



**PARKING AUTHORITY OF THE CITY OF NEW BRUNSWICK**

**Financial Statements and  
Required Supplementary Information**

**December 31, 2017 and 2016**

**With Independent Auditors' Reports**

**Parking Authority of the City of New Brunswick**  
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**December 31, 2017 and 2016**

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# **Parking Authority of the City of New Brunswick Management's Discussion and Analysis (Unaudited) December 31, 2017 and 2016**

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Parking Authority of the City of New Brunswick, New Jersey (the "Authority"), is a public body, corporate and politic, organized and existing under the provisions of New Jersey Law of 1948, New Jersey Statutes Annotated 40:11A. The Authority was created by an ordinance of the City of New Brunswick (the "City") adopted August 3, 1948 to develop, operate and maintain parking facilities within the City of New Brunswick. The following Management's Discussion and Analysis of the activities and financial performance of the Authority provides an introduction to the financial statements of the Authority for the years ended December 31, 2017 and 2016. Please read it in conjunction with the Authority's financial statements and accompanying notes to financial statements.

## **Accountability**

Parking Authority of the City of New Brunswick's mission statement is to contribute to the vitality of the City of New Brunswick by:

- Providing and maintaining parking services and facilities that are clean, safe and affordable
- Serving the parking public
- Promoting the free flow of traffic
- Valuing the customers and residents served

This is accomplished by the Authority constructing, maintaining and operating off-street parking facilities, promoting traffic improvements, improving conditions affecting public safety and welfare and following an 11 point standard of service, with the basis being to promote the businesses and services within the City of New Brunswick and respecting and exceeding our customers, coworkers and the general public's expectations.

The Authority is also responsible for the operation of on-street parking meters and the management of related facilities, as well as the lease and rental of business/commercial properties owned by the Authority. The Authority's duties also include maintenance of the Commercial Business District and management of the New Jersey Transit Park and Ride.

## **Future Economic Outlook**

The local economy continues to grow to which the Authority is seeing a continuing increase in the usage of its parking facilities.

Residential housing projects in the City of New Brunswick have been recently completed and others are in progress to be completed. This increase in housing has added to the demand for overnight parking within our parking facilities.

In 2017, construction of the New Brunswick Performing Arts Center has commenced and once completed, it will add residential, office, and theater space, which will require the necessity for the Authority to construct approximately a 350 space garage at the former Cultural Center Lot location.

In 2018, overall revenues should continue to increase and expenses should remain fairly consistent to 2017 figures.

All retail and commercial rental space is now fully leased up and all tenants are paying rents on time.

New Brunswick is the popular NJ Transit train station along the northeast corridor line. Many commuters use the Authority's garages to park in order to take trains into New York City and Philadelphia.

## **Financial Highlights**

- The Authority issued the Series 2017 parking revenue bonds in the amount of \$21,985,000 with an original issue premium of \$2,770,216. The Series 2017 bonds were issued to provide funds which will be used to permanently finance the acquisition of certain real property, to be located in the City's Cultural Center district, and construction thereon of an Authority owned facility consisting of a parking deck with approximately 350 parking spaces and approximately 4,500 square feet of retail, performance, rehearsal and cultural space.
- During 2017, the Authority purchased 3 plots of land amounting to approximately \$6,026,000 and incurred construction costs of approximately \$1,643,000.

**Parking Authority of the City of New Brunswick  
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- Unrestricted cash and cash equivalents decreased by approximately \$490,000
- Operating revenue decreased by approximately \$825,000
- Operating expenses decreased by approximately \$798,000
- The Authority completed demolition of the Ferren parking deck and is currently in discussion with potential development entities to sell the land. The carrying value of the assets has been reclassified to assets held for sale.

**Overview of the Financial Statements**

The Authority is a self-supporting entity and follows enterprise fund reporting. The Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Enterprise fund statements reflect short and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business.

**Required Financial Statements**

The statements of net position include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure and assessing the liquidity and financial viability of the Authority. The statements of revenues, expenses and changes in net position account for all of the Authority's revenues and expenses. These statements measure the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its charges for services. These statements also measure the profit and credit worthiness of the Authority. The statements of cash flows provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments and net changes in cash resulting from operating activities, capital and related financing activities and investing activities.

**Statement of Net Position**

The Authority's net position was \$4,074,051 and \$7,183,157 at December 31, 2017 and 2016, respectively. The following table illustrates the significant net position activity.

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets	\$ 16,514,960	\$ 16,691,643
Noncurrent assets	494,473,918	474,922,053
Total assets	<u>\$ 510,988,878</u>	<u>\$ 491,613,696</u>
Deferred outflows	<u>\$ 2,834,904</u>	<u>\$ 4,101,014</u>
<b>Liabilities</b>		
Current liabilities	\$ 18,861,959	\$ 13,594,595
Long-term liabilities	487,769,486	474,008,011
Total liabilities	<u>\$ 506,631,445</u>	<u>\$ 487,602,606</u>
Deferred inflows	<u>\$ 3,118,286</u>	<u>\$ 928,947</u>
<b>Net Position</b>		
Restricted	\$ 15,480,953	\$ 15,368,806
Net investment in capital assets	--	--
Unreserved net deficit	<u>(11,406,902)</u>	<u>(8,185,649)</u>
Total net position	<u>\$ 4,074,051</u>	<u>\$ 7,183,157</u>

**Parking Authority of the City of New Brunswick  
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**Statement of Revenues and Expenses**

Changes in the Authority's net position can be determined by reviewing the following condensed statements of revenues, expenses and changes in net position for the years ended December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Operating revenue		
Charges for services	\$ 30,856,329	\$ 31,681,136
Non-operating revenue		
Interest earned on investments	154,304	73,091
Interest earned on promissory notes receivable	1,707,823	1,707,823
Gain on sale of capital assets	28,634	10,867
Grant revenue	1,251,357	1,060,099
	<u>33,998,447</u>	<u>34,533,016</u>
<b>Expenses</b>		
Operating expenses		
Cost of providing services	7,563,321	7,693,329
Administrative and general	2,110,924	2,039,746
Depreciation	6,286,879	6,363,775
Pension expense, net - GASB 68 adjustment	(30,204)	628,362
Non-operating expenses (revenues)		
Interest on bonds payable	12,030,734	12,323,746
Interest on crossover bonds	3,334,197	215,252
Interest on notes payable	1,752,077	1,718,367
Amortization of bond premiums	(1,350,000)	(680,413)
Amortization of bond insurance	33,817	11,180
Bond issuance costs	400,808	1,344,989
Payment in lieu of taxes ("PILOT")	4,975,000	4,650,000
	<u>37,107,553</u>	<u>36,308,333</u>
Changes in net position	<u>\$ (3,109,106)</u>	<u>\$ (1,775,317)</u>

The Authority realized a decrease in revenues from operations (charges for services) of approximately \$825,000 (2.60 percent) over 2016. The Authority incurred a decrease in expenses from operations of approximately \$794,000 (4.75 percent) over 2016.

The Authority issued two refunding bonds in 2016 as crossover bonds. These were to refund 2010 BAB's and 2010 RZEDB's in 2021 with a projected savings of \$22,628,420 over the life of the bonds. During the interim period until the refunding, the crossover bonds will be funding its debt service from interest earned and from its principal funds without any cash outlay from the parking operations. The interest earned and the debt service is booked as revenue and expenses in the year they are earned and expensed. The difference between the debt service and interest earned caused a net deficit which is reflected in the net position of the Authority. From 2016 through 2020 the net deficit resulting from this book entry will be approximately \$13,920,000. This net deficit amount will start to diminish beginning 2021 when the savings from the crossover bonds are realized. In year 2032 the savings from debt service of the refunding bonds will breakeven the net deficit created in the first five years of the crossover bonds.

**Parking Authority of the City of New Brunswick  
Management's Discussion and Analysis (Unaudited)  
December 31, 2017 and 2016**

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**Budget to Actual Analysis**

The schedule of operating revenue and costs funded by operating revenue compared to budget is included on page 39.

For 2017, the Authority recognized revenue of approximately \$32,291,000, which was a 2.6 percent increase over the 2017 budgeted revenue amount of approximately \$33,123,000. Personnel and related expenses were under budget by approximately \$378,000. Other expenses were under budget by approximately \$460,000. Overall operating expenses were under budget by approximately \$838,000. Overall, the Authority recognized an increase in net position of approximately \$311,000 for items which are included in the budget, as compared to the budgeted surplus amount of approximately \$785,000.

**Capital Asset and Debt Administration**

The Authority's capital assets consisted of the following at December 31:

	<b>2017</b>	<b>2016</b>
Land	\$ 38,873,126	\$ 32,846,875
Equipment	4,868,572	4,635,432
Parking facilities and renovations	237,538,660	236,861,945
Software	35,255	35,255
Signage	51,447	51,447
	<u>281,367,060</u>	<u>274,430,954</u>
Accumulated depreciation	<u>(45,766,395)</u>	<u>(39,581,457)</u>
	<u>\$ 235,600,665</u>	<u>\$ 234,849,497</u>

Overall, net capital assets increased by approximately \$751,000 (0.32 percent) from 2016 to 2017. The increase is a result of current year additions being greater than current year depreciation expenses.

**Debt Outstanding**

The Authority had the following debt outstanding at December 31:

	<b>2017</b>	<b>2016</b>
Revenue bonds payable	\$ 260,836,692	\$ 241,823,479
Bonds payable - crossover refunding	163,018,275	163,926,273
Notes payable	60,109,453	60,781,722
Subordinated project note payable	4,710,000	810,000
	<u>\$ 488,674,420</u>	<u>\$ 467,341,474</u>

Revenue bonds payable increased by approximately \$19,013,000 resulting from the issuance of a bond amounting to approximately \$24,755,000, offset by principal payments of \$5,300,000 and bond premium amortization of approximately \$678,000. Bonds payable – crossover refunding decreased by approximately \$672,000 from amortization on bond premiums. The Authority also issued a subordinated project note payable in the amount of \$3,900,000 during 2017.

