,272	242,027
Total Liabilities and Deferred Inflows	\$ 35,730,558	\$ 30,974,047	\$ 4,756,511	\$ 16,074,264
<u>Net Position</u>				
Invested in Capital Assets	\$ 6,245,934	\$ 5,165,254	\$ 1,080,680	\$ 6,381,969
Restricted	642,512	1,338,090	(695,578)	549,778
Unrestricted	(5,812,107)	(6,177,330)	365,223	(7,823,283)
Total Net Position	\$ 1,076,339	\$ 326,014	\$ 750,325	\$ (891,536)
Total Liabilities and Net Position	\$ 36,806,897	\$ 31,300,061	\$ 5,506,836	\$ 15,182,728

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	December 31,			
	<u>2022</u>	<u>2021</u>	<u>Net Change</u>	<u>2020</u>
Operating Revenues	\$ 5,134,221	\$ 4,793,778	\$ 340,443	\$ 2,968,706
Operating Expenses	3,997,971	3,372,748	625,223	3,725,395
Operating Income (Loss)	\$ 1,136,250	\$ 1,421,030	\$ (284,780)	\$ (756,689)
Non-Operating Revenues (Expenses)	(385,925)	(203,480)	(182,445)	75,627
Net Income (Loss)	\$ 750,325	\$ 1,217,550	\$ (467,225)	\$ (681,062)
Net Position, Beginning of Year - as originally reported	326,014	(891,536)	1,217,550	(210,474)
Net Position, End of Year	\$ 1,076,339	\$ 326,014	\$ 750,325	\$ (891,536)

