



PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Basic Financial Statements and Other Information

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

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KPMG LLP
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St. Louis, MO 63102-1761

Independent Auditors' Report

The Honorable Mayor and
Board of Aldermen
City of St. Louis, Missouri:

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Division of the City of St. Louis, Missouri, an enterprise fund of the City of St. Louis, Missouri, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Parking Division of the City of St. Louis, Missouri'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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Parking Division of the City of St. Louis, Missouri, as of June 30, 2014 and 2013, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

As discussed in note 1, the basic financial statements of the Parking Division of the City of St. Louis, Missouri present only the financial position and the changes in financial position and, where applicable, cash flows of the Parking Division of the City of St. Louis, Missouri, an enterprise fund of the City of St. Louis, Missouri, and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Effective July 1, 2013 the Parking Division of the City of St. Louis, Missouri implemented Government Accounting Standards Board (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 3 through 10 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Parking Division of the City of St. Louis, Missouri's basic financial statements. The other information included in Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other information in Schedules 1 and 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

St. Louis, Missouri
October 24, 2014

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis - Unaudited

June 30, 2014 and 2013

Our discussion and analysis of the Parking Division of the City of St. Louis, Missouri (Parking Division) for the City of St. Louis, Missouri's (the City) financial performance provides an overview of the Parking Division's financial activities for the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the Parking Division's financial statements, which are attached.

The Parking Division

The Parking Division manages off-street parking, on-street parking meters, and on-street parking enforcement programs. Off-street parking includes seven operating parking garages and multiple surface parking lots. The on-street parking system comprises over 9,000 parking meters throughout downtown and in a number of key commercial and institutional districts outside of downtown. The on-street parking enforcement division enforces parking ordinances, primarily in the areas of the City where parking meters are installed.

Using this Annual Report

The Parking Division is an enterprise fund, which is similar to a business-type activity in which the fees charged to customers are structured to cover the costs of the services provided. This annual report consists of a series of financial statements. The statement of net position and the statement of revenues, expenses, and changes in fund net position help answer the following question: Is the Parking Division fiscally better off or worse off than the year before? These statements are intended to account for all assets, deferred outflow of resources and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. These statements also include the activities of the City of St. Louis Parking Commission Finance Corporation (SLPCFC) and the Municipal Parking Finance Corporation (MPFC) as blended component units.

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A condensed summary of the Parking Division's net position at June 30 is shown below:

	2014	2013	2012	2014 vs 2013	
				Change	Percentage change
Assets:					
Current assets	\$ 17,486,735	18,660,209	18,730,148	(1,173,474)	(6)%
Capital assets	75,097,416	77,702,538	78,969,989	(2,605,122)	(3)
Other noncurrent assets	10,596,074	5,169,477	6,432,313	5,426,597	105
Deferred Outflow of Resources	4,681,577	5,015,977	—	(334,400)	(7)
Total assets and deferred outflow of resources	107,861,802	106,548,201	104,132,450	1,313,601	1
Liabilities:					
Current liabilities	6,099,546	5,700,576	6,801,730	398,970	7
Noncurrent liabilities	69,125,329	70,314,440	67,344,186	(1,189,111)	(2)
Total liabilities	75,224,875	76,015,016	74,145,916	(790,141)	(1)
Net position:					
Net investment in capital assets	5,058,487	6,788,009	12,385,405	(1,729,522)	(25)
Restricted – bond reserve funds	12,362,451	12,419,322	11,961,271	(56,871)	—
Unrestricted	15,215,989	11,325,854	5,639,858	3,890,135	34
Total net position	\$ 32,636,927	30,533,185	29,986,534	2,103,742	7%

Total Assets and Deferred Outflows of Resources: Total assets and deferred outflow of resources did not significantly change in the current or the previous fiscal year. The increase in other noncurrent assets was the result of investments in Federal Home Loan Bank notes with a maturity date of more than 1 year.

Total Liabilities: Total liabilities continued to decline in the current fiscal year by 1% following fiscal year 2013 decline of 4%. In the current fiscal year, current liabilities increased as the Parking Division's due to the general fund of the City of St. Louis, Missouri increased from \$633,708 to \$1,200,300. Simultaneously, accounts payable decreased due to timing. The fluctuation in Noncurrent liabilities is a result of fiscal year 2014 debt payments made.

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June 30, 2014 and 2013

	2014 vs 2013				
	2014	2013	2012	Change	Percentage change
Operating revenues	\$ 15,794,032	14,645,331	14,986,148	1,148,701	8%
Operating expenses	10,735,885	10,165,981	9,707,555	569,904	6
Operating income	5,058,147	4,479,350	5,278,593	578,797	13
Nonoperating expenses, net	(3,106,612)	(3,096,490)	(3,216,675)	(10,122)	—
Income before transfers	1,951,535	1,382,860	2,061,918	568,675	41
Transfers in	932,207	906,960	827,744	25,247	3
Transfers out	(780,000)	(500,000)	(800,000)	(280,000)	56
Increase in net position	<u>\$ 2,103,742</u>	<u>1,789,820</u>	<u>2,089,662</u>	<u>313,922</u>	<u>18%</u>
Cumulative effect-Change in Accounting Principle	—	(1,243,169)	—	1,243,169	(100)%
Net position, end of year	\$ 32,636,927	30,533,185	29,986,534	2,103,742	7%
Total assets and deferred outflow of resources, end of year	107,861,802	106,548,201	104,132,450	1,313,601	1

Operating Income: Operating revenues increased 8% following a 2% decline in fiscal year 2013. The current year increase is directly attributable to the return of hockey after the lockout in fiscal year 2013, which was associated with the Kiel Garage.

Operating expenses increased 6% following a 5% increase in the fiscal year 2013. The fiscal year 2014 increase is due to contractual expenses associated with ending the existing third-party contract for the collection of parking meter revenue and exploring contracts while piloting the acceptance of credit cards at various parking lot pay stations (known as the Meter Pilot Program) for February through July of 2014. The fiscal year 2013 increase was the result of the non-capitalizable cost of replacing the lights at the Kiel Garage with energy efficient lights and an increase in the commissions paid for renewing several tenants' leases that expired during the year.

