



Parking Authority

PARKING AUTHORITY OF THE CITY OF NEW BRUNSWICK
Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Reports

Parking Authority of the City of New Brunswick
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December 31, 2020 and 2019

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Parking Authority of the City of New Brunswick Management's Discussion and Analysis (Unaudited) December 31, 2020 and 2019

The 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, 2020 and 2019. Please read it in conjunction with the Authority's financial statements and accompanying notes to financial statements.

Accountability

The 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 or controlled by the Authority. The Authority's duties also include streetscape cleaning within the Commercial Business District.

Future Economic Outlook

The local economy is seeing a rebound from the effects of COVID-19. Parking demand is gradually increasing, with an expectation that it will continue to increase as public confidence grows. Rutgers University reopened for in-person learning for the 2021-2022 academic year and continues to increase the number of classes and events held on campus. Parking demand for those attending events or having dinner in New Brunswick at one of our many fine restaurants continues to grow.

The residential housing market in New Brunswick is strong, and the Authority has seen an increased demand in off-street parking from tenants and owners of residential units. The Authority expects to meet all its financial obligations in the coming year. Parking demand and revenue are expected to continue to increase in the immediate future.

Financial Highlights

- Unrestricted cash and cash equivalents decreased by approximately \$263,000.
- Operating revenue from charges for services decreased by approximately \$7,900,000.
- Operating expenses decreased by approximately \$2,697,000.
- During 2020, the Authority's crossover bonds were formally refunded through the use of assets that were set aside to complete that refunding transaction. This resulted in a decrease in assets whose use is limited of approximately \$153,000,000 and a decrease in bonds payable of \$143,470,000. Additionally, the costs of issuance and realized loss on investments from this refunding resulted in nonoperating expenses reflected in the statement of revenues and expenses of approximately \$5,479,000. The crossover bond refunding transaction, executed in 2016, resulted in savings to the Authority of approximately \$22.6m over the life of the bonds.
- During 2020, the Authority refunded the Series 2010A and Series 2010 RZFB bonds by issuing \$22,510,000 of Series 2020 refunding bonds. This transaction resulted in net savings of approximately \$2,000,000.
- The Authority is current on all debt obligations and paid its debt service requirements in 2020.

**Parking Authority of the City of New Brunswick
Management's Discussion and Analysis (Unaudited)
December 31, 2020 and 2019**

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 deficit 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 deficit 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 creditworthiness 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 Deficit

The Authority's net deficit was \$12,446,140 and \$2,685,471 at December 31, 2020 and 2019, respectively. The following table illustrates the net deficit activity.

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 14,686,841	\$ 18,358,092
Noncurrent assets	<u>286,363,218</u>	<u>441,063,837</u>
Total assets	<u>\$ 301,050,059</u>	<u>\$ 459,421,929</u>
Deferred outflows	<u>\$ 3,898,356</u>	<u>\$ 1,399,523</u>
Liabilities		
Current liabilities	\$ 16,792,445	\$ 18,289,463
Long-term liabilities	<u>290,726,734</u>	<u>434,032,553</u>
Total liabilities	<u>\$ 307,519,179</u>	<u>\$ 452,322,016</u>
Deferred inflows	<u>\$ 9,875,376</u>	<u>\$ 11,184,907</u>
Net Deficit		
Restricted	\$ 1,668,583	\$ 15,532,953
Net investment in capital assets	-	3,978,554
Unrestricted net deficit	<u>(14,114,723)</u>	<u>(22,196,978)</u>
Total net deficit	<u>\$ (12,446,140)</u>	<u>\$ (2,685,471)</u>

**Parking Authority of the City of New Brunswick
Management's Discussion and Analysis (Unaudited)
December 31, 2020 and 2019**

As of December 31, 2020 and 2019, the unrestricted net deficit of \$14,114,723 and \$22,196,978, respectively, includes the net pension and OPEB liability of \$23,228,491 and \$24,447,806, respectively.

Statement of Revenues and Expenses

Changes in the Authority's net deficit can be determined by reviewing the following condensed statements of revenues, expenses, and changes in net deficit for the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Revenue		
Operating revenue		
Charges for services	\$ 23,488,064	\$ 31,390,572
Non-operating revenue		
Interest earned on investments	308,036	667,791
Interest earned on promissory notes receivable	120,645	45,130
Gain on sale of capital assets	28,038	18,000
Grant revenue	<u>1,143,969</u>	<u>1,103,399</u>
	<u>25,088,752</u>	<u>33,224,892</u>
Expenses		
Operating expenses		
Cost of providing services	5,595,861	7,793,161
Administrative and general	1,798,600	1,971,850
Depreciation	6,322,689	6,740,555
Pension expense, net - GASB 68 adjustment	(753,484)	(533,454)
OPEB expense, net - GASB 75 adjustment	(450,838)	(762,619)
Non-operating expenses (revenues)		
Interest on bonds payable	10,121,305	11,768,192
Interest on crossover bonds	3,521,077	3,511,187
Interest on notes payable	208,663	144,928
Loss on sale of assets whose use is limited	4,962,850	-
Amortization of bond premiums	(2,005,360)	(1,434,730)
Amortization of bond insurance	37,279	36,868
Bond issuance costs	515,779	37,063
Payment in lieu of taxes ("PILOT")	<u>4,975,000</u>	<u>4,975,000</u>
	<u>34,849,421</u>	<u>34,248,001</u>
Changes in net deficit	<u>\$ (9,760,669)</u>	<u>\$ (1,023,109)</u>

The Authority realized a decrease in revenues from operations (charges for services) of approximately \$7,900,000 (25%) as compared to 2019. The Authority realized a decrease in expenses from operations of approximately \$2,697,000 (18%) as compared to 2019. The decrease in revenue was driven predominantly by reduction in parking volume as a result of the government-imposed restrictions relating to the COVID-19 pandemic. Operating expenses declined primarily due to reduced compensation costs, resulting from the furlough of employees and reduced work schedules.

**Parking Authority of the City of New Brunswick
Management's Discussion and Analysis (Unaudited)
December 31, 2020 and 2019**

Budget to Actual Analysis

The schedule of operating revenue and costs funded by operating revenue compared to budget is included on page 45. For 2020, the Authority recognized revenue of approximately \$23,488,000, which was a 27% decrease from the 2020 budgeted revenue amount of approximately \$32,385,000. Personnel and related expenses were under budget by approximately \$1,686,000. Other expenses were under budget by approximately \$1,304,000. Total operating expenses were under budget by approximately \$2,990,000. Overall, the Authority recognized a net deficit of approximately \$3,643,000 for items which are included in the budget, as compared to the budgeted surplus amount of approximately \$1,621,000.

Capital Asset and Debt Administration

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

	<u>2020</u>	<u>2019</u>
Land	\$ 38,875,126	\$ 38,875,126
Equipment	5,107,132	4,947,995
Parking facilities and renovations	260,316,325	259,495,231
Software	35,255	35,255
Signage	<u>51,447</u>	<u>51,447</u>
	304,385,285	303,405,054
Accumulated depreciation	<u>(64,868,456)</u>	<u>(58,593,720)</u>
	<u>\$ 239,516,829</u>	<u>\$ 244,811,334</u>

Overall, net capital assets decreased by approximately \$5,295,000 (2.16%) from 2019 to 2020. The decrease is a result of current year additions of approximately \$1,028,000 offset by depreciation expense and disposals of approximately \$6,323,000.