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BASIC FINANCIAL STATEMENTS

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and Cash Equivalents	\$ 305,872	\$ 296,122
Parking Fees Receivable	28,521	592,485
Rent Receivable	72,600	9,900
Other Receivable	44,291	-
Prepaid Expenses	6,883	5,773
	<u>458,167</u>	<u>904,280</u>
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 458,167</u>	<u>\$ 904,280</u>
Restricted Assets:		
Revenue Account:		
Cash and Cash Equivalents	\$ 2,867,856	\$ 2,009,592
Revenue Fund:		
Cash and Cash Equivalents	11	11
Debt Service Fund:		
Cash and Cash Equivalents	642,512	1,338,090
Debt Service Reserve Fund:		
Cash and Cash Equivalents	371,234	-
Bond Defeasance Escrow:		
Cash and Cash Equivalents	-	793,132
Costs of Issuance Fund:		
Cash and Cash Equivalents	20,156	118,273
	<u>3,901,769</u>	<u>4,259,098</u>
<u>TOTAL RESTRICTED ASSETS</u>	<u>\$ 3,901,769</u>	<u>\$ 4,259,098</u>
Fixed Assets:		
Land, Buildings and Equipment - at Cost	\$ 36,088,470	\$ 35,226,282
Less: Accumulated Depreciation	11,489,244	10,397,088
Net Fixed Assets	<u>\$ 24,599,226</u>	<u>\$ 24,829,194</u>
Leases Receivable	6,142,272	-
Unamortized Bond Issuance Costs	176,959	121,148
Unamortized Bond Underwriter Discount	84,816	89,280
	<u>31,003,273</u>	<u>25,039,622</u>
<u>TOTAL NON-CURRENT ASSETS</u>	<u>\$ 31,003,273</u>	<u>\$ 25,039,622</u>
<u>TOTAL ASSETS</u>	<u>\$ 35,363,209</u>	<u>\$ 30,203,000</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflow of Resources:		
Pension Related	\$ 362,228	\$ 220,936
OPEB Related	1,081,460	876,125
	<u>1,443,688</u>	<u>1,097,061</u>
<u>TOTAL DEFERRD OUTFLOWS OF RESOURCES</u>	<u>\$ 1,443,688</u>	<u>\$ 1,097,061</u>
 <u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u>	<u>\$ 36,806,897</u>	<u>\$ 31,300,061</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	\$ 521,552	\$ 428,130
Accrued Payroll	54,198	47,247
Payroll Deductions Payable	10,445	6,001
Deferred Revenue	374,850	-
Financing Lease Payable - Current Portion	<u>83,292</u>	<u>80,648</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 1,044,337</u>	<u>\$ 562,026</u>
Current Liabilities Payable From Restricted Assets:		
Accounts Payable	\$ -	\$ -
Revenue Bonds Payable - Current Portion	1,275,000	1,230,000
Accrued Interest Payable	<u>47,923</u>	<u>43,449</u>
<u>TOTAL RESTRICTED LIABILITIES</u>	<u>\$ 1,322,923</u>	<u>\$ 1,273,449</u>
Noncurrent Liabilities:		
Revenue Bonds Payable - Long Term Portion	\$ 16,995,000	\$ 18,270,000
Financing Lease Payable - Long Term Portion	-	83,292
Net Pension Liability	1,836,734	1,614,302
OPEB Liability	<u>3,495,741</u>	<u>3,751,694</u>
Total Noncurrent Liabilities	<u>\$ 22,327,475</u>	<u>\$ 23,719,288</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 24,694,735</u>	<u>\$ 25,554,763</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Premium on Sale of Bonds, Net of Amortization	\$ 1,695,923	\$ 1,787,957
Pension Related	762,409	1,377,133
OPEB Related	2,435,219	2,254,194
Financing Leases Related	<u>6,142,272</u>	<u>-</u>
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 11,035,823</u>	<u>\$ 5,419,284</u>
Net Position:		
Net Investment in Capital Assets	\$ 4,811,786	\$ 4,671,017
Restricted	642,512	1,338,090
Unrestricted	<u>(4,377,959)</u>	<u>(5,683,003)</u>
<u>TOTAL NET POSITION</u>	<u>\$ 1,076,339</u>	<u>\$ 326,104</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u> <u>AND NET POSITION</u>	<u>\$ 36,806,897</u>	<u>\$ 31,300,151</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>		<u>2021</u>
Operating Revenue:			
Parking Fees	\$ 4,358,228	\$	3,154,507
Violations	210,960		208,935
Rental Income	541,224		430,336
Other Operating Revenues	<u>23,809</u>		<u>220,920</u>
<u>TOTAL OPERATING REVENUE</u>	\$ <u>5,134,221</u>	\$	<u>4,014,698</u>
Operating Expenses:			
Operating Costs	\$ 3,551,586	\$	3,226,697
Depreciation and Amortization Expense	1,106,753		662,069
Pension Expense Adjustment	(380,105)		(331,304)
OPEB Expense Adjustment	<u>(280,263)</u>		<u>(184,714)</u>
<u>TOTAL OPERATING EXPENSES</u>	\$ <u>3,997,971</u>	\$	<u>3,372,748</u>
<u>NET OPERATING INCOME</u>	\$ <u>1,136,250</u>	\$	<u>641,950</u>
Non-Operating Revenue (Expense):			
Interest Income	\$ 13,060	\$	5,996
Other Income	75,832		10,372
Interest Expense	(474,817)		(200,179)
PACE Adjustment	-		(240,589)
Grant	<u>-</u>		<u>1,000,000</u>
<u>TOTAL NON-OPERATING REVENUE (EXPENSE)</u>	\$ <u>(385,925)</u>	\$	<u>575,600</u>
<u>NET INCOME (LOSS)</u>	\$ <u>750,325</u>	\$	<u>1,217,550</u>
Net Position, Beginning of Year	<u>326,014</u>		<u>(891,536)</u>
Net Position, End of Year	\$ <u><u>1,076,339</u></u>	\$	<u><u>326,014</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Parking Fees	\$ 5,224,442	\$ 2,330,369
Receipts from Violations	210,960	194,075
Receipts from Rental Income	551,124	420,436
Payments to Suppliers	(2,236,193)	(1,836,829)
Payments to Employees	(1,357,416)	(1,279,497)
Other Operating Receipts	23,809	-
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 2,416,726</u>	<u>\$ (171,446)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Proceeds on Bond Issuance	\$ -	\$ 16,302,813
Acquisition of Capital Assets	(1,052,232)	(13,815,226)
Principal Payments on Long-Term Debt	(1,230,000)	(380,000)
Interest Paid on Bonds	(484,941)	(162,321)
Principal Payments on Capital Lease	(80,648)	(78,087)
Grants and Other Income	75,832	1,000,000
Interest Paid on Capital Lease	(5,376)	(7,936)
<u>Net Cash Provided (Used) in Capital and Related Financing Activities</u>	<u>\$ (2,777,365)</u>	<u>\$ 2,859,243</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	\$ 13,060	\$ 5,996
Miscellaneous Receipts	-	172,603
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 13,060</u>	<u>\$ 178,599</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (347,579)	\$ 2,866,396
Cash and Cash Equivalents, Beginning of Year	4,555,220	1,688,824
Cash and Cash Equivalents, End of Year	<u>\$ 4,207,641</u>	<u>\$ 4,555,220</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net Income From Operations	\$ 1,136,250	\$ 421,030
Pension Expense Adjustment	(380,105)	(331,304)
OPEB Expense Adjustment	(280,263)	(184,714)
Add Expenses Not Using Working Capital:		
Depreciation and Amortization	1,106,753	662,069
Add (Deduct) Changes in Non-Cash Working Capital:		
Parking Fees Receivable	563,964	(503,141)
Rent Receivable	(62,700)	(9,900)
Other Accounts Receivable	(44,291)	-
Violations Receivable	-	(14,860)
Prepaid Expenses	(1,110)	84
Accounts Payable	(8,017)	108,469
Accrued Payroll	6,951	3,015
Payroll Deductions Payable	4,444	(1,197)
Deferred Revenue	374,850	(320,997)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 2,416,726</u>	<u>\$ (171,446)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(1) GENERAL

