

**SPRINGFIELD PARKING AUTHORITY**

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**FINANCIAL STATEMENTS**

for the years ended June 30, 2016 and 2015

**SPRINGFIELD PARKING AUTHORITY**

**for the years ended June 30, 2016 and 2015**

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# Moriarty Primack

Certified Public Accountants

## 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 as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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 respective financial position of the business-type activities of the Springfield Parking Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, the Springfield Parking Authority adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities – an amendment of GASB Concepts Statement No. 4. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 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 Springfield Parking Authority and do not purport to, and do not, present fairly the financial position of the City of Springfield, Massachusetts, as of June 30, 2016 and 2015 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 December 22, 2016 on our consideration of the Springfield Parking 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 Springfield Parking Authority's internal control over financial reporting and compliance.

*Moriarty Primack, P.C.*  
Springfield, Massachusetts  
December 22, 2016

# SPRINGFIELD PARKING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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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, 2016. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

### **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 4,150 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, 2016

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### **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, 2016

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### **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 \$4,390,225 for the year ended June 30, 2016, all of which were operating revenues. Operating revenues increased by \$501,336 from the prior year, primarily as a result of increased Monthly and Transient Parking income.

The Authority had a net operating gain exclusive of depreciation and amortization and other income and expense of \$1,651,443 for the year ended June 30, 2016.

### **Budgetary Highlights**

For the fiscal year ended June 30, 2016 the Authority incurred \$2,738,782 in actual expenditures. These expenditures were exclusive of depreciation, amortization and interest expense. Expenses decreased by \$260,031 from the prior year, primarily as a result of reduced snow removal and security 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, 2016**

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#### **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 2017. This amount is in addition to funding the private security service by Jackson Security Company, Inc.

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 \$1,200,000 at the Civic Center Garage was completed last year. Roof repairs at the Columbus Center Garage worth approximately \$220,000 have recently been completed. Curb replacement project at the Taylor Street Garage was completed, at an estimated cost \$100,000. Spandrel repairs at the I-91 North and South Garages are underway with estimated cost of \$250,000. 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](http://www.SpringfieldParkingAuthority.com), various useful forms and information is also available online. An improved sign program featuring maps of the downtown is underway.

# **SPRINGFIELD PARKING AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**

**June 30, 2016**

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### **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.

### **Capital Assets**

At the end of June 30, 2016, the Authority had \$9,958,150 invested in capital assets, net of depreciation, including land, buildings, major improvements, equipment, and vehicles. This represents a net increase of \$548,951 over last year.

Major capital asset events during the current fiscal year included the following:

- Major improvements - \$1,362,745
- Vehicles - \$14,290

### **Long-term Debt**

At year-end, the Authority had \$4,718,000 in long-term debt outstanding, which represents a \$540,000 increase from prior year.

**SPRINGFIELD PARKING AUTHORITY**

**STATEMENTS OF NET POSITION**

**June 30, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b> <b>(As restated)</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents.....	\$ 2,442,178	\$ 1,751,650
Accounts receivable .....	71,991	73,158
Prepaid expenses and other current assets.....	<u>174,622</u>	<u>39,149</u>
Total current assets.....	2,688,791	1,863,957
Capital assets, net .....	<u>9,958,150</u>	<u>9,409,199</u>
TOTAL ASSETS.....	<u>\$ 12,646,941</u>	<u>\$ 11,273,156</u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable.....	\$ 357,770	\$ 199,529
Accrued expenses.....	44,221	245,751
Bonds payable, current portion.....	<u>1,476,000</u>	<u>460,000</u>
Total current liabilities.....	1,877,991	905,280
Long term portion of bonds payable.....	<u>3,242,000</u>	<u>3,718,000</u>
Total liabilities.....	<u>5,119,991</u>	<u>4,623,280</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt.....	5,240,150	5,231,199
Unrestricted.....	<u>2,286,800</u>	<u>1,418,677</u>
Total net position.....	<u>7,526,950</u>	<u>6,649,876</u>
TOTAL LIABILITIES AND NET POSITION.....	<u>\$ 12,646,941</u>	<u>\$ 11,273,156</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, 2016 and 2015**