Debt Outstanding

The Authority had the following debt outstanding at December 31:

	<u>2020</u>	<u>2019</u>
Revenue bonds payable	\$ 258,054,086	\$ 409,585,507
Subordinated project notes payable	5,610,000	4,710,000
Notes payable - NMTC	<u>16,086,000</u>	<u>16,086,000</u>
	<u>\$ 279,750,086</u>	<u>\$ 430,381,507</u>

During 2020, bonds payable decreased by approximately \$151,531,000 as a result of the Authority refunding its Series 2010 bonds, as well as normal bond principal payments and bond premium amortization. Additionally, subordinated project notes payable increased by \$900,000 from the issuance of a new note during 2020.

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, Sixth Floor, New Brunswick, New Jersey 08901.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of the City of New Brunswick (the "Authority"), a proprietary fund, which comprise the statements of net deficit as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net deficit and cash flows for the years then ended, and the related notes to 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.

Auditor's 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 auditor's 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 the Parking Authority of the City of New Brunswick as of December 31, 2020 and 2019, and the changes in its net deficit 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 April 25, 2022 on our consideration of the 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 solely 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 the effectiveness of 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 in the notes to financial statements, in 2020 the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 22 in the notes to financial statements, the beginning net position for 2019 has been restated for the correction of an error related to the Authority's postemployment benefits other than pension. Our opinion is not modified with respect to this matter.

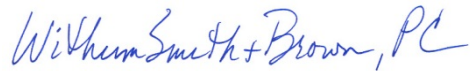
Other Matters

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, schedule of Authority's contributions – PERS, schedule of the Authority's proportionate share of the net OPEB liability – SHBP, and schedule of Authority's contributions – SHBP, 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating revenue and costs funded by operating revenue compared to budget is presented for purposes of additional analysis and is 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, Office of Management and Budget 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 use 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, and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as whole.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

April 25, 2022

Parking Authority of the City of New Brunswick
Statements of Net Deficit
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,717,880	\$ 2,980,562
Accounts receivable, net	3,646,688	2,674,266
Grants receivable	177,213	184,756
Assets whose use is limited, current portion	7,810,365	11,522,702
Prepaid expenses and other current assets	265,458	923,613
Inventory	<u>69,237</u>	<u>72,193</u>
Total current assets	<u>14,686,841</u>	<u>18,358,092</u>
Noncurrent assets		
Assets whose use is limited, net of current portion	21,895,105	171,369,973
Promissory notes receivable	16,086,000	16,086,000
Prepaid operating lease, net	2,922,256	2,959,593
Capital assets, net	239,516,829	244,811,334
Prepaid bond insurance	757,276	745,283
Capital assets held for sale	4,638,427	4,638,427
Construction in progress	<u>547,325</u>	<u>453,227</u>
Total noncurrent assets	<u>286,363,218</u>	<u>441,063,837</u>
Total assets	<u>\$ 301,050,059</u>	<u>\$ 459,421,929</u>
Deferred outflows		
Pension deferred outflows	\$ 464,506	\$ 742,098
OPEB deferred outflows	2,853,193	39,705
Unamortized interest of 2006 bond refunding	<u>580,657</u>	<u>617,720</u>
	<u>\$ 3,898,356</u>	<u>\$ 1,399,523</u>

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

Parking Authority of the City of New Brunswick
Statements of Net Deficit
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,564,659	\$ 1,095,256
Accrued PILOT, current portion	947,210	-
Unearned revenue - parking	197,270	314,016
Security deposits	662,941	647,489
Bonds payable, current portion	4,525,000	6,120,000
Subordinated project notes payable	5,610,000	4,710,000
Accrued interest on bonds	<u>3,285,365</u>	<u>5,402,702</u>
Total current liabilities	<u>16,792,445</u>	<u>18,289,463</u>
Long-term liabilities		
Deferred revenue - judges parking	299,610	323,999
Deferred rent	113,434	112,345
Accrued PILOT, net of current portion	4,027,790	-
Bonds payable, net of current portion	253,529,086	403,465,507
Notes payable - NMTC	16,086,000	16,086,000
Net pension liability	5,475,717	6,171,319
Net OPEB liability	<u>11,195,097</u>	<u>7,873,383</u>
Total long-term liabilities	<u>290,726,734</u>	<u>434,032,553</u>
Total liabilities	<u>\$ 307,519,179</u>	<u>\$ 452,322,016</u>
Deferred inflows		
Pension deferred inflows	\$ 3,237,985	\$ 3,573,459
OPEB deferred inflows	<u>6,637,391</u>	<u>7,611,448</u>
	<u>\$ 9,875,376</u>	<u>\$ 11,184,907</u>
Net Deficit		
Net investment in capital assets	\$ -	\$ 3,978,554
Restricted for		
Debt service	1,633,586	15,007,953
Renewal and replacement	34,997	525,000
Unrestricted net deficit	<u>(14,114,723)</u>	<u>(22,196,978)</u>
Total net deficit	<u>\$ (12,446,140)</u>	<u>\$ (2,685,471)</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 Deficit
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Parking revenue	\$ 18,264,651	\$ 25,290,849
Meter operations	1,371,884	2,580,111
Rental revenue	2,396,124	1,878,975
Common facility	945,854	902,687
Summons surcharge	133,160	197,208
Management revenue	345,316	436,602
Event parking	20,123	95,330
Other revenue	<u>10,952</u>	<u>8,810</u>
Total operating revenues	<u>23,488,064</u>	<u>31,390,572</u>
Operating expenses		
Cost of providing services	5,595,861	7,793,161
Administrative and general	1,798,600	1,971,850
Depreciation	6,322,689	6,740,555
Pension expense, net - GASB 68 adjustment	(753,484)	(533,454)
OPEB expense, net - GASB 75 adjustment	<u>(450,838)</u>	<u>(762,619)</u>
Total operating expenses	<u>12,512,828</u>	<u>15,209,493</u>
Operating income	<u>10,975,236</u>	<u>16,181,079</u>
Non-operating revenues (expenses)		
Interest earned on investments	308,036	667,791
Interest earned on promissory notes receivable	120,645	45,130
Grant revenue	1,143,969	1,103,399
Interest on bonds payable	(10,121,305)	(11,768,192)
Interest on crossover bonds, net of interest revenue of \$2,886,798 and \$2,927,519 at December 31, 2020 and 2019, respectively	(3,521,077)	(3,511,187)
Interest on notes payable	(208,663)	(144,928)
Loss on sale of assets whose use is limited	(4,962,850)	-
Gain on sale of capital assets	28,038	18,000
Amortization of bond premium	2,005,360	1,434,730
Amortization of bond insurance	(37,279)	(36,868)
Bond issuance costs	<u>(515,779)</u>	<u>(37,063)</u>
Total non-operating revenues (expenses)	<u>(15,760,905)</u>	<u>(12,229,188)</u>
Changes in net deficit before payment in lieu of taxes	(4,785,669)	3,951,891
Direct charges		
Payment in lieu of taxes (PILOT)	<u>(4,975,000)</u>	<u>(4,975,000)</u>
Changes in net deficit	<u>(9,760,669)</u>	<u>(1,023,109)</u>
Net position (deficit) at beginning of year, as previously stated	(2,685,471)	14,545,383
Restatement (See Note 22)	<u>-</u>	<u>(16,207,745)</u>
Net deficit		
Beginning of year, as restated	<u>(2,685,471)</u>	<u>(1,662,362)</u>
End of year	<u>\$ (12,446,140)</u>	<u>\$ (2,685,471)</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Cash received from services	\$ 22,452,455	\$ 31,449,055
Cash paid to suppliers	(4,663,038)	(7,090,501)
Cash paid to employees	(2,236,720)	(2,543,369)
Cash paid for fee in lieu of taxes	-	(4,975,000)
Net cash provided by operating activities	<u>15,552,697</u>	<u>16,840,185</u>
Capital and related financing activities		
Purchases of capital assets	(972,485)	(600,481)
Purchases of construction in progress	(149,797)	(2,650,712)
Proceeds from sale of capital assets	28,038	37,676
Principal paid on bonds payable, including refunding	(175,655,000)	(5,870,000)
Cash paid for interest, net of interest subsidy	(15,847,737)	(15,164,064)
Proceeds from issuance of bonds payable	26,128,939	-
Proceeds from issuance of subordinated project note payable	900,000	-
Payments for bond issuance costs	(478,716)	-
Payments for bond insurance	(49,272)	-
Cash received from capital grants	<u>1,151,512</u>	<u>985,005</u>
Net cash used in capital and related financing activities	<u>(164,944,518)</u>	<u>(23,262,576)</u>
Investing activities		
Investment income	308,036	667,791
Purchases of assets whose use is limited	(57,689,378)	(39,783,694)
Proceeds from sale of assets whose use is limited	<u>206,510,481</u>	<u>46,236,116</u>
Net cash provided by investing activities	<u>149,129,139</u>	<u>7,120,213</u>
Net change in cash and cash equivalents	(262,682)	697,822
Cash and cash equivalents		
Beginning of year	<u>2,980,562</u>	<u>2,282,740</u>
End of year	<u>\$ 2,717,880</u>	<u>\$ 2,980,562</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Operating income (less PILOT)	\$ 6,000,236	\$ 11,206,079
Adjustments to reconcile operating income (less PILOT) to net cash provided by operating activities		
Depreciation	6,322,689	6,740,555
Bad debt expense	-	236,415
Deferred rent	-	847,096
Amortization of prepaid operating lease	37,337	37,051
Changes in		
Accounts receivable	(972,422)	(716,085)
Prepaid expenses and other current assets	61,407	(54,522)
Inventory	2,956	(620)
Accounts payable and accrued expenses	469,403	(151,859)
Accrued PILOT	4,975,000	-
Unearned revenue - parking	(116,746)	(13,694)
Security deposits	15,452	28,813
Deferred revenue - judges parking	(24,389)	(22,971)
Deferred rent	1,089	-
Net pension liability	(695,602)	649,463
Net OPEB liability	3,321,714	(1,505,754)
Deferred outflows of resources for pension	277,592	(1,131,404)
Deferred outflows of resources for OPEB	(2,813,488)	(8,152)
Deferred inflows of resources for pension	(335,474)	(51,513)
Deferred inflows of resources for OPEB	(974,057)	751,287
Net cash provided by operating activities	<u>\$ 15,552,697</u>	<u>\$ 16,840,185</u>
Supplemental disclosure of cash flow information		
Total cash paid during the year for interest, excluding interest subsidy	<u>\$ 19,983,194</u>	<u>\$ 19,266,541</u>
Noncash capital and related financing activities		
Issuance of NMTC notes payable	\$ -	\$ 16,086,000
Construction costs transferred from deposits to Capital assets	<u>55,699</u>	<u>4,922,860</u>
Amount capitalized for NBPAC	<u>\$ 55,699</u>	<u>\$ 21,008,860</u>
Loss on termination of lease - deferred rent	<u>\$ -</u>	<u>\$ 883,068</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, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Business

