



## Parking Authority

**PARKING AUTHORITY OF THE CITY OF NEW BRUNSWICK**  
**Financial Statements**  
**December 31, 2022 and 2021**  
**With Independent Auditor's Reports**

**Parking Authority of the City of New Brunswick**  
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**December 31, 2022 and 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Parking Authority of the City of New Brunswick (the "Authority"), a proprietary fund, which comprise the statements of net deficit as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parking Authority of the City of New Brunswick as of December 31, 2022 and 2021, 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.

#### Basis for Opinion

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

#### Emphasis of Matter

During 2022, the Authority adopted GASB 87, *Leases* (Note 1). Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

The Authority's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### **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 that collectively comprise the Authority's basic financial statements. 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.

The schedule of operating revenue and costs funded by operating revenue compared to budget and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule 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.

### **Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of Parking Authority of the City of New Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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

October 31, 2023

# **Parking Authority of the City of New Brunswick Management's Discussion and Analysis (Unaudited) December 31, 2022 and 2021**

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Parking Authority of the City of New Brunswick, New Jersey (the "Authority") is a public body, corporate and politic, organized, and existing under the provisions of New Jersey Law of 1948, New Jersey Statutes Annotated 40:11A. The Authority was created by an ordinance of the City of New Brunswick (the "City") adopted August 3, 1948 to develop, operate and maintain parking facilities within the City of New Brunswick. The following Management's Discussion and Analysis of the activities and financial performance of the Authority provides an introduction to the financial statements of the Authority for the years ended December 31, 2022 and 2021. Please read it in conjunction with the Authority's financial statements and accompanying notes to financial statements.

## **Accountability**

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

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

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

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

## **Future Economic Outlook**

The local economy is seeing a rebound from the effects of COVID-19. Parking demand is slowly increasing, with an expectation that it will continue to increase as the number of people vaccinated grows. Rutgers University and other key businesses are now open which should result in an increase demand in parking, especially on-street metered parking. As occupancy limitations continue to be loosened, the result will be an increase in parking demand for those attending events and/or having dinner in New Brunswick at one of our many fine restaurants. 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 is expected to continue to increase in the immediate future.

The Authority will be receiving \$19,632,357 in 2023 for the sale of a portion of the land located at the Ferren Mall site. This will enable the Authority to defease \$19,890,000 of revenue bonds resulting in approximately \$2,000,000 annual average debt service savings for the next ten years.

# **Parking Authority of the City of New Brunswick Management's Discussion and Analysis (Unaudited) December 31, 2022 and 2021**

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## **Financial Highlights**

- Unrestricted cash and cash equivalents increased by approximately \$1,417,000. This increase was primarily due to an increase in revenues and collection of grants receivable.
- During 2022, the Authority adopted GASB 87, resulting in recognition of leases. As a result, the Authority added assets of approximately \$10,217,000 based on discounted expected future collection on leases.
- Operating revenue from charges for services increased by approximately \$3,640,000. This was attributable to an increase in operations as the local economy continued to recover from the impact of the COVID-19 pandemic.
- Operating expenses increased by approximately \$1,158,000. This was mainly due to changes in the actuarial valuations of the Authority's proportionate share of the State of New Jersey's pension and OPEB plans and increases in overall cost of providing services due to increase in activity to service increased operating revenues.
- During 2022, the Authority experienced a positive change in net deficit of approximately \$2,048,000. This increase was due mainly to operating income increases with operating revenues exceeding operating income and increasing significantly from the prior year.
- The Authority is current on all debt obligations and paid its debt service requirements in 2022.

## **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 credit worthiness of the Authority. The statements of cash flows provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments and net changes in cash resulting from operating activities, capital and related financing activities and investing activities. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Authority's progress in funding its obligations to provide pension and OPEB benefits to its employees.

**Parking Authority of the City of New Brunswick  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022 and 2021**

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**Statement of Net Deficit**

The Authority's net deficit was \$11,102,710 and \$13,150,682 at December 31, 2022 and 2021, respectively. The following table illustrates the significant net deficit activity.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Current assets	\$ 24,771,224	\$ 28,801,579	\$ 18,905,310
Restricted assets	17,712,510	17,711,703	17,711,633
Noncurrent assets	32,948,181	34,538,681	24,403,948
Capital assets	<u>219,804,430</u>	<u>226,242,067</u>	<u>240,064,165</u>
 Total assets	 <u>\$ 295,236,345</u>	 <u>\$ 307,294,030</u>	 <u>\$ 301,085,056</u>
 <b>Deferred outflows of resources</b>	 <u>\$ 3,141,925</u>	 <u>\$ 2,657,803</u>	 <u>\$ 3,898,356</u>
<b>Liabilities</b>			
Current liabilities	\$ 26,553,694	\$ 26,321,059	\$ 16,792,445
Noncurrent liabilities	<u>263,270,597</u>	<u>274,333,460</u>	<u>290,726,734</u>
Total liabilities	<u>\$ 289,824,291</u>	<u>\$ 300,654,519</u>	<u>\$ 307,519,179</u>
 <b>Deferred inflows of resources</b>	 <u>\$ 19,656,689</u>	 <u>\$ 22,447,996</u>	 <u>\$ 9,875,376</u>
<b>Net deficit</b>			
Net investment in capital assets	\$ (23,142,526)	\$ (26,189,844)	\$ (20,613,284)
Restricted	17,712,510	17,711,703	17,711,633
Unrestricted net deficit	<u>(5,672,694)</u>	<u>(4,672,541)</u>	<u>(9,544,489)</u>
Total net deficit	<u>\$ (11,102,710)</u>	<u>\$ (13,150,682)</u>	<u>\$ (12,446,140)</u>

As of December 31, 2022 and 2021, the unrestricted net deficit of \$5,672,694 and \$4,672,541, respectively, includes the net pension and OPEB liability (net of deferred inflows and outflows of resources) of \$18,669,758 and \$20,838,820, respectively.



**Parking Authority of the City of New Brunswick  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022 and 2021**

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**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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue			
Operating revenue			
Charges for services	\$ 27,062,819	\$ 23,379,660	\$ 23,488,064
Non-operating revenue			
Interest earned on leases	224,460	247,247	-
Interest earned on investments	119,438	56,461	308,036
Interest earned on promissory notes receivable	160,860	160,860	120,645
(Loss) gain on sale of capital assets	22,090	(1,318,356)	28,038
Grant revenue	1,010,713	1,086,906	1,143,969
Total non-operating revenue	<u>1,537,561</u>	<u>233,118</u>	<u>1,600,688</u>
Total revenue	<u>28,600,380</u>	<u>23,612,778</u>	<u>25,088,752</u>
Expenses			
Operating expenses			
Cost of providing services	5,056,827	3,670,339	4,705,578
Administrative and general	1,528,237	1,791,763	1,484,561
Depreciation	6,529,835	6,494,865	6,322,689
Payment in lieu of taxes ("PILOT")	4,975,000	4,975,000	4,975,000
Total operating expenses	<u>18,089,899</u>	<u>16,931,967</u>	<u>17,487,828</u>
Non-operating expenses (revenues)			
Interest expense, net	8,417,429	8,662,620	12,361,464
Loss on sale of investments	-	-	4,962,850
Amortization of bond insurance	45,080	45,080	37,279
Total non-operating expenses	<u>8,462,509</u>	<u>8,707,700</u>	<u>17,361,593</u>
Total expenses	<u>26,552,408</u>	<u>25,639,667</u>	<u>34,849,421</u>
Changes in net deficit	<u>\$ 2,047,972</u>	<u>\$ (2,026,889)</u>	<u>\$ (9,760,669)</u>

The Authority realized an increase in revenues from operations (charges for services) of approximately \$3,683,000 million (16%) as compared to 2021. The Authority realized an increase in expenses from operations of approximately \$1,158,000 (7%) as compared to 2021. The changes in revenues and expenses were driven predominantly by changes in parking volume as a result of the government-imposed restrictions relating to the COVID-19 pandemic and increases in expenses as operations began to normalize in 2022, offset by net pension and OPEB benefits.