The Parking Authority of the City of Elizabeth (the "Authority") was created by the City of Elizabeth (the "City") through an ordinance pursuant to The Parking Authority Law of the State of New Jersey, as amended and supplemented. An Agreement was entered into between the City and the Parking Authority providing that the Parking Authority would undertake the management and operation of the existing on-street metered parking system and have the exclusive right and power to institute, manage and operate a system of on-street and off-street parking within the City. The Authority owns and operates three multi-level parking garages and various off-street lots throughout the City of Elizabeth. In 2021 the Authority acquired an additional garage facility previously owned by PACE QALICB, Inc. As a public body, under existing statute, the Parking Authority is exempt from both federal and state taxes.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Reporting Entity

The Authority's financial statements include the operations of on-street and off-street parking in the City of Elizabeth for which the Board of Commissioners of the Authority exercises financial accountability. Board members are appointed to five-year terms by the City of Elizabeth. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) is segregated into invested in capital assets, restricted and unrestricted components.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business services of the Authority. Non-operating revenues mainly consist of investment income and miscellaneous income. Non-operating expenses mainly consist of debt service interest and debt-related fees.

Leases

Lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The Authority may receive variable lease payments that are dependent upon the lessee's revenues. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Recently Adopted Accounting Pronouncements

Beginning with the year ended December 31, 2022, the Authority implemented GASB Statement 87, *Leases*. GASB Statement 87 establishes criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A Lessee is required to recognize a lease liability and an intangible right to use asset, and a Lessor is required to recognize a lease receivable and a deferred inflow of resources.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions

The Government Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate the unfunded net pension liability of the Public Employees Retirement System (PERS) of the participating employers as of December 31, 2022. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

Under GAAP, Authorities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Government Accounting Standards Board (GASB) has issued Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). OPEB obligations are non-pension benefits that the Authority has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage. The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing law.

Under GAAP, Authorities are required to recognize the OPEB liability in the Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Authority has three items that qualify in this category: deferred amounts related to pension, OPEB, and deferred bond premium.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days. All employees are eligible for the reimbursement of accumulated sick leave which is capped. Accumulated unpaid vacation and sick leave is accrued when incurred.

Restricted Assets

In accordance with the 1992 bond resolution, the Authority has established the following cash and investment accounts with a trustee:

<u>Account</u>	<u>Purpose</u>
Revenue	All operating revenues received by the authority are first deposited into this account.
Operating	All reasonable and necessary operating costs.
Debt Service	To pay principal and interest on bonds when due.
Cost of Issuance	To pay administrative costs associated with issuing bonds.
Bond Defeasance Escrow	Receipt and disbursement of bond proceeds.
Surplus	To deposit monies after all other funds have been satisfied.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Cash and Cash Equivalents

Cash and Cash Equivalents are stated at cost which approximates fair value. Cash Equivalents include cash in banks with original maturities of less than three months.

Receivables

From time to time the Authority may reflect outstanding Receivables for Parking Fees, Violations, and Rents. No allowance for uncollectable has been recorded as the Authority believes these receivables to be fully collectable.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net position.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives;

Buildings and Improvements	40 years
Machinery and Equipment	15 years
Furniture and Fixtures	10 years
Vehicles	5 years

Details of property, plant and equipment as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,661,546	\$ 1,661,546
Buildings and improvements	29,333,522	28,540,390
Machinery and equipment	1,826,190	1,757,134
Furniture	60,520	60,520
Vehicles	320,655	320,655
Rental Property	<u>2,886,036</u>	<u>2,886,036</u>
	\$36,088,470	\$35,226,282
Less: Accumulated Depreciation	<u>11,489,244</u>	<u>10,397,088</u>
Net Property, Plant and Equipment	<u>\$24,599,226</u>	<u>\$24,829,194</u>

On November 30, 2021 the Authority acquired the J. Christian Bollwage Garage and adjacent Rental Property from PACE QALICB, Inc. See Note 15.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(4) CASH AND CASH EQUIVALENTS:

The components of cash and cash equivalents are summarized as follows:

	<u>Unrestricted</u>	<u>Restricted</u>
December 31, 2022:		
Cash in Banks	\$265,882	\$ --
Cash on Hand	39,990	--
Money Market	<u> --</u>	<u>3,901,769</u>
Total	<u>\$305,872</u>	<u>\$3,901,769</u>
December 31, 2021:		
Cash in Banks	\$262,190	\$ --
Cash on Hand	33,932	--
Money Market	<u> --</u>	<u>4,259,098</u>
Total	<u>\$296,122</u>	<u>\$4,259,098</u>

The Authority maintains its accounts in two banks. The cash on deposit of the Authority is partially insured by Federal Deposit Insurance Corporation in the amount of \$250,000 in each depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Government Unit Deposit Protection Act.