The 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 in the supplementary information section for further information.

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.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

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 is 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, 2020 and 2019.

Capital Assets, Net

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

<u>Description</u>	<u>Estimated Life (Years)</u>
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 deficit.

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, 2020 and 2019, management has determined that there was no impairment of capital assets.

Concentration of Credit Risk

At December 31, 2020, three customers accounted for approximately 55% of accounts receivable. At December 31, 2019, two customers accounted for approximately 55% of accounts receivable. For the years ended December 31, 2020 and 2019, one customer accounted for approximately 22% and 15% of total operating revenue, respectively.

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.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
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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, gain on assignment of debt 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 net realizable value 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 are 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 deficit.

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:

	<u>2020</u>	<u>2019</u>
Interest on bonds payable	\$ 14,256,762	\$ 16,886,319
Interest on crossover bonds, net	3,521,077	3,511,187
Interest on notes payable	208,663	144,928
Less: Bonds payable interest capitalized	-	(1,015,650)
Less: Interest rebate	<u>(4,135,457)</u>	<u>(4,102,477)</u>
	<u>\$ 13,851,045</u>	<u>\$ 15,424,307</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.

Parking Authority of the City of New Brunswick
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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.

The Authority's deferred outflows are a result of its participation in the OPEB plan (see Note 13), pension plan (see Note 14), and bond refunding (see Note 11). The Authority's deferred inflows are a result of its participation in the OPEB plan (see Note 13) and pension plan (see Note 14).

Accounting Pronouncements Adopted in the Current Year

Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

During 2020, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improved information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and clarified which liabilities governments should include when disclosing information related to debt. Adoption of this statement had no effect on the Authority's 2020 and 2019 financial statements.

New Accounting Pronouncements Not Yet Adopted

Leases

On June 28, 2017, GASB issued GASB Statement No. 87, *Leases*, a new lease accounting standard which creates accounting standards for governmental entities under US GAAP. Previously, governmental entities reported their leases similar to how private entities reported leases.

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governmental entities. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principles that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a governments' leasing activities. This Statement is effective for years beginning after June 15, 2021. Earlier application is permitted.

The Authority expects this standard to have a significant impact on its financial statements and will be required to report lease receivables for its lessor lease obligations.

Accounting for Interest Cost Incurred Before the End of a Construction Period

On June 22, 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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This Statement was effective for years beginning after December 15, 2019. In May 2020, the GASB issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which delays the effective date for one year. This statement is now effective for periods beginning after December 15, 2020. Earlier application is permitted.

The Authority is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current year presentation. Reclassifications had no effect on prior year change in net deficit or net deficit.

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 5% of the average daily balance of public funds or; if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%. 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

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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.

Assets whose use is limited is held in cash, cash equivalents, and certain fixed income investments. Investments at December 31, 2020 consist of certificates of deposit. Investments at December 31, 2019 consist of U.S. Treasury bills and notes, fixed income securities and certificates of deposit.

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:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 4,080,121	\$ 3,107,194
Allowance for doubtful accounts	<u>(433,433)</u>	<u>(432,928)</u>
Accounts receivable, net	<u>\$ 3,646,688</u>	<u>\$ 2,674,266</u>

4. PROMISSORY NOTE RECEIVABLE

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%. Beginning March 19, 2025, the note calls for quarterly payments of principal and interest at 1%, 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 note receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Recorded investment	\$ 16,086,000	\$ 16,086,000
Unpaid principal balance	\$ 16,086,000	\$ 16,086,000
Interest income recognized	\$ 120,645	\$ 45,130
Accrued interest income	\$ 45,130	\$ 45,130

There was no allowance for loan losses for the years ended December 31, 2020 and 2019 as the loan was not on nonaccrual status. Accrued interest is included in prepaid expenses and other current assets.

5. ASSETS WHOSE USE IS LIMITED

In accordance with certain bond resolutions and indenture agreements, 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. This escrow account was liquidated in 2020 as part of the Series 2010 bond refunding.