**Contacting the Authority's Management**

This financial report is designed to provide the residents and taxpayers of the City of New Brunswick, and the Authority's customers, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Parking Authority of the City of New Brunswick, 106 Somerset Street, New Brunswick, New Jersey 08901.

## INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and Authority Commissioners  
Parking Authority of the City of New Brunswick  
106 Somerset Street  
New Brunswick, New Jersey 08901

### Report on the Financial Statements

We have audited the accompanying financial statements of Parking Authority of the City of New Brunswick (the "Authority"), a proprietary fund, which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 and the audit requirements as prescribed by the State of New Jersey, Department of Community Affairs, and Division of Local Government. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parking Authority of the City of New Brunswick as of December 31, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018 on our consideration of Parking Authority of the City of New Brunswick'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 Authority's internal control over financial reporting and compliance.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability – PERS and schedule of Authority contributions – PERS as presented in the table of contents be 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 of 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.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating revenue and costs funded by operating revenue compared to budget, Wellness Center Project revenues and expenses and Gateway Project revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the *State of New Jersey, Department of the Treasury, Single Audit Policy Circular 15-08-OMB*, and is 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 schedules of operating revenue and costs funded by operating revenue compared to budget, Wellness Center Project revenues and expenses, Gateway Project revenues and expenses and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as whole.



May 8, 2018



**Parking Authority of the City of New Brunswick**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,900,201	\$ 2,390,138
Accounts receivable, net	2,603,945	2,387,362
Grants receivable	269,179	60,099
Assets whose use is limited, current portion	10,806,232	10,995,185
Prepaid expenses and other current assets	849,794	796,351
Inventory	85,609	62,508
Total current assets	<u>16,514,960</u>	<u>16,691,643</u>
Noncurrent assets		
Noncurrent assets whose use is limited	183,191,865	181,756,912
Promissory notes receivable	64,757,134	49,042,264
Deferred rent	790,816	744,690
Prepaid operating lease, net	3,033,424	3,069,950
Capital assets, net	235,600,665	234,849,497
Prepaid bond insurance	819,020	751,863
Capital assets held for sale	4,638,427	4,638,427
Deposits on capital assets	1,642,567	68,450
Total noncurrent assets	<u>494,473,918</u>	<u>474,922,053</u>
<b>Total assets</b>	<u>\$ 510,988,878</u>	<u>\$ 491,613,696</u>
<b>Deferred Outflows</b>		
Pension deferred outflows	\$ 2,143,057	\$ 3,372,104
Unamortized interest of 2006 bond refunding	691,847	728,910
	<u>\$ 2,834,904</u>	<u>\$ 4,101,014</u>

The Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of New Brunswick**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,730,726	\$ 1,093,525
Unearned revenue - parking	348,440	142,800
Security deposits	594,292	553,085
Bonds payable, current portion	5,530,000	5,300,000
Notes payable - NMTC, current portion	672,269	--
Subordinated project note payable	4,710,000	810,000
Accrued interest on bonds	<u>5,276,232</u>	<u>5,695,185</u>
Total current liabilities	18,861,959	13,594,595
Long-term liabilities		
Deferred revenue - judges parking	368,607	388,987
Deferred rent	83,236	55,737
Bonds payable, net of current portion	255,306,692	236,523,479
Bonds payable - crossover refunding	163,018,275	163,926,273
Notes payable - NMTC, net of current portion	60,109,453	60,781,722
Net pension liability	<u>8,883,223</u>	<u>12,331,813</u>
Total long-term liabilities	<u>487,769,486</u>	<u>474,008,011</u>
 Total liabilities	 <u>\$ 506,631,445</u>	 <u>\$ 487,602,606</u>
<b>Deferred Inflows</b>		
Pension deferred inflows	<u>\$ 3,118,286</u>	<u>\$ 928,947</u>
<b>Net Position</b>		
Net investment in capital assets	\$ --	\$ --
Restricted for		
Debt service	14,957,910	14,846,895
Renewal and replacement	523,043	521,911
Unreserved net deficit	<u>(11,406,902)</u>	<u>(8,185,649)</u>
Total net position	<u>\$ 4,074,051</u>	<u>\$ 7,183,157</u>

The Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of New Brunswick**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Operating revenues</b>		
Parking revenue	\$ 23,178,938	\$ 24,331,825
Meter operations	2,584,293	2,562,662
Rental revenue	3,282,297	3,042,035
Common facility	947,269	877,292
Summons surcharge	272,080	276,256
Management revenue	409,518	375,413
Event parking	170,252	203,699
Other revenue	<u>11,682</u>	<u>11,954</u>
Total operating revenues	30,856,329	31,681,136
<b>Operating expenses</b>		
Cost of providing services	7,563,321	7,693,329
Administrative and general	2,110,924	2,039,746
Depreciation	6,286,879	6,363,775
Pension expense, net - GASB 68 adjustment	<u>(30,204)</u>	<u>628,362</u>
Total operating expenses	<u>15,930,920</u>	<u>16,725,212</u>
Operating income	14,925,409	14,955,924
<b>Non-operating revenues (expenses)</b>		
Interest earned on investments	154,304	73,091
Interest earned on promissory notes receivable	1,707,823	1,707,823
Grant revenue	1,251,357	1,060,099
Interest on bonds payable	(12,030,734)	(12,323,746)
Interest on crossover bonds, net of interest revenue of \$3,108,766 and \$1,320,259 at December 31, 2017 and 2016, respectively	(3,334,197)	(215,252)
Interest on notes payable	(1,752,077)	(1,718,367)
Gain on sale of capital assets	28,634	10,867
Amortization of bond premium	1,350,000	680,413
Amortization of bond insurance	(33,817)	(11,180)
Bond issuance costs	<u>(400,808)</u>	<u>(1,344,989)</u>
Total non-operating revenues (expenses)	<u>(13,059,515)</u>	<u>(12,081,241)</u>
Changes in net position before payment in lieu of taxes	1,865,894	2,874,683
Direct charges		
Payment in lieu of taxes (PILOT)	<u>(4,975,000)</u>	<u>(4,650,000)</u>
Changes in net position	(3,109,106)	(1,775,317)
Net position at beginning of year	<u>7,183,157</u>	<u>8,958,474</u>
Net position at end of year	<u>\$ 4,074,051</u>	<u>\$ 7,183,157</u>

The Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of New Brunswick**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities</b>		
Cash received from services	\$ 30,725,437	\$ 31,307,661
Cash paid to suppliers	(5,678,660)	(6,944,560)
Cash paid to employees	(3,317,460)	(4,036,084)
Cash paid for fee in lieu of taxes	<u>(4,975,000)</u>	<u>(4,650,000)</u>
Net cash provided by operating activities	16,754,317	15,677,017
<b>Cash flows from noncapital financing activities</b>		
Issuance of subordinated project note payable	3,900,000	810,000
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(7,042,321)	(844,690)
Change in deposits on capital assets	(1,574,117)	(45,574)
Proceeds from sale of capital assets	32,908	10,867
Principal paid on bonds	(5,300,000)	(5,170,000)
Cash paid for interest, net of interest subsidy	(17,535,961)	(14,314,836)
Change in assets whose use is limited	(1,246,000)	(161,410,306)
Proceeds from issuance of bonds payable	24,755,215	188,333,219
Principal paid on bonds through advance refunding	--	(19,775,000)
Payoff of bond anticipation notes payable	--	(3,525,000)
Payments for bond issuance costs	(400,808)	(1,356,169)
Deferred outflow of resources - refunding bond payments	37,063	(373,136)
Payments for bond insurance	(100,974)	(751,863)
Issuance of promissory note receivable	(16,086,001)	--
Collections on promissory notes receivable	2,078,954	1,707,823
Cash received from capital grants	1,042,277	1,000,000
Change in security deposits	<u>41,207</u>	<u>62,068</u>
Net cash used by capital and related financing activities	(21,298,558)	(16,452,597)
<b>Cash flows from investing activities</b>		
Investment income	<u>154,304</u>	<u>73,091</u>
Net change in cash and cash equivalents	(489,937)	107,511
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,390,138</u>	<u>2,282,627</u>
End of year	<u>\$ 1,900,201</u>	<u>\$ 2,390,138</u>

The Notes to Financial Statements are an integral part of these statements.

**Parking Authority of the City of New Brunswick**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities</b>		
Operating income (less PILOT)	\$ 9,950,409	\$ 10,305,924
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	6,286,879	6,363,775
Deferred rent	(18,627)	(255,468)
Pension expense, net - GASB 68 adjustment	(30,204)	628,362
Amortization of prepaid operating lease	36,526	20,086
Changes in		
Accounts receivable	(216,583)	641,912
Prepaid expenses and other current assets	(53,443)	(600,707)
Inventory	(23,101)	(10,407)
Prepaid operating lease	--	(810,000)
Accounts payable and accrued expenses	637,201	(483,044)
Unearned revenue - parking	205,640	(104,220)
Deferred revenue - judges parking	(20,380)	(19,196)
Net cash provided by operating activities	<u>\$ 16,754,317</u>	<u>\$ 15,677,017</u>
 <b>Supplemental disclosure of cash flow information</b>		
Total cash paid during the year for interest excluding interest subsidy	<u>\$ 21,607,822</u>	<u>\$ 18,391,070</u>
 <b>Noncash capital and related financing activities</b>		
Reclassification between capital assets and capital assets held for disposal	<u>\$ --</u>	<u>\$ 4,638,427</u>
Writeoff of bond discount through bond refunding transaction	<u>\$ --</u>	<u>\$ 355,774</u>

The Notes to Financial Statements are an integral part of these statements.

# **Parking Authority of the City of New Brunswick**

## **Notes to Financial Statements**

### **December 31, 2017 and 2016**

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#### **1. Summary of Significant Accounting Policies**

Significant accounting policies followed by Parking Authority of the City of New Brunswick (the "Authority") in the preparation of the accompanying financial statements are summarized below.