The 8% increase in revenues, coupled with a 6% increase in operating expenses, resulted in operating income increase by \$579,000 or 13%, following last year's decrease of \$864,000 or 16%.

Non-operating Expenses, Net: The current year's non-operating expenses, net, remained fairly consistent with the previous two fiscal years. Non-operating expenses, net, consist mainly of investment income, interest expense, and debt service expenses.

Transfers-In: Transfers-in represent the funds received from the Taxable Increment Financing (TIF) on the Argyle Garage and the Euclid/Buckingham Garage. The TIF revenues are collected by the City of St. Louis Comptroller's office and transferred to the Parking Division twice a year to cover the lesser of the debt service attributable to the Argyle Garage and any net operating shortfalls. TIF revenues increased by 3% following the 10% increase in fiscal year 2013 when more TIF funds were needed to meet the debt service obligation. No TIF funds were needed to supplement the actual operations of the Argyle Garage in either fiscal year.

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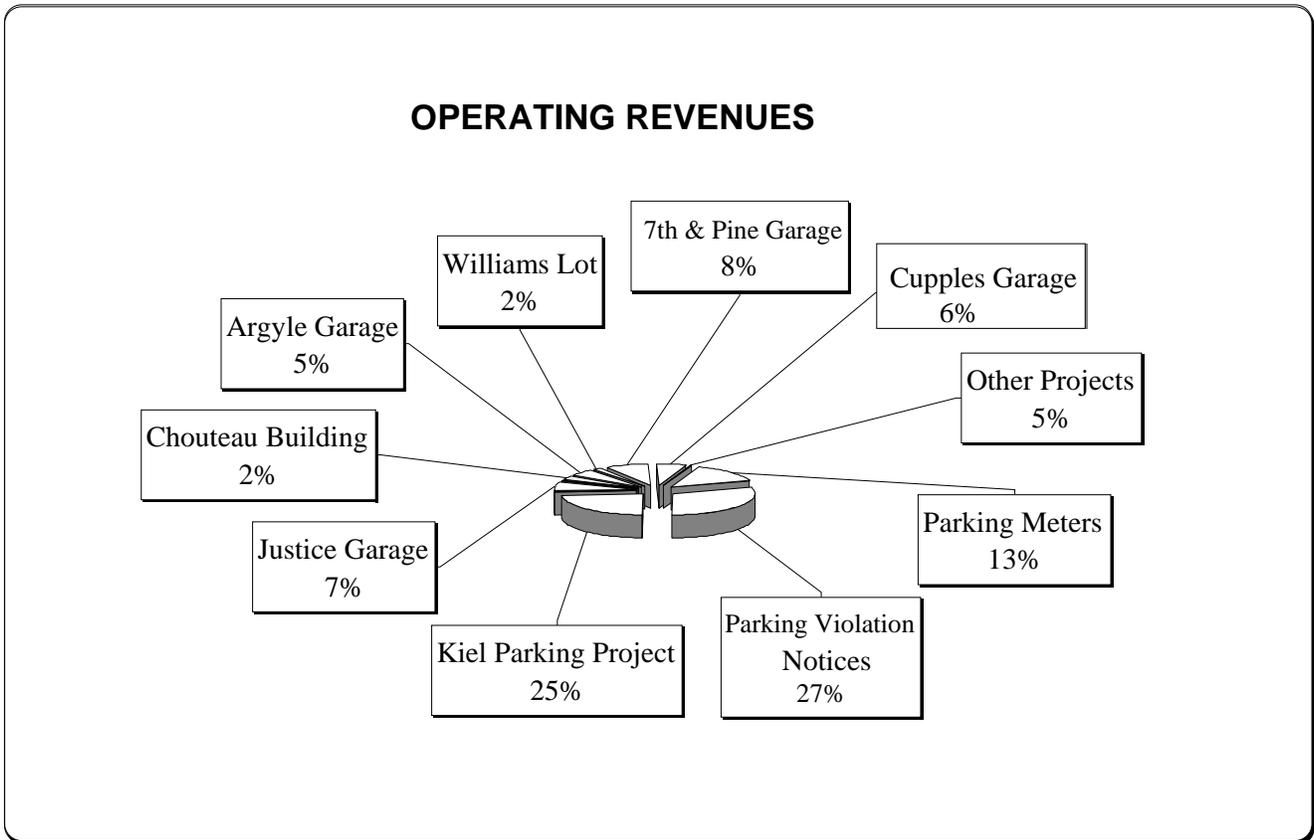
June 30, 2014 and 2013

Transfers-Out: The Parking Division, per State Statutes, may transfer up to 40% of the increase in Net Position to the General Fund of the City. The Parking Division was able to contribute \$780,000 and \$500,000 to the general fund of the City of St. Louis, Missouri, respectively, for fiscal years 2014 and 2013.

Net Position: The Parking Division's total net position increased 7% in fiscal year 2014, and 6% in fiscal year 2013, after having remained consistent over the prior two years.