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.

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Assets whose use is limited amounted to the following at December 31:

	<u>2020</u>	<u>2019</u>
General account	\$ 4,683,300	\$ -
Revenue account	2,719,924	2,192,194
Construction account	-	886,455
Current debt service	4,564,235	5,730,357
Future debt service	17,676,636	22,181,453
Renewal and replacement	34,997	534,453
Crossover refunding bonds escrow	-	151,357,185
Issuance cost escrow funds	26,378	10,578
	<u>\$ 29,705,470</u>	<u>\$ 182,892,675</u>

Fair Value Information

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 included in assets whose use is limited as of December 31, 2020 and 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
<u>December 31, 2020</u>			
Money fund	\$ 6,470	\$ 6,470	\$ -
Certificates of deposit	29,699,000	-	29,699,000
	<u>\$ 29,705,470</u>	<u>\$ 6,470</u>	<u>\$ 29,699,000</u>
<u>December 31, 2019</u>			
Money fund	\$ 8,649	\$ 8,649	\$ -
U.S. treasury bills	13,396,627	-	13,396,627
Group money market	434,795	434,795	-
U.S. treasury notes	151,355,604	-	151,355,604
Certificates of deposit	17,697,000	-	17,697,000
	<u>\$ 182,892,675</u>	<u>\$ 443,444</u>	<u>\$ 182,449,231</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.

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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. 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%.

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 deficit as a reduction of prepaid operating lease as of December 31, 2003. Net prepaid operating lease amounted to \$2,258,056 and \$2,262,993 at December 31, 2020 and 2019, 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 \$664,200 and \$696,600 at December 31, 2020 and 2019, 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%. Deferred revenue related to the lease agreement amounted to \$299,610 and \$323,999 at December 31, 2020 and 2019, respectively. Revenue from this agreement over the next five years will be recognized as follows: 2021 - \$25,892, 2022 - \$27,489, 2023 - \$29,184, 2024 - \$30,985, 2025 - \$32,896.

8. CAPITAL ASSETS, NET

Capital assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 38,875,126	\$ 38,875,126
Equipment	5,107,132	4,947,995
Parking facilities and renovations	260,316,325	259,495,231
Software	35,255	35,255
Signage	51,447	51,447
	<u>304,385,285</u>	<u>303,405,054</u>
Accumulated depreciation	<u>(64,868,456)</u>	<u>(58,593,720)</u>
Capital assets, net	<u>\$ 239,516,829</u>	<u>\$ 244,811,334</u>

Depreciation expense included as a charge to operations for the years ended December 31, 2020 and 2019 amounted to \$6,322,689 and \$6,740,555, respectively.

Parking Authority of the City of New Brunswick
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Capital additions and disposals consisted of the following at December 31:

	Beginning Balance January 1, 2020	Additions	Retirements	Reclassifications	Ending Balance December 31, 2020
Asset cost					
Land	\$ 38,875,126	\$ -	\$ -	\$ -	\$ 38,875,126
Equipment	4,947,995	207,090	(47,953)	-	5,107,132
Parking facilities and renovations	259,495,231	821,094	-	-	260,316,325
Software	35,255	-	-	-	35,255
Signage	51,447	-	-	-	51,447
	<u>303,405,054</u>	<u>1,028,184</u>	<u>(47,953)</u>	<u>-</u>	<u>304,385,285</u>
Accumulated depreciation	58,593,720	6,322,689	(47,953)	-	64,868,456
Capital assets, net	<u>\$ 244,811,334</u>	<u>\$ (5,294,505)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,516,829</u>

	Beginning Balance January 1, 2019	Additions	Retirements	Reclassifications	Ending Balance December 31, 2019
Asset cost					
Land	\$ 38,875,126	\$ -	\$ -	\$ -	\$ 38,875,126
Equipment	5,006,624	85,794	(144,423)	-	4,947,995
Parking facilities and renovations	237,971,684	21,523,547	-	-	259,495,231
Software	35,255	-	-	-	35,255
Signage	51,447	-	-	-	51,447
	<u>281,940,136</u>	<u>21,609,341</u>	<u>(144,423)</u>	<u>-</u>	<u>303,405,054</u>
Accumulated depreciation	51,977,914	6,740,555	(124,749)	-	58,593,720
Capital assets, net	<u>\$ 229,962,222</u>	<u>\$ 14,868,786</u>	<u>\$ (19,674)</u>	<u>\$ -</u>	<u>\$ 244,811,334</u>

9. CAPITAL 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 capital assets held for sale are carried at carrying value and no impairment was required to be recognized at December 31, 2020 and 2019, respectively.

10. SUBORDINATED PROJECT NOTES PAYABLE

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

	2020	2019
Subordinated project note payable - issued June 17, 2016, interest at 1.50% per annum, due June 10, 2021	\$ 810,000	\$ 810,000
Subordinated project note payable - issued June 29, 2017 interest at 1.50% per annum, due June 23, 2021	3,900,000	3,900,000
Subordinated project note payable - issued August 26, 2020 interest at 0.75% per annum, due August 25, 2021	<u>900,000</u>	<u>-</u>
	<u>\$ 5,610,000</u>	<u>\$ 4,710,000</u>

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The \$810,000 project note proceeds were utilized to fund a prepayment on an operating lease agreement (Note 6). The \$3,900,000 project note proceeds were utilized for land acquisition (Note 8). The \$900,000 project note proceeds were utilized for acquiring and installing safety fencing and barriers at certain parking deck facilities.

11. BONDS PAYABLE

Bonds payable consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
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% through January 1, 2029; principal due annually on January 1, callable beginning January 1, 2021, due January 1, 2029 (A).	\$ 3,740,000	\$ 4,130,000
Series 2010 A guaranteed parking revenue bonds - payments of interest only due semi-annually on March 1 and September 1, at 5.00% through September 1, 2024; principal due as follows: \$560,000 due on September 1, 2025; \$5,370,000 due on September 1, 2026, refunded on November 17, 2020 (A).	-	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%; payments of principal due annually on September 1 beginning September 1, 2027 through September 1, 2039, refunded on November 17, 2020 (A) (B).	-	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%; payments of principal due as follows: \$9,635,000 due on September 1, 2039; \$16,565,000 due September 1, 2040, refunded on November 17, 2020 (A) (C).	-	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% to 5.50% through September 1, 2018; payments of principal due annually on September 1 beginning September 1, 2019 through September 1, 2025, refunded on November 17, 2020 (A).	-	23,355,000
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% to 5.00%; payments of principal due annually on September 1 beginning September 1, 2013 through September 1, 2034 (A).	20,640,000	22,345,000

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	<u>2020</u>	<u>2019</u>
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% to 5.00%; payments of principal due annually on September 1 beginning September 1, 2016 through September 1, 2036 (A).	\$ 19,240,000	\$ 20,045,000
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% to 5.00%; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2039 (A).	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% to 5.00%; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2040 (A).	27,655,000	27,655,000
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% to 5.00%; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2047 (A).	21,985,000	21,985,000
Series 2020A guaranteed parking revenue refunding bonds - payments of interest only due annually on September 1 at a rate of 5.00%; payment of principal due at maturity on September 1, 2026 (A).	4,920,000	-
Series 2020B guaranteed parking revenue refunding bonds - payments of interest only due annually on September 1 at a rate of 5.00%; payments of principal due annually on September 1 beginning September 1, 2021 through September 1, 2025 (A).	<u>17,590,000</u>	<u>-</u>
	231,460,000	384,605,000
Less: Current portion	(4,525,000)	(6,120,000)
Plus: Unamortized original issue premium	<u>26,594,086</u>	<u>24,980,507</u>
Bonds payable, net of current portion	<u>\$ 253,529,086</u>	<u>\$ 403,465,507</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, 2020 and 2019.
- (B) The Authority receives an interest rate subsidy payment annually representing 35% of the interest cost incurred for the year which is offset against the interest expense and interest capitalized in these financial statements. For the fiscal years ending December 31, 2020 and 2019, the interest rate subsidy was reduced to 32.69% of the interest cost incurred.
- (C) The Authority receives an interest rate subsidy payment annually representing 45% of the interest cost incurred for the year which is offset against the interest expense and interest capitalized in these financial statements. For the fiscal years ending December 31, 2020 and 2019, the interest rate subsidy was reduced to 42.03% of the interest cost incurred.