##### **Nature of Business**

Parking Authority of the City of New Brunswick is a public body, corporate and politic, organized and existing under the provisions of New Jersey Law of 1948, New Jersey Statutes Annotated 40:11A. The Authority was created by an ordinance of the City of New Brunswick (the "City") adopted August 3, 1948 to develop, operate and maintain parking facilities within the City of New Brunswick.

Pursuant to the mandates of the "Local Authorities Fiscal Control Law" (N.J.S.A. 40AA:5-1 et seq.) the Authority is considered an independent entity, and is required to submit audited financial statements, on an annual basis, to the State of New Jersey, Department of Community Affairs, Division of Local Government Services ("DCA"). Although the Authority's members are appointed by the Governing Body of the City of New Brunswick (the "City"), the legal form of the Authority is that it is not financially accountable to the City and no service contract with the City exists for specific services to be performed. As a result, the financial statements of the Authority are not included in those of the City of New Brunswick. The Authority has neither stockholders nor equity holders. As a public body, under existing statute, the Authority is exempt from federal, state and local taxes.

##### **Basis of Presentation**

The Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board ("GASB"). Enterprise fund statements reflect short and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business.

In its accounting and financial report, the Authority follows the pronouncements of GASB. In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedures unless they conflict with or contradict GASB pronouncements.

##### **Budget**

The annual budget serves as the foundation for the Authority's planning and control. Management prepares a proposed budget, which is presented to the Authority's Board of Commissioners for review and approval. Prior to adoption by the Board of Commissioners, these budgets are reviewed and legally approved by the DCA. See schedule of operating revenue and costs funded by operating revenue compared to budget.

##### **Net Position**

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is not subject to externally imposed stipulations.

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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. Significant estimates include the allowance for doubtful accounts, the useful lives of capital assets and depreciation expense, and the net pension liability.

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**Assets Whose Use is Limited**

Assets whose use is limited include assets held by trustees under bond indenture agreements. Investments included within assets whose use is limited are recorded at fair value. The fair value of these investments is determined by reference to quoted market prices.

**Promissory Notes Receivable**

Promissory notes receivable are recorded at amortized cost. The Authority estimates an allowance for doubtful accounts based on current market conditions, creditworthiness of the borrower and the industry in which the borrower operates. No allowance was required as of December 31, 2017 and 2016.

**Capital Assets, Net**

Capital assets are stated at cost. Depreciation and amortization is provided under the straight-line method based upon the following estimated useful lives:

Description	Estimated Life (Years)
Equipment	5
Signage	5
Software	5
Parking facilities and renovations	10-40

Major replacements and improvements of property and equipment are capitalized. Minor replacements, repairs and maintenance are charged to expense as incurred. Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in change in net position.

**Impairment of Capital Assets**

The Authority assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset has both significantly and unexpectedly declined. For the years ended December 31, 2017 and 2016 management has determined that there was no impairment of capital assets.

**Concentration of Credit Risk**

At December 31, 2017, one customer accounted for approximately 36 percent of accounts receivable and for the year ended December 31, 2016, one customer accounted for approximately 53 percent of accounts receivable. For the year ended December 31, 2017, one customer accounted for approximately 13 percent of total operating revenue. For the year ended December 31, 2016, one customer accounted for approximately 17 percent of total operating revenue.

**Revenue Recognition**

*Operating revenues*

Operating revenue is recognized when services are performed. The Authority generates revenue by offering daily/hourly parking in its facilities. Patrons have the ability to purchase monthly parking at Authority garages. The Authority controls all on-street meters within the City limits. By enforcing on-street parking, the Authority issues tickets and collects revenue from enforcement of those tickets. The court then enforces the ticket and pays a portion of the revenue back to the Authority. Rental revenue is earned by leasing space within the Gateway Project garage, University Center building and the Wellness Center Project garage. Off street parking is enforced by the Authority whereby tickets are written and collected by the Authority. Tickets that are not paid within two weeks are sent to the court and a summons is issued. The Authority has several parking management agreements with private entities in New Brunswick for which the Authority manages and operates their parking facilities for a management fee, which is recorded when earned on a monthly basis. The Authority also has a management agreement with New Jersey Transit to manage and operate its Jersey Avenue Park n' Ride.

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*Non-operating revenues*

Non-operating revenues consist of interest income on assets whose use is limited, interest income on promissory notes receivable, gains on sale of capital assets, amortization of bond premiums and grant revenue under a contract with the State of New Jersey. Interest income is recognized when earned and is accrued if unpaid. Grant revenue is recognized to the extent that expenditures have been incurred for the purpose specified by the grantor during the period. Gains on capital assets are recognized when the sale price of the capital asset exceeds the net book value of the asset and are recognized on the date of sale.

**Cash and Cash Equivalents**

The Authority considers all highly liquid investments with an initial maturity of three months or less at the date of acquisition to be cash equivalents.

**Inventory**

Inventory is stated the lower of cost or market using the average cost method. Inventory consists mainly of supplies and equipment which were purchased but unused at year end.

**Prepaid Operating Leases**

The Authority has two prepaid operating leases one of which is amortized using the straight line method and one using the effective interest method over the life of the associated lease (see Note 6).

**Bond Discount and Premiums**

Discounts and premiums on bonds are amortized over the term of the related bond using the effective interest method.

**Deferred Rent**

The Authority has leases with escalating rent payments and rent abatement. Rental income and rental expense is recorded on a straight line basis over the life of the lease and the resulting accrual (deferral) is recorded as an asset (liability) on the statements of net position.

**Interest Expense, Net**

The Authority records interest in the period incurred. Interest subsidy payments received in connection with the series 2010 Build America Bonds ("BAB") guaranteed parking revenue bonds and the series 2010 Recovery Zone Economic Development Bonds ("RZEDB") guaranteed parking revenue bonds, are offset against the related interest cost incurred. Interest consists of the following for the years ended December 31:

	<b>2017</b>	<b>2016</b>
Interest on bonds payable	\$ 16,102,595	\$ 16,399,980
Interest on crossover bonds, net	3,334,197	215,252
Interest on notes payable	1,752,077	1,718,367
Less: Interest rebate	<u>(4,071,861)</u>	<u>(4,076,234)</u>
	<u>\$ 17,117,008</u>	<u>\$ 14,257,365</u>

**Deferred Outflows/Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

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. Deferred inflow 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 then.



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The Authority's deferred outflows are a result of its participation in the pension plan (see Note 13) and bond refunding (see Note 12). The Authority's deferred inflows are a result of its participation in the pension plan (see Note 13).

**2. Cash, Cash Equivalents and Investments**

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation or any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund (the "Fund").

The Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required. In addition, by regulation of the DCA, authorities are allowed to invest in government money market mutual funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows: The market value of the collateral must equal five percent of the average daily balance of public funds or; if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The Authority deposits funds within 48 hours of receipt in accordance with local statutes.

**Investments (Assets Whose Use is Limited)**

New Jersey statutes permit the Authority to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligations bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of Authority districts of which the local unit is a part or within which the Authority district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. The custody of collateral is transferred to a third party;
  - c. The maturity of the agreement is not more than 30 days;
  - d. The underlying securities are purchased through a public depository as defined in P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Investments at December 31, 2017 and 2016 consist of U.S. Treasury bills and notes, fixed income securities and certificates of deposit and are included in assets whose use is limited in the statements of net position.

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Based upon existing investment policies, the Authority is generally not exposed to interest rate risk as investments mature one year or less or are held to maturity. All current investments or underlying investments are U.S. Treasury bills, fixed income securities or certificates of deposit, thereby mitigating credit risk, concentration of credit risk and interest rate risks nor are its deposits and investments exposed to foreign currency risks.

**3. Accounts Receivable and Credit Policy**

Receivables are unsecured, non-interest bearing obligations due from customers under terms requiring payment within fifteen to forty-five days. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified on the remittance advice, payments are applied to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and, based on an assessment of current creditworthiness estimates the portion, if any, of the balance that will not be collected.

Accounts receivable, net consisted of the following at December 31:

	<b>2017</b>	<b>2016</b>
Accounts receivable	\$ 2,603,945	\$ 2,387,362
Allowance for doubtful accounts	<u>          --</u>	<u>          --</u>
Accounts receivable, net	<u>\$ 2,603,945</u>	<u>\$ 2,387,362</u>

**4. Promissory Notes Receivable**

In December 2010, the Authority issued three promissory notes receivable in connection with the construction on the Gateway Project amounting to \$12,786,160, \$24,732,590 and \$11,347,995, for a total of \$48,866,745 with Somerset Street Associate 2, LLC ("SSA2"). The loans are secured by a collateral assignment of the mortgage on the project. The notes accrue interest only until January 1, 2018. Beginning April 1, 2018 the borrower shall make quarterly payments of principal and interest. The notes bear interest at 5.63 percent and mature April 1, 2041. On August 29, 2014, the promissory note receivable of \$24,732,590 plus accrued interest was relieved through the conveyance of title of the Gateway Project parking garage. The Authority has the option to buy the investment fund in 2019.

In September 2011, the Authority issued one promissory note receivable in connection with the construction on the Wellness Center Project amounting to \$22,047,700 with Ferren Leverage Lenders, LLC ("FLL"). The loan is secured by a collateral assignment of the Wells Fargo Pledge agreement pursuant to which FLL has granted a first priority security interest in all of the rights to the interest in the pledge collateral as defined in the agreement. The note accrues interest only until October 1, 2018. Beginning January 1, 2019, the borrower shall make quarterly payments of principal and interest. The note bears interest at 1.00 percent and matures on September 1, 2041. The Authority has the option to buy the investment fund in 2019.