(5) CHANGES IN FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ending December 31, 2022:

	<u>Balance Dec 31, 2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance Dec 31, 2022</u>
Land	\$ 1,661,546	\$ --	\$ --	\$ 1,661,546
Buildings and Improvements	28,540,391	793,132	--	29,333,523
Machinery and Equipment	1,757,134	69,056	--	1,826,190
Furniture	60,520	--	--	60,520
Vehicles	320,655	--	--	320,655
Rental Property	<u>2,886,036</u>	<u> --</u>	<u> -</u>	<u>2,886,036</u>
	\$35,226,282	\$ 862,188	\$ --	\$36,088,470
Less:				
Accumulated Depreciation	<u>10,397,089</u>	<u>1,092,155</u>	<u> --</u>	<u>11,489,244</u>
Net Fixed Assets	<u>\$24,829,193</u>	<u>\$(229,967)</u>	<u>\$ --</u>	<u>\$24,599,226</u>

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(6) LEASE RECEIVABLE

The Authority, as Lessor, has entered into the following leases:

- 1st Floor – 17 Caldwell Place, Elizabeth, New Jersey, for use of the office space to the Motor Vehicle Commission. The current lease term expires June 30, 2030 with two additional options to extend through June 30, 2042. The lease receivable is measured at the present value of the future value of the minimum lease payments expected to be received during the lease term at the discount rate. The discount rate is .489% and is equal to the incremental borrowing rate of the Lessor.
- 2nd and 3rd Floors – 17 Caldwell Place, Elizabeth, New Jersey, for use of the office space by the Office of the Public Defender. The current lease term expires July 31, 2028 with no additional options to extend. The lease receivable is measured at the present value of the future value of the minimum lease payments expected to be received during the lease term at the discount rate. The discount rate is .876% and is equal to the incremental borrowing rate of the Lessor.

Under the provisions of GASB 87, in 2022 the Authority recognizes lease revenue of \$427,898 and \$29,746 of interest income under these leases.

Total future minimum lease payments to be received under these lease agreements under GASB 87 are as follows:

Year ended December 31,	Principal	Interest	Total Payment
2023	\$ 526,796	\$ 37,157	\$ 563,954
2024	562,858	32,917	595,775
2025	567,226	28,549	595,775
2026	571,630	24,145	595,775
2027	589,744	19,690	609,435
2028 - 2032	1,169,780	65,021	1,234,801
2033 - 2037	1,068,521	40,015	1,108,536
2038 - 2042	1,085,717	12,211	1,097,928
	<u>\$ 6,142,272</u>	<u>\$ 259,705</u>	<u>\$ 6,401,979</u>

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(7) BONDS PAYABLE

	<u>2022</u>	<u>2021</u>
A summary of Bonds Payable is as follows:		
City Guaranteed Parking Revenue Refunding Bonds, Series 2014 (Series 2006 Refunding) due December 1, 2026	\$ 910,000	\$ 1,125,000
City Guaranteed Parking Revenue Bonds Acquisition Series 2017 due December 1, 2036	3,320,000	3,495,000
City Guaranteed Parking Revenue Refunding Bonds, Series 2021 due December 1, 2040	<u>14,040,000</u>	<u>14,880,000</u>
Total Bonds Payable	\$18,270,000	\$19,500,000
Less: Current Maturities	<u>1,275,000</u>	<u>1,230,000</u>
Total Long-Term Bonds Payable	<u>\$16,995,000</u>	<u>\$18,270,000</u>

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(7) BONDS PAYABLE (CONTINUED)

A. In 2006, the Authority issued City Guaranteed Parking Revenue Refunding Bonds, Series 2006 Bonds in the amount of \$3,500,000 for the purpose of Capital Improvements to the various parking lots. The Bonds included interest ranging from 4.00% to 4.50%.

In 2014, the Authority refunded these bonds in the amount of \$2,665,000 reducing the interest rate to 2.4%. These bonds will mature in December 2026.

B. In 2017 the Authority issued City Guaranteed Parking Revenue Bonds, Series 2017, for the purpose of acquiring the Midtown Garage from the Elizabeth Development Company. Bonds totaling \$4,120,000 were issued. The bonds include interest starting at 4.00% reducing to 3.125%. These bonds will mature in December 2036.

C. On November 30, 2021 the Authority issued City Guaranteed Parking Revenue Bonds, Series 2021 to acquire the J. Christian Bollwage Garage from PACE QALCB, Inc. Bonds totaling \$14,880,000 were issued. The bonds include interest starting at 0.640% increasing to 4.0% in 2027. These bonds will mature in December 2040.