	<u>2016</u>	<u>2015</u> <u>(As restated)</u>
<b>Operating revenues</b>		
Parking receipts.....	\$ 3,881,264	\$ 3,391,567
Towing operations management fee.....	186,217	177,342
On-street management fee.....	198,786	198,274
Rental income.....	92,505	94,273
Parking violations.....	<u>31,453</u>	<u>27,433</u>
Total operating revenues.....	<u>4,390,225</u>	<u>3,888,889</u>
<b>Operating expenses</b>		
Vendor operating costs.....	1,079,921	1,035,666
Authority operating costs.....	484,553	626,066
Salaries.....	298,261	319,986
Professional fees and consultants.....	115,360	176,098
Insurance.....	106,874	101,963
Employee benefits.....	120,596	131,598
Advertising.....	4,707	16,028
Security.....	455,252	536,688
Miscellaneous.....	73,258	54,720
Depreciation and amortization.....	<u>828,084</u>	<u>807,928</u>
Total operating expenses.....	<u>3,566,866</u>	<u>3,806,741</u>
Net operating income.....	823,359	82,148
<b>Other income (expense)</b>		
Interest expense.....	(189,878)	(183,023)
Other income.....	<u>243,593</u>	<u>810</u>
Total other income (expense).....	<u>53,715</u>	<u>(182,213)</u>
Change in net position.....	<u>877,074</u>	<u>(100,065)</u>
Net position, beginning of year, as previously reported.....	6,649,876	6,841,511
Change in accounting principle.....	<u>                    </u>	<u>(91,570)</u>
Net position, beginning of year, as restated.....	<u>6,649,876</u>	<u>6,749,941</u>
Net position, end of year.....	<u>\$ 7,526,950</u>	<u>\$ 6,649,876</u>

*See accompanying notes to financial statements.*

**SPRINGFIELD PARKING AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**for the years ended June 30, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b> <b><u>(As restated)</u></b>
<b>Cash flows from operating activities</b>		
Receipts from parking fees.....	\$ 3,881,264	\$ 3,391,567
Receipts from towing fees.....	186,217	177,342
Payments to employees.....	(425,850)	(444,591)
Receipts from on-street fees.....	199,953	138,874
Other receipts .....	123,958	122,706
Payments to vendors and suppliers.....	<u>(2,491,694)</u>	<u>(2,433,005)</u>
Net cash provided by operating activities.....	<u>1,473,848</u>	<u>952,893</u>
<b>Cash flows from noncapital financing activities</b>		
Non-operating receipts.....	<u>243,562</u>	<u>692</u>
Net cash provided by noncapital financing activities.....	<u>243,562</u>	<u>692</u>
<b>Cash flows from capital and related financing activities</b>		
Principal paid on bonds payable.....	(460,000)	(444,000)
Interest paid on bonds payable.....	(189,878)	(183,023)
Proceed from bonds payable.....	1,000,000	
Purchase of capital assets.....	<u>(1,377,035)</u>	<u>(210,457)</u>
Net cash used in capital and related financing activities.....	<u>(1,026,913)</u>	<u>(837,480)</u>
<b>Cash flows from investing activities</b>		
Interest on cash.....	<u>31</u>	<u>118</u>
Net cash provided by investing activities.....	<u>31</u>	<u>118</u>
Net change in cash .....	690,528	116,223
Cash and cash equivalents, beginning of year.....	<u>1,751,650</u>	<u>1,635,427</u>
Cash and cash equivalents, end of year.....	<u>\$ 2,442,178</u>	<u>\$ 1,751,650</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Adjustments to reconcile income from operations to net cash provided by operating activities		
Income from operations.....	\$ 823,359	\$ 82,148
Deprecation and amortization.....	828,084	807,928
Changes in assets and liabilities:		
Accounts receivable.....	1,167	(58,400)
Prepaid expenses and other assets.....	(135,473)	
Accounts payable .....	158,241	114,223
Accrued expenses.....	<u>(201,530)</u>	<u>6,994</u>
Net cash provided by operating activities.....	<u>\$ 1,473,848</u>	<u>\$ 952,893</u>

*See accompanying notes to financial statements.*

# SPRINGFIELD PARKING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 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 four open lots in and near downtown Springfield containing approximately 4,150 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

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#### *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.

#### *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.

### 3. *Change in Accounting Principle*

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, requires that all bond issuance costs are expensed. This includes the costs of bonds issued in prior years. Accordingly, the Authority's net position as of July 1, 2014 was restated by \$91,570 and the amortization of bond costs in fiscal year 2015 of \$10,423 was eliminated.

# SPRINGFIELD PARKING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS, continued

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### 4. Deposits with Financial Institutions

The Authority maintained its cash accounts at two financial institutions, Key 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
FDIC fully insured deposits – Key Bank	\$ 250,000	\$ 250,000
FDIC insured deposits – Berkshire Bank	155,926	126,363
Uninsured deposits	2,029,566	1,493,650

### 5. 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. The contract expired December 31, 2015 and was renewed for two additional years, expiring January 2018. The Authority is required to pay an annual management fee of \$159,135.