Revenues, Expenses, and Changes in Net Position

The following chart shows the major sources of operating revenues and their percentage share of total operating revenues for the year ended June 30, 2014:



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The following table summarizes all Parking Division operating revenues and their change from the previous year:

	2014	2013	2012	2014 vs 2013	
				Change	Percentage change
Parking meters, net	\$ 2,082,665	2,166,595	2,211,397	(83,930)	(4)%
Parking violation notices, net	4,357,290	4,458,916	4,499,853	(101,626)	(2)
Kiel Parking Project	3,987,250	3,239,917	3,497,116	747,333	23
7th & Pine Garage	1,233,471	1,190,763	1,282,719	42,708	4
Argyle Garage	763,022	698,202	716,101	64,820	9
Williams Lot	363,006	223,308	261,663	139,698	63
Justice Garage	1,198,490	1,055,254	993,996	143,236	14
Euclid/Buckingham Garage	133,828	142,677	86,145	(8,849)	(6)
Abrams Garage	138,679	124,610	112,113	14,069	11
Cupples Garage	895,623	750,139	840,770	145,484	19
Rental property (Chouteau Building)	389,794	435,345	428,724	(45,551)	(10)
Miscellaneous	250,914	159,605	55,551	91,309	57
Total operating revenues	\$ <u>15,794,032</u>	<u>14,645,331</u>	<u>14,986,148</u>	<u>1,148,701</u>	<u>8%</u>

Parking Meters Revenue, Net: Gross parking meter revenue increased \$127,000 and \$21,000, respectively, for the fiscal years 2014 and 2013 (note 1(g)). Net parking meter revenues include a reduction of \$1,930,000 and \$1,718,000, respectively, for fiscal years 2014 and 2013 for outsourcing costs. The outsourcing costs increased in fiscal 2014 due to the parking meter pilot as multiple vendors were used during the parking meter pilot program compared to only one vendor in fiscal year 2013. The outsourcing of the collection and maintenance of the meters began in June 2009. The increase in outsourcing costs resulted in an \$84,000 decline in net parking meter revenues for fiscal year 2014.

Parking Violation Notices Revenue, Net: Net parking violation notice revenues declined \$102,000 following a decrease of \$41,000 in fiscal year 2013. In fiscal 2014, the number of tickets issued increased by 2%, but tickets collected declined by 3%. In fiscal 2013, the number of tickets issued declined by 6% resulting in a 3% decline in the actual number of tickets collected.

Kiel Parking Project: Revenue from the Kiel Garage Project increased by 23% after a 7% decline for fiscal year 2013. The current increase is directly attributable to the return of hockey after the lockout in fiscal 2013, resulting in increased event revenue of \$745,000. The lockout resulted in 18 less home games in fiscal 2013.

7th & Pine Garage: The revenues at the 7th & Pine Garage increased 4% after a decline of 7% in fiscal 2013. The decline in fiscal 2013 was primarily the result of losing several monthly parkers. The increase in fiscal 2014 is attributable to the 2013 World Series and a total increase in event revenues of \$30,000. Monthly parking revenues attributed to the remaining increase.

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Williams Lot: The Williams Lot is directly across the street from the Kiel Garage. As such, it was also affected by the return of the hockey season, resulting in an increase in revenues by 63%. Total event revenue increased by \$135,000, while the remaining revenue classes were consistent between years.

Argyle Garage: The revenues at the Argyle Garage increased by 9% primarily due to an increase in monthly parking of \$45,000 that was generated by the continuing development of the Central West End. The previous year had a 2% decrease, driven by a decrease in monthly parkers.

Justice Garage: This was the fifth year that the Justice Garage revenues increased. This year's increase is mainly due to event revenue related to the Cardinal playoffs and the 2013 World Series, which resulted in \$150,000. In fiscal 2013, both daily and monthly revenues increased, however this increase was offset by the loss in event revenues caused by the hockey lockout. Fiscal 2013 was, also, the first year for retail rent revenue equal to \$72,000, which continued and increased to \$96,000 in fiscal 2014.

Euclid/Buckingham Garage: The revenues at the Euclid/Buckingham Garage decreased by 6% after three consecutive years of increase. Monthly parking permits continued to increase in fiscal 2014, as in previous years. However, daily parking revenues decreased by \$10,000 vs. a \$15,000 increase in fiscal 2013. Parking rates for daily parking were decreased in fiscal 2014 by \$2.00/hr for the 1st hour of parking and by \$1.00/hr for additional hours.

Cupples Garage: The revenues generated in fiscal 2014 by the Cupples Garage increased by \$145,000. In fiscal 2012, the Cupples Building #7, located next to the garage, was declared unsafe by the City of St. Louis. As a result, several streets surrounding the building were closed to traffic for safety reasons. These road closures made it difficult for customers to reach the garage, causing even more monthly parkers to leave (see note (11) to the basic financial statements.) The demolition of the building began in fiscal 2013 and was completed in early fiscal 2014, allowing for access to the parking facility.

Chouteau Building: The Chouteau building is an office building located next to the Justice Garage. The building houses the executive, fiscal, and personnel offices of the Parking Division. Approximately two-thirds of the building's office space is leased to various professional businesses. Fiscal year 2014 lease revenues declined by 10% due to an unbudgeted 3 month decrease for one tenant and the decision by the Treasurer's office to not bill back unexpected front lobby security services to tenants.

Miscellaneous Revenues: Miscellaneous revenues increased \$91,000 in fiscal year 2014. As in fiscal 2013, the Streets Department is collecting the Parking Permits at the same time that the Street Permits fees are collected. This both allows for stricter control over the Permits while making it easier for the citizens to pay at one location and accounts for \$65,000 of the increase.

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The following table summarizes the operating expenses for the current year compared to the prior year:

	2014	2013	2012	2014 vs 2013	
				Change	Percentage change
Personnel services	\$ 5,186,664	4,914,663	4,877,133	272,001	6%
Materials and supplies	176,978	175,224	242,132	1,754	1
Contractual services	1,366,338	1,062,677	1,084,320	303,661	29
Utilities	258,471	258,310	266,864	161	—
Insurance	197,409	186,182	174,829	11,227	6
Operating services	166,802	323,816	271,812	(157,014)	(48)
Noncapitalizable repairs	585,567	398,953	—	186,614	47
Interfund services used	142,468	153,255	138,000	(10,787)	(7)
Depreciation and amortization	2,655,188	2,692,901	2,652,465	(37,713)	(1)
	<u>\$ 10,735,885</u>	<u>10,165,981</u>	<u>9,707,555</u>	<u>569,904</u>	<u>6%</u>

Personnel Services: Personnel salaries and benefits remain the largest annual expense of the Parking Division representing almost 50% of both the current and prior years' total expenses. Personnel costs have increased in fiscal 2014 by 6% primarily due to an increase in event workers of \$20,000 and three new administrative positions for \$210,000 with benefits.