Aggregate principal debt payment requirements during the next five years on these bonds is as follows:

<u>Year</u>	<u>Principal Due</u>
2023	\$ 1,275,000
2024	1,270,000
2025	1,285,000
2026	1,290,000
2027	1,180,000

(8) CAPITAL LEASE FINANCING

In May 2017, the Authority entered into a Lease Purchase Agreement with First Niagara Leasing, Inc. for the acquisition of additional Metric Parking Meters. The financing is repayable over five (5) years with annual payments of \$86,023 payable from the operations of the Authority. This financing has been recorded as a Capital Financing obligation for the purchase cost of \$395,200. The first lease payment was made in December 2018.

The outstanding balance as of December 31, 2022 and 2021 amounts to \$83,292 and \$163,941, respectively.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(9) COMPENSATED ABSENCES

Under the existing policy of the Authority, non-union employees are allowed to accumulate (with restrictions) unused vacation benefits and sick leave. Non-union employees may carryover vacation benefits to be used the following year. Sick leave can be carried over to subsequent years and do not expire. Non-union employees may be paid out for unused sick days upon cessation of their employment with the Authority for up to \$9,000.

The Authority has calculated the liability for unused sick and vacation leave time and has accrued \$265,026 and \$262,284 at December 31, 2022 and 2021, respectively. This liability is included in Accounts Payable.

(10) PENSION PLAN

All required full-time employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.ustreasury/pensions.

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(10) PENSION PLAN (CONTINUED)

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials and part-time employees, effective July 1, 2007. Part-time employees that earn an annual salary of at least \$5,000 and work less than 35 hours per week are eligible to enroll in the New Jersey Defined Contribution Plan (DCRP). The DCRP is offered through the Prudential Retirement Insurance and Annuity Company. Employees contribute 5.5% of salary and the Authority contributes 3% of salary, for a total contribution of 8.5%. Membership is mandatory for such individuals with vesting occurring after one year of membership. The Authority has no employees enrolled in the DCRP.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the PERS system.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS was changed. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30-year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2020 for PFRS), the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20-year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(10) PENSION PLAN (CONTINUED)

Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for an increase in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for PERS.

Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Contribution Requirements:

Three Year Trend Information for PERS

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2020	\$135,582	100%	\$135,582
2019	148,573	100%	148,573
2018	148,573	100%	148,573

DCRP Contributions

The Authority did not make DCRP contributions for the years ended December 31, 2022 and 2021.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At December 31, 2022, the Authority reported a net pension liability of \$1,836,734 for its proportionate share of the total net pension liability. The total net pension liability was measured as of June 30, 2022 (measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2021 which was rolled forward to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.012170498 percent, which was a decrease of 0.0014560787 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the State recognized an actuarially determined pension benefit of \$226,627 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2022 billing was \$159,586.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 5,691	\$ 275,032
Differences between expected and actual experience	13,257	11,691
Net difference between projected and actual earnings on pension plan investments	76,021	--
Changes in proportion and differences between Authority contributions and proportionate share of contributions	113,780	475,686
Authority contributions subsequent to the Measurement date	<u>153,479</u>	<u>-</u>
	<u>\$ 362,228</u>	<u>\$ 762,409</u>

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The \$153,479 reported as deferred outflows of resources relates to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the year ending June 30, 2022, the plan measurement date is June 30, 2021) will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and determined inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2023	\$ (229,934)
2024	(152,649)
2025	(111,527)
2026	13,019
2026	(72,569)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. These actuarial valuations used the following assumptions:

	<u>6/30/2022</u>	<u>6/30/2021</u>
Inflation – Price	2.75 Percent	2.75 Percent
Inflation – Wage	3.25 Percent	3.25 Percent
Salary Increases (based on years of service):		
Through 2026	2.75-6.55 Percent	2.00-6.00 Percent
	Based on Years of Service	
Investment Rate of Return	7.00 Percent	7.00 Percent

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at both June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Long-Term Rate of Return

<u>Asset Class</u>	<u>June 30, 2022</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasury's	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	<u>100.00%</u>	

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of net pension liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2022 respectively, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	1% Decrease <u>6.00%</u>	June 30, 2022 At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	\$2,359,665	\$1,836,734	\$1,391,698

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

The amounts contributed by the State on behalf of the Authority under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Authority does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Authority related to this legislation.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Authority as of December 31, 2022 was 0.0122193739%, The non-employer contributing entities' contribution and employer pension expense and related revenue for the year ended June 30, 2022 was \$3,865.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the authority has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the Authority is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the Authority is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Contributions

The Elizabeth Parking Authority's contributions to SHBP for the years ended December 31, 2022 and 2021 were \$(94,909.00) and (109,080.00) respectively, which equaled the required contributions for each year.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Total Net OPEB Liability

At June 30, 2022, the Plan reported a Liability of \$3,495,741 for the Authority's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

The Authority's proportion of the Net OPEB Liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022.