In December 2017, the Authority issued one promissory note in connection with the construction of the New Brunswick Cultural Center amounting to \$16,086,000 with NBCC Leverage Lender, LLC, a New Jersey limited liability company. The note accrues no interest through March 19, 2018. Beginning on March 19, 2018 through December 19, 2024, the note requires interest only payments accruing at 1 percent. Beginning March 19, 2025, the note calls for quarterly payments of principal and interest at 1 percent, in arrears, and the entire outstanding principal balance plus all accrued and unpaid interest shall become due and payable on the maturity date of December 31, 2043.

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Promissory notes receivable consisted of the following at December 31:

	<b>2017</b>	<b>2016</b>
Recorded investment	\$ 64,757,134	\$ 49,042,264
Unpaid principal balance	\$ 62,267,855	\$ 46,181,855
Related allowance	\$ --	\$ --
Interest income recognized	\$ 1,707,823	\$ 1,707,823
Accrued interest income	\$ 2,489,279	\$ 2,860,409

The recorded investment includes accrued interest. There was no allowance for loan losses for the years ended December 31, 2017 and 2016 as none of the loans are on nonaccrual status.

**5. Assets Whose Use is Limited**

In accordance with the 2006, 2010 and 2012 bond resolutions, the Authority has established the following cash and investment accounts for the deposit of proceeds from bond issuances received by the Authority:

General Account – The balance of restricted assets, if any, remaining after all the below requirements have been met.

Revenue Account – All revenue received by the Authority to be used to support budgeted operating expenses.

Construction Account – Any monies received by the Authority for the cost of construction or acquisition of parking facilities.

Bond Service Account (Current Debt Service) – An amount equal to unpaid interest due on outstanding bonds payable on or before immediately succeeding March 1 or September 1, in addition to principal on said dates.

Bond Reserve Account (Future Debt Service) – An amount equal to the greatest bond service requirement of any future fiscal year.

Renewal and Replacement Account – An amount reasonably necessary, with respect to the facilities, for major repairs, renewals and replacements or maintenance not recurring annually.

Crossover refunding bonds escrow – represents the funds required to be held in order to cover the debt service on the old bonds and refund the 2010 BABs and 2010 RZEDBs bonds.

Issuance cost escrow funds – represents the excess funds received from bond refunding transactions.

Assets whose use is limited consist of assets that are held by the trustee. Assets whose use is limited, current portion consist of those funds that are used to satisfy current liabilities and obligations. Assets whose use is limited amounted to the following at December 31:

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	2017	2016
General account	\$ 176,938	\$ 182,841
Revenue account	2,881,001	3,465,224
Construction account	886,455	886,455
Current debt service	5,603,239	5,424,631
Future debt service	25,616,766	20,626,200
Renewal and replacement	523,043	521,911
Crossover refunding bonds escrow	158,300,224	161,634,421
Issuance cost escrow funds	10,431	10,414
	<u>\$ 193,998,097</u>	<u>\$ 192,752,097</u>

**Fair Value Information**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2017 and 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
<b><u>December 31, 2017</u></b>			
Money fund	\$ 8,603	\$ 8,603	\$ --
U.S. treasury bills	13,330,562	--	13,330,562
Group money market	1,935,284	1,935,284	--
U.S. treasury notes	131,507,080	--	131,507,080
Fixed income securities	26,792,568	--	26,792,568
Certificates of deposit	20,424,000	--	20,424,000
	<u>\$ 193,998,097</u>	<u>\$ 1,943,887</u>	<u>\$ 192,054,210</u>
<b><u>December 31, 2016</u></b>			
Money fund	\$ 10,158	\$ 10,158	\$ --
U.S. treasury bills	13,438,582	--	13,438,582
U.S. treasury notes	134,840,789	--	134,840,789
Fixed income securities	26,792,568	--	26,792,568
Certificates of deposit	17,670,000	--	17,670,000
	<u>\$ 192,752,097</u>	<u>\$ 10,158</u>	<u>\$ 192,741,939</u>

**6. Prepaid Operating Leases**

*RWJ Land Lease*

During 1993, the Authority entered into a land lease agreement with Robert Wood Johnson Property Holding Corporation ("RWJ"). The Authority leased the land from RWJ for 50 years with a 25-year renewal option at no additional rent. The terms of the lease, as amended, provided for an upfront lump-sum payment of \$1,636,600.

During 2001, RWJ and the Authority agreed to cancel the 1993 agreement and enter into a new lease agreement. The Authority leased the land included in the 1993 lease plus additional land. The terms of the new lease provided for an additional lump-sum payment of \$746,700 for a total of \$2,383,300.

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The Authority is amortizing the advance payments made to RWJ over the 75 years utilizing the present value method at an imputed interest rate of 6 percent.

During 2003, RWJ repaid the Authority \$55,221, reducing prepaid operating lease to a total of \$2,328,079, as part of the City of New Brunswick and its Board of Education's request to purchase at cost a portion of the property formerly leased to the Authority in order to expand the adjacent Health Sciences Technology Authority. The amount paid was included in the statements of net position as a reduction of prepaid operating lease as of December 31, 2003. Net prepaid operating lease amounted to \$2,272,024 and \$2,276,150 at December 31, 2017 and 2016, respectively. Amortization expense for the next 5 years will be approximately \$4,000 per year.

*Housing and Urban Development Authority of the City of New Brunswick*

During 2016, the Authority entered into a lease agreement for rentable retail space and common area facilities with the Housing and Urban Development Authority of the City of New Brunswick ("New Brunswick HUD"). The Authority leased the space from New Brunswick HUD for 25 years with a 15-year renewal option from the expiration of the initial term. The terms of the lease, provided for an upfront payment of \$810,000. Net prepaid operating lease amounted to \$761,400 and \$793,800 at December 31, 2017 and 2016, respectively. Amortization expense for the next 5 years will be approximately \$32,400 per year.

**7. Deferred Revenue – Judges' Parking**

The Authority entered into a lease agreement with the County of Middlesex in December 2000 to lease 28 spaces to employees of the County of Middlesex. The lease called for total payments of \$600,000 over a thirty year period, which was paid up front. The Authority is amortizing the advance payment received over the 30 year period utilizing the present value method at an imputed interest rate of 6 percent. Deferred revenue related to the lease agreement amounted to \$368,607 and \$388,987 at December 31, 2017 and 2016, respectively. Revenue from this agreement over the next five years will be recognized as follows: 2018 - \$21,637, 2019 - \$22,971, 2020 - \$24,388, 2021 - \$25,892, 2022 - \$27,489.

**8. Capital Assets, Net**

Capital assets consist of the following at December 31:

	2017	2016
Land	\$ 38,873,126	\$ 32,846,875
Equipment	4,868,572	4,635,432
Parking facilities and renovations	237,538,660	236,861,945
Software	35,255	35,255
Signage	51,447	51,447
	<u>281,367,060</u>	<u>274,430,954</u>
Accumulated depreciation	<u>(45,766,395)</u>	<u>(39,581,457)</u>
Capital assets, net	<u>\$ 235,600,665</u>	<u>\$ 234,849,497</u>

Depreciation expense included as a charge to operations for the years ended December 31, 2017 and 2016 amounted to \$6,286,879 and \$6,363,775, respectively.

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Capital additions and disposals consisted of the following at December 31:

	<b>Beginning Balance January 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Ending Balance December 31, 2017</b>
<b>Asset Cost</b>					
Land	\$ 32,846,875	\$ 6,026,251	\$ --	\$ --	\$ 38,873,126
Equipment	4,635,432	339,354	(106,214)	--	4,868,572
Parking facilities and renovations	236,861,945	676,715	--	--	237,538,660
Software	35,255	--	--	--	35,255
Signage	51,447	--	--	--	51,447
	<u>274,430,954</u>	<u>7,042,320</u>	<u>(106,214)</u>	<u>--</u>	<u>281,367,060</u>
Accumulated depreciation	39,581,457	6,286,879	(101,941)	--	45,766,395
Capital assets, net	<u>\$ 234,849,497</u>	<u>\$ 755,441</u>	<u>\$ (4,273)</u>	<u>\$ --</u>	<u>\$ 235,600,665</u>
	<b>Beginning Balance January 1, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Ending Balance December 31, 2016</b>
<b>Asset Cost</b>					
Land	\$ 34,054,575	\$ --	\$ --	\$ (1,207,700)	\$ 32,846,875
Equipment	4,103,155	574,660	(42,383)	--	4,635,432
Parking facilities and renovations	251,164,913	270,030	--	(14,572,998)	236,861,945
Software	35,255	--	--	--	35,255
Signage	51,447	--	--	--	51,447
	<u>289,409,345</u>	<u>844,690</u>	<u>(42,383)</u>	<u>(15,780,698)</u>	<u>274,430,954</u>
Accumulated depreciation	44,402,336	6,363,775	(42,383)	(11,142,271)	39,581,457
Capital assets, net	<u>\$ 245,007,009</u>	<u>\$ (5,519,085)</u>	<u>\$ --</u>	<u>\$ (4,638,427)</u>	<u>\$ 234,849,497</u>

**9. Assets Held For Sale**

During 2016, the Authority reclassified certain capital assets to assets held for sale. In accordance with GASB 42, the asset is re-measured at the lower of carrying value or fair value. The fair value exceeded the carrying value; therefore, the assets were reclassified as held for sale at the current carrying value of the assets.

**10. Subordinated Project Note Payable**

Subordinated project note payable consists of the following at December 31:

	<b>2017</b>	<b>2016</b>
Subordinated project note payable - issued June 17, 2016, interest at 1.00 percent per annum, due June 16, 2018	\$ 810,000	\$ 810,000
Subordinated project note payable - issued June 29, 2017 interest at 1.25 percent per annum, due June 28, 2018	<u>3,900,000</u>	<u>--</u>
	<u>\$ 4,710,000</u>	<u>\$ 810,000</u>

The \$810,000 project note proceeds were utilized to fund a prepayment on an operating lease agreement (see Note 6). The \$3,900,000 project note proceeds were utilized for land acquisition (see Note 8).