Materials and Supplies: Materials and supplies remained consistent in fiscal year 2014 compared to fiscal year 2013.

Contractual Services: Contractual service costs increased \$304,000 this year after having decreased \$22,000 in the previous year. The increase is due to repair and replacement costs for Kiel and 7th & Pine. The decline in fiscal 2013 was the result of lower legal fees, which were partially offset by the hiring of a professional consultant to review and assist in reorganizing the personnel department.

Utilities and Insurance: Fiscal year 2014 showed little change from the previous year. The Parking Division had to pay a small increase in fiscal year 2014 premiums to maintain the same level of insurance.

Operating Services: Operating services decreased \$160,000 following last year's increase of \$52,000. The most significant reason for the current year's decrease is the commission fee charged for the Chouteau building of \$58,000 and an expense in the amount of \$176,000 in fiscal year 2013 not recurring in fiscal year 2014.

Noncapitalizable repairs: In fiscal year 2014, all expenses are associated with the demolition of Cupples #7 and the cost of issuance for the subordinated debt used to fund the project. In fiscal 2013, the Parking Division agreed to make improvements to a park located in front of the Opera House for \$177,000 and to change all the lights in the Kiel Garage from high pressure sodium to LED lighting for environmental purposes for a cost of \$222,000.

Interfund Services Used: Interfund services represent the cost allocation fees charged to the Parking Division by the General Fund for using City services. These costs decreased \$10,000 in fiscal year 2014 due to the removal of Treasury allocated expenses for Paymaster and Banking services. The prior year's increase resulted

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from the Parking Division being allocated its share of the citywide unemployment insurance costs. The Parking Division was not charged a share of this cost in the previous years. This remained constant in fiscal year 2014.

Depreciation and Amortization: Depreciation remained relatively constant. The slight decrease of \$38,000 is mostly attributable to assets in their final year of depreciation and vehicles that were retired. See capital asset discussion below.

Significant Capital Assets and Long-Term Debt Activities

No significant capital assets were purchased during fiscal 2014.

On August 19, 2013, the City of St. Louis, Missouri issued \$1,500,000 of Subordinated Parking Revenue Bonds, Series 2013A (the Series 2013A Bond), acting through the Treasurer of the City in her capacity as Supervisor of Parking Meters. The Series 2013A Bond constitutes debt of the Parking Division and was issued for the purpose of financing the acquisition of the Cupples 7 building, the subsequent demolition of the building, the landscaping and improvement of the site, and the cost of issuance.

Standard & Poor's did affirm the Parking Division's "A-" rating and stable outlook.

Additional information on capital assets and long-term debt can be found in notes 4 and 6, respectively, to the basic financial statements.

Economic Factors Affecting Next Year's Budget and Rates

- Our office launched a meter pilot program from February 2014 through July 2014 as part of the RFP to select a new vendor to manage on-street parking and install new meter equipment/technology. The Xerox Corporation was selected in August 2014. This technology will include alternate forms of payment such as credit cards and payment via cell phone applications. It will also result in a reduction in labor and service charges. Desman won the RFP to conduct a parking study regarding optimal placement of the new meters and moderate rate increases. The parking study will be completed in October 2014.
- Issuance of subordinated debt in the amount of \$5,000,000 is being proposed to finance the purchase of the new meter equipment.
- The Parking Division has projected \$1.2 million in excess revenues over expenses for the 2014-2015 fiscal year.

Contacting the Parking Division's Financial Management

This financial report is designed to provide our citizens and creditors with a general overview of the Parking Division's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office, 1200 Market Street, City Hall – Room 220, Saint Louis, Missouri.

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
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Statements of Net Position

June 30, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents:		
Restricted	\$ 2,241,377	7,544,846
Unrestricted	15,063,476	10,965,936
Receivables	161,882	129,427
Other assets	<u>20,000</u>	<u>20,000</u>
Total current assets	<u>17,486,735</u>	<u>18,660,209</u>
Noncurrent assets:		
Restricted investments	10,121,074	4,874,477
Capital assets, net:		
Nondepreciable-Land	22,903,153	22,903,153
Nondepreciable-Infrastructure	6,026	—
Depreciable	52,188,237	54,799,385
Intangible and other assets, net	<u>475,000</u>	<u>295,000</u>
Total noncurrent assets	<u>85,693,490</u>	<u>82,872,015</u>
Deferred outflow of resources	<u>4,681,577</u>	<u>5,015,977</u>
Total assets and deferred outflow of resources	<u><u>\$ 107,861,802</u></u>	<u><u>106,548,201</u></u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 112,071	537,360
Accrued salaries and other benefits	215,796	191,302
Accrued vacation and compensatory benefits	183,567	153,318
Due to the City of St. Louis, Missouri	1,200,300	633,708
Due to other governmental agencies	48,075	54,512
Unearned revenue and other deposits	<u>1,637,219</u>	<u>1,712,759</u>
Total payable from unrestricted assets	<u>3,397,028</u>	<u>3,282,959</u>
Payable from restricted assets:		
Accrued interest	116,851	119,617
Current portion of revenue bonds payable	<u>2,585,667</u>	<u>2,298,000</u>
Total payable from restricted assets	<u>2,702,518</u>	<u>2,417,617</u>
Total current liabilities	<u>6,099,546</u>	<u>5,700,576</u>
Noncurrent liabilities:		
Revenue bonds payable, net	67,453,262	68,616,529
Other	<u>1,672,067</u>	<u>1,697,911</u>
Total noncurrent liabilities	<u>69,125,329</u>	<u>70,314,440</u>
Total liabilities	<u>75,224,875</u>	<u>76,015,016</u>
Net position:		
Net investment in capital assets	5,058,487	6,788,009
Restricted – bond reserve funds	12,362,451	12,419,322
Unrestricted	<u>15,215,989</u>	<u>11,325,854</u>
Total net position	<u>32,636,927</u>	<u>30,533,185</u>
Total liabilities and net position	<u><u>\$ 107,861,802</u></u>	<u><u>106,548,201</u></u>

See accompanying notes to basic financial statements.

