

SPRINGFIELD PARKING AUTHORITY

FINANCIAL STATEMENTS

for the years ended June 30, 2015 and 2014

SPRINGFIELD PARKING AUTHORITY

for the years ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board Members of
Springfield Parking Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Springfield Parking Authority (the "Authority"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

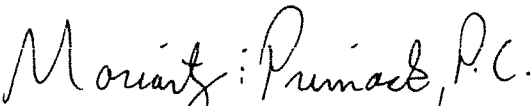
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 audits 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 Information

As described in Note 1, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the City of Springfield, Massachusetts, as of June 30, 2015 and 2014 and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


Springfield, Massachusetts
November 24, 2015

SPRINGFIELD PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Our discussion and analysis of the Springfield Parking Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

The Authority as a Whole

The Authority, a political subdivision of the Commonwealth of Massachusetts, was established through enactment of Chapter 674 of the Acts of 1981 of the Massachusetts General Court on December 22, 1981, as amended. Acceptance of said Act by the City Council of the City of Springfield (City) was approved on February 1, 1982. The Mayor of the City appoints the Authority's Board of Directors. However, the City is not financially accountable for the Authority.

The Authority is primarily responsible for the development and management of a comprehensive public off street parking system in support of economic development activities in downtown Springfield. This parking system consists of five garages and four open lots in and near downtown Springfield containing approximately 4,000 parking spaces.

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), the Authority is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the Authority is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows, and Net Position, the Authority issues a Statement of Net Position, a Statement of Revenues, Expenditures and Changes in Net Position and a Statement of Cash Flows. These statements provide information about the financial activities of the Authority as a whole. This annual report also contains notes to the financial statements and other information which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Financial Statements

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority as of the end of its fiscal year, June 30. The Statement of Net Position is a point-in-time financial statement. The purpose of the Statement of Net Position is to present a fiscal snapshot of the Authority to the reader of the financial statements.

SPRINGFIELD PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*

June 30, 2015

Financial Statements – *continued*

Assets are resources with present service capacity that the Authority presently controls. Liabilities are present obligations to expend resources that the Authority has little or no discretion to avoid. A deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. Net Position represents the difference between all other elements in a statement of financial position and is displayed in three components – net investment in capital assets; restricted (distinguished between major categories or restrictions); and unrestricted.

The net investment in capital assets component consists of net position of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

Over time, readers of the financial statements will be able to evaluate the Authority's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if the Authority's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of the Authority. This statement is also a good source for readers to determine how much the Authority owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The Statement of Revenues, Expenditures and Changes in Net Position reports the financial activities (revenue and expenses) of the Authority and divides it into two categories: Operating activities and Non-operating activities. Operating activities include all financial activities associated with the operation of the Authority and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a business type activity. Changes in total net assets as presented on the Statement of Net Position are based on the activity presented in this statement. This statement helps to determine whether the Authority had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

SPRINGFIELD PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*

June 30, 2015

Financial Statements – *continued*

The Statement of Cash Flows provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in assisting users assessing the Authority's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the Authority's financial statements.

Financial Highlights

The Authority had revenues of \$3,888,889 for the year ended June 30, 2015, all of which were operating revenues. Operating revenues increased by \$255,678 from the prior year, primarily as a result of increased Monthly and Transient Parking income, as well as increased Towing management fees.

The Authority had a net operating gain exclusive of depreciation, interest, and amortization of \$890,076 for the year ended June 30, 2015.

Budgetary Highlights

For the fiscal year ended June 30, 2015 the Authority incurred \$2,998,813 in actual expenditures. These expenditures were exclusive of depreciation, interest and amortization. Expenses also increased by \$354,030 from the prior year, primarily as a result of increased repair, snow removal, security expenses, consultant's fees, wages and benefits and parking operator's expenses.

Authority's Financial Activities

The Authority's revenues are derived mainly from monthly parkers employed by the downtown area businesses. Visitors to the City are also accommodated at the various facilities at minimal parking cost. The Authority issues violation notices to unauthorized parkers or those who disregard parking regulations in Authority facilities. To ensure collection of the violation notices, motor vehicle registration is "marked" through the Registry of Motor Vehicles preventing registration renewal until outstanding notices are paid.