At June 30, 2022, the Authority's proportion was 0.021646 percent, which was an increase of 0.000687 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the State reported OPEB benefit of \$94,909.00. This OPEB benefit was based on the OPEB plans June 30, 2022 measurement date.

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$180,524.00	\$647,962.00
Changes of assumptions	466,521.00	1,193,029.00
Net difference between projected and actual earnings on OPEB plan investments	920.00	
Changes in proportion	339,274.00	594,228.00
District contributions subsequent to the measurement date	94,221.00	
	<u>\$1,081,460.00</u>	<u>\$2,435,219.00</u>

Deferred outflows of resources in the amount of \$94,221.00 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2022. This amount will be included as a reduction of the Authority's net OPEB liability during the fiscal year ending June 30, 2023.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated pension (benefit)/expense as follows:

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2023	(\$367,753.80)
2024	(368,033.80)
2025	(301,354.80)
2026	(162,804.80)
2027	(76,058.80)
2028-2029	<u>(171,973.00)</u>
	<u>(\$1,447,979.00)</u>

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases:

Public Employees Retirement System (PERS):

Initial fiscal year applied

Rate for all future years

2.75% to 6.55%

Police and Firemen's Retirement System (PFRS):

Rate for all future years

3.25% to 16.25%

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Mortality

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021

*Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2021 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members are considered to participate in the Plan upon retirement.

Discount Rate

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability associated with the Authority's as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	<u>1.00%</u> <u>Decrease (2.54%)</u>	<u>At Discount</u> <u>Rate (3.54%)</u>	<u>1.00%</u> <u>Increase (4.54%)</u>
Authority's proportionate share of the Net OPEB Liability	\$4,052,268.05	\$3,495,741.44	\$3,047,963.70

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(12) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the total Net OPEB Liability associated with the Authority's as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Authority's proportionate share of the Net OPEB Liability	\$2,965,542.71	\$3,495,741.44	\$4,174,776.72

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

(13) GRANT

Under the American Rescue Funds COVID-19 provisions, the City of Elizabeth provided a grant in the amount of \$1,000,000 to the Authority in the year ended December 31, 2021. The grant funds were used to cover salaries, benefits, and other administrative expenses relating to reduced revenues during the COVID-19 pandemic.

(14) SUPPLEMENTARY CASH FLOW INFORMATION

Interest expense realized in the years ended December 31, 2022 and 2021, amounted to \$474,817 and \$200,179, respectively. Interest expense for the year ended December 31, 2022 is net of \$92,034 in the amortization of Bond Premium.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(15) RELATED PARTY TRANSACTIONS

The Authority had contracted with PACE QALICB, Inc. (PACE) for the construction and management of a multi-level garage facility, known as the J. Christian Bollwage Garage, in the City of Elizabeth designated as Redevelopment. PACE is a 501(c)(3) organization that is a qualified active low-income community business. Two employees of the Authority are on the Board of Trustees of PACE. The project is known as the Elizabethtown Plaza Redevelopment Project.

The Authority had entered into a Ground Lease Agreement, a Construction Agreement and a Lease and Operation and Management Agreement with PACE relating to the project. In addition, the Authority had entered into an Easement and License Agreement with the County of Union for the use of parking spaces in the new facility. Easement and license payments due to the Authority under this agreement have been assigned to PACE.

These agreements terminated November 30, 2021 with the Authority's acquisition of the garage from PACE. The Authority issued City Guaranteed Parking Revenue Bonds, Series 2021 in the total amount of \$14,880,000 to acquire the Garage from PACE.

(16) LEASE AGREEMENTS

The Authority consummated lease agreements with the State of New Jersey, Division of Property Management and Construction ("State") for office rental space in the office building adjacent to the J. Christian Bollwage Garage at 17 Caldwell Place in Elizabeth, New Jersey. The Authority purchased the building November 30, 2021.

- a) In March 2018, two floors of the office building were leased to the Department of Treasury, Office of the Public Defender, Law Guardian and Trial Unit ("Public Defender"). The lease has a term of ten (10) years beginning in August 2018. Office Rent for years 1 through 5 will total \$374,064 annually and for years 6 through 10 will total \$428,615 annually. Rental income of \$374,064 and \$413,064 was recognized by the Authority in the years ended December 31, 2022 and 2021, respectively.

In addition to the rental of office space, the lease provides for 25 parking spaces for use by the State Public Defender's Office in the adjacent garage. The rent for the parking spaces amounted to \$39,000 for the 2022 year.