**Parking Authority of the City of New Brunswick  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022 and 2021**

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**Budget to Actual Analysis**

The schedule of operating revenue and costs funded by operating revenue compared to budget is included on page 56. For 2022, the Authority recognized revenue of approximately \$28,600,000, which was a 6% shortfall compared to the 2022 budgeted revenue amount of approximately \$30,458,000. Personnel and related expenses were under budget by approximately \$286,000. Other expenses were over budget by approximately \$1,067,000. Total operating expenses were over budget by approximately \$781,000 due mainly to an increase in administration expense of \$781,000 not being included in budget due to an assessment from the Middlesex County Municipal Joint Insurance Fund totaling approximately \$256,000 related to a contribution deficit and an increase of approximately \$471,000 in bad debt expense related to a lease arrangement currently in dispute. Overall, the Authority recognized a net deficit of approximately \$2,812,000 for items which are included in the budget, as compared to the budgeted surplus amount of approximately \$9,500. The difference was driven by expected gain on sale of property in budget which did not occur as of year-end.

**Capital Asset and Debt Administration**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 38,875,126	\$ 38,875,126	\$ 38,875,126
Equipment	5,182,025	5,132,467	5,107,132
Parking facilities and renovations	251,064,661	251,041,466	260,316,325
Software	74,130	74,130	35,255
Signage	51,447	51,447	51,447
Construction in progress	<u>806,643</u>	<u>787,198</u>	<u>547,325</u>
	296,054,032	295,961,834	304,932,610
Accumulated depreciation	<u>(76,249,602)</u>	<u>(69,719,767)</u>	<u>(64,868,456)</u>
	<u>\$ 219,804,430</u>	<u>\$ 226,242,067</u>	<u>\$ 240,064,154</u>

Overall, net capital assets decreased by approximately \$6,438,000 (3%) from 2021 to 2022. The decrease is a result of current year additions of approximately \$92,000 offset by depreciation expense of approximately \$6,530,000.

**Debt Outstanding**

The Authority had the following debt outstanding at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue bonds payable	\$ 242,097,668	\$ 251,533,385	\$ 258,054,086
Subordinated project note payable	5,610,000	5,610,000	5,610,000
Notes payable	<u>16,086,000</u>	<u>16,086,000</u>	<u>16,086,000</u>
	<u>\$ 263,793,668</u>	<u>\$ 273,229,385</u>	<u>\$ 279,750,086</u>

During 2022, bonds payable decreased by approximately \$9,436,000 as a result of current year principal payments of approximately \$7,440,000 and changes in bond discount and bond premium, net, of approximately \$1,996,000.

**Parking Authority of the City of New Brunswick  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022 and 2021**

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**Contacting the Authority's Management**

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

**Parking Authority of the City of New Brunswick**  
**Statements of Net Deficit**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 6,368,391	\$ 8,429,973
Investments	13,361,231	14,998,297
Accounts receivable, net	2,687,008	2,222,813
Leases receivable, current portion	1,507,455	1,463,465
Grants receivable	171,108	1,254,702
Prepaid expenses and other current assets	612,666	359,191
Inventory	<u>63,365</u>	<u>73,138</u>
Total current assets	<u>24,771,224</u>	<u>28,801,579</u>
Restricted assets		
Investments	<u>17,712,510</u>	<u>17,711,703</u>
Noncurrent assets		
Promissory note receivable	16,086,000	16,086,000
Right-of-use lease assets	2,846,649	2,884,614
Capital assets, net	219,804,430	226,242,067
Prepaid bond insurance	667,116	712,196
Capital assets held for sale	4,638,427	4,638,427
Leases receivable, net of current portion	<u>8,709,989</u>	<u>10,217,444</u>
Total noncurrent assets	<u>252,752,611</u>	<u>260,780,748</u>
Total assets	<u>\$ 295,236,345</u>	<u>\$ 307,294,030</u>
<b>Deferred outflows of resources</b>		
Pension deferred outflows	\$ 186,474	\$ 73,323
OPEB deferred outflows	2,448,920	2,040,886
Deferred charge on refunding	<u>506,531</u>	<u>543,594</u>
Total deferred outflows of resources	<u>\$ 3,141,925</u>	<u>\$ 2,657,803</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,065,384	\$ 2,047,140
Accrued PILOT, current portion	995,000	995,000
Unearned revenue - parking	122,585	151,250
Security deposits	724,832	722,509
Bonds payable, current portion	7,805,000	7,440,000
Deposit on sale of capital assets	6,000,000	6,000,000
Subordinated project notes payable	5,610,000	5,610,000
Accrued interest on bonds	<u>3,230,893</u>	<u>3,355,160</u>
Total current liabilities	<u>26,553,694</u>	<u>26,321,059</u>
Noncurrent liabilities		
Accrued PILOT, net of current portion	1,990,000	2,985,000
Bonds payable, net of current portion	234,292,668	244,093,385
Notes payable	16,086,000	16,086,000
Net pension liability	3,606,511	3,495,048
Net OPEB liability	<u>7,295,418</u>	<u>7,674,027</u>
Total noncurrent liabilities	<u>263,270,597</u>	<u>274,333,460</u>
Total liabilities	<u>\$ 289,824,291</u>	<u>\$ 300,654,519</u>
<b>Deferred inflows of resources</b>		
Pension deferred inflows	\$ 2,199,239	\$ 3,406,922
OPEB deferred inflows	8,203,984	8,377,032
Leases	<u>9,253,466</u>	<u>10,664,042</u>
Total deferred inflows of resources	<u>\$ 19,656,689</u>	<u>\$ 22,447,996</u>
<b>Net deficit</b>		
Net investment in capital assets	\$ (23,142,526)	\$ (26,189,844)
Restricted for		
Debt service	17,677,404	17,676,636
Renewal and replacement	35,106	35,067
Unrestricted net deficit	<u>(5,672,694)</u>	<u>(4,672,541)</u>
Total net deficit	<u>\$ (11,102,710)</u>	<u>\$ (13,150,682)</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating revenues</b>		
Parking revenue	\$ 21,234,949	\$ 18,532,239
Meter operations	2,001,509	1,802,146
Lease revenue	3,158,797	2,528,259
Summons surcharge	185,212	189,212
Management revenue	318,950	305,404
Event parking	48,894	-
Other revenue	<u>114,508</u>	<u>22,400</u>
Total operating revenues	<u>27,062,819</u>	<u>23,379,660</u>
<b>Operating expenses</b>		
Cost of providing services	5,056,827	3,670,339
Administrative and general	1,528,237	1,791,763
Depreciation	6,529,835	6,494,865
Payment in lieu of taxes (PILOT)	<u>4,975,000</u>	<u>4,975,000</u>
Total operating expenses	<u>18,089,899</u>	<u>16,931,967</u>
Operating income	<u>8,972,920</u>	<u>6,447,693</u>
<b>Non-operating revenues (expenses)</b>		
Interest earned on leases	224,460	247,247
Interest earned on investments	119,438	56,461
Interest earned on promissory notes receivable	160,860	160,860
Grant revenue	1,010,713	1,086,906
Interest expense, net	(8,417,429)	(8,662,620)
Gain (loss) on sale of capital assets	22,090	(1,318,356)
Amortization of bond insurance	<u>(45,080)</u>	<u>(45,080)</u>
Total non-operating revenues (expenses)	<u>(6,924,948)</u>	<u>(8,474,582)</u>
<b>Changes in net deficit</b>	2,047,972	(2,026,889)
<b>Net deficit</b>		
Beginning of year, as restated	<u>(13,150,682)</u>	<u>(11,123,793)</u>
End of year	<u>\$ (11,102,710)</u>	<u>\$ (13,150,682)</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>		
Cash received from services	\$ 26,371,696	\$ 24,720,972
Cash paid to suppliers	(6,524,855)	(5,455,044)
Cash paid to employees	(2,163,289)	(1,985,694)
Cash paid for fee in lieu of taxes	<u>(5,970,000)</u>	<u>(5,970,000)</u>
Net cash provided by operating activities	<u>11,713,552</u>	<u>11,310,234</u>
<b>Capital and related financing activities</b>		
Purchases of capital assets	(92,198)	(245,405)
Proceeds from sale of capital assets	22,090	6,254,272
Cash deposit received on sale of capital assets	-	6,000,000
Principal paid on bonds payable	(7,440,000)	(4,525,000)
Cash paid for interest	(10,339,490)	(10,390,603)
Cash received from capital grants	<u>2,094,307</u>	<u>9,417</u>
Net cash used in capital and related financing activities	<u>(15,755,291)</u>	<u>(2,897,319)</u>
<b>Investing activities</b>		
Interest income	343,898	303,708
Purchases of investments	(31,942,589)	(35,721,692)
Proceeds from sale of investments	<u>33,578,848</u>	<u>28,779,692</u>
Net cash provided by (used in) investing activities	<u>1,980,157</u>	<u>(6,638,292)</u>
Net change in cash and cash equivalents	(2,061,582)	1,774,623
<b>Cash and cash equivalents</b>		
Beginning of year	<u>8,429,973</u>	<u>6,655,350</u>
End of year	<u>\$ 6,368,391</u>	<u>\$ 8,429,973</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>		
Operating income	\$ 8,972,920	\$ 6,447,693
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	6,529,835	6,494,865
Bad debt expense	708,356	236,988
Amortization of prepaid lease	37,965	37,642
Changes in		
Accounts receivable	(1,172,551)	1,186,887
Prepaid expenses and other current assets	(253,475)	(93,733)
Inventory	9,773	(3,901)
Lease receivable	1,463,465	916,444
Accounts payable and accrued expenses	18,244	377,294
Accrued PILOT	(995,000)	(995,000)
Unearned revenue - parking	(28,665)	(80,160)
Security deposits	2,323	59,568
Net pension liability	111,463	(1,980,669)
Net OPEB liability	(378,609)	(3,521,070)
Deferred outflows of resources for pension	(113,151)	391,183
Deferred outflows of resources for OPEB	(408,034)	812,307
Deferred inflows of resources for pension	(1,207,683)	168,937
Deferred inflows of resources for OPEB	(173,048)	1,739,641
Deferred inflows of resources for leases	(1,410,576)	(884,682)
Net cash provided by operating activities	<u>\$ 11,713,552</u>	<u>\$ 11,310,234</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, 2022 and 2021**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Parking Authority of the City of New Brunswick (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles ("GAAP")). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies followed by the Authority in the preparation of the accompanying financial statements are summarized below.