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**11. Bonds Payable**

Bonds payable consists of the following at December 31:

	<b>2017</b>	<b>2016</b>
Series 2010 parking revenue refunding bonds - payments of interest only due semi-annually on January 1 and July 1 at rates ranging from 2.00 to 4.125 percent through January 1, 2029; principal due annually on January 1, callable beginning January 1, 2021, due January 1, 2029 (A)	\$ 4,860,000	\$ 5,205,000
Series 2010 A guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1, at 5.00 percent through September 1, 2024; principal due as follows: \$560,000 due on September 1, 2025; \$5,370,000 due on September 1, 2026 (A)	5,930,000	5,930,000
Series 2010 BABs guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 8.02 to 8.32 percent; payments of principal due annually on September 1 beginning September 1, 2027 through September 1, 2039 (A) (B)	117,270,000	117,270,000
Series 2010 RZEDBs guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1, interest at 8.42 percent; payments of principal due as follows: \$9,635,000 due on September 1, 2039; \$16,565,000 due September 1, 2040 (A) (C)	26,200,000	26,200,000
Series 2010 RZFBs guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 4.50 percent to 5.50 percent through September 1, 2018; payments of principal due annually on September 1 beginning September 1, 2019 through September 1, 2025 (A)	24,600,000	24,600,000
Series 2010E tax exempt guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 5.00 percent to 5.25 percent; payments of principal due annually on September 1 beginning September 1, 2016 through September 1, 2019 (A)	4,395,000	6,980,000
Series 2012 guaranteed parking revenue refunding bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 2.00 percent to 5.00 percent; payments of principal due annually on September 1 beginning September 1, 2013 through September 1, 2031 (A)	25,885,000	27,550,000

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	2017	2016
Series 2016 guaranteed parking revenue and refunding bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 2.00 percent to 5.00 percent; payments of principal due annually on September 1 beginning September 1, 2016 through September 1, 2036 (A) (D)	\$ 21,535,000	\$ 22,240,000
Series 2017 guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 3.00 percent to 5.00 percent; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2047 (A) (D)	<u>21,985,000</u>	<u>--</u>
	252,660,000	235,975,000
Less: Current portion	(5,530,000)	(5,300,000)
Plus: Unamortized original issue premium	8,176,692	5,848,479
Bonds payable, net of current portion	<u>\$ 255,306,692</u>	<u>\$ 236,523,479</u>

Crossover refunding bonds payable consist of the following at December 31:

	2017	2016
Series 2016A guaranteed parking revenue refunding bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 3.00 percent to 5.00 percent; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2036 (A) (E)	\$ 115,690,000	\$ 115,690,000
Series 2016B guaranteed parking revenue refunding bonds - payments of interest only due semi-annually on March 1 and September 1 at rates ranging from 3.00 percent to 5.00 percent; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2040 (A)	<u>27,655,000</u>	<u>27,655,000</u>
	143,345,000	143,345,000
Less: Current portion	--	--
Plus: Unamortized original issue premium	<u>19,673,275</u>	<u>20,581,273</u>
Bonds payable, net of current portion	<u>\$ 163,018,275</u>	<u>\$ 163,926,273</u>

(A) Payment of principal and interest is guaranteed by the City of New Brunswick. No value has been assigned to this guarantee in the financial statements presented and no amounts were required to be paid on this guarantee for the years ended December 31, 2017 and 2016.

(B) The Authority receives an interest rate subsidy payment annually representing 35 percent of the interest cost incurred for the year which is offset against the interest expense and interest capitalized in these financial statements. In 2017, the interest rate subsidy was reduced to 32.59 percent of the interest cost incurred.



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- (C) The Authority receives an interest rate subsidy payment annually representing 45 percent of the interest cost incurred for the year which is offset against the interest expense and interest capitalized in these financial statements. In 2017, the interest rate subsidy was reduced to 41.90 percent of the interest cost incurred.
- (D) On January 27, 2016 the Authority issued \$22,405,000 in Series 2016 guaranteed parking revenue and refunding bonds with interest rates ranging from 2.00 percent to 5.00 percent. The Authority issued the bonds to advance refund \$19,775,000 of the outstanding Series 2006 guaranteed parking revenue bonds with interest rates ranging from 4.5 percent to 6.5 percent. The Authority used the net proceeds along with other resources to purchase U.S. government securities until the old bonds were called on September 1, 2016 and the proceeds were used to refund the series 2006 guaranteed parking revenue bonds. The advanced refunding reduced total debt service payments over the next 20 years by approximately \$3,114,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,325,000.
- (E) On April 21, 2016, the Authority issued \$115,690,000 in Series 2016A guaranteed parking revenue refunding bonds with interest rates ranging from 3 percent to 5 percent. The Authority issued the bonds to advance refund \$117,270,000 of the outstanding Series 2010 BABs guaranteed parking revenue bonds with interest at 8 percent with an interest rate subsidy attached (See footnote B above). The Authority used the net proceeds along with other resources to purchase U.S. government securities until the old bonds are called on September 1, 2020. The transaction was classified as a crossover refunding transaction whereby the debt and debt service requirements on both issuances remain outstanding until the call date of September 1, 2020. The advanced refunding reduced total debt service payments over the next 23 years by approximately \$12,261,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$18,078,000.
- (F) On September 1, 2016, the Authority issued \$27,655,000 in Series 2016B guaranteed parking revenue refunding bonds with interest rates ranging from 2 percent to 4 percent. The Authority issued the bonds to advance refund \$26,200,000 of the outstanding Series 2010 RZEDBs guaranteed parking revenue bonds with interest at 8 percent with an interest rate subsidy attached (See footnote C above). The Authority used the net proceeds along with other resources to purchase U.S. government securities until the old bonds are called on September 1, 2020. The transaction was classified as a crossover refunding transaction whereby the debt and debt service requirements on both issuances remain outstanding until the call date of September 1, 2020. The advanced refunding reduced total debt service payments over the next 23 years by approximately \$3,058,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$4,551,000.

Debt outstanding consisted of the following at December 31:

	Beginning Balance January 1, 2017	Additions/ Subtractions	Payments/ Amortization	Ending Balance December 31 2017	Current Portion
Revenue bonds payable	\$ 235,975,000	\$ 21,985,000	\$ (5,300,000)	\$ 252,660,000	\$ 5,530,000
Bonds payable - crossover refunding	143,345,000	--	--	143,345,000	--
	379,320,000	21,985,000	(5,300,000)	396,005,000	5,530,000
Unamortized bond premiums	26,429,752	2,770,216	(1,350,000)	27,849,968	--
Bonds outstanding	<u>\$ 405,749,752</u>	<u>\$ 24,755,216</u>	<u>\$ (6,650,000)</u>	<u>\$ 423,854,968</u>	<u>\$ 5,530,000</u>

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	Beginning Balance January 1, 2016	Additions/ Subtractions	Payments/ Amortization	Ending Balance December 31, 2016	Current Portion
Revenue bonds payable	\$ 238,515,000	\$ 22,405,000	\$ (24,945,000)	\$ 235,975,000	\$ 5,300,000
Bonds Payable - crossover refunding	--	143,345,000	--	143,345,000	--
Bond anticipation notes payable	3,525,000	--	(3,525,000)	--	--
	242,040,000	165,750,000	(28,470,000)	379,320,000	5,300,000
Unamortized bond premiums	4,526,946	22,583,219	(680,413)	26,429,752	--
Unamortized bond discounts	(355,774)	355,744	--	--	--
Bonds outstanding	<u>\$ 246,211,172</u>	<u>\$ 188,688,963</u>	<u>\$ (29,150,413)</u>	<u>\$ 405,749,752</u>	<u>\$ 5,300,000</u>

Aggregate principal maturities and interest on bonds payable are as follows as of December 31, 2017:

Year	Principal	Interest	Rebate	Amount
2018	\$ 5,530,000	\$ 23,334,817	\$ 4,076,235	\$ 24,788,582
2019	5,870,000	23,071,581	4,076,235	24,865,346
2020	6,120,000	22,774,243	4,076,235	24,818,008
2021	7,085,000	22,463,793	4,076,235	25,472,558
2022	7,440,000	22,108,143	4,076,235	25,471,908
2023-2027	48,680,000	104,697,718	20,381,174	132,996,544
2028-2032	88,505,000	85,867,758	17,968,715	156,404,043
2033-2037	122,705,000	56,526,070	12,408,684	166,822,386
2038-2042	97,330,000	14,228,533	3,175,633	108,382,900
2043-2047	6,740,000	1,043,750	--	7,783,750
	<u>\$ 396,005,000</u>	<u>\$ 376,116,406</u>	<u>\$ 74,315,381</u>	<u>\$ 697,806,025</u>

*Fair Value of Financial Instruments*

The fair value of the bonds payable, estimated based on market prices for similar bond issues as based on a recent bond refunding and market interest rates, is approximately \$492,000,000 at December 31, 2017.