- b) In July 2020, the first floor of the office building was leased to the Department of Transportation, Motor Vehicle Commission ("Motor Vehicle Commission"). The lease has a term of ten (10) years beginning in 2021 upon completion of the tenant build-out. Office Rent for years 1 through 5 will total \$169,728 annually and for years 6 through 10 will total \$194,480 annually. Rental income of \$167,060 was recognized by the Authority for the year ended December 31, 2022.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(16) LEASE AGREEMENTS (CONTINUED)

In addition to the rental of office space, the lease provides for 28 parking spaces for use by the Motor Vehicle Commission's Office in the adjacent garage. The rent for the parking spaces amounted to \$43,600 for the 2022 year.

In conjunction with the implementation of GASB 87, *Leases*, these lease agreements have been recognized as a lease asset and a deferred inflow of resources.

(17) NET POSITION

The components of net position are as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net Position:		
Invested in Capital Assets, Net of Related Liabilities	\$4,811,786	\$4,671,017
Restricted – Debt Service Fund	<u>642,512</u>	<u>1,338,090</u>
Total Restricted	<u>\$5,454,298</u>	<u>\$6,009,107</u>
Unrestricted		
Operating	2,708,456	2,217,169
Net Lease Receivable	--	--
Net Pension Liability	(2,236,915)	(2,770,499)
Net OPEB Liability	<u>(4,849,500)</u>	<u>(5,129,763)</u>
Total Unrestricted	<u>(4,377,959)</u>	<u>(5,683,003)</u>
Total Net Position	<u>\$ 1,076,339</u>	<u>\$ 326,014</u>

(18) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through September 29, 2023, which is the date the financial statements were available to be issued. There are no subsequent events that have occurred that require disclosure in the financial statements.

(19) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2022, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on financial position of the Authority.

SUPPLEMENTARY INFORMATION

THE PARKING AUTHORITY OF ELIZABETH
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN YEARS

Fiscal Year Ending June 30,	Authority's Proportion Share of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0149190507%	\$ 2,851,327	972,841	293.09%	48.72%
2014	0.0144461528%	2,704,715	944,962	286.22%	40.71%
2015	0.0131315370%	2,947,767	962,147	306.37%	42.74%
2016	0.0140329812%	4,133,230	1,026,464	402.67%	40.13%
2017	0.0150347606%	3,248,351	1,023,602	317.35%	48.10%
2018	0.0149368100%	2,940,983	996,886	295.02%	53.60%
2019	0.0138957792%	2,503,809	1,068,362	234.36%	56.27%
2020	0.0151030729%	2,462,916	993,409	247.93%	58.33%
2021	0.0136268285%	1,614,302	889,801	181.42%	70.33%
2022	0.0121707498%	1,836,734	891,754	205.97%	62.91%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-2"

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30.</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2014	\$ 119,092	\$ 119,092	-0-	944,962	12.60%
2015	112,896	112,896	-0-	962,147	11.73%
2016	123,797	123,797	-0-	1,026,464	12.06%
2017	139,281	139,281	-0-	1,023,602	13.61%
2018	148,573	148,573	-0-	996,886	14.90%
2019	149,166	149,166	-0-	1,068,362	13.96%
2020	135,582	135,582	-0-	993,409	13.65%
2021	165,220	165,220	-0-	889,801	18.57%
2022	133,018	133,018	-0-	891,754	14.92%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE PARKING AUTHORITY OF ELIZABETH
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

THE PARKING AUTHORITY OF ELIZABETH
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
 STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
 LAST TEN YEARS

Fiscal Year Ending June 30.	Authority's Proportion Share of the Net OPEB Liability (Asset)	Authority's Proportionate Share of the Net OPEB Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net OPEB Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total OPEB Liability
2017	0.0150347606%	3,248,351	1,023,602	317.35%	1.03%
2018	0.0149368100%	3,328,060	996,886	333.85%	1.97%
2019	0.0205670000%	2,786,020	1,068,362	260.77%	1.98%
2020	0.0220730000%	3,961,356	993,409	398.76%	0.91%
2021	0.0208430000%	3,751,694	889,801	421.63%	0.28%
2022	0.0216460000%	3,495,741	891,754	392.01%	-0.36%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE PARKING AUTHORITY OF ELIZABETH
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
 STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
 LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency (<u>Excess</u>)	Authority's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2017	139,281	139,281	-0-	1,023,602	13.61%
2018	100,850	100,850	-0-	996,886	10.12%
2019	80,267	80,267	-0-	1,068,362	7.51%
2020	72,271	72,271	-0-	993,409	7.28%
2021	75,634	75,634	-0-	889,801	8.50%
2022	94,221	94,221	-0-	891,754	10.57%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2022

STATE HEALTH INSURANCE PROGRAM (SHIP)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 2.16% to 3.54% as of
June 30, 2022.