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

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

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

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

The Authority has one fund that is considered an enterprise fund and, accordingly, the Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

##### **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. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the total budget level.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Net Position**

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. 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 net amounts that do not meet the definition of the previous two categories.

**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 and net OPEB liability.

**Investments**

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

**Promissory Notes Receivable**

Promissory notes receivable are recorded at amortized cost. The Authority estimates an allowance for doubtful accounts based on current market conditions, creditworthiness of the borrower and the industry in which the borrower operates. No allowance was required as of December 31, 2022 and 2021.

**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.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**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, 2022 and 2021 management has determined that there was no impairment of capital assets.

**Concentration of Credit Risk**

At December 31, 2022, three customers accounted for approximately 35% of accounts receivable. At December 31, 2021, three customers accounted for approximately 69% of accounts receivable. For each of the years ended December 31, 2022 and 2021, one customer accounted for approximately 24% of total operating revenue.

**Revenue Recognition**

*Operating Revenues*

Operating revenue is recognized when services are performed. The Authority generates revenue by offering daily/hourly parking in its facilities. Patrons have the ability to purchase monthly parking at Authority garages. The Authority controls all on-street meters within the City limits. By enforcing on-street parking, the Authority issues tickets and collects revenue from enforcement of those tickets. The court then enforces the ticket and pays a portion of the revenue back to the Authority. Lease 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.

*Non-Operating Revenues*

Non-operating revenues consist of interest income on investments, 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 valued at cost using the average cost method. Inventory consists mainly of supplies and equipment which were purchased but unused at year end.

**Bond Discount and Premiums**

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

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Pensions**

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 New Jersey State Employees' Retirement System plan ("PERS") and the 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.

**Post-employment Benefits Other Than Pensions ("OPEB")**

For purposes of measuring the Authority's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Health Benefits Local Government Retired Employees Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, SHBP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Interest Expense, Net**

The Authority records interest in the period incurred and consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest on bonds payable	\$ 10,075,927	\$ 10,354,657
Interest on notes payable	300,155	266,600
Amortization of bond premium	(1,995,716)	(1,995,700)
Amortization of deferred outflow on bond refunding	<u>37,063</u>	<u>37,063</u>
	<u>\$ 8,417,429</u>	<u>\$ 8,662,620</u>

**Deferred Outflows/Inflows of Resources**

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

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

The Authority's deferred outflows are a result of its participation in the OPEB plan (see Note 14), pension plan (see Note 15), and bond refunding (see Note 12). The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes. The Authority's deferred inflows are a result of its participation in the OPEB plan (see Note 14) and pension plan (see Note 15) and lease obligations (see Note 9).

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Lease Revenue**

The Authority leases property to tenants for commercial use in the City of New Brunswick. The Authority's leasing activities consist of the rental of building space under non-cancelable leases expiring through fiscal year 2049. Lease revenue under leases is recognized based on the terms of the lease contracts and a lease receivable and deferred inflow of resources is recognized at the inception of the lease at the net present value of the lease. Payments are applied against the lease receivable and interest earned on the lease is recognized in other operating revenues. The deferred inflow of resources related to the lease receivable is amortized over the life of the lease on a straight-line basis.

**Accounting Pronouncements Adopted in the Current Year**

*Leases*

As of January 1, 2021, the Authority implemented GASB Statement No. 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right of use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The following represents the adjustments to the statements of net deficit and statements of revenue, expenses and changes in net deficit as a result of adoption of GASB 87 in the current year:

	<b>As Previously Reported</b>	<b>As Restated</b>
<b>As of January 1, 2021</b>	<u>                    </u>	<u>                    </u>
Statement of net deficit		
Lease receivable	\$ -	\$ 12,597,353
Prepaid operating lease, net	\$ 2,922,256	\$ -
Right-of-use asset, net	\$ -	\$ 2,922,256
Deferred inflows related to lease receivable	\$ -	\$ 11,275,006
Unrestricted net deficit	\$ (14,114,723)	\$ (12,792,376)
Total net deficit	\$ (12,446,140)	\$ (11,123,793)

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

	<u>As Previously Reported</u>	<u>As Restated</u>
<b>As of December 31, 2021</b>		
Statement of net deficit		
Lease receivable	\$ -	\$ 11,680,909
Prepaid operating lease, net	\$ 2,884,614	\$ -
Right-of-use asset, net	\$ -	\$ 2,884,614
Deferred inflows related to lease receivable	\$ -	\$ 10,664,042
Unrestricted net deficit	\$ (16,029,337)	\$ (4,672,541)
Total net deficit	\$ (14,441,267)	\$ (13,150,682)
Statement of revenues, expenses, and changes in net deficit		
Rental revenue	\$ 1,860,224	\$ -
Common facility	\$ 947,044	\$ -
Lease revenue	\$ -	\$ 2,528,259
Interest earned on leases	\$ -	\$ 247,247

*Subscription-Based Information Technology Arrangements*

As of January 1, 2021, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Authority had no arrangements which required recognition under this standard.

**Future Pronouncements Not Yet Adopted**

*Accounting Changes and Error Corrections*

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB 62*, is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

**Parking Authority of the City of New Brunswick**  
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*Compensated Absences*

GASB Statement No. 101, *Compensated Absences*, is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

Management has not completed its review of the requirements of these standards and their applicability.

**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.

**Interest Rate Risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the maximum maturity length of investments to five years.

**Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the Authority shall be the "prudent person" standard which states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Authority's overall portfolio. At December 31, 2022 and 2021, the Authority's cash and cash equivalents and investments representing greater than 5% of their portfolio were non-negotiable certificates of deposit, which totaled \$34,091,000 and \$39,205,000, respectively. At December 31, 2022 and 2021, approximately \$3,017,000 and \$6,495,000 of certificates of deposit were included in cash and cash equivalents as they have an initial maturity of less than 3 months.

**Custodial Credit Risk**

Custodial credit risk is the risk that a government will not be able to cover deposits if the depository financial institution fails or will not be able to recover collateral securities that are in the possession of an outside party. It is the policy of the Authority to require that demand and time deposits in excess of FDIC or other federal insurable limits be secured by some form of collateral to protect public deposits in a single situation if it were to default due to poor management or economic factors. As of December 31, 2022 and 2021, the Authority's bank deposits were fully insured or collateralized.

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2022 and 2021 was \$6,368,391 and \$1,929,513, respectively, and the bank balance was \$3,328,612 and \$2,005,065, respectively. Of the bank balance, \$500,000 was covered by federal depository insurance each year and \$2,828,612 and \$1,505,065, respectively, were covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Investments**

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

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



**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
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Investments at December 31, 2022 and 2021 consist of nonnegotiable certificates of deposit with maturity dates of one year or less.