### 6. 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 extended contract will expire in February 2017.



**SPRINGFIELD PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, continued**

**7. Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance at</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2016</u>
Land	\$ 1,516,417			\$ 1,516,417
Buildings	26,829,606			26,829,606
Major Improvements	3,562,351	\$ 1,362,745		4,925,096
Equipment	1,161,597			1,161,597
Vehicles	<u>                    </u>	<u>14,290</u>	<u>                    </u>	<u>14,290</u>
	33,069,971	1,377,035		34,447,006
Less Accumulated Depreciation	<u>(23,660,772)</u>	<u>(828,084)</u>	<u>                    </u>	<u>(24,488,856)</u>
	<u>\$ 9,409,199</u>	<u>\$ 548,951</u>	<u>                    </u>	<u>\$ 9,958,150</u>

Depreciation expense was \$828,084 for the year ended June 30, 2016 (\$807,928 - 2015).

**8. Bonds Payable**

Bonds payable at June 30, 2016 and 2015 are comprised of the following:

	<u>2016</u>	<u>2015</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.	\$ 3,718,000	\$ 4,178,000
\$1,000,000 Springfield Parking Authority Loan, Act of 1981 Parking Facilities Numbered 1, 2, and 3, Taxable Refunding Bond (Series 2015), due in full at maturity, including interest at 2.95% The bond matures in August 2016.	<u>1,000,000</u>	<u>                    </u>
	4,718,000	4,178,000
Less current portion	<u>1,476,000</u>	<u>460,000</u>
Long term portion	<u>\$ 3,242,000</u>	<u>\$ 3,718,000</u>

# SPRINGFIELD PARKING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS, continued

### Bonds payable, continued

The annual requirements to amortize bonds payable as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,476,000	\$ 168,583	\$ 1,644,583
2018	494,000	124,780	618,780
2019	511,000	104,860	615,860
2020	530,000	84,220	614,220
2021	549,000	62,840	611,840
Thereafter	<u>1,158,000</u>	<u>58,400</u>	<u>1,216,400</u>
	<u>\$ 4,718,000</u>	<u>\$ 603,683</u>	<u>\$ 5,321,683</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.

### 9. Rental Income

The Authority rents office space to two tenants. The Authority rents one office space to its parking operator, Executive Parking, Inc., for \$1,000 monthly. This lease is concurrent with the Management Agreement with Executive Parking, Inc. (See Note 5). The second lease is for theater space within the Columbus Center Garage. This is an eighteen month lease with monthly rent payments of \$2,500. Under this agreement the Authority is responsible for all utilities payments for the theater space, as well as all repairs and capital improvements.

The Authority also rents a parking lot to C.J.'s Towing, Inc., which provides Towing Operations services for the City of Springfield. The monthly rent for this lot is \$4,200. This contract is set to expire on the last day of February 2017.

Rental income from these tenants for the years ended June 30, 2016 and 2015 amounted to \$92,505 and \$94,273, respectively.

**SPRINGFIELD PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, continued**

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**10. 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. Lease payments for the next two years of the term lease are \$25,000 per annum. The lease has been extended for an additional five years to commence immediately upon the expiration of the original term. Lease payments for the five years of the extended term lease are \$55,000 per annum. Thereafter, lease amounts are adjusted based on the consumer price index (CPI) for all urban consumers.

In addition to the rent, over the next 12 months, the Authority will invest \$200,000 capital improvements to the I-91 North and South parking garages.

In previous years, the Commonwealth (Massachusetts Department of Transportation) (“MassDOT”) waived the annual rent per the lease agreement. The MassDOT agrees not to pursue any back rent that was waived on in previous years. The accrued rent previously included in accrued expenses on the Statements of Net Position has been written off and included in other income (expense) on the Statements of Revenues, Expenses and Changes in Net Position.

**11. 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 2016 and 2015, the Authority made contributions to the plan in the amounts of \$22,640 and \$23,961, respectively.

**12. Supplemental Cash Flow Disclosure**

Supplemental cash flow information is as follows:

	<u>2016</u>	<u>2015</u>
Cash paid during the year for:		
Interest	\$189,878	\$183,023

**13. Subsequent Events**

The Authority has evaluated events through December 22, 2016, which is the date the financial statements were available to be issued. As of August 2016, the Authority paid off their \$1,000,000 bonds payable.

**INDEPENDENT AUDITOR'S 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, 2016, and the related notes to the financial statements, which collectively comprise the Springfield Parking Authority's basic financial statements, and have issued our report thereon dated December 22, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, 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.

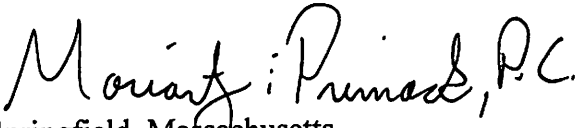
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

  
Springfield, Massachusetts  
December 22, 2016