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Statements of Revenues, Expenses, and Changes in Fund Net Position

Years ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Parking meters, net	\$ 2,082,665	2,166,595
Parking violation notices, net	4,357,290	4,458,916
Parking facilities	8,713,369	7,424,870
Rental property	389,794	435,345
Miscellaneous	250,914	159,605
Total operating revenues	15,794,032	14,645,331
Operating expenses:		
Personnel services	5,186,664	4,914,663
Materials and supplies	176,978	175,224
Contractual services	1,366,338	1,062,677
Utilities	258,471	258,310
Insurance	197,409	186,182
Operating services	166,802	323,816
Noncapitalizable repairs	585,567	398,953
Interfund services used	142,468	153,255
Depreciation	2,655,188	2,692,901
Total operating expenses	10,735,885	10,165,981
Operating income	5,058,147	4,479,350
Nonoperating revenues (expenses):		
Investment income	191,484	217,900
Interest and debt service expenses	(3,308,272)	(3,326,740)
Other	10,176	12,350
Total nonoperating expenses, net	(3,106,612)	(3,096,490)
Income before transfers	1,951,535	1,382,860
Transfers from the City of St. Louis, Missouri TIF Districts	932,207	906,960
Transfers to the City of St. Louis, Missouri	(780,000)	(500,000)
Total transfers, net	152,207	406,960
Increase in net position	2,103,742	1,789,820
Total net position, beginning of year	30,533,185	29,986,534
Cumulative effect of change in accounting principle	—	(1,243,169)
Total net position, beginning of year, adjusted	30,533,185	28,743,365
Total net position, end of year	\$ 32,636,927	30,533,185

See accompanying notes to basic financial statements.

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from customers and users	\$ 15,235,122	14,362,526
Other operating cash receipts	259,625	159,605
Payments to suppliers of goods and services	(2,739,167)	(3,624,444)
Payments to employees	(5,157,764)	(4,923,450)
Net cash provided by operating activities	7,597,816	5,974,237
Cash flows from noncapital financing activities:		
Transfers from the State of Missouri	10,176	12,350
Transfers from the City of St. Louis, Missouri TIF Districts	932,207	906,960
Transfers to the City of St. Louis, Missouri	(780,000)	(500,000)
Net cash provided by noncapital financing activities	162,383	419,310
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(50,067)	(1,425,451)
Proceeds from issuance of revenue bonds	1,500,000	—
Principal paid on revenue bonds payable	(2,348,000)	(2,236,000)
Interest paid on revenue bonds payable	(3,004,238)	(3,024,962)
Net cash used in capital and related financing activities	(3,902,305)	(6,686,413)
Cash flows from investing activities:		
Purchase of investments	(18,338,003)	(9,517,648)
Proceeds from maturities of investments	13,091,406	9,517,315
Investment income on cash and investments	182,774	213,982
Net cash (used in) provided by investing activities	(5,063,823)	213,649
Net (decrease) increase in cash and cash equivalents	(1,205,929)	(79,217)
Cash and cash equivalents, beginning of year	18,510,782	18,589,999
Cash and cash equivalents, end of year	\$ 17,304,853	18,510,782
Cash flows from operating activities:		
Operating income	\$ 5,058,147	4,479,350
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,655,188	2,692,901
Change in assets and liabilities:		
Increase in receivables	(223,744)	(5,360)
Decrease in intangible and other assets, net	20,000	20,000
(Decrease) increase in accounts payable and accrued expenses	(425,289)	157,406
Increase in accrued salaries and other benefits	24,494	4,295
Increase (decrease) in accrued vacation and compensatory benefits	30,249	(8,560)
Increase (decrease) in due to City of St. Louis, Missouri and other government agencies	560,155	(1,243,433)
Decrease in unearned revenue and other deposits	(75,540)	(117,840)
Decrease in other noncurrent liabilities	(25,844)	(4,522)
Net cash provided by operating activities	\$ 7,597,816	5,974,237
Supplemental disclosure for noncash financing activities:		
Unrealized gains on investments	\$ 38,310	115,253

See accompanying notes to basic financial statements.

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
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Notes to Basic Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The Parking Division, established by state statute, is operated by the City of St. Louis, Missouri (the City). The management of the Parking Division is overseen by the Parking Commission, as established by Section 82.487 of the Missouri Revised Statutes. The Parking Division represents an enterprise fund of the City, and therefore, the financial statements of the Parking Division are not intended to present the financial position and changes in financial position of the City as a whole in conformity with U.S. generally accepted accounting principles. The Parking Division operates over 9,000 parking meters and various off-street parking lots, garages, and parking zones.

(a) Reporting Entity

The Parking Division's financial reporting entity consists of the Parking Division and two blended component units:

The City of St. Louis Parking Commission Finance Corporation (SLPCFC). The SLPCFC, a legally separate not-for-profit corporation established in 2003, is governed by a five-member board of directors as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases, and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the Parking Division because the Parking Division is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to impose its will on SLPCFC. SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions. Separate financial statements and notes, that conform to U.S. generally accepted accounting principles for SLPCFC, are not available.

Grand Center Municipal Parking Finance Corporation (MPFC) was established during the year ended June 30, 2009. The MPFC is a legally separate not-for-profit public benefit corporation with the Parking Commission as the sole member of the MPFC. Because the Parking Division appoints all of MPFC's directors and is able to impose its will on the MPFC, it is considered to be a component unit of the Parking Division. The MPFC's goal is to employ innovative public parking programs, services, technology, and products to strengthen the economic vitality and competitiveness of arts and entertainment venues and supporting enterprises operating in the Grand Center area. An additional goal is to improve the coordination of public parking regulations and enforcement, along with the quality marketability, availability, and accessibility of public parking spaces in the Grand Center area. Separate financial statements and notes, that conform to U.S. generally accepted accounting principles for MPFC, are not available.