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 nonnegotiable 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>2022</u>	<u>2021</u>
Accounts receivable	\$ 3,876,691	\$ 2,837,143
Allowance for doubtful accounts	<u>(1,189,683)</u>	<u>(614,330)</u>
Accounts receivable, net	<u>\$ 2,687,008</u>	<u>\$ 2,222,813</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.

Promissory note receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Recorded investment	\$ 16,086,000	\$ 16,086,000
Unpaid principal balance	\$ 16,086,000	\$ 16,086,000
Interest income recognized	\$ 160,860	\$ 160,860
Accrued interest income	\$ 45,130	\$ 45,130

There was no allowance for loan losses for the years ended December 31, 2022 and 2021 as the loan was not on nonaccrual status. Accrued interest is included in prepaid expenses and other current assets.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**5. INVESTMENTS**

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.

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.

City contribution reserve – The Authority received a deposit during 2021 to be maintained in escrow until the transaction closes.

Issuance Cost Escrow Funds - Represents the excess funds received from bond refunding transactions.

Total restricted assets consist of assets that are held by the trustee. Restricted cash and cash equivalents consist of those funds that are used to satisfy current liabilities and obligations.

Total restricted assets amounted to the following at December 31:

	<u>2022</u>	<u>2021</u>
Future debt service	\$ 17,677,404	\$ 17,676,636
Renewal and replacement	<u>35,106</u>	<u>35,067</u>
	<u>\$ 17,712,510</u>	<u>\$ 17,711,703</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 had no fair value measurements included in investments as of December 31, 2022 and 2021. All investments in nonnegotiable certificates of deposit are recorded at cost.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
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The Authority's certificates of deposit mature as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 31,073,741	\$ 32,710,000

**6. RIGHT-OF-USE ASSETS**

*RWJ Land Lease*

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

During 2001, RWJ and the Authority agreed to cancel the 1993 agreement and enter into a new lease agreement. The Authority leased the land included in the 1993 lease plus additional land. The terms of the new lease provided for an additional lump-sum payment of \$746,700 for a total of \$2,383,300. 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 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 lease as of December 31, 2003. Net prepaid lease amounted to \$2,247,249 and \$2,252,814 at December 31, 2022 and 2021, 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 lease amounted to \$599,400 and \$631,800 at December 31, 2022 and 2021, respectively. Amortization expense for the next 5 years will be approximately \$32,400 per year.

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**7. CAPITAL ASSETS, NET**

Capital asset activity including additions and retirements consisted of the following at December 31:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Balance December 31, 2022</u>
Capital assets not being depreciated					
Land	\$ 38,875,126	\$ -	\$ -	\$ -	\$ 38,875,126
Construction in progress	787,198	19,445	-	-	806,643
Total capital assets not being depreciated	<u>39,662,324</u>	<u>19,445</u>	<u>-</u>	<u>-</u>	<u>39,681,769</u>
Right-of-use lease assets	<u>2,884,614</u>	<u>-</u>	<u>(37,965)</u>	<u>-</u>	<u>2,846,649</u>
Capital assets being depreciated:					
Equipment	5,132,467	49,558	-	-	5,182,025
Parking facilities and renovations	251,041,466	23,195	-	-	251,064,661
Software	74,130	-	-	-	74,130
Signage	51,447	-	-	-	51,447
Total capital assets being depreciated	<u>256,299,510</u>	<u>72,753</u>	<u>-</u>	<u>-</u>	<u>256,372,263</u>
Less: Accumulated depreciation	<u>69,719,767</u>	<u>6,529,835</u>	<u>-</u>	<u>-</u>	<u>76,249,602</u>
Capital assets, net	<u>\$ 229,126,681</u>	<u>\$ (6,437,637)</u>	<u>\$ (37,965)</u>	<u>\$ -</u>	<u>\$ 222,651,079</u>
	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Balance December 31, 2021</u>
Capital assets not being depreciated					
Land	\$ 38,875,126	\$ -	\$ -	\$ -	\$ 38,875,126
Construction in progress	547,325	239,873	-	-	787,198
Total capital assets not being depreciated	<u>39,422,451</u>	<u>239,873</u>	<u>-</u>	<u>-</u>	<u>39,662,324</u>
Right-of-use lease assets	<u>2,922,256</u>	<u>-</u>	<u>(37,642)</u>	<u>-</u>	<u>2,884,614</u>
Capital assets being depreciated:					
Equipment	5,107,132	106,389	(81,054)	-	5,132,467
Parking facilities and renovations	260,316,325	100,141	(9,375,000)	-	251,041,466
Software	35,255	38,875	-	-	74,130
Signage	51,447	-	-	-	51,447
Total capital assets being depreciated	<u>265,510,159</u>	<u>245,405</u>	<u>(9,456,054)</u>	<u>-</u>	<u>256,299,510</u>
Less: Accumulated depreciation	<u>64,868,456</u>	<u>6,494,865</u>	<u>(1,643,554)</u>	<u>-</u>	<u>69,719,767</u>
Capital assets, net	<u>\$ 242,986,410</u>	<u>\$ (6,009,587)</u>	<u>\$ (7,850,142)</u>	<u>\$ -</u>	<u>\$ 229,126,681</u>

During 2021, the Authority sold a portion of its Gateway building resulting in net retirement of \$6,437,637. The Authority realized sales proceeds on that transaction of \$6,460,550, resulting in a net loss of approximately \$1,351,950.

Depreciation expense included as a charge to operations for the years ended December 31, 2022 and 2021 amounted to \$6,529,835 and \$6,494,865, respectively.

**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
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**8. 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, 2022 and 2021, respectively.

On December 16, 2021, the Authority entered into an agreement to sell its capital assets held for sale for a purchase price of \$6 million. The sale was not finalized until 2023. Accordingly, the \$6 million received as part of the agreement is recognized as a deposit on sale of capital assets in the statements of net deficit position as of December 31, 2022 and 2021. The sale closed on May 24, 2023, with a final sale price of \$22,971,800.

**9. LEASES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

The Authority leases office space to 9 tenants in New Brunswick, New Jersey under various non-cancellable lease agreements which expire between October 2023 and August 2049. Monthly payments range from approximately \$2,000 to \$72,000 over the course of the leases. The leases include options to renew. The Authority did not receive any variable payments under these leases for the years ended December 31, 2022 and 2021.

The Authority used the incremental borrowing rate for its Series 2020 refunding bonds to discount the lease payments to recognize the lease receivable and deferred inflows of resources. The borrowing rate used was 2.065%.

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 inflows of resources related to the lease agreement amounted to \$246,228 and \$273,718 at December 31, 2022 and 2021, respectively.

The Authority's leases receivable, deferred inflows of resources related to leases, lease revenue, and interest revenue related to leases as of and for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Leases receivable	\$ 10,217,444	\$ 11,680,909
Deferred inflows of resources - leases	\$ 9,253,466	\$ 10,664,042
Lease revenue	\$ 3,158,797	\$ 2,528,259
Interest revenue related to leases	\$ 224,460	\$ 247,247

Interest revenue related to leases is included as a component of other revenue in the statements of revenues, expenses, and changes in net deficit.