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH
SCHEDULE OF CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operating Accounts	Revenue Fund	Debt Service Fund	Cost of Issuance Fund	Bond Defeasance Escrow	Total
Cash and Cash Equivalents Beginning of Year	\$ 296,122	\$ 2,009,603	\$ 1,338,090	\$ 118,273	\$ 793,132	\$ 4,555,220
Increased by Receipts:						
Parking Fees		5,224,442				5,224,442
Violations		210,960				210,960
Interest Income	1,115	10,256	1,689			13,060
Rental Income		551,124				551,124
Other Income		99,641				99,641
Transfers	4,370,131		966,145			5,336,276
	<u>\$ 4,371,246</u>	<u>\$ 6,096,423</u>	<u>\$ 967,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,435,503</u>
Decreased by Disbursements:						
Operating Expenses	\$ 3,593,609					\$ 3,593,609
Bond Principal			1,230,000			1,230,000
Principal and Interest on Capital Lease	86,024					86,024
Interest Paid			62,178		422,763	484,941
Fixed Assets	681,863				370,369	1,052,232
Transfers		5,238,159		98,117		5,336,276
	<u>\$ 4,361,496</u>	<u>\$ 5,238,159</u>	<u>\$ 1,292,178</u>	<u>\$ 98,117</u>	<u>\$ 793,132</u>	<u>\$ 11,783,082</u>
Cash and Cash Equivalents End of Year	<u>\$ 305,872</u>	<u>\$ 2,867,867</u>	<u>\$ 1,013,746</u>	<u>\$ 20,156</u>	<u>\$ -</u>	<u>\$ 4,207,641</u>

THE PARKING AUTHORITY OF ELIZABETH

SCHEDULE OF OPERATING REVENUES AND COSTS
FUNDED BY OPERATING REVENUES COMPARED TO
BUDGET FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED DECEMBER 31, 2021

	<u>2022</u>		<u>2022</u>		<u>2021</u>
	BUDGET		ACTUAL		ACTUAL
Revenues:					
Operating Revenues:					
Parking Fees	\$ 4,512,200	\$	4,358,228	\$	3,154,507
Violations	240,000		210,960		208,935
Rental Income	557,224		541,224		430,336
Miscellaneous Income	<u>25,000</u>		<u>23,809</u>		<u>220,920</u>
Total Operating Revenues	\$ <u>5,334,424</u>	\$	\$ <u>5,134,221</u>	\$	\$ <u>4,014,698</u>
Non-Operating Revenues:					
Interest on Investments and Deposits	\$ 12,000	\$	13,060	\$	5,996
Other Non-Operating Revenues	<u>-</u>		<u>75,832</u>		<u>10,372</u>
Total Non-Operating Revenues	\$ <u>12,000</u>	\$	\$ <u>88,892</u>	\$	\$ <u>16,368</u>
Total Revenues	\$ <u>5,346,424</u>	\$	\$ <u>5,223,113</u>	\$	\$ <u>4,031,066</u>
Expenses:					
Salary and Wages	\$ 1,381,299	\$	1,368,811	\$	1,281,315
Fringe Benefits and Payroll Taxes	734,000		771,807		697,630
Professional Fees	143,000		168,300		136,750
Office Expenses	110,000		138,839		118,486
Telephone	70,000		70,972		69,565
Conference and Meetings	10,000		11,148		4,917
Utilities	150,000		104,192		146,586
Insurance	290,000		310,561		277,497
Repairs and Maintenance	382,000		552,777		423,957
Operating Fee to PACE	-		-		31,719
Truck Expenses	20,000		29,284		17,485
Outside Services	14,000		9,963		11,801
Rent	3,000		1,200		1,800
Trustee Fees	20,000		9,120		2,600
Pest Control	<u>7,000</u>		<u>4,612</u>		<u>4,589</u>
Total Operating Appropriations	\$ <u>3,334,299</u>	\$	\$ <u>3,551,586</u>	\$	\$ <u>3,226,697</u>
Non-Operating Appropriations:					
Principal on Bonds	\$ 1,310,648	\$	1,230,000	\$	380,000
Interest Payments Bonds	562,375		555,799		192,243
Equipment Financing - Principal and Interest	-		86,024		86,023
Capital Expenditures	<u>80,000</u>		<u>69,056</u>		<u>13,750</u>
Total Non-Operating Appropriations	\$ <u>1,953,023</u>	\$	\$ <u>1,940,879</u>	\$	\$ <u>672,016</u>
TOTAL COSTS	\$ <u>5,287,322</u>	\$	\$ <u>5,492,465</u>	\$	\$ <u>3,898,713</u>

THE PARKING AUTHORITY OF THE CITY OF ELIZABETH

DECEMBER 31, 2022

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