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Debt outstanding consisted of the following at December 31:

	Beginning Balance January 1, 2020	Additions/ Subtractions	Payments/ Amortization	Ending Balance December 31 2020	Current Portion
Revenue bonds payable	\$ 241,260,000	\$ 22,510,000	\$ (175,655,000)	\$ 88,115,000	\$ 4,525,000
Bonds payable - crossover refunding	<u>143,345,000</u>	-	-	<u>143,345,000</u>	-
	384,605,000	22,510,000	(175,655,000)	231,460,000	4,525,000
Unamortized bond premiums	<u>24,980,507</u>	<u>3,618,939</u>	<u>(2,005,360)</u>	<u>26,594,086</u>	-
Bonds outstanding	<u>\$ 409,585,507</u>	<u>\$ 26,128,939</u>	<u>\$ (177,660,360)</u>	<u>\$ 258,054,086</u>	<u>\$ 4,525,000</u>

	Beginning Balance January 1, 2019	Additions/ Subtractions	Payments/ Amortization	Ending Balance December 31, 2019	Current Portion
Revenue bonds payable	\$ 247,130,000	\$ -	\$ (5,870,000)	\$ 241,260,000	\$ 6,120,000
Bonds Payable - crossover refunding	<u>143,345,000</u>	-	-	<u>143,345,000</u>	-
	390,475,000	-	(5,870,000)	384,605,000	6,120,000
Unamortized bond premiums	<u>26,415,237</u>	-	<u>(1,434,730)</u>	<u>24,980,507</u>	-
Bonds outstanding	<u>\$ 416,890,237</u>	<u>\$ -</u>	<u>\$ (7,304,730)</u>	<u>\$ 409,585,507</u>	<u>\$ 6,120,000</u>

Aggregate principal maturities and interest on bonds payable are as follows as of December 31, 2020:

Year	Principal	Interest	Amount
2021	\$ 4,525,000	\$ 10,273,383	\$ 14,798,383
2022	7,440,000	10,191,794	17,631,794
2023	7,805,000	9,826,994	17,631,994
2024	8,190,000	9,442,694	17,632,694
2025	8,025,000	9,039,694	17,064,694
2026-2030	48,685,000	38,709,360	87,394,360
2031-2035	61,720,000	26,695,437	88,415,437
2036-2040	76,060,000	12,341,138	88,401,138
2041-4045	6,115,000	1,670,500	7,785,500
2046-2047	<u>2,895,000</u>	<u>218,750</u>	<u>3,113,750</u>
	<u>\$ 231,460,000</u>	<u>\$ 128,409,744</u>	<u>\$ 359,869,744</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 (4% rate utilized), is approximately \$244,000,000 and \$472,000,000 at December 31, 2020 and 2019, respectively.

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Original issue premiums consisted of the following at December 31, 2020 and 2019:

	December 31, 2020					
	Premium	Life	Accumulated		Unamortized	
			Amortization	Premium	Amortization	
Series 2010 BAB & RZEDB guaranteed parking revenue bonds	\$ -	30	\$ -	\$ -	\$ 453,690	
Series 2010 E tax exempt parking revenue bonds	-	10	-	-	98,665	
Series 2010 parking revenue refunding bonds	92,663	19	50,803	41,860	4,877	
Series 2012 refinancing bond	4,180,229	19	1,870,102	2,310,127	220,012	
Series 2016 refunding bond	1,699,281	20	368,178	1,331,103	84,964	
Series 2016A refunding bond	19,225,972	23	3,622,279	15,603,693	835,912	
Series 2016B refunding bond	1,657,966	23	312,370	1,345,596	72,085	
Series 2017 parking revenue bonds	2,770,216	30	284,633	2,485,583	92,341	
Series 2020A refunding bond	1,148,124	6	39,865	1,108,259	39,865	
Series 2020B refunding bond	2,470,814	5	102,949	2,367,865	102,949	
	<u>\$ 33,245,265</u>		<u>\$ 6,651,179</u>	<u>\$ 26,594,086</u>	<u>\$ 2,005,360</u>	

	December 31, 2019					
	Premium	Life	Accumulated		Unamortized	
			Amortization	Premium	Amortization	
Series 2010 BAB & RZEDB guaranteed parking revenue bonds	\$ 649,400	30	\$ 195,710	\$ 453,690	\$ 21,647	
Series 2010 E tax exempt parking revenue bonds	1,028,927	10	930,263	98,664	102,893	
Series 2010 parking revenue refunding bonds	92,663	19	45,926	46,737	4,877	
Series 2012 refinancing bond	4,180,229	19	1,650,090	2,530,139	220,012	
Series 2016 refunding bond	1,699,281	20	283,214	1,416,067	84,964	
Series 2016A refunding bond	19,225,972	23	2,786,367	16,439,605	835,912	
Series 2016B refunding bond	1,657,966	23	240,285	1,417,681	72,085	
Series 2017 parking revenue bonds	2,770,216	30	192,292	2,577,924	92,340	
	<u>\$ 31,304,654</u>		<u>\$ 6,324,147</u>	<u>\$ 24,980,507</u>	<u>\$ 1,434,730</u>	

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12. NOTES PAYABLE

Notes payable consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
QLICI Loan A note payable - issued September 5, 2019 interest at 1.00% per annum, due December 1, 2051	\$ 2,706,000	\$ 2,706,000
QLICI Loan A note payable - issued September 5, 2019 interest at 1.00% per annum, due December 1, 2051	4,543,000	4,543,000
QLICI Loan A note payable - issued September 5, 2019 interest at 1.00% per annum, due December 1, 2051	1,947,000	1,947,000
QLICI Loan A note payable - issued September 5, 2019 interest at 1.00% per annum, due December 1, 2051	<u>6,890,000</u>	<u>6,890,000</u>
	<u>\$ 16,086,000</u>	<u>\$ 16,086,000</u>

Included in accounts payable and accrued expenses as of December 31, 2020 and 2019 is accrued interest of \$45,130.