**Parking Authority of the City of New Brunswick**  
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Aggregate principal maturities and interest on leases receivable are as follows as of December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total payments</u>
2023	\$ 1,507,455	\$ 196,671	\$ 1,704,126
2024	1,476,006	165,944	1,641,950
2025	1,465,232	135,566	1,600,798
2026	1,448,903	105,473	1,554,376
2027	1,465,734	75,328	1,541,062
2028-2032	1,109,340	221,818	1,331,158
2033-2037	509,367	151,915	661,282
2038-2042	493,299	102,951	596,250
2043-2047	546,905	49,345	596,250
2048-2049	195,203	3,545	198,748
	<u>\$ 10,217,444</u>	<u>\$ 1,208,556</u>	<u>\$ 11,426,000</u>

**10. NONCURRENT LIABILITIES**

The following summarizes net activity in noncurrent liabilities for the years ended December 31, 2022 and 2021:

	<b>Beginning Balance January 1, 2022</b>	<b>Additions/ Subtractions</b>	<b>Payments/ Amortization</b>	<b>Ending Balance December 31, 2022</b>	<b>Current Portion</b>
Revenue bonds payable	\$ 226,935,000	\$ -	\$ (7,440,000)	\$ 219,495,000	\$ 7,805,000
Unamortized bond premiums	24,598,386	-	(1,995,717)	22,602,669	-
Bonds payable	251,533,386	-	(9,435,717)	242,097,669	7,805,000
Notes payable	16,086,000	-	-	16,086,000	-
Subordinated project notes	5,610,000	-	-	5,610,000	5,610,000
Accrued PILOT	3,980,000	-	(995,000)	2,985,000	995,000
Net pension liability	3,495,048	111,463	-	3,606,511	-
Net OPEB liability	7,674,027	(378,609)	-	7,295,418	-
	<u>\$ 288,378,461</u>	<u>\$ (267,146)</u>	<u>\$ (10,430,717)</u>	<u>\$ 277,680,598</u>	<u>\$ 14,410,000</u>

	<b>Beginning Balance January 1, 2021</b>	<b>Additions/ Subtractions</b>	<b>Payments/ Amortization</b>	<b>Ending Balance December 31, 2021</b>	<b>Current Portion</b>
Revenue bonds payable	\$ 231,460,000	\$ -	\$ (4,525,000)	\$ 226,935,000	\$ 7,440,000
Unamortized bond premiums	26,594,086	-	(1,995,700)	24,598,386	-
Bonds payable	258,054,086	-	(6,520,700)	251,533,386	7,440,000
Notes payable	16,086,000	-	-	16,086,000	-
Subordinated project notes	5,610,000	-	-	5,610,000	5,610,000
Accrued PILOT	4,975,000	-	(995,000)	3,980,000	995,000
Net pension liability	5,475,717	(1,980,669)	-	3,495,048	-
Net OPEB liability	11,195,097	(3,521,070)	-	7,674,027	-
	<u>\$ 301,395,900</u>	<u>\$ (5,501,739)</u>	<u>\$ (7,515,700)</u>	<u>\$ 288,378,461</u>	<u>\$ 14,045,000</u>

**Parking Authority of the City of New Brunswick**  
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**11. SUBORDINATED PROJECT NOTES PAYABLE**

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

	<u>2022</u>	<u>2021</u>
Subordinated project note payable - issued June 17, 2016, interest at 0.38% per annum, due June 9, 2023	\$ 810,000	\$ 810,000
Subordinated project note payable - issued June 29, 2017 interest at 0.38% per annum, due June 9, 2023	3,900,000	3,900,000
Subordinated project note payable - issued August 26, 2020 interest at 0.38% per annum, due June 9, 2023	<u>900,000</u>	<u>900,000</u>
	<u>\$ 5,610,000</u>	<u>\$ 5,610,000</u>

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

Aggregate principal maturities and interest on subordinated project notes payable are as follows as of December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2023	<u>\$ 5,610,000</u>	<u>\$ 21,318</u>	<u>\$ 5,631,318</u>

**Parking Authority of the City of New Brunswick**  
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**12. BONDS PAYABLE**

Bonds payable consists of the following at December 31:

	<u>2022</u>	<u>2021</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.	\$ 2,915,000	\$ 3,335,000
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.	16,975,000	18,855,000
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.	17,500,000	18,390,000
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.	115,405,000	115,550,000
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.	27,525,000	27,590,000
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.	21,080,000	21,545,000



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	<u>2022</u>	<u>2021</u>
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.	\$ 4,920,000	\$ 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.	<u>13,175,000</u>	<u>16,750,000</u>
	219,495,000	226,935,000
Less: Current portion	(7,805,000)	(7,440,000)
Plus: Unamortized original issue premium	<u>22,602,668</u>	<u>24,598,385</u>
Bonds payable, net of current portion	<u>\$ 234,292,668</u>	<u>\$ 244,093,385</u>

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, 2022 and 2021.

Aggregate principal maturities and interest on bonds payable are as follows as of December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
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	8,570,000	8,644,744	17,214,744
2027	9,460,000	8,222,572	17,682,572
2028-2031	53,930,000	33,934,281	87,864,281
2032-2036	66,770,000	21,637,438	88,407,438
2037-2041	50,005,000	6,152,400	56,157,400
2042-2046	<u>6,740,000</u>	<u>1,043,750</u>	<u>7,783,750</u>
	<u>\$ 219,495,000</u>	<u>\$ 107,944,567</u>	<u>\$ 327,439,567</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 \$230,000,000 and \$239,000,000 at December 31, 2022 and 2021, respectively.

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Original issue premiums consisted of the following at December 31, 2022 and 2021:

	<b>December 31, 2022</b>				
	<u>Premium</u>	<u>Life</u>	<u>Accumulated</u>	<u>Unamortized</u>	
			<u>Amortization</u>	<u>Premium</u>	<u>Amortization</u>
Series 2010 parking revenue refunding bonds	\$ 92,663	19	\$ 60,557	\$ 32,106	\$ 4,877
Series 2012 refinancing bond	4,180,229	19	2,310,126	1,870,103	220,012
Series 2016 refunding bond	1,699,281	20	538,106	1,161,175	84,964
Series 2016A refunding bond	19,225,972	23	5,294,103	13,931,869	835,912
Series 2016B refunding bond	1,657,966	23	456,540	1,201,426	72,085
Series 2017 parking revenue bonds	2,770,216	30	469,315	2,300,901	92,341
Series 2020A refunding bond	1,148,124	6	422,573	725,551	191,354
Series 2020B refunding bond	2,470,814	5	1,091,277	1,379,537	494,172
	<u>\$ 33,245,265</u>		<u>\$ 10,642,597</u>	<u>\$ 22,602,668</u>	<u>\$ 1,995,717</u>

	<b>December 31, 2021</b>				
	<u>Premium</u>	<u>Life</u>	<u>Accumulated</u>	<u>Unamortized</u>	
			<u>Amortization</u>	<u>Premium</u>	<u>Amortization</u>
Series 2010 parking revenue refunding bonds	\$ 92,663	19	\$ 55,680	\$ 36,983	\$ 4,877
Series 2012 refinancing bond	4,180,229	19	2,090,114	2,090,115	220,012
Series 2016 refunding bond	1,699,281	20	453,142	1,246,139	84,964
Series 2016A refunding bond	19,225,972	23	4,458,191	14,767,781	835,912
Series 2016B refunding bond	1,657,966	23	384,455	1,273,511	72,085
Series 2017 parking revenue bonds	2,770,216	30	376,974	2,393,242	92,341
Series 2020A refunding bond	1,148,124	6	231,219	916,905	191,354
Series 2020B refunding bond	2,470,814	5	597,105	1,873,709	494,156
	<u>\$ 33,245,265</u>		<u>\$ 8,646,880</u>	<u>\$ 24,598,385</u>	<u>\$ 1,995,701</u>

On June 7, 2023, the Authority agreed to a defeasance of the Series 2010 and Series 2012 bonds. The total amount of debt defeased was \$19,890,000. The Authority anticipates the defeasance will result in cash savings of approximately \$2,000,000 per year through 2034.

**13. NOTES PAYABLE**

On September 5, 2019, the Authority issued four Qualified Low Income Community Investment ("QLICI") Loan A notes to finance the construction of the New Brunswick Performing Arts Center. The notes are secured by mortgages on the property.

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Notes payable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
QLICI Loan A note payable - issued September 5, 2019, payable to RBC Community Development Sub 18, LLC, 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 payable to BACDE NMTC Fund 17, LLC, 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 payable to COCRF SUBCDE 70, LLC, 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 payable to NJCC CDE Livingston, LLC, 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, 2022 and 2021 is accrued interest of \$45,130.

Aggregate principal maturities and interest on notes payable are as follows as of December 31, 2022:

<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 168,274	\$ -	\$ 160,860
2024	160,860	-	160,860
2025	680,563	519,703	160,860
2026	680,563	524,900	155,663
2027	680,563	530,149	150,414
2028-2032	3,402,815	2,731,335	671,480
2033-2037	3,402,815	2,870,661	532,154
2038-2042	3,402,815	3,017,094	385,721
2043-2047	3,402,815	3,170,996	231,819
2048-2051	<u>2,790,545</u>	<u>2,721,162</u>	<u>69,383</u>
	<u>\$ 18,772,628</u>	<u>\$ 16,086,000</u>	<u>\$ 2,679,214</u>

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**14. 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”) annual financial statements, which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

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 does not have any investments The Plan received employer and employee contributions as follows:

	<u>2022</u>	<u>2021</u>
Employer contributions	\$ 121,654	\$ 101,343
Employee contributions	\$ -	\$ -
Salary basis for contributions	\$ 1,950,062	\$ 1,922,640
Percent of base wages	6.24%	5.27%

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*OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources*  
The net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and 2020, which was rolled forward to June 30, 2022 and 2021.