Another source of revenue for the Authority is the validation revenue. Businesses "validate" their customer's parking ticket to park at our facilities. The Springfield Parking Authority bills their accounts. Validation revenue is included in parking receipts.

SPRINGFIELD PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2015

Authority's Financial Activities - continued

The Authority also receives revenue in the form of a management fee from the City of Springfield for administration of the City's On-Street Parking and Enforcement Operations. The Authority has a similar agreement with the City of Springfield for administration of the City's vehicle towing contract and receives a management fee for that contract.

With proceeds from the sources above, the Authority is responsible to maintain its facilities, cover its administrative expenses, and construction loan payments while providing safe, clean, affordable and user-friendly parking downtown. In addition, the Authority sponsors or underwrites many community affairs and charitable activities throughout the year. In recent months, the Authority has sponsored events such as the American Foundation for Suicide Prevention Walk, the Baystate Health Fair, Hometown Heroes, Veterans Expo, Springfield Public Forum, Western Mass Business Expo, City Stage and Symphony Hall events.

Since fiscal year 2014, the Authority has funded the overtime deployments of Police patrols in the Springfield Central Business District. An additional \$100,000 has been budgeted for this program during fiscal year 2016. This amount is in addition to funding the private security service by M.J. Norton, Co.

The Authority also supports the Commonwealth's aggressive climate and energy efficiency goals established by the Patrick Administration under the Global Warming Solutions Act (GWSA) and the Green Communities Act (GCA). The Authority has purchased two electric vehicles and three charging stations. The initial electric charging stations have been installed in the I-91 North and Columbus Center Garage. The electric vehicles are being used for the On-Street parking enforcement.

The Authority has undertaken a few major capital improvement projects within its facilities. The capital improvement project worth approximately \$1,000,000 at the Civic Center Garage is almost complete. Roof repairs at the Columbus Center Garage worth approximately \$180,000 have recently been completed. Curb replacement project at the Taylor Street Garage is being scheduled, at an estimated cost \$100,000. Additional projects throughout the facilities are in the planning stage.

In an attempt to improve convenience for our customers, the Authority has upgraded its website. Online payments are now accepted via www.SpringfieldParkingAuthority.com, various useful forms and information is also available on line. An improved sign program featuring maps of the downtown is underway.

SPRINGFIELD PARKING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2015

Authority's Financial Activities - continued

The Springfield Parking Authority currently has ample parking spaces available in our downtown facilities to accommodate all of our patrons. We will send email notifications to our existing customers as well as post updates on our website as the viaduct construction project progresses. The information we share will be based on communications with the MassDOT and the contractors selected for this project. This situation is being monitored regularly and additional contingency planning will continue to alleviate inconvenience to our patrons.

Contacting the Authority's Financial Management

This financial report is designed to provide the reader with a general overview of the Authority's finances and to account for the funds received. If you have questions about this report or need additional financial information, contact the Business Office of the Authority.

SPRINGFIELD PARKING AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>(as restated)</u>
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 1,751,650	\$ 1,635,427
Accounts receivable	73,158	14,758
Prepaid expenses and other current assets.....	<u>39,149</u>	<u>39,149</u>
Total current assets.....	1,863,957	1,689,334
Capital assets, net	9,409,199	10,006,670
Bond financing costs, net	<u>81,147</u>	<u>91,570</u>
TOTAL ASSETS.....	<u>\$ 11,354,303</u>	<u>\$ 11,787,574</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable.....	\$ 199,529	\$ 85,306
Accrued expenses.....	245,751	238,757
Bonds payable, current portion.....	<u>460,000</u>	<u>444,000</u>
Total current liabilities.....	905,280	768,063
Long term portion of bonds payable.....	<u>3,718,000</u>	<u>4,178,000</u>
Total liabilities.....	<u>4,623,280</u>	<u>4,946,063</u>
NET POSITION		
Invested in capital assets, net of related debt.....	5,231,199	5,384,670
Unrestricted.....	<u>1,499,824</u>	<u>1,456,841</u>
Total net position.....	<u>6,731,023</u>	<u>6,841,511</u>
TOTAL LIABILITIES AND NET POSITION.....	<u>\$ 11,354,303</u>	<u>\$ 11,787,574</u>

See accompanying notes to financial statements.