Original issue premiums consisted of the following at December 31, 2017 and 2016:

	December 31, 2017				
	Premium	Life	Accumulated Amortization	Unamortized Premium	Amortization
Series 2010 BAB & RZEDB guaranteed parking revenue bonds	\$ 649,400	30	\$ 152,418	\$ 496,982	\$ 21,647
Series 2010 E tax exempt parking revenue bonds	1,028,927	10	724,479	304,448	102,893
Series 2010 parking revenue refunding bonds	92,663	19	36,172	56,491	4,877
Series 2012 refinancing bond	4,180,229	19	1,210,060	2,970,169	220,012
Series 2016 refunding bond	1,699,281	20	113,285	1,585,996	84,964
Series 2016A refunding bond	19,225,972	23	1,114,549	18,111,423	835,912
Series 2016B refunding bond	1,657,966	23	96,113	1,561,853	72,085
Series 2017 parking revenue bonds	2,770,216	30	7,610	2,762,606	7,610
	<u>\$ 31,304,654</u>		<u>\$ 3,454,686</u>	<u>\$ 27,849,968</u>	<u>\$ 1,350,000</u>

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	December 31, 2016				
	Premium	Life	Accumulated Amortization	Unamortized Premium	Amortization
Series 2010 BAB & RZEDB guaranteed parking revenue bonds	\$ 649,400	30	\$ 130,771	\$ 518,629	\$ 21,647
Series 2010 E tax exempt parking revenue bonds	1,028,927	10	621,586	407,341	102,893
Series 2010 parking revenue refunding bonds	92,663	19	31,295	61,368	4,877
Series 2012 refinancing bond	4,180,229	19	990,048	3,190,181	220,010
Series 2016 refunding bond	1,699,281	20	28,321	1,670,960	28,321
Series 2016A refunding bond	19,225,972	23	278,637	18,947,335	278,637
Series 2016B refunding bond	1,657,966	23	24,028	1,633,938	24,028
	<u>\$ 28,534,438</u>		<u>\$ 2,104,686</u>	<u>\$ 26,429,752</u>	<u>\$ 680,413</u>

**12. Notes Payable**

Notes payable consisted of the following at December 31, 2017 and 2016:

	2017	2016
Note Payable to Wells Fargo Community Development Enterprises Round 7 Sub 6, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$43,296.19; matures on September 30, 2041 (A)	\$ 3,649,722	\$ 3,649,722
Note Payable to Wells Fargo Community Development Enterprises Round 7 Sub 6, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$13,058.07; matures on September 30, 2048 (A)	1,399,173	1,399,173
Note Payable to Empowerment Reinvestment Fund XVIII, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$69,273.91; matures on September 30, 2041 (A)	5,839,557	5,839,557
Note Payable to Empowerment Reinvestment Fund XVIII, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$17,877.24; matures on September 30, 2048 (A)	1,915,548	1,915,548

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	2017	2016
Note Payable to WNC National Community Development Fund VII, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$86,592.39; matures on September 30, 2041 (A)	\$ 7,299,447	\$ 7,299,447
Note Payable to WNC National Community Development Fund VII, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$22,822.32; matures on September 30, 2048 (A)	2,495,413	2,495,413
Note Payable to CCG SUB-CDE 19, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$64,944.29; matures on September 30, 2041 (A)	5,474,585	5,474,585
Note Payable to CCG SUB-CDE 19, LLC – assigned to the Authority December 30, 2013; interest at 0.764 percent per annum with payments of interest only due monthly from April 1, 2013 through October 1, 2018. Beginning on January 1, 2019, the Authority shall make quarterly payments of principal and interest of \$16,773.61; matures on September 30, 2048 (A)	1,947,293	1,947,293
Note Payable to Wells Fargo Community Development Enterprises Round 7 Sub 1, LLC – assigned to the Authority August 29, 2014; interest at 4.7263 percent per annum with quarterly payments of interest only of \$108,608 due monthly from October 1, 2014 through January 1, 2018. Beginning on April 1, 2018, the Authority shall make quarterly payments of principal and interest of \$164,400; matures on April 1, 2041 (B)	9,191,826	9,191,826
Note Payable to Wells Fargo Community Development Enterprises Round 7 Sub 1, LLC – assigned to the Authority August 29, 2014; interest at 4.7263 percent per annum with payments of interest only of \$20,055 due monthly from October 1, 2014 through January 1, 2023. Beginning on January 1, 2023, the Authority shall make quarterly payments of principal and interest of \$29,020; matures on January 1, 2048 (B)	1,697,310	1,697,310
Note Payable to Citi NMTC Subsidiary CDE X, LLC – assigned to the Authority August 29, 2014; interest at 4.9427 percent per annum with payments of interest only of \$74,449 due monthly from October 1, 2014 through January 1, 2018. Beginning on April 1, 2018, the Authority shall make quarterly payments of principal and interest of \$109,982; matures on April 1, 2041 (B)	6,024,943	6,024,943

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	2017	2016
Note Payable to Citi NMTC Subsidiary CDE X, LLC – assigned to the Authority August 29, 2014; interest at 4.9427 percent per annum with payments of interest only of \$13,747 due monthly from October 1, 2014 through January 1, 2023. Beginning on April 1, 2023, the Authority shall make quarterly payments of principal and interest of \$19,440; matures on January 1, 2048 (B)	\$ 1,112,532	\$ 1,112,532
Note Payable to RBC Community Development Sub 5, LLC – assigned to the Authority August 29, 2014; interest at 4.9427 percent per annum with payments of interest only of \$74,069 due monthly from October 1, 2014 through January 1, 2018. Beginning on April 1, 2018, the Authority shall make quarterly payments of principal and interest of \$109,420; matures on April 1, 2041 (B)	5,994,203	5,994,203
Note Payable to RBC Community Development Sub 5, LLC – assigned to the Authority August 29, 2014; interest at 4.9427 percent per annum with payments of interest only of \$13,677 due monthly from October 1, 2014 through January 1, 2023. Beginning on April 1, 2023, the Authority shall make quarterly payments of principal and interest of \$19,341; matures on January 1, 2048 (B)	1,106,857	1,106,857
Note Payable to NJCC CDE Mercer LLC – assigned to the Authority August 29, 2014; interest at 4.7263 percent per annum with payments of interest only of \$56,187 due monthly from October 1, 2014 through January 1, 2018. Beginning on April 1, 2018, the Authority shall make quarterly payments of principal and interest of \$85,050; matures on April 1, 2041 (B)	4,755,238	4,755,238
Note Payable to NJCC CDE Mercer LLC – assigned to the Authority August 29, 2014; interest at 4.7263 percent per annum with payments of interest only of \$10,375 due monthly from October 1, 2014 through January 1, 2023. Beginning on April 1, 2023, the Authority shall make quarterly payments of principal and interest of \$15,013; matures on January 1, 2048 (B)	<u>878,075</u>	<u>878,075</u>
	60,781,722	60,781,722
Less: Current portion	<u>(672,269)</u>	<u>--</u>
Notes payable, net of current portion	<u>\$ 60,109,453</u>	<u>\$ 60,781,722</u>

(A) On December 30, 2013 the above notes were assigned to the Authority with respect to the permanent certificate of occupancy obtained at the Wellness Center Project.

(B) On August 29, 2014 the above notes were assigned to the Authority with respect to the permanent certificate of occupancy obtained at the Gateway Project.

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Aggregate principal maturities and interest on notes payable are as follows as of December 31, 2017:

Year	Payment	Principal	Interest
2018	\$ 2,380,608	\$ 672,269	\$ 1,708,339
2019	3,445,376	1,770,615	1,674,761
2020	3,445,376	1,811,412	1,633,964
2021	3,445,376	1,853,865	1,591,511
2022	3,445,376	1,898,046	1,547,330
2023-2027	17,701,120	10,748,897	6,952,223
2028-2032	17,726,082	12,340,170	5,385,912
2033-2037	17,726,081	14,278,986	3,447,095
2038-2042	13,387,690	12,226,320	1,161,370
2043-2047	3,066,914	2,818,531	248,383
2048	364,940	362,611	2,329
	<u>\$ 86,134,939</u>	<u>\$ 60,781,722</u>	<u>\$ 25,353,217</u>

**13. Pension Plan**

Employees of the Authority that are eligible participate in the State of New Jersey, Public Employees' Retirement System ("PERS"). PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report ("CAFR") which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Employer and Employee Contributions*

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

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The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50 percent of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. During the years ended December 31, 2017 and 2016, the PERS received employer and employee contributions as follows:

	<u>2017</u>	<u>2016</u>
Employer contributions	\$ 377,259	\$ 388,844
Employee contributions	\$ 185,027	\$ 184,244
Basis for contributions		
Percent of base wages	7.34%	6.83%

*Summary of Significant Accounting Policies*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Although the Division administers one cost-sharing multiple-employer plan, separate (sub) valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2017. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date, therefore, the Authority has elected to utilize June 30, 2017 and 2016 as the measurement date.

The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the Local group in the PERS during the years ended June 30, 2017 and 2016. At December 31, 2017 and 2016, the Authority's proportionate share and net pension liability was as follows:

	<u>2017</u>	<u>2016</u>
Net pension liability (Local Group)	\$ 23,278,401,588	\$ 29,617,131,759
Authority net pension liability	\$ 8,883,223	\$ 12,331,813
Authority's proportion	0.0381608%	0.0416374%

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Pension expense, net is comprised of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Proportionate share of allocable plan pension expense	\$ 640,731	\$ 1,177,344
Pension expense related to specific liabilities of individual employers	--	--
Net amortization of deferral amounts from changes in proportion	<u>(317,419)</u>	<u>(179,103)</u>
	<u>\$ 323,312</u>	<u>\$ 998,241</u>

At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,789,663	\$ 1,783,102	\$ 2,554,493	\$ --
Differences between expected and actual experience	209,169	--	229,334	--
Net difference between projected and actual earnings on pension plan investments	60,489	--	470,223	--
Changes in proportion and differences between Authority contributions and proportionate share of contributions	83,736	1,335,184	118,054	928,947
Authority contributions subsequent to the measurement date	--	--	--	--
	<u>\$ 2,143,057</u>	<u>\$ 3,118,286</u>	<u>\$ 3,372,104</u>	<u>\$ 928,947</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

	<b>PERS (Local Group)</b>	<b>Authority Share</b>
2018	\$ 547,996,144	\$ (738,325)
2019	826,939,464	(1,114,150)
2020	501,083,041	(675,118)
2021	(666,441,734)	897,909
2022	(485,747,054)	654,455
Thereafter	--	--
	<u>\$ 723,829,861</u>	<u>\$ (975,229)</u>

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2017 and 2016 measurement dates was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively, which was rolled forward to June 30, 2017 and 2016, respectively.