Aggregate principal maturities and interest on notes payable are as follows as of December 31, 2020:

<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 160,860	\$ -	\$ 160,860
2022	160,860	-	160,860
2023	160,860	-	160,860
2024	160,860	-	160,860
2025	680,563	521,655	158,908
2026-2030	3,402,813	2,687,875	714,938
2031-2035	3,402,813	2,825,509	577,304
2036-2040	3,402,813	2,970,191	432,622
2041-2045	3,402,813	3,122,281	280,532
2046-2050	3,402,813	3,282,159	120,654
2051	<u>680,562</u>	<u>676,330</u>	<u>4,232</u>
	<u>\$ 19,018,630</u>	<u>\$ 16,086,000</u>	<u>\$ 2,932,630</u>

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

The Authority participates and contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit ("OPEB") plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the state of New Jersey (the "State"), Division of Pension and Benefits' (the Division) Comprehensive Annual Financial Report ("CAFR"), which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

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The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credits in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 8, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The funding policy for the OPEB plan is pay-as-you-go, where the Authority was billed monthly by the Plan. The Plan received employer and employee contributions as follows:

	<u>2020</u>	<u>2019</u>
Employer contributions	\$ 77,800	\$ 45,688
Employee contributions	\$ -	\$ -
Salary basis for contributions	\$ 2,020,316	\$ 2,474,833
Percent of base wages	3.85%	1.85%

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and 2018, which was rolled forward to June 30, 2020 and 2019.

The Authority's proportion of the net OPEB liability is based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2019 through June 30, 2020. At December 31, 2020 and 2019, the Authority's proportionate share and net OPEB liability was as follows:

	<u>2020</u>	<u>2019</u>
Net OPEB liability	\$ 17,946,612,946	\$ 13,546,071,100
Authority net OPEB liability	\$ 11,195,097	\$ 7,873,383
Authority's proportion	0.0623800%	0.0581230%

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For the years ended December 31, 2020 and 2019, the Authority recognized an OPEB benefit of \$450,838 and \$762,619, respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,674,434	\$ 2,489,617	\$ -	\$ 2,790,152
Differences between expected and actual experience	294,870	2,084,736	-	2,302,484
Net difference between projected and actual earnings on pension plan investments	7,110	-	6,485	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	828,566	2,063,038	-	2,518,812
	2,804,980	6,637,391	6,485	7,611,448
Authority contributions subsequent to the measurement date	48,213	-	33,220	-
	<u>\$ 2,853,193</u>	<u>\$ 6,637,391</u>	<u>\$ 39,705</u>	<u>\$ 7,611,448</u>

\$48,214 and \$33,220 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2020 will be recognized in OPEB expense as follows:

<u>Years Ended June 30:</u>	<u>OPEB Expense</u>	<u>Authority Share</u>
2021	\$ (964,720,007)	\$ (887,748)
2022	(965,594,678)	(888,553)
2023	(967,008,484)	(889,854)
2024	(968,300,349)	(891,043)
2025	(660,258,014)	(607,578)
Thereafter	361,183,501	332,365
	<u>\$ (4,164,698,031)</u>	<u>\$ (3,832,411)</u>

Actuarial Assumptions

The total OPEB liability for the June 30, 2020 and 2019 measurement date was determined by an actuarial valuation as of June 30, 2019 and 2018, which was rolled forward to June 30, 2020 and 2019.

This actuarial valuation used the following actuarial assumptions applied to all periods in the measurement:

	2020	2019
Inflation rate	2.50%	2.50%
Salary increases through 2026*	2.00 - 6.00%	2.00 - 6.00%
Thereafter	3.00-7.00%	3.00-7.00%

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

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For June 30, 2020, the following assumptions were used:

Pre-retirement healthy mortality rates were based on the PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2020 scale. Post-retirement health mortality rates were based on the PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using MP-2019 scale. Disabled retiree mortality was based on the PUB-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using the MP-2020 scale.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

For June 30, 2019, the following assumptions were used:

Pre-retirement healthy mortality rates were based on the PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2019 scale. Post-retirement health mortality rates were based on the PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using MP-2019 scale. Disabled retiree mortality was based on the PUB-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using the MP-2019 scale.

Certain actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of the pension plans’ experience studies for which the members are eligible for coverage under this Plan – the Public Employee’s Retirement System (“PERS”). The PERS experience study was prepared for the period July 1, 2014 to June 30, 2018.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 and 2019 was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/As or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority’s proportionate share of the Net OPEB liability measured as of December 31, 2020 and 2019, calculated using the discount rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

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	2020		
	At 1% decrease (1.21%)	At current discount rate (2.21%)	At 1% increase (3.21%)
Net OPEB liability	\$ 21,216,688,254	\$ 17,946,612,946	\$ 15,358,051,000
Authority's proportionate share of the net OPEB liability	\$ 13,234,970	\$ 11,195,097	\$ 9,580,352

	2019		
	At 1% decrease (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
Net OPEB liability	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995
Authority's proportionate share of the net OPEB liability	\$ 9,103,634	\$ 7,873,383	\$ 6,873,642

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Authority's proportionate share of the Net OPEB liability measured as of December 31, 2020 and 2019, calculated using the healthcare cost trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	2020		
	At 1% decrease	At current discount rate	At 1% increase
Net OPEB liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109
Authority's proportionate share of the net OPEB liability	\$ 9,263,954	\$ 11,195,097	\$ 13,723,955

	2019		
	At 1% decrease	At current discount rate	At 1% increase
Net OPEB liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Authority's proportionate share of the net OPEB liability	\$ 6,644,165	\$ 7,873,383	\$ 9,441,458

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report which can be found at the following link: www.state.nj.us/treasury/pensions/financial-reports.shtml.

14. PENSION PLAN

Employees of the Authority that are eligible to 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/financial-reports.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits.

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The following represents the membership tiers for PERS:

Tier	Definition
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 1/55th 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 1/60th 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. 43:15A 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.

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% 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, 2020 and 2019, the PERS received employer and employee contributions as follows:

	<u>2020</u>	<u>2019</u>
Employer contributions	\$ 381,161	\$ 349,080
Employee contributions	\$ 153,995	\$ 199,383
Basis for contributions	\$ 2,020,316	\$ 2,474,833
Percent of base wages	7.62%	8.06%

Summary of Significant Accounting Policies

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. 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.

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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.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. The Authority had no allocated share of this special funding situation.

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, 2020 and 2019, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2020. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net deficit date, therefore, the Authority has elected to utilize June 30, 2020 and 2019 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, 2020 and 2019. At December 31, 2020 and 2019, the Authority's proportionate share and net pension liability was as follows:

	<u>2020</u>	<u>2019</u>
Net pension liability (Local Group)	\$ 16,435,616,426	\$ 18,143,832,135
Authority net pension liability	\$ 5,475,717	\$ 6,171,319
Authority's proportion	0.0333162%	0.0340133%

Pension expense, net is comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Proportionate share of allocable plan pension expense	\$ 130,838	\$ 286,114
Pension expense related to specific liabilities of individual employers	-	(2,672)
Net amortization of deferral amounts from changes in proportion	(516,994)	(483,745)
	<u>\$ (386,156)</u>	<u>\$ (200,303)</u>

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 177,638	\$ 2,292,735	\$ 616,229	\$ 2,142,045
Differences between expected and actual experience	99,704	19,365	110,767	27,262
Net difference between projected and actual earnings on pension plan investments	187,164	-	-	97,417
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	925,885	15,102	1,306,735
Authority contributions subsequent to the measurement date	-	-	-	-
	<u>\$ 464,506</u>	<u>\$ 3,237,985</u>	<u>\$ 742,098</u>	<u>\$ 3,573,459</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:

<u>Years Ended June 30:</u>	<u>PERS (Local Group)</u>	<u>Authority Share</u>
2021	\$ (2,046,278,639)	\$ (1,031,431)
2022	(1,865,583,957)	(940,351)
2023	(1,066,133,576)	(537,387)
2024	(431,126,457)	(217,310)
2025	(93,243,501)	(47,000)
Thereafter	-	-
	<u>\$ (5,502,366,130)</u>	<u>\$ (2,773,479)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 and 2019 measurement dates was determined by an actuarial valuation as of July 1, 2020 and 2019, respectively, which was rolled forward to June 30, 2020 and 2019, respectively.