SPRINGFIELD PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

for the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>(as restated)</u>
Operating revenues		
Parking receipts.....	\$ 3,391,567	\$ 3,217,216
Towing operations management fee.....	177,342	104,588
On-street management fee.....	198,274	184,597
Rental income.....	94,273	93,205
Parking violations.....	<u>27,433</u>	<u>33,605</u>
Total operating revenues.....	<u>3,888,889</u>	<u>3,633,211</u>
Operating expenses		
Vendor operating costs.....	1,035,666	1,028,521
Authority operating costs.....	626,066	551,649
Salaries.....	319,986	253,821
Professional fees and consultants.....	176,098	76,295
Insurance.....	101,963	89,302
Employee benefits.....	131,598	98,958
Advertising.....	16,028	80,732
Security.....	536,688	425,863
Miscellaneous.....	54,720	39,642
Depreciation and amortization.....	<u>818,351</u>	<u>853,286</u>
Total operating expenses.....	<u>3,817,164</u>	<u>3,498,069</u>
Net operating income.....	71,725	135,142
Other income (expense)		
Interest expense.....	(183,023)	(200,542)
Other income.....	<u>810</u>	<u>264</u>
Total other expense.....	<u>(182,213)</u>	<u>(200,278)</u>
Change in net position.....	(110,488)	(65,136)
Net position, beginning of year, as previously stated.....	6,841,511	6,789,748
Prior period adjustment (Note 14).....	_____	<u>116,899</u>
Net position, beginning of year, as restated.....	<u>6,841,511</u>	<u>6,906,647</u>
Net position, end of year.....	<u>\$ 6,731,023</u>	<u>\$ 6,841,511</u>

See accompanying notes to financial statements.

SPRINGFIELD PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>(as restated)</u>
Cash flows from operating activities		
Receipts from parking fees.....	\$ 3,391,567	\$ 3,217,216
Receipts from towing fees.....	177,342	104,588
Payments to employees.....	(444,591)	(353,147)
Receipts from on-street fees.....	138,874	247,026
Other receipts	122,706	125,810
Payments to vendors and suppliers.....	<u>(2,433,005)</u>	<u>(2,329,218)</u>
Net cash provided by operating activities.....	<u>952,893</u>	<u>1,012,275</u>
Cash flows from investing activities		
Interest on cash and cash equivalents.....	<u>118</u>	<u> </u>
Net cash provided by investing activities.....	<u>118</u>	<u> </u>
Cash flows from capital and related financing activities		
Principal paid on bonds payable.....	(444,000)	(428,000)
Interest paid on bonds payable.....	(183,023)	(200,542)
Interest receipts on bank accounts.....	692	264
Purchase of capital assets.....	<u>(210,457)</u>	<u>(124,616)</u>
Net cash used in capital and related financing activities.....	<u>(836,788)</u>	<u>(752,894)</u>
Net change in cash	116,223	259,381
Cash and cash equivalents, beginning of year.....	<u>1,635,427</u>	<u>1,376,046</u>
Cash and cash equivalents, end of year.....	<u>\$ 1,751,650</u>	<u>\$ 1,635,427</u>
Reconciliation of operating income to net cash provided by operating activities		
Adjustments to reconcile income from operations to net cash provided by operating activities		
Income from operations.....	\$ 71,725	\$ 135,142
Deprecation and amortization.....	818,351	853,286
Changes in assets and liabilities:		
Accounts receivable.....	(58,400)	61,429
Prepaid expenses and other assets.....		(19,816)
Accounts payable	114,223	(17,766)
Accrued expenses.....	<u>6,994</u>	<u> </u>
Net cash provided by operating activities.....	<u>\$ 952,893</u>	<u>\$ 1,012,275</u>

See accompanying notes to financial statements.