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, 2021 through June 30, 2022. At December 31, 2022 and 2021, the Authority's proportionate share and net OPEB liability was as follows:

	<u>2022</u>	<u>2021</u>
Net OPEB liability	\$ 16,149,595,478	\$ 17,999,781,235
Authority net OPEB liability	\$ 7,295,418	\$ 7,674,027
Authority's proportion	0.0451740%	0.0426340%

For the years ended December 31, 2022 and 2021, the Authority recognized an OPEB benefit of \$944,296 and \$964,206, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 973,604	\$ 2,489,786	\$ 1,103,932	\$ 1,356,474
Differences between expected and actual experience	376,743	1,352,260	172,196	1,605,520
Net difference between projected and actual earnings on pension plan investments	1,921	-	3,669	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>1,028,128</u>	<u>4,361,938</u>	<u>707,960</u>	<u>5,415,038</u>
	2,380,396	8,203,984	1,987,757	8,377,032
Authority contributions subsequent to the measurement date	<u>68,524</u>	<u>-</u>	<u>53,129</u>	<u>-</u>
	<u>\$ 2,448,920</u>	<u>\$ 8,203,984</u>	<u>\$ 2,040,886</u>	<u>\$ 8,377,032</u>

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The Authority reported \$68,524 and \$53,129 as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the years ended December 31, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2022 will be recognized in OPEB expense as follows:

<u>Years Ended June 30:</u>	<u>Authority Share</u>
2023	\$ (1,546,236)
2024	(1,547,601)
2025	(1,222,118)
2026	(545,805)
2027	(122,368)
Thereafter	<u>(839,460)</u>
	<u>\$ (5,823,588)</u>

*Actuarial Assumptions*

The total OPEB liability for the June 30, 2022 and 2021 measurement date was determined by an actuarial valuation as of July 1, 2021 and 2020, which was rolled forward to June 30, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Inflation rate	2.50%	2.50%
Salary increases through 2026*	2.75% - 6.55%	2.00 - 6.00%
Thereafter	2.75% - 6.55%	3.00 - 7.00%

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

For June 30, 2022, 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-2021 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-2021 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-2021 scale.

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For June 30, 2021, 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-2021 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-2021 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-2021 scale.

Certain actuarial assumptions used in the June 30, 2021 and 2020 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, 2018 to June 30, 2021.

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, 2022 and 2021 was 3.54% and 2.16%, 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/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of the 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, 2022 and 2021, 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:

	<b>2022</b>		
	<b>At 1% decrease (2.54%)</b>	<b>At current discount rate (3.54%)</b>	<b>At 1% increase (4.54%)</b>
Net OPEB liability	<u>\$ 18,720,632,230</u>	<u>\$ 16,149,595,478</u>	<u>\$ 14,080,955,857</u>
Authority’s proportionate share of the net OPEB liability	<u>\$ 8,456,858</u>	<u>\$ 7,295,418</u>	<u>\$ 6,360,931</u>
	<b>2021</b>		
	<b>At 1% decrease (1.16%)</b>	<b>At current discount rate (2.16%)</b>	<b>At 1% increase (3.16%)</b>
Net OPEB liability	<u>\$ 21,182,289,882</u>	<u>\$ 17,999,781,235</u>	<u>\$ 15,477,574,697</u>
Authority’s proportionate share of the net OPEB liability	<u>\$ 9,030,858</u>	<u>\$ 7,674,027</u>	<u>\$ 6,598,709</u>

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*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, 2022 and 2021, 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:

	<b>2022</b>		
	<b>At 1% decrease</b>	<b>At current healthcare cost trend rate</b>	<b>At 1% increase</b>
Net OPEB liability	\$ 13,700,188,049	\$ 16,149,595,478	\$ 19,286,596,671
Authority's proportionate share of the net OPEB liability	\$ 6,188,923	\$ 7,295,418	\$ 8,712,527
	<b>2021</b>		
	<b>At 1% decrease</b>	<b>At current healthcare cost trend rate</b>	<b>At 1% increase</b>
Net OPEB liability	\$ 15,017,879,689	\$ 17,999,781,235	\$ 21,890,793,528
Authority's proportionate share of the net OPEB liability	\$ 6,402,723	\$ 7,674,027	\$ 9,332,921

*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](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

**15. PENSION PLAN**

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

The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
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



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

*Employer and Employee Contributions*

The contribution policy for PERS is set by N.J.S.A. 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, 2022 and 2021, the PERS received employer and employee contributions as follows:

	<u>2022</u>	<u>2021</u>
Employer contributions	\$ 314,937	\$ 359,620
Employee contributions	\$ 146,255	\$ 144,198
Basis for contributions	\$ 1,950,062	\$ 1,922,640
Percent of base wages	7.50%	7.50%

*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 and Chapter 133, 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, 2022 and 2021, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and 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, 2022 and 2021 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, 2022 and 2021. At December 31, 2022 and 2021, the Authority's proportionate share and net pension liability was as follows:

	<u>2022</u>	<u>2021</u>
Net pension liability (Local Group)	\$ 15,219,184,920	\$ 11,972,782,878
Authority net pension liability	\$ 3,606,511	\$ 3,495,048
Authority's proportion	0.0236971%	0.0291916%

Pension expense, net is comprised of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Proportionate share of allocable plan pension expense	\$ (261,186)	\$ (477,281)
Net amortization of deferral amounts from changes in proportion	<u>(646,822)</u>	<u>(597,756)</u>
	<u>\$ (908,008)</u>	<u>\$ (1,075,037)</u>

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At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 11,174	\$ 540,037	\$ 18,202	\$ 1,244,260
Differences between expected and actual experience	26,030	22,955	55,121	25,020
Net difference between projected and actual earnings on pension plan investments	149,270	-	-	920,688
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	1,636,247	-	1,216,954
	<u>\$ 186,474</u>	<u>\$ 2,199,239</u>	<u>\$ 73,323</u>	<u>\$ 3,406,922</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>Authority Share</u>
2023	\$ (1,653,772)
2024	(842,541)
2025	(410,891)
2026	896,409
2027	(1,970)
Thereafter	-
	<u>\$ (2,012,765)</u>

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2022 and 2021 measurement dates was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively, which was rolled forward to June 30, 2022 and 2021, respectively.

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This actuarial valuation used the following actuarial assumptions:

	<u>2022</u>	<u>2021</u>
Inflation rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases through 2026	2.75 - 6.55% based on years of service	2.00 - 6.00% based on years of service
Thereafter	2.75 - 6.55% based on years of service	3.00 - 7.00% based on years of service
Investment rate of return	7.00%	7.00%

For June 30, 2022 and 2021, the following assumptions were used:

Preretirement 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.

Postretirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 and Scale MP-2020, respectively.

The actuarial assumptions used in the July 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period from July 1, 2018 to June 30, 2021.

*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, 2022 and 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

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

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Risk Mitigation Strategies	3.00%	3.35%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment Grade Credit	8.00%	1.68%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
US Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%

**Discount Rate**

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

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*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, 2022 and 2021, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability (local group) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>2022</b>		
	<b>At Current</b>		
	<b>At 1% Decrease</b> <b>(6.00%)</b>	<b>Discount Rate</b> <b>(7.00%)</b>	<b>At 1% Increase</b> <b>(8.00%)</b>
State	\$ 25,545,130,654	\$ 22,386,831,046	\$ 19,706,077,936
Local	<u>19,552,194,509</u>	<u>15,219,184,920</u>	<u>11,531,619,329</u>
Total	<u>\$ 45,097,325,163</u>	<u>\$ 37,606,015,966</u>	<u>\$ 31,237,697,265</u>
Authority's proportionate share of the net pension liability	<u>\$ 4,633,310</u>	<u>\$ 3,606,511</u>	<u>\$ 2,732,664</u>
	<b>2021</b>		
	<b>At Current</b>		
	<b>At 1% Decrease</b> <b>(6.00%)</b>	<b>Discount Rate</b> <b>(7.00%)</b>	<b>At 1% Increase</b> <b>(8.00%)</b>
State	\$ 24,824,632,407	\$ 21,629,497,485	\$ 18,926,092,782
Local	<u>16,304,502,364</u>	<u>11,972,782,878</u>	<u>8,296,704,949</u>
PERS as a whole	<u>\$ 41,129,134,771</u>	<u>\$ 33,602,280,363</u>	<u>\$ 27,222,797,731</u>
Authority's proportionate share of the net pension liability	<u>\$ 4,759,547</u>	<u>\$ 3,495,048</u>	<u>\$ 2,421,942</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](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

**16. DEFINED CONTRIBUTION RETIREMENT PROGRAM**

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

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

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

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

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

During 2022 and 2021, 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.