(b) Basis of Accounting

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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The financial statements of the Parking Division are reported using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. In reporting financial activity, the Parking Division applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Parking Division are charges to customers for parking fees and fines. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(c) ***Capital Assets***

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives for depreciable capital assets are as follows:

	<u>Years</u>
Buildings, land improvements, and parking garages	5 to 40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

Non-depreciable assets include land and infrastructure.

(d) ***Intangible and Other Assets, net***

Intangible and other assets, net of \$495,000 and \$315,000 at June 30, 2014 and 2013, respectively, represent the outstanding amount of a payment previously made by the Parking Division for the right to place and operate parking meters on a privately owned parking lot and for advance payments made relating to an agreement to utilize a parking lot. The intangible asset is being amortized on the straight-line method over 40 years.

(e) ***Amortization***

Bond discounts are recorded as a reduction of the debt obligation and are recorded as a deferred charge. Such amounts are amortized using the straight-line method, which approximates the effective-interest method, over the term of the related revenue bonds. Bond issuance costs were

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treated the same, but have been revised in accordance with GASB 65 which states that this costs should be recognized as an outflow of resources and expensed rather than amortized. Fiscal 2013 and Fiscal 2014 have been restated to reflect this change. See Notes 1(i) and 6.

(f) *Compensated Absences*

The Parking Division grants vacation to full-time employees based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal work week that are not taken within the current biweekly pay period. These benefits are allowed to accumulate and to carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The Parking Division accrues vacation and compensatory time as earned.

(g) *Revenues, net*

Parking meter revenues, net represents operating revenues collected in conjunction with the collection of parking meters, net of related outsourcing expenses. The outsourcing of parking meter collections and maintenance began on June 1, 2009. Gross parking meter revenues and outsourcing expenses for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Parking meter revenues	\$ 4,012,119	3,884,821
Outsourcing expenses	(1,929,454)	(1,718,226)
Parking meter revenues, net	\$ 2,082,665	2,166,595

Parking violation notices revenues, net represents operating revenues collected in conjunction with the parking violations issued, net of related expenses and overpayments by citizens. Gross parking violation notices revenues and parking violation notices expenses for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Parking violation notices revenues and related boot fees	\$ 6,022,655	6,325,520
Parking violation notices expenses	(1,665,365)	(1,866,604)
Parking violation notices revenues, net	\$ 4,357,290	4,458,916

(h) *Statements of Cash Flows*

For purposes of the statements of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
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(i) *Accounting Pronouncements*

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses service concession arrangements (SCAs) defined as public-private partnerships where the public institution retains specific control criteria. The Parking Division evaluated this statement and does not currently have any SCAs that meet the criteria set forth. Adoption of GASB Statement No. 60 had no effect on the Parking Division's financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*, an amendment of GASB Statements No. 14 and No. 34. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial report entity display and disclosure requirements. Adoption of GASB Statement No. 61 had no effect on the Parking Division's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Adoption of GASB Statement No. 62 had no effect on the Parking Division's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Adoption of GASB Statement No. 63 has no effect on the Parking Division's financial statements other than renaming various report titles and certain line items. These changes have been incorporated in the Parking Division's financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In adopting this standard, the Parking Division recognized the effect of a change in accounting principle, which decreased net position by \$1,243,169 for prior periods' capitalized bond issue costs which were previously reported as "Deferred Charges" on the Statement of Net Position. Future bond issue costs will be included in interest expense when incurred. The Parking Division also changed the classification of the difference between the carrying value of defeased debt and the

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offsetting new debt to a deferred outflow of resources from long-term debt. The Statement also limited the use of the term deferred to deferred outflow of resources.

Effective for fiscal year 2014, the Parking Division adopted GASB Statement No. 66, *Technical Corrections – 2012* which intends to improve financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Adoption of GASB Statement No. 66 had no effect on the Parking Division's financial statements.

In June 2012, GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which intends to improve financial reporting by state and local governmental pension plans. Also, in June 2012, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, which will enhance accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The adoption of Statements No. 67 and No. 68 will require the Parking Division to record a Net Pension Liability on its Statement of Net Position. The Parking Division has determined adoption will have a significant impact on its financial statements and reduce its unrestricted net position when implemented.

In January 2013, GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* effective for financial statements for periods beginning after December 15, 2013, which intends to improve financial reporting by establishing standards for reporting government combinations and disposals of governmental operations. The Parking Division has not yet determined the effect that adoption of GASB Statement No. 69 will have on its financial statements.

Effective for fiscal year 2014, the Parking Division adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* which intends to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Adoption of GASB Statement No. 70 had no effect on the Parking Division's financial statements.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Parking Division to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Reclassifications

Certain prior year amounts have been reclassified to conform to current year amounts.

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Notes to Basic Financial Statements

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(2) Deposits and Investments

Investments are recorded at fair value, which is determined by closing market prices at year-end as reported by the investment custodian.

The Parking Division deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Parking Division.

Money market mutual funds are classified as cash and cash equivalents on the Statement of Net Position, but as investments for custodial and other risk disclosure.

As of June 30, 2014 and 2013, the Parking Division had the following cash deposits and investments:

	2014	2013
U.S. Treasuries	\$ 2,497,425	2,496,476
Federal Home Loan Mortgage Corporation	3,564,600	2,378,001
Federal Home Loan Bank	4,059,049	—
Money market mutual funds	2,241,377	7,544,846
Cash deposits	15,063,476	10,965,936
Total cash and investments	\$ 27,425,927	23,385,259

State statutes and City investment policies authorize the deposit of funds in financial institutions. For City funds, investments may be made in obligations of the U.S. government or any agency or instrumentality thereof, bonds of the State of Missouri or any city within the state with a population of 400,000 inhabitants or more, or time certificates of deposit. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations, obligations of the U.S. government agencies, or instrumentalities of any maturity as provided by law.

(a) Interest Rate Risk

The Parking Division seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (the Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity of more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years and up to 30 years with the written approval of the Treasurer.