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. *Nature of Operations*

The Authority, a political subdivision of the Commonwealth of Massachusetts, was established through enactment of Chapter 674 of the Acts of 1981 of the Massachusetts General Court on December 22, 1981, as amended. Acceptance of said Act by the City Council of the City of Springfield (the City) was approved on February 1, 1982. The Mayor of the City is responsible for appointing the Authority's board of directors. However, the City is not financially accountable for the Authority.

The Authority is primarily responsible for the development and management of a comprehensive public off-street parking system in support of economic development activities in downtown Springfield. This parking system consists of five garages and five open lots in and near downtown Springfield containing approximately 4,000 parking spaces. The Authority also is responsible for management and oversight of on-street parking and the towing of vehicles in Springfield.

The Authority is a tax-exempt organization.

2. *Summary of Significant Accounting Policies*

Financial Statement Presentation

The Authority, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund. The Authority's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Basis of Accounting

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, the Authority considers all short-term, highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Capital Assets

Property and equipment are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expenses as incurred; significant renewals and betterments are capitalized.

Bond Financing Costs

Bond financing costs are being amortized on the straight-line basis over the life of the bonds. Amortization expense is expected to be \$10,143 per year for the remainder of the life of the bonds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

3. Deposits with Financial Institutions

The Authority maintained its cash accounts at three financial institutions, TD Bank, First Niagara Bank, and Berkshire Bank. These balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per financial institution. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institution minimizes such risk.

As required by GASB No. 40, *Deposits and Investment Risk Disclosures*, the following represents a summary of deposits as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
FDIC fully insured deposits – First Niagra	\$ 250,000	\$ 250,000
FDIC insured deposits – Berkshire Bank	126,363	42,831
FDIC fully insured deposits – TD Bank		250,000
Uninsured deposits	1,493,650	1,322,229

4. Management Contract

The Authority contracts with Executive Parking, Inc. to manage, operate, maintain, and improve all parking facilities and to manage the City of Springfield’s on-street parking program on behalf of the Authority. The agreement is for a term of three years with an option to renew for an additional two years. As of September 2015, the agreement was renewed for 18 months. The Authority is required to pay an annual management fee of \$159,135

5. Towing Contract

The Authority has a contract with CJ’s Towing, Inc. to manage, operate, and maintain the City of Springfield’s towing services and vehicle storage on behalf of the Authority. As compensation, the Authority remits a portion of collected towing, immobilization, and storage fees to the company. This contract expired in February 2015, and was renewed for two additional years. The current contract will expire in February 2017.

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

6. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance at</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Balance at</u> <u>June 30, 2015</u>
Land	\$ 1,516,417			\$ 1,516,417
Buildings	26,829,606			26,829,606
Major Improvements	3,405,008	\$ 144,234		3,549,242
Equipment	1,108,483	53,114		1,161,597
Construction in Progress	<u>32,859,514</u>	<u>13,109</u>		<u>13,109</u>
	32,859,514	210,457		33,069,971
Less Accumulated Depreciation	<u>(22,969,743)</u>	<u>(807,928)</u>	<u>\$ 116,899</u>	<u>(23,660,772)</u>
	<u>\$ 9,889,771</u>	<u>\$ (597,471)</u>	<u>\$ 116,899</u>	<u>\$ 9,409,199</u>

Depreciation expense was \$807,928 for the year ended June 30, 2015 (\$726,525- 2014).