This actuarial valuation used the following actuarial assumptions:



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	<u>2017</u>	<u>2016</u>
Inflation rate	2.25%	3.08%
Salary increases from 2012-2021	1.65 - 4.15% based on age	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age	2.65 - 5.15% based on age
Investment rate of return	7.00%	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly confirm to these assumptions. To the extent that the actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017) 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.

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**December 31, 2017 and 2016**

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount Rate*

The discount rate used to measure the total pension liability was 5.00 percent and 3.98 percent as of December 31, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2017 and 2016, respectively, based on 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. 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 will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 40 percent of the actuarially determined contributions and the local employers contributed 100 percent of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The following presents the Authority's proportionate share of the net pension liability measured as of December 31, 2017 and 2016, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability (local group) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>2017</b>		
	<b>At 1 % Decrease (4.00%)</b>	<b>At Current Discount Rate (5.00%)</b>	<b>At 1% Increase (6.00%)</b>
State	\$ 29,818,581,732	\$ 25,645,622,797	\$ 22,179,578,513
Local	28,878,437,027	23,278,401,588	18,612,878,069
PERS as a whole	<u>\$ 58,697,018,759</u>	<u>\$ 48,924,024,385</u>	<u>\$ 40,792,456,582</u>
Authority's proportionate share of the net pension liability	<u>\$ 11,020,241</u>	<u>\$ 8,883,223</u>	<u>\$ 7,102,822</u>

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

	<b>2016</b>		
	<b>At 1 % Decrease (2.98%)</b>	<b>At Current Discount Rate (3.98%)</b>	<b>At 1% Increase (4.98%)</b>
State	\$ 34,422,851,197	\$ 29,390,685,705	\$ 25,246,574,457
Local	36,292,338,055	29,617,131,759	24,106,170,190
PERS as a whole	<u>\$ 70,715,189,252</u>	<u>\$ 59,007,817,464</u>	<u>\$ 49,352,744,647</u>
Authority's proportionate share of the net pension liability	<u>\$ 15,111,197</u>	<u>\$ 12,331,813</u>	<u>\$ 10,037,190</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report which can be found at the following link: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**14. Defined Contribution Retirement Program**

The Defined Contribution Retirement Program ("DCRP") was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.P. 2007 and Chapter 103 P.L. 2007. DCRP provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage.

DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial. If the eligible or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in DCRP for that office or position. The waiver is irrevocable.

The retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investments options provided by the employer.

The law requires that three classes of employee enroll in DCRP, detailed as follows:

- 1) All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System.
- 2) A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during the Governor's term of office.
- 3) Other employees commencing service after July 1, 2007 pursuant to an appointment by an elected official or elected governing body which include the statutory untenured chief administrative office such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

During 2017 and 2016, there were no officials or employees enrolled in DCRP.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain in PERS.

**15. Payment in Lieu of Taxes ("PILOT")**

The Authority has an arrangement with the City of New Brunswick whereby the Authority makes a payment in lieu of real estate taxes, negotiated annually, with payments due on January 1 and July 1 of each year. For the years ended December 31, 2017 and 2016, the Authority's payment in lieu of taxes was \$4,975,000 and \$4,650,000, respectively.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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**16. Compensated Absences**

The Authority maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. As of the years ended December 31, 2017 and 2016, the Authority has accrued \$61,441 and \$59,252, respectively, for accumulated sick and vacation pay earned and unused which is included in accounts payable and accrued expenses. Effective January 1, 2013, non-union employees will no longer have the option to receive pay in lieu of unused sick leave at the end of the year. Upon retirement in good standing, employees shall receive payment for 50 percent of their accumulated unused sick time, up to a maximum of \$15,000.

**17. Risk Management**

The Authority has contracted with the Middlesex County Joint Insurance Fund related to risks for losses related to auto, general liability, workmen's compensation, property damage and public official's liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Authority for matters which may have been caused or related to the Authority or its employees.

**18. Commitments and Contingencies**

**Construction Contract**

The Authority entered into a contract with New Brunswick Development Corporation (the "Developer") to facilitate, coordinate, and administer all development and construction activities necessary for the construction of the New Brunswick Performing Arts Center. As of December 31, 2017, the Authority had commitments of approximately \$21,000,000, of which approximately \$18,000,000 is remaining to complete the project.

**Litigation**

*General*

The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. Management does not believe that the outcome of any of these matters will have a material adverse effect on the financial position, operating results or cash flows.

**New Jersey Department of Transportation Grant**

The Authority was awarded a grant from the New Jersey Department of Transportation ("NJDOT") towards construction of the Gateway Project. The grant award totaled \$14,000,000 to be paid equally over 14 fiscal years, which is to be appropriated and approved annually. The Authority has earned \$9,000,000 through December 31, 2017.

**Operating Leases**

*Lessee*

In addition to the leases described in Note 6, The Authority leases building and other space under various agreements with expirations ranging from month to month to June 2025. The building lease provides for minimum monthly rental payments of approximately \$23,000 per month.

The Authority recognizes rent expense on a straight line basis over the terms of the leases. The difference between amounts paid and amounts charged to expense are reflected as deferred rent, which was \$83,236 and \$55,737 for the years ended December 31, 2017 and 2016, respectively. Rental expense for the years ended December 31, 2017 and 2016 amounted to \$647,478 and \$647,663, respectively.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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Future minimum lease payments for the years ended December 31, are as follows:

Year	Amount
2018	\$ 293,369
2019	302,170
2020	311,235
2021	320,572
2022	330,189
Thereafter	<u>868,130</u>
	<u>\$ 2,425,665</u>

*Lessor*

The Authority leases office space to various tenants in New Brunswick, New Jersey under various non-cancellable lease agreements which expire between December 2018 and December 2035 and various month to month leases. Lease agreements which contain escalating rent are measured on a straight line basis and the associated asset (liability) is shown in the statements of net position as deferred rent. Deferred rent associated to lease agreements where the Authority is the lessor amounted to \$790,816 and \$744,690 at December 31, 2017 and 2016, respectively. Rental income from these leases was \$3,282,297 and \$3,042,035 for the years ending December 31, 2017 and 2016, respectively.

Minimum annual rentals under non-cancellable lease agreements are as follows at December 31:

Year	Amount
2018	\$ 3,581,171
2019	3,550,330
2020	3,526,817
2021	3,494,851
2022	3,480,399
Thereafter	<u>18,139,924</u>
	<u>\$ 35,773,492</u>

**Concentrations of Labor Subject to Collective Bargaining Agreement**

At December 31, 2017, the Authority had a total of approximately 105 employees of which, approximately 96 are hourly workers and 9 are salaried. Approximately 11.5 percent (11 employees) of the Authority's hourly employees are represented by a union, for which a collective bargaining agreement was agreed upon and in effect from January 1, 2016 through December 31, 2017. None of its salaried employees are represented by a union.

**Purchasing Cooperative**

The Authority entered into a purchasing cooperative in 2015 with several unrelated entities to obtain discounted pricing and better rates for purchases. The Authority is the lead agency.

**19. Related Party Transactions**

The City Counsel of the City appoints the Board of Commissioners of the Authority. The City guarantees the bonds payable of the Authority (see Note 11). Additionally, the Authority pays an annual payment in lieu of taxes to the City, which amounted to \$4,975,000 and \$4,650,000 for the years ended December 31, 2017 and 2016, respectively (see Note 15).

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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**20. Fair Values of Financial Instruments**

The Authority has a number of financial instruments, including accounts receivable, grants receivable, accounts payable, accrued liabilities and subordinated project notes payable. The Authority estimates that the fair value of these financial instruments for the years ended December 31, 2017 and 2016 do not differ materially from the aggregate carrying values of its financial instruments recorded in the statements of net position due to the relatively short maturity of these instruments, with the exception of the bonds payable (see Note 11).

**21. Subsequent Events**

The Authority has evaluated events occurring after the statement of net position date through the date of May 8, 2018, the date that the financial statements were available to be released. Based upon this evaluation, the Authority has determined no events occurred requiring disclosure in or adjustment to the financial statements:

**SUPPLEMENTARY INFORMATION**

**Parking Authority of the City of New Brunswick  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS and Notes to Required  
 Supplementary Information  
 Year Ended December 31, 2017**

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The Authority's proportion (amount and percentage) of the collective net pension liability and the Authority's proportionate share of the collective net pension liability as a percentage of covered payroll as of the measurement date (June 30) for the previous ten years\* is as follows:

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Authority's proportionation of the net pension liability (asset) (PERS Local Group)	0.038161%	0.041637%	0.046092%	0.047714%	0.046557%					
Authority's proportionate share of the net pension liability (PERS Local Group)	\$ 8,883,223	\$ 12,331,813	\$ 10,346,689	\$ 8,933,290	\$ 8,898,006					
Authority's covered-employee payroll	\$ 2,501,009	\$ 2,694,425	\$ 2,836,389	\$ 3,052,329	\$ 3,217,727					
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	355.19%	457.68%	364.78%	292.67%	276.53%					

\*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

**Notes to Required Supplementary Information:**

**Benefit Changes**

None.

**Changes of Assumptions**

The discount rate changed from 3.98 percent as of June 30, 2016 to 5.00 percent as of June 30, 2017.



**Parking Authority of the City of New Brunswick  
Schedule of the Authority's Contributions – PERS  
Year Ended December 31, 2017**

The Authority's contractually and statutorily required employer contributions as of December 31, for each of the past ten years\* are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions										
Regular pension and non-contributory group insurance contributions	\$ 363,650	\$ 375,406	\$ 396,266	\$ 393,344	\$ 398,389	\$ 329,913	\$ 266,792	\$ 222,215	\$ 173,195	\$ 146,972
Chapter 19 P.L. 2009 Contribution	<u>13,609</u>	<u>13,438</u>	<u>13,292</u>	<u>13,210</u>	<u>12,913</u>	<u>12,538</u>	<u>12,377</u>	<u>--</u>	<u>--</u>	<u>--</u>
Contributions in relation to the contractually required contribution	<u>(377,259)</u>	<u>(388,844)</u>	<u>(409,558)</u>	<u>(406,554)</u>	<u>(411,302)</u>	<u>(342,451)</u>	<u>(279,169)</u>	<u>(222,215)</u>	<u>(173,195)</u>	<u>(146,972)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Authority's covered-employee payroll	\$ 2,501,009	\$ 2,694,425	\$ 2,836,389	\$ 3,052,329	\$ 3,217,727	\$ 3,202,101	\$ 2,781,069	\$ 2,276,377	\$ 2,398,000	\$ 2,350,620
Contributions as a percentage of covered- employee payroll	15.08%	14.43%	14.44%	13.32%	12.78%	10.69%	10.04%	9.76%	7.22%	6.25%

See Independent Auditors' Report.