**17. 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, 2022 and 2021, the Authority's payment in lieu of taxes was \$4,975,000. As of December 31, 2022 and 2021, the Authority had an outstanding liability of \$2,985,000 and \$3,980,000, respectively, for the unpaid portion of the PILOT. The Authority and the City agreed to a five-year payment schedule for the PILOT requiring 48 monthly payments of principal and interest of \$87,483 through December 2025.

Aggregate principal maturities and interest on the accrued PILOT are as follows as of December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2023	\$ 995,000	\$ 54,800	\$ 1,049,800
2024	995,000	54,800	1,049,800
2025	<u>995,000</u>	<u>54,800</u>	<u>1,049,800</u>
	<u>\$ 2,985,000</u>	<u>\$ 164,400</u>	<u>\$ 3,149,400</u>

**18. 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, 2022 and 2021, the Authority has accrued \$41,728 and \$44,959, 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.

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**19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2022, the Authority's expenditures exceeded the legally enacted budget. Total operating expenses were over budget by approximately \$781,000, due to an assessment from the Middlesex County Municipal Joint Insurance Fund totaling approximately \$256,000 related to a contribution deficit and an increase of approximately \$471,000 in bad debt expense related to a lease arrangement currently in dispute.

For the year ended December 31, 2021, the Authority's expenditures exceeded the legally enacted budget. Total operating expenses were over budget by approximately \$596,000, due to an unanticipated assessment from the Middlesex County Municipal Joint Insurance Fund totaling approximately \$603,000 related to a contribution deficit for the period 2001 – 2018.

**20. NET DEFICIT**

At December 31, 2022 and 2021, the Authority had an unrestricted net deficit of \$5,166,163 and \$4,128,947, respectively. The reason for the deficit is the recognition of the Authority's proportionate share of the net pension and OPEB liabilities and related deferred inflows and outflows of resources for financial reporting purposes. The recognition of the Authority's proportionate share of the net pension and OPEB liabilities (net of deferred inflows and outflows of resources) resulted in a reduction of the Authority's net position of \$18,669,758 and \$20,838,820 as of December 31, 2022 and 2021, respectively. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled pension and OPEB payments.

During 2022 the Authority reclassified net deficit, net investment in capital assets and net position restricted for debt service. The reclass resulted in a change to the December 31, 2021 financial statements as follows: a decrease in net investment in capital assets of \$26,189,844, an increase in net position restricted for debt service of 16,123,633 and an increase in unrestricted net position of \$10,609,805. The adjustment resulted in no change to the total net deficit as reported in the prior period.

**21. 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.

**22. 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.

**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 \$14,000,000 through December 31, 2022.



**Parking Authority of the City of New Brunswick**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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

At December 31, 2022, 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.

**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.

**Contingent Gain**

During 2021, the Authority entered into a sale agreement with a third party to sell a portion of its property. The Authority was provided a \$6m deposit and due diligence has been entered. The sale is contingent upon certain requirements being met. As of December 31, 2022, the requirements were not met, therefore, the deposit of \$6m was recorded as a liability in the financial statements and will be recognized upon completion of the sale.

**23. 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 (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, 2022 and 2021 (see Note 16).

**24. 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, 2022 and 2021 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).

**25. SUBSEQUENT EVENTS**

The Authority has evaluated events occurring after the statement of net deficit date through the date of October 31, 2023, the date the financial statements were available to be released. Based upon this evaluation, the Authority has determined, other than the matters detailed in Note 9 and Note 13, no events occurred requiring disclosure in or adjustment to the financial statements.

**REQUIRED 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, 2022**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportionate share of the net pension liability (asset) (PERS Local Group)	0.023697%	0.029192%	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)	\$ 3,606,511	\$ 3,495,048	\$ 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 payroll	\$ 1,950,062	\$ 1,922,640	\$ 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	184.94%	181.78%	271.03%	249.36%	316.78%	355.19%	457.68%	364.78%	292.67%	276.53%

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 Schedule**

**Benefit changes**

None

**Changes of assumptions**

The discount rate changed as follows as of June 30:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
	7.00%	7.00%	7.00%	6.28%	5.66%	5.00%	3.98%	4.90%	5.39%

See Independent Auditor's Report.

**Parking Authority of the City of New Brunswick  
Schedule of the Authority's Contributions - PERS  
Year Ended December 31, 2022**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions										
Regular pension and non-contributory group insurance contributions	\$ 301,363	\$ 345,512	\$ 367,329	\$ 335,284	\$ 368,785	\$ 363,650	\$ 375,406	\$ 396,266	\$ 393,344	\$ 398,389
Chapter 19 P.L. 2009 Contribution	<u>13,574</u>	<u>14,108</u>	<u>13,832</u>	<u>13,796</u>	<u>13,685</u>	<u>13,609</u>	<u>13,438</u>	<u>13,292</u>	<u>13,210</u>	<u>12,913</u>
Contributions in relation to the contractually required contribution	<u>(314,937)</u>	<u>(359,620)</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,950,062	\$ 1,922,640	\$ 2,020,316	\$ 2,474,833	\$ 2,305,302	\$ 2,501,009	\$ 2,694,425	\$ 2,836,389	\$ 3,052,329	\$ 3,217,727
Contributions as a percentage of covered payroll	16.15%	18.70%	18.87%	14.11%	16.59%	15.08%	14.43%	14.44%	13.32%	12.78%

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, 2022\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Authority's proportion (percentage) of the collective net OPEB liability	0.045174%	0.042634%	0.062380%	0.058123%
Authority's proportionate share (amount) of the collective net OPEB liability	\$ 7,295,418	\$ 7,674,027	\$ 11,195,097	\$ 7,873,383
Authority's covered payroll	\$ 1,950,062	\$ 1,922,640	\$ 2,020,316	\$ 2,474,833
Authority's proportionate share (amount) of the collective net OPEB liability as a percentage of its covered payroll	374.11%	399.14%	554.13%	318.14%
Plan fiduciary net position as a percentage of the total collective OPEB liability	-0.36%	0.28%	0.91%	1.98%

\*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 Schedule**

**Benefit Changes**

None

**Changes of Assumptions**

The discount rate changed as follows:	3.54%	2.16%	2.21%	3.50%
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See Independent Auditor's Report.

**Parking Authority of the City of New Brunswick  
Schedule of the Authority's Contributions - SHBP  
Year Ended December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Authority's required contribution	\$ 121,654	\$ 101,343	\$ 77,800	\$ 45,688
Contributions in relation to the contractually required contribution	<u>(121,654)</u>	<u>(101,343)</u>	<u>(77,800)</u>	<u>(45,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,950,062	\$ 1,922,640	\$ 2,020,316	\$ 2,474,833
Contributions as a percentage of covered payroll	6.24%	5.27%	3.85%	1.85%

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.

See Independent Auditor's Report.

**Parking Authority of the City of New Brunswick  
Notes to Required Supplementary Information  
December 31, 2022 and 2021**

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**1. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2022 CONTRIBUTION RATE**

**PERS**

Valuation Date	July 1, 2021
Actuarial Cost Method	Projected Unit Credit Cost Method
Remaining Amortization Period	30-year closed period
Asset Valuation Method	The actuarial value of assets is adjusted to reflect actual contributions, benefit payments and administrative expenses, and an assumed rate of return on the previous year's assets and current year's cash flow at the prior year's actuarial valuation interest rate, with a further adjustment to reflect 20% of the difference between the resulting value and the actual market value of Plan assets.
Wage Growth	3.25%
Price Inflation	2.75%
Salary Increases	2.75% to 6.55%, varying by years of service and time period
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<u>Pre-Retirement Mortality</u> : The Pub-2010 General Below-Median Income Employee mortality table [PubG-2010(B) Employee] as published by the Society of Actuaries 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. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.

All pre-retirement deaths are assumed to be ordinary deaths.