This actuarial valuation used the following actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Inflation rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases through 2026	2.00 - 6.00%	2.00 - 6.00%
	based on years of service	based on years of service
Thereafter	3.00-7.00%	3.00-7.00%
	based on years of service	based on years of service
Investment rate of return	7.00%	7.00%

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

For June 30, 2020, the following assumptions were used:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

For June 30, 2019, the following assumptions were used:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% and 3.50% as of June 30, 2020 and 2019, 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers for the year ended June 30, 2020.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

For the year ended June 30, 2019, 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and projected future benefit payments of current plan members through 2057 for the years ended June 30, 2020 and 2019, respectively. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments and projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability measured as of December 31, 2020 and 2019, 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:

	2020		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State	\$ 25,353,758,472	\$ 22,223,967,525	\$ 19,576,310,991
Local	<u>20,689,699,233</u>	<u>16,435,616,426</u>	<u>12,825,910,903</u>
Total	<u>\$ 46,043,457,705</u>	<u>\$ 38,659,583,951</u>	<u>\$ 32,402,221,894</u>
Authority's proportionate share of the net pension liability	<u>\$ 6,893,014</u>	<u>\$ 5,475,717</u>	<u>\$ 4,273,102</u>

	2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
State	\$ 26,475,719,181	\$ 23,012,420,340	\$ 20,102,167,445
Local	<u>22,918,608,260</u>	<u>18,143,832,135</u>	<u>14,120,406,763</u>
PERS as a whole	<u>\$ 49,394,327,441</u>	<u>\$ 41,156,252,475</u>	<u>\$ 34,222,574,208</u>
Authority's proportionate share of the net pension liability	<u>\$ 7,795,379</u>	<u>\$ 6,171,319</u>	<u>\$ 4,802,819</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: www.state.nj.us/treasury/pensions/financial-reports.shtml.

15. 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.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

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 employees 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 2020 and 2019, 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.

16. 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 in semiannual installments within the calendar year. For each of the years ended December 31, 2020 and 2019, the Authority's payment in lieu of taxes was \$4,975,000. As of December 31, 2020 and 2019, the Authority recognized a liability of \$4,975,000 and \$-0-, respectively, for the unpaid portion of the PILOT. The Authority and the City agreed to a five-year payment schedule for the PILOT. The first payment totaling \$1,049,800 is due December 15, 2021, followed by 48 monthly payments of principal and interest of \$87,483 through December 2025.

17. COMPENSATED ABSENCES

The Authority maintains up-to-date records of each employee's status relating to earned and unused sick pay. As of the years ended December 31, 2020 and 2019, the Authority has accrued \$57,967 and \$51,358, respectively, for accumulated sick 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% of their accumulated unused sick time, up to a maximum of \$15,000.

18. 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.

19. COMMITMENTS AND CONTINGENCIES

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.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

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 \$12,000,000 through December 31, 2020.

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 \$113,434 and \$112,345 for the years ended December 31, 2020 and 2019, respectively. Rental expense for the years ended December 31, 2020 and 2019 amounted to \$444,665 and \$651,906, respectively.

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

2021	\$ 320,572
2022	330,189
2023	340,095
2024	350,298
2025	<u>177,737</u>
	<u>\$ 1,518,891</u>

Lessor

The Authority leases office space to various tenants in New Brunswick, New Jersey under various non-cancellable lease agreements which expire between October 2021 and December 2047 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 deficit as deferred rent. Deferred rent of \$883,068 associated to lease agreements where the Authority is the lessor was written off during 2019 due to the termination of one of the lease agreements. Rental income from these leases was \$2,396,124 and \$1,878,975 for the years ending December 31, 2020 and 2019, respectively.

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

2021	\$ 2,345,202
2022	2,345,902
2023	2,161,097
2024	1,732,750
2025	1,575,960
Thereafter	<u>5,150,567</u>
	<u>\$ 15,311,478</u>

Concentrations of Labor Subject to Collective Bargaining Agreement

At December 31, 2020, the Authority had a total of approximately 37 employees of which, approximately 28 are hourly workers and 9 are salaried. Approximately 11% (4 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, 2019. None of its salaried employees are represented by a union.

Parking Authority of the City of New Brunswick
Notes to Financial Statements
December 31, 2020 and 2019

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.

20. RELATED PARTY TRANSACTIONS

The City Council 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 for the years ended December 31, 2020 and 2019 (see Note 16).

21. 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, 2020 and 2019 do not differ materially from the aggregate carrying values of its financial instruments recorded in the statements of net deficit due to the relatively short maturity of these instruments, with the exception of the bonds payable (see Note 11).

22. RESTATEMENT

In June 2015, GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement was effective for fiscal years beginning after June 15, 2017. Net position as of January 1, 2019 has been restated as follows to reflect the cumulative effect of implementing this standard.

Net position - January 1, 2019 as previously reported	\$ 14,545,383
Cumulative effect of application of GASB 75	<u>(16,207,745)</u>
Net deficit - January 1, 2019 as restated	<u>\$ (1,662,362)</u>

23. SUBSEQUENT EVENTS

The Authority has evaluated events occurring after the statement of net deficit date through the date of April 25, 2022, the date the financial statements were available to be released. Based upon this evaluation, the Authority has determined the following event occurred requiring disclosure in or adjustment to the financial statements:

On December 17, 2020, the Board of Governors of Rutgers University (“Rutgers”) adopted a resolution authorizing Rutgers to exercise its purchase options under the leases between Rutgers and the Authority for the fourth, fifth, and seventh floors of the Gateway Transit Village. The total purchase price for these floors was \$6,460,500. The purchase was completed on April 30, 2021.

On December 16, 2021, the Authority’s Board of Commissioners approved a resolution for the sale of capital assets held for sale. As part of the sale agreement, the Authority received a resolution of \$6,000,000.

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, 2020

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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Authority's proportionation of the net pension liability (asset) (PERS Local Group)	0.033316%	0.034013%	0.037095%	0.038161%	0.041637%	0.046092%	0.047714%	0.046557%		
Authority's proportionate share of the net pension liability (PERS Local Group)	\$ 5,475,717	\$ 6,171,319	\$ 7,302,723	\$ 8,883,223	\$ 12,331,813	\$ 10,346,689	\$ 8,933,290	\$ 8,898,006		
Authority's covered-employee payroll	\$ 2,020,316	\$ 2,474,833	\$ 2,305,302	\$ 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	271.03%	249.36%	316.78%	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 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

**Parking Authority of the City of New Brunswick
Schedule of the Authority's Contributions – PERS
Year Ended December 31, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions										
Regular pension and non-contributory group insurance contributions	\$ 367,329	\$ 335,284	\$ 368,785	\$ 363,650	\$ 375,406	\$ 396,266	\$ 393,344	\$ 398,389	\$ 329,913	266,792
Chapter 19 P.L. 2009 Contribution	13,832	13,796	13,685	13,609	13,438	13,292	13,210	12,913	12,538	12,377
Contributions in relation to the contractually required contribution	<u>(381,161)</u>	<u>(349,080)</u>	<u>(382,470)</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,020,316	\$ 2,474,833	\$ 2,305,302	\$ 2,501,009	\$ 2,694,425	\$ 2,836,389	\$ 3,052,329	\$ 3,217,727	\$ 3,202,101	\$ 2,781,069
Contributions as a percentage of covered-employee payroll	18.87%	14.11%	16.59%	15.08%	14.43%	14.44%	13.32%	12.78%	10.69%	10.04%

See Independent Auditor's Report.