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June 30, 2014 and 2013

The Parking Division's investments (excluding cash deposits) had the following maturities (in years) on June 30, 2014:

	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>
U.S. Treasuries	\$ 2,497,425	2,497,425	—
Federal Home Loan Mortgage Corporation	3,564,600	3,564,600	—
Federal Home Loan Bank	4,059,049	—	4,059,049
Money market mutual funds	2,241,377	2,241,377	—
	<u>\$ 12,362,451</u>	<u>8,303,402</u>	<u>4,059,049</u>

(b) Credit Risk

The City's Investment Policy limits the types of securities available for investment to collateralized public deposits, obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, and commercial paper. Banker's acceptances must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. Investments in commercial paper is limited to issuing corporations that have a total commercial paper program size in excess of \$250,000,000 and have long-term debt ratings "AA" or better from at least one NRSRO. The Parking Division currently does not have any banker's acceptances or commercial paper in its portfolio.

The Parking Division's investments in U.S. Treasuries are explicitly guaranteed by the U.S. government and, therefore, do not require a rating. At June 30, 2014, the Federal Home Loan Mortgage Corporation investments were rated Aa2 and Aaa, respectively, by Moody. The Federal Home Loan Bank Investments were rated AA+ and Aaa as of June 30, 2014 by Standard & Poor's and Moody, respectively. Parking Division's holdings in a money market mutual fund were rated AAAM/Aaa-mf/AAAMmf as of June 30, 2014 by Standard & Poor's, Moody's and Fitch, respectively.

(c) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Parking Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party.

The City's Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. government or an agency or instrumentality of the U.S. government, bonds of the State of Missouri, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any

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amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2014 and 2013, all Parking Division investments and all securities pledged as collateral are held by the counterparty's trust department or agent in the City's name.

(d) Concentration of Credit Risk

The Investment Policy provides that, with the exception of U.S. Treasury Securities and money market mutual funds, no more than 35% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The Parking Division does not have a separate investment policy.

At June 30, 2014 and 2013, the concentration of the Parking Division's investments (excluding cash deposits) was as follows:

	<u>2014</u>	<u>2013</u>
U.S. Treasuries	20%	20%
Federal Home Loan Mortgage Corporation	29%	19%
Federal Home Loan Bank	33%	—%
Money market mutual funds	18%	61%
	<u>100%</u>	<u>100%</u>

PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
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Notes to Basic Financial Statements

June 30, 2014 and 2013

(3) Restricted Assets

Cash and investments restricted in accordance with bond indentures at June 30, 2014 and 2013 are as follows:

	2014	2013
Series 2013A bonds:		
Debt service account	85,228	—
Series 2013A project account	62,560	—
Total series 2013A bonds	147,788	—
Series 2007 and 2006 bonds:		
Debt service reserve	\$ 4,891,630	4,942,091
Debt service	1,307,289	1,222,612
Net project revenues	125,439	120,269
Parking trust – Parking Division accounts	1,909,780	1,921,108
Repair and replacement	3,579,881	3,852,992
Total series 2007 and 2006 bonds	11,814,019	12,059,072
Series 2003A and 2003B bonds:		
Gross revenues	83,425	69,758
Bond	156,112	158,770
Repair and replacement	21,205	12,239
Operating reserve	100,000	100,000
Redemption	39,902	19,484
Total series 2003A and 2003B bonds	400,644	360,251
Total restricted cash and investments	\$ 12,362,451	12,419,323

Descriptions of the funds required by the Series 2013A Subordinated Bond Indentures are as follows:

- 1) Debt service account – Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) Series 2013A project account – Maintains funds used to fund the debt service account.

Descriptions of the funds required by the Series 2007 and 2006 Bond Indentures are as follows:

- 1) Debt service reserve – Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) Debt service – Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds.

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- 3) Net project revenues – Maintains funds used to fund the debt service account.
- 4) Argyle TIF revenues – Argyle TIF revenues are used for the payment of debt service on the Series 2006 Bonds.
- 5) Parking trust – Parking Division accounts – Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.
- 6) Repair and replacement – Provides for the repair and upkeep of parking garages.

Descriptions of the funds required by the Series 2003A and 2003B Bond Indenture are as follows:

- 1) Gross revenues – Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage.
- 2) Bond – Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B bonds.
- 3) Repair and replacement – Provides for the repair and upkeep of the Cupples Garage.
- 4) Operating reserve – Maintains operating reserve as required by the Bond Indenture.
- 5) Redemption – Maintains funds set aside for the future redemption of the Series 2003A and 2003B bonds.

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(4) Capital Assets

Following is a summary of the changes in capital assets for the year ended June 30, 2014:

	<u>Balances, June 30, 2013</u>	<u>Reclassifications and additions</u>	<u>Retirements</u>	<u>Balances, June 30, 2014</u>
Capital assets being depreciated:				
Buildings and parking garages	\$ 74,532,980	8,255	—	74,541,235
Equipment	1,507,263	48,260	(83,481)	1,472,042
Parking meters and lot equipment	7,518,775	—	—	7,518,775
	<u>83,559,018</u>	<u>56,515</u>	<u>(83,481)</u>	<u>83,532,052</u>
Less accumulated depreciation:				
Buildings and parking garages	(21,354,910)	(2,254,750)	—	(23,609,660)
Equipment	(939,640)	(100,832)	71,006	(969,466)
Parking meters and lot equipment	(6,465,083)	(299,606)	—	(6,764,689)
	<u>(28,759,633)</u>	<u>(2,655,188)</u>	<u>71,006</u>	<u>(31,343,815)</u>
Total capital assets being depreciated	<u>54,799,385</u>	<u>(2,598,673)</u>	<u>(12,475)</u>	<u>52,188,237</u>
Capital assets not being depreciated:				
Land	22,903,153	—	—	22,903,153
Infrastructure	—	6,026	—	6,026
Total capital assets not being depreciated	<u>22,903,153</u>	<u>6,026</u>	<u>—</u>	<u>22,909,179</u>
	<u>\$ 77,702,538</u>	<u>(2,592,647)</u>	<u>(12,475)</u>	<u>75,097,416</u>