**Parking Authority of the City of New Brunswick**  
**Notes to Required Supplementary Information**  
**December 31, 2022 and 2021**

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Mortality (Continued)                      Healthy Retirees and Beneficiaries (Healthy Annuitants): The Pub-2010 General Below-Median Income Healthy Retiree mortality table [PubG-2010(B) Healthy Retiree] as published by the Society of Actuaries 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. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.

Disabled Retirees (Disabled Annuitants): The Pub-2010 Non-Safety Disabled Retiree mortality table [PubNS-2010 Disabled Retiree] as published by the Society of Actuaries 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. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2021.

**SHBP**

Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal Cost Method
Remaining Amortization Period	6.82
Asset Valuation Method	Market Value of Assets
Salary Increases	Varies by years of service from 2% to 7%
Investment Rate of Return	3.54%
Retirement Age	Varies by years of service from ages 40 to 75.
Mortality	PUB-2010 "General" and "Safety" classification headcount-weighted mortality table with fully generation mortality improvement projections from the central year using Scale MP-2021

See Independent Auditor's Report.



**Parking Authority of the City of New Brunswick  
Notes to Required Supplementary Information  
December 31, 2022 and 2021**

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**2. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2021 CONTRIBUTION RATE**

**PERS**

Valuation Date	July 1, 2020
Actuarial Cost Method	Projected Unit Credit Cost Method
Remaining Amortization Period	30-year closed period
Asset Valuation Method	The actuarial value of assets is adjusted to reflect actual contributions, benefit payments and administrative expenses, and an assumed rate of return on the previous year's assets and current year's cash flow at the prior year's actuarial valuation interest rate, with a further adjustment to reflect 20% of the difference between the resulting value and the actual market value of Plan assets.
Wage Growth	3.25%
Price Inflation	2.75%
Salary Increases	2% to 7%, varying by years of service and time period
Investment Rate of Return	7%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<u>Pre-Retirement Mortality</u> : The Pub-2010 General Below-Median Income Employee mortality table [PubG-2010(B) Employee] as published by the Society of Actuaries 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. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2020.

All pre-retirement deaths are assumed to be ordinary deaths.

**Parking Authority of the City of New Brunswick  
Notes to Required Supplementary Information  
December 31, 2022 and 2021**

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Mortality (Continued)

Healthy Retirees and Beneficiaries (Healthy Annuitants): The Pub-2010 General Below-Median Income Healthy Retiree mortality table [PubG-2010(B) Healthy Retiree] as published by the Society of Actuaries 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. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2020.

Disabled Retirees (Disabled Annuitants): The Pub-2010 Non-Safety Disabled Retiree mortality table [PubNS-2010 Disabled Retiree] as published by the Society of Actuaries 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. For purposes of calculating projected cash flows used to determine the GASB discount rate, mortality improvement is based on SOA's Scale MP-2018. Upon direction from the DPB, for purposes of calculating the Total Pension Liability, mortality improvement is based on SOA's Scale MP-2020.

**SHBP**

Valuation Date	July 1, 2020
Actuarial Cost Method	Entry Age Normal with Level % of Salary
Remaining Amortization Period	6.82
Asset Valuation Method	Market Value of Assets
Salary Increases	2% to 7%, varying by years of service and time period
Investment Rate of Return	2.16%
Retirement Age	60
Mortality	PUB-2010 "General" and "Safety" classification headcount-weighted mortality table with fully generation mortality improvement projections from the central year using Scale MP-2021

**OTHER SUPPLEMENTARY INFORMATION**

**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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenue</b>			
Operating revenues			
Parking fees	\$ 23,461,075	\$ 23,904,022	\$ 442,947
Other operating revenues	3,577,015	3,158,797	(418,218)
Total operating revenues	<u>27,038,090</u>	<u>27,062,819</u>	<u>24,729</u>
Non-operating revenues			
Grants and entitlements	1,000,000	1,010,713	10,713
Interest on investments and deposits	40,000	119,438	79,438
Interest earned on leases	-	224,460	224,460
Gain on sale of property	2,380,000	-	(2,380,000)
Total non-operating revenues	<u>3,420,000</u>	<u>1,354,611</u>	<u>(2,065,389)</u>
Total revenues	<u>30,458,090</u>	<u>28,417,430</u>	<u>(2,040,660)</u>
<b>Appropriations</b>			
Administration			
Salaries and wages	673,386	666,868	6,518
Employee benefits	435,245	395,790	39,455
Other expenses	800,895	1,122,872	(321,977)
Cost of providing service			
Salaries and wages	1,610,149	1,524,951	85,198
Employee benefits	1,016,460	861,691	154,769
Other expenses	3,421,490	4,166,559	(745,069)
Debt service			
Interest payments on debt	10,075,928	10,075,927	1
Principal payments on bonds	7,440,000	7,440,000	-
Other reserves			
PILOT	4,975,000	4,975,000	-
Total expenses	<u>30,448,553</u>	<u>31,229,658</u>	<u>(781,105)</u>
Surplus (deficit)	<u>\$ 9,537</u>	<u>\$ (2,812,228)</u>	<u>\$ (2,821,765)</u>

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

Pension expense, net - GASB 68 adjustment	\$ 1,209,371
OPEB expense, net - GASB 75 adjustment	944,296
Amortization of original issue premium	1,995,716
Depreciation expense	(6,529,835)
Loss on sale of property	22,090
Amortization of bond insurance	(45,080)
Principal paid on bonds	7,440,000
Interest revenue on promissory note receivable	160,860
Interest expense on promissory note payable	(300,155)
Bond issuance costs	(37,063)
Total reconciling items	<u>4,860,200</u>
Changes in net position	<u>\$ 2,047,972</u>

See Independent Auditor's Report.

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**Parking Authority of the City of New Brunswick  
Schedule of Expenditures of State Financial Assistance  
Year Ended December 31, 2022**

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>AL</u>	<u>State Grant Award Number</u>	<u>Grant Period</u>	<u>2022 Expenditures</u>	<u>Total Grant Expenditures to Date</u>
<b>State Awards</b>					
State of New Jersey*					
Department of Transportation					
State Aid Highway Projects					
New Brunswick Transit Village Parking Project	N/A	6320-480-078-6320- ALM-TACP-6010	07/01/2009 - 06/30/2023	\$ 1,000,000	\$ 14,000,000
*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 - 12/31/2022	<u>10,713</u>	<u>637,848</u>
Total state financial assistance				<u>\$ 1,010,713</u>	<u>\$ 14,637,848</u>

See Independent Auditor's Report.  
See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**Parking Authority of the City of New Brunswick**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**Year Ended December 31, 2022**

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**1. GENERAL INFORMATION**

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

**2. BASIS OF ACCOUNTING**

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

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Expenditures are reported on the statements of net 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 of  
Parking Authority of the City of New Brunswick:

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

**Report on 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 audit 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.

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

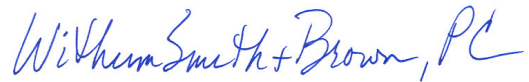
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

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

October 31, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 of  
Parking Authority of the City of New Brunswick:

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

**Opinion on Major State Program**

We have audited Parking Authority of the City of New Brunswick’s (the “Authority”) compliance with the compliance requirements described in the *New Jersey State Compliance Supplement* that could have a direct and material effect on the Authority’s major state program for the year ended December 31, 2022. The Authority’s major state program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2022.

**Basis for Opinion on Each Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of State of New Jersey, Department of the Treasury, Office of Management and Budget Policy Circular 15-08-OMB (“NJ Circular 15-08”). Our responsibilities under those standards and NJ Circular 15-08 are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority’s state program.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and NJ Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and NJ Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

October 31, 2023

**Parking Authority of the City of New Brunswick  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2022**

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**Section 1 - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses None Reported

Noncompliance material to financial statements noted? No

**State Financial Assistance**

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses None reported

Type of 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 State Aid Highway Projects 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, 2022**

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**Section 2 - Financial Statement Findings**

No matters were reported.

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

No matters were reported.

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

No matters were reported.

**Parking Authority of the City of New Brunswick  
Roster of Officials  
Year Ended December 31, 2022**

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

<u>Name</u>	<u>Office</u>	<u>Bond Amount</u>	<u>Term Expiration</u>
<u>Board of Commissioners</u>			
Kevin McTernan	Chairperson	None	December 31, 2022
Anthony Caputo	1 <sup>st</sup> 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	
Matthew Kennedy		Executive Director	December 31, 2022
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.