7. Bonds Payable

Bonds payable at June 30, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
\$5,050,000 Springfield Parking Authority Loan, Act of 1981 Parking Facilities Numbered 1, 2, 6, and 7, Taxable Refunding Bond (Series 2013), due in semi-annual installments which include interest at 4% (amortization schedule below). The bond matures in March 2023.	<u>\$ 4,178,000</u>	<u>\$ 4,622,000</u>
Less current portion	<u>460,000</u>	<u>444,000</u>
Long term portion	<u>\$ 3,718,000</u>	<u>\$ 4,178,000</u>

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

Bonds payable, continued

The annual requirements to amortize bonds payable as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 460,000	\$ 113,340	\$ 573,340
2017	476,000	144,000	620,000
2018	494,000	124,780	618,780
2019	511,000	104,860	615,860
2020	530,000	84,220	614,220
Thereafter	<u>1,707,000</u>	<u>121,240</u>	<u>1,828,240</u>
	<u>\$ 4,178,000</u>	<u>\$ 692,440</u>	<u>\$ 4,870,440</u>

The Authority has assigned as collateral all of its rights to and interests in all revenues, profits and proceeds due and to become due on account of the premises and contracts owned by the Authority and as defined in the bond agreement.

8. Rental Income

The Authority rents office space to two tenants. One lease is for a term of two years. The monthly rent for this lease is \$1,000. The second lease is for a term of five years, with a five year option to renew. The agreement calls for an escalating annual rent. As of June 30, 2015, the current monthly rent for this lease excluding common area charges is \$2,464.

The Authority also rents a parking lot to the company that provides towing services. The rent for this lot is on a month-to-month basis and is \$4,200 per month.

Rental income from these tenants for the years ended June 30, 2015 and 2014 amounted to \$94,273 and \$93,205, respectively.

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

9. Lease

The Authority has a lease agreement with the Commonwealth of Massachusetts for the space rights to the I-91 North and I-91 South parcels. The lease is for a period of thirty years beginning on July 14, 1987. The Authority may extend the lease for an additional ten years to commence immediately upon the expiration of the original term. Lease payments for each of the first five years of the term were \$25,000 per annum as stated in the agreement and approved by the Massachusetts Legislature. Thereafter, lease amounts are adjusted based on the consumer price index (CPI) for all urban consumers. Should the I-91 bond (see Note 7) be paid in full before the lease term expires, the lease will be the greater of the CPI-adjusted amount or 10% of gross receipts for the parking garages located on the leased space.

Due to I-91 highway construction, the Commonwealth waived the annual rent for certain previous fiscal years. The Authority expects to receive a similar waiver for fiscal years 1999 through 2014. The Authority has not accrued rent for all of these years; if they had, the amount owed to the Commonwealth would be approximately \$617,000 at June 30, 2015 (\$577,000 – 2014). For both the years ended June 30, 2015 and 2014, the actual amount accrued by the Authority was \$219,566, and there was no booked rental expense.

10. Employee Benefit Plan

The Authority has a qualified simplified employee pension (SEP). The Authority may make a discretionary contribution to the plan based on the provisions of the plan. In 2015 and 2014, the Authority made contributions to the plan in the amounts of \$23,961 and \$16,436, respectively.

11. Supplemental Cash Flow Disclosure

Supplemental cash flow information is as follows:

	<u>2015</u>	<u>2014</u>
Cash paid during the year for:		
Interest	\$183,023	\$200,542

SPRINGFIELD PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

12. Subsequent Events

The Authority has evaluated events through November 24, 2015, which is the date the financial statements were available to be issued. In August of 2015, the Authority obtained a \$1,000,000 loan from their lender for renovation of the Civic Center Garage.

13. Reclassifications

Certain amounts presented in the statements of cash flows have been reclassified for 2014 to conform to the 2015 presentation.

14. Prior Period Adjustment

In 2015, it was determined errors had occurred in the depreciation calculation for a number of years. Depreciation was overstated on certain fixed assets in previous years by \$116,899 and net position and capital assets was understated by \$116,899.

A prior period adjustment was made as of July 1, 2013 to adjust the amount of accumulated depreciation as of the beginning of the year. A corresponding entry was made to increase previously reported net position. The effect of the restatement on net position for 2014 was an \$116,899 increase in net position - invested in capital assets, net of related debt.

**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**

To the Board Members of
Springfield Parking Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Springfield Parking Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Springfield Parking Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Springfield Parking Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Springfield Parking 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Moriarty & Primack, P.C.".

Springfield, Massachusetts
November 24, 2015