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June 30, 2014 and 2013

Following is a summary of the changes in capital assets for the year ended June 30, 2013:

	<u>Balances, June 30, 2012</u>	<u>Reclassifications and additions</u>	<u>Retirements</u>	<u>Balances, June 30, 2013</u>
Capital assets being depreciated:				
Buildings and parking garages	\$ 72,163,764	2,369,216	—	74,532,980
Equipment	1,479,678	102,351	(74,766)	1,507,263
Parking meters and lot equipment	7,370,944	147,831	—	7,518,775
	<u>81,014,386</u>	<u>2,619,398</u>	<u>(74,766)</u>	<u>83,559,018</u>
Less accumulated depreciation:				
Buildings and parking garages	(19,125,721)	(2,229,189)	—	(21,354,910)
Equipment	(881,206)	(101,847)	43,413	(939,640)
Parking meters and lot equipment	(6,103,218)	(361,865)	—	(6,465,083)
Total accumulated depreciation	<u>(26,110,145)</u>	<u>(2,692,901)</u>	<u>43,413</u>	<u>(28,759,633)</u>
Total capital assets being depreciated	<u>54,904,241</u>	<u>(73,503)</u>	<u>(31,353)</u>	<u>54,799,385</u>
Capital assets not being depreciated:				
Land	22,053,153	850,000	—	22,903,153
Construction in process	2,012,595	(2,012,595)	—	—
Total capital assets not being depreciated	<u>24,065,748</u>	<u>(1,162,595)</u>	<u>—</u>	<u>22,903,153</u>
	<u>\$ 78,969,989</u>	<u>(1,236,098)</u>	<u>(31,353)</u>	<u>77,702,538</u>

(5) Related-Party Transactions

The Parking Division is required by a state statute to remit no more than 40% of the increase in Net Position to the City. During the years ended June 30, 2014 and 2013, the Parking Division recorded a transfer to the City of St. Louis, Missouri of \$780,000 and \$500,000, respectively, for this requirement. Of such amount, \$580,000 and \$200,000 was still outstanding as of June 30, 2014 and 2013, respectively, recorded as a due to the City of St. Louis, Missouri.

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Additionally, at June 30, 2014 and 2013, the Parking Division had the following amounts due to the City of St. Louis, Missouri:

- An amount of \$393,333 and \$242,227, respectively, due to the City for reimbursement of Parking Division vouchers paid by the City, net of \$8,612 and \$11,216 as of June 30, 2014 and 2013, respectively, representing amounts due to the Parking Division for City parking fees.
- An amount of \$293,111 and \$211,950, respectively, due to the City for unreimbursed workers' compensation claim liabilities (note 9).
- Under the terms of the Bond Indenture for the Series 2007 and 2006 bonds, the Parking Trust Funds consist of the Net Parking Division Revenues and City General Fund Parking Revenues. These funds are to be used in equal amounts to pay principal and interest on the bonds if other funds are not available. As of the end of the current fiscal year, none of the General Fund Parking Revenues was used to meet the debt service requirements and the Parking Division has a payable to the City of St. Louis, Missouri for this amount.

During the years ended June 30, 2014 and 2013, the City charged the Parking Division \$162,140 and \$153,255, respectively, for services rendered by various City departments, which are included in the Parking Division's operating expenses as interfund services used. The charges for fiscal 2014 and 2013 were reduced by \$19,672 and \$0, respectively, for Treasury services related to paymaster and banking services.

During the years ended June 30, 2014 and 2013, the City transferred \$932,207 and \$906,960, respectively, to the Parking Division from the City's Tax Increment Financing Special Revenue Fund. Of this transfer, \$630,492 and \$609,409, respectively, was applied by the Parking Division towards the principal and interest payments on the Series 1999 Argyle bonds. The remaining \$301,715 and \$297,551, respectively, related to the Buckingham/Euclid TIF project.

(6) Revenue Bonds Payable

On August 19, 2013, the City of St. Louis, Missouri issued \$1,500,000 of Subordinated Parking Revenue Bonds, Series 2013A (the Series 2013A Bond), acting through the Treasurer of the City in her capacity as Supervisor of Parking Meters. The Series 2013A Bond constitutes debt of the Parking Division and was issued for the purpose of financing the acquisition of the Cupples 7 building, the subsequent demolition of the building, the landscaping and improvement of the site, and the cost of issuance. The Series 2013A Bond is a tax-exempt subordinate parking revenue bond, bearing interest at the rate of 2.30% per annum, maturing on December 15, 2022.

On December 13, 2007, the Parking Division issued \$9,370,000 in Series 2007A Parking Revenue Tax Exempt Bonds and \$3,335,000 in Series 2007B Parking Revenue Taxable Bonds. The Series 2007 Bonds were issued for the purpose of providing funds, together with other available funds, for the construction of the Downtown Justice Center Garage, adjacent to the City's new criminal justice center. In addition, the

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Series 2007 Bonds provided funding for debt service reserves, capitalized interest and bond insurance premiums, and other costs of issuance with respect to the Series 2007 Bonds.

On December 14, 2006, the Parking Division issued \$46,250,000 in Series 2006A Parking Revenue Tax Exempt Bonds and \$11,650,000 in Series 2006B Parking Revenue Taxable Bonds. The bonds were issued for the purpose of refunding the outstanding Series 1996 and Series 1999 parking revenue bonds, and advance refunding the outstanding Series 2002 parking revenue bonds to achieve present value savings, provide debt service relief, modernize and streamline the issuance of future revenue bonds, fund the construction of the Euclid/Buckingham Garage, fund the Series 2006A and Series 2006B debt service reserves, and to fund the bond insurance premium and other costs of issuance of the Series 2006A and Series 2006B bonds. The bond series refunded and the amount outstanding were:

- 1) Parking Revenue Refunding Bonds, Series 1996 – \$22,085