**Parking Authority of the City of New Brunswick**  
**Schedule of Operating Revenue and Costs Funded by Operating Revenue**  
**Compared to Budget**  
**Year Ended December 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenue</u>			
Operating revenues			
Parking fees	\$ 27,505,646	\$ 26,626,763	\$ (878,883)
Other operating revenues	4,587,289	4,229,566	(357,723)
Total operating revenues	32,092,935	30,856,329	(1,236,606)
Non-operating revenues			
Grants & entitlements	1,000,000	1,251,357	251,357
Interest on investments and deposits	30,000	154,304	124,304
Gain on sale of property	--	28,634	28,634
Total non-operating revenue	1,030,000	1,434,295	2,464,295
Total revenues	33,122,935	32,290,624	(832,311)
<u>Appropriations</u>			
Administration			
Salaries and wages	847,500	840,757	6,743
Employee benefits	347,000	360,582	(13,582)
Other expenses	861,487	909,585	(48,098)
Cost of providing service			
Salaries and wages	2,782,100	2,509,138	272,962
Employee benefits	1,449,000	1,336,979	112,021
Other expenses	4,224,896	3,717,204	507,692
Debt service			
Interest payments on debt	12,026,359	12,030,734	(4,375)
Principal payments on bonds	5,300,000	5,300,000	--
Other reserves			
PILOT	4,500,000	4,975,000	(475,000)
Total expenses	32,338,342	31,979,979	358,363
Surplus (deficit)	\$ 784,593	\$ 310,645	\$ (473,948)

**Reconciliation to Statement of Revenues and Expenses and Changes in Net Position**

Pension expense, net - GASB 68 adjustment	\$ 30,204
Amortization of original issue premium	1,350,000
Depreciation expense	(6,286,879)
Interest payments on crossover bonds, net	(3,334,197)
Amortization of bond insurance	(33,817)
Principal paid on bonds	5,300,000
Interest revenue on promissory note receivable	1,707,823
Interest expense on promissory note payable	(1,752,077)
Bond issuance costs	(400,808)
Total reconciling items	(3,419,751)
Changes in net position	\$ (3,109,106)

See Independent Auditors' Report.

**Parking Authority of the City of New Brunswick  
Schedule of Wellness Center Project Revenues and Expenses  
Year Ended December 31, 2017**

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**Revenues**

Parking revenue	\$ 3,546,238
Rental income	2,095,052
Interest on notes receivable	223,304
Other income	<u>405</u>
<b>Total revenues</b>	<b>5,864,999</b>

**Expenses**

Repairs and maintenance	34,274
Service contracts	85,541
Utilities	130,439
Insurance	25,400
Signage	3,134
Interest on notes payable	229,359
Imposition fees	125,114
Supplies	2,423
Credit card fees	16,990
Revenue control	3,313
Brokerage fee	99,835
Communication	12,067
Interest on bonds payable	5,813,636
Management fee	903,761
Depreciation	<u>2,304,077</u>
<b>Total expenses</b>	<b><u>9,789,363</u></b>

**Net loss** \$ (3,924,364)

**Parking Authority of the City of New Brunswick**  
**Schedule of Gateway Project Revenues and Expenses**  
**Year Ended December 31, 2017**

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**Revenues**

Parking revenue	\$ 2,737,478
Rental income	1,788,731
Interest on notes receivable	1,484,520
Grant revenue	1,000,000
Other income	<u>240</u>
<b>Total revenues</b>	<b>7,010,969</b>

**Expenses**

Repairs and maintenance	85,575
Service contracts	125,508
Utilities	139,821
Insurance	95,849
Signage	905
Disposal services	22,541
Interest on notes payable	1,484,669
Imposition fees	133,467
Supplies	5,725
Credit card fees	47,463
Revenue control	4,125
Brokerage commission	2,179
Communication	873
Interest on bonds payable	3,456,093
Management fee	1,033,042
Depreciation	<u>1,924,836</u>
<b>Total expenses</b>	<b><u>8,562,671</u></b>

**Net loss** \$ (1,551,702)

**Parking Authority of the City of New Brunswick  
Schedule of Expenditures of State Financial Assistance  
Year Ended December 31, 2017**

State Grantor/Pass-Through Grantor/Program	CFDA	State Grant Award Number	Grant Period	2017 Expenditures	Total Grant Expenditures to Date
<b>State Awards</b>					
State of New Jersey*					
Department of Transportation					
State Aid Highway Projects					
New Brunswick Transit Village Parking Project	N/A	6320-480-078-6320-ALM-TACP-6010	07/01/2009 - 06/30/2023	<u>\$ 1,000,000</u>	<u>\$ 9,000,000</u>
*Assigned to the Authority by the City of New Brunswick.					
State of New Jersey					
Transportation Planning Authority					
Passed through New Jersey Transit Corporation					
New Brunswick Station - Pedestrian Bridge Project	N/A	N/A	01/01/2017 - 12/31/2017	<u>\$ 251,357</u>	<u>\$ 311,456</u>

See Independent Auditors' Report.  
See accompanying Notes to Schedule of Expenditures of State Financial Assistance.

**Parking Authority of the City of New Brunswick**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**December 31, 2017**

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**1. General Information**

The accompanying schedule of expenditures of state financial assistance presents the activities of the state financial assistance programs of Parking Authority of the City of New Brunswick. All financial assistance received directly from state agencies as well as financial assistance passed through other governmental agencies is included on the schedule.

**2. Basis of Accounting**

The accompanying schedule of expenditures of state financial assistance is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

**3. Relationship to Basic Financial Statements**

Expenditures are reported on the statements of net position as capital assets or as expenses on the statements of revenues, expenses and changes in net position. The expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of state financial assistance due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America as promulgated by GASB.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and Authority Commissioners  
Parking Authority of the City of New Brunswick:

We have audited, 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, the financial statements of Parking Authority of the City of New Brunswick (the "Authority") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 8, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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 Authority's financial statements are free of 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 result 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.



May 8, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, OFFICE OF MANAGEMENT AND BUDGET POLICY CIRCULAR 15-08-OMB (“NJ CIRCULAR 15-08”)****INDEPENDENT AUDITORS’ REPORT**

The Honorable Chairman and Authority Commissioners  
Parking Authority of the City of New Brunswick:

**Report on Compliance for Each Major State Program**

We have audited Parking Authority of the City of New Brunswick’s (the “Authority”) compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Authority’s major state program for the year ended December 31, 2017. Parking Authority of the City of New Brunswick’s major state program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on compliance for the Authority’s major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and State of New Jersey, Department of the Treasury, Office of Management and Budget Policy Circular 15-08-OMB (“NJ Circular 15-08”). Those standards and NJ Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Authority’s compliance.

**Opinion on Major State Program**

In our opinion, Parking Authority of the City of New Brunswick complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2017.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with NJ Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over compliance.



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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of NJ Circular 15-08. Accordingly, this report is not suitable for any other purpose.

*WithumSmith+Brown, PC*

May 8, 2018

**Parking Authority of the City of New Brunswick  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2017**

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**Section 1 – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**State Financial Assistance**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular 15-08-OMB?	No

The following state program was designated as a major program:

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>State Grant Award Number</u>	<u>Expenditures</u>
State of New Jersey Department of Transportation Passed through New Jersey Transit Corporation New Brunswick Station - Pedestrian Bridge Project	N/A	<u>\$ 251,357</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**Section 2 – Financial Statement Findings**

No matters were reported.

**Section 3 – State Financial Assistance Findings and Questioned Costs**

No matters were reported.

**Section 4 – Prior Year Schedule of Findings and Questioned Costs**

No matters were reported.

**Parking Authority of the City of New Brunswick  
Roster of Officials  
Year Ended December 31, 2017**

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The following Officials were in office during the period under audit:

<u>Name</u>	<u>Office</u>	<u>Bond Amount</u>	<u>Term Expiration</u>
<u>Board of Commissioners</u>			
Kevin McTernan	Chairperson	None	December 31, 2020
Anthony Caputo	1 <sup>st</sup> Vice Chairperson	None	December 31, 2018
Andrea Eato-White	Commissioner	None	December 31, 2019
Louis Garlatti, Jr.	Treasurer	\$100,000	December 31, 2022
Edwin Keefe	Secretary	None	December 31, 2022
<u>Other Officials</u>			
Leonard T. Bier	Counsel		
Mitchell Karon	Executive Director		
Bright Rajaratnam	Chief Financial Officer		

A Blanket Bond issued through the Middlesex County Municipal Joint Insurance Fund for \$1,000,000 per occurrence covers all Authority employees. In addition, a separate surety bond issued by Selective Insurance Company of America for \$100,000 covers the Authority Treasurer.

**Parking Authority of the City of New Brunswick**  
**General Comments**  
**Year Ended December 31, 2017**

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An audit of the financial accounts and transactions of Parking Authority of the City of New Brunswick for the year ended December 31, 2017 has been completed. The General Comments are herewith set forth:

**Scope of Audit**

The audit covered the financial transactions of Parking Authority of the City of New Brunswick.

**Parking Authority of the City of New Brunswick  
Recommendations  
Year Ended December 31, 2017**

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None.