**Parking Authority of the City of New Brunswick
Schedule of the Authority's Proportionate Share of the Net OPEB Liability – SHBP
and Notes to Required Supplementary Information
Year Ended December 31, 2020***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion (percentage) of the collective net OPEB liability	0.062380%	0.058123%	0.059867%
Authority's proportionate share (amount) of the collective net OPEB liability	\$ 11,195,097	\$ 7,873,383	\$ 9,379,137
Authority's covered-employee payroll	\$ 2,020,316	\$ 2,474,833	\$ 2,305,302
Authority's proportionate share (amount) of the collective net OPEB liability as a percentage of its covered-employee payroll	554.13%	318.14%	406.85%
Plan fiduciary net position as a percentage of the total collective OPEB liability	0.91%	1.98%	1.97%

*The amounts presented for each year were determined as of the fiscal year ended June 30 that occurred within the calendar year.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Notes to Required Supplementary Information

Benefit Changes

None

Changes of Assumptions

The discount rate changed as follows:	2.21%	3.50%	3.87%
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**Parking Authority of the City of New Brunswick
Schedule of the Authority's Contributions – SHBP
Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's required contribution	\$ 77,800	\$ 45,688	\$ 24,393
Contributions in relation to the contractually required contribution	<u>(77,800)</u>	<u>(45,688)</u>	<u>(24,393)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,020,316	\$ 2,474,833	\$ 2,305,302
Contributions as a percentage of covered-employee payroll	3.85%	1.85%	1.06%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Operating revenues			
Parking fees	\$ 28,866,640	\$ 20,146,086	\$ (8,720,554)
Other operating revenues	3,518,150	3,341,978	(176,172)
Total operating revenues	<u>32,384,790</u>	<u>23,488,064</u>	<u>(8,896,726)</u>
Non-operating revenues			
Grants and entitlements	1,000,000	1,143,969	143,969
Interest on investments and deposits	80,000	308,036	228,036
Gain on sale of property	-	28,038	28,038
Total non-operating revenues	<u>1,080,000</u>	<u>1,480,043</u>	<u>2,560,043</u>
Total revenues	<u>33,464,790</u>	<u>24,968,107</u>	<u>(8,496,683)</u>
Appropriations			
Administration			
Salaries and wages	865,800	684,777	181,023
Employee benefits	385,700	338,955	46,745
Other expenses	863,515	774,868	88,647
Cost of providing service			
Salaries and wages	2,610,200	1,515,355	1,094,845
Employee benefits	1,386,400	1,022,722	363,678
Other expenses	4,273,123	3,057,784	1,215,339
Debt service			
Interest payments on debt	10,363,886	10,121,305	242,581
Principal payments on bonds	6,120,000	6,120,000	-
Other reserves			
PILOT	4,975,000	4,975,000	-
Total expenses	<u>31,843,624</u>	<u>28,610,766</u>	<u>3,232,858</u>
Surplus (deficit)	<u>\$ 1,621,166</u>	<u>\$ (3,642,659)</u>	<u>\$ (5,263,825)</u>

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

Pension expense, net - GASB 68 adjustment	\$ 753,484
OPEB expense, net - GASB 75 adjustment	450,838
Amortization of original issue premium	2,005,360
Depreciation expense	(6,322,689)
Loss on sale of assets whose use is limited	(4,962,850)
Interest payments on crossover bonds, net	(3,521,077)
Amortization of bond insurance	(37,279)
Principal paid on bonds	6,120,000
Interest revenue on promissory note receivable	120,645
Interest expense on promissory note payable	(208,663)
Bond issuance costs	(515,779)
Total reconciling items	<u>(6,118,010)</u>
Changes in net position	<u>\$ (9,760,669)</u>

Note: Principal payment on bonds above does not include the current year 2020 bond refunding of \$26,065,000 or the refunding of the crossover bonds of \$143,470,000.

**Parking Authority of the City of New Brunswick
Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2020**

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>CFDA</u>	<u>State Grant Award Number</u>	<u>Grant Period</u>	<u>2020 Expenditures</u>	<u>Total Grant Expenditures to Date</u>
State Awards					
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	\$ 1,000,000	\$ 12,000,000
*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	03/28/2014 - 03/31/2021	66,458	547,675
State of New Jersey					
Department of Environmental Protection					
It Pays to Plug In:					
NJ's Electric Vehicle Charging Grant Program	N/A	AQ20-055	9/23/2019 - 6/23/2019	<u>55,699</u>	<u>55,699</u>
Total state financial assistance				<u>\$ 1,122,157</u>	<u>\$ 12,603,374</u>

Parking Authority of the City of New Brunswick
Notes to Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2020

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 deficit as capital assets or as expenses on the statements of revenues, expenses, and changes in net deficit. 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 AUDITOR'S 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 the Parking Authority of the City of New Brunswick (the "Authority") as of and for the year ended December 31, 2020 and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist which have not been identified. However, as described in the accompanying schedule of findings and questioned costs as item 2020-001, we did identify a certain deficiency in internal control that we consider to be a material weakness.

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.

Compliance and Other Matters

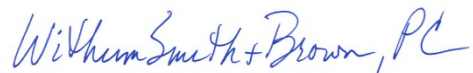
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

April 25, 2022

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 AUDITOR’S 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, 2020. Parking Authority of the City of New Brunswick’s major state program is identified in the summary of auditor’s 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.

Auditor’s 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, 2020.

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.



April 25, 2022

**Parking Authority of the City of New Brunswick
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2020**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
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 auditor’s 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 Transit - Village Parking Project	6320-480-078-6320-ALM-TACP-6010	\$ 1,000,000

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

**Parking Authority of the City of New Brunswick
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

Section 2 – Financial Statement Findings

Finding 2020-001 – Implementation of GASB 75

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements, including the related disclosures and necessary adjustments, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition: In June 2015, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement was effective for fiscal years beginning after June 15, 2017. The Authority did not implement this standard in the year of required implementation.

Context: The incorrect OPEB liability, deferred outflows of resources, and deferred inflows of resources resulted in a restatement decreasing net position and increasing liabilities as of January 1, 2019 in the amount of \$16,207,745.

Effect: Liabilities, deferred outflows of resources, deferred inflows of resources, and net position were materially misstated.

Cause: The Authority was not aware of the requirement to implement the GASB standard.

Recommendation: The Authority should monitor recent and future accounting pronouncements to determine applicability to the financial statements.

View of Responsible Officials: There is no disagreement with the finding.

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, 2020**

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 st Vice Chairperson	None	December 31, 2024
Andrea Eato-White	Commissioner	None	December 31, 2023
Louis Garlatti, Jr.	Treasurer	\$100,000	December 31, 2022
Edwin Keefe	Secretary	None	December 31, 2022
<u>Other Officials</u>			
Rainone Coughlin Minchello LLC		Counsel	
Mitchell Karon		Executive Director	June 30, 2021
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, 2020

An audit of the financial accounts and transactions of the Parking Authority of the City of New Brunswick for the year ended December 31, 2020 has been completed. The General Comments are herewith set forth:

Scope of Audit

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

**Parking Authority of the City of New Brunswick
Recommendations
Year Ended December 31, 2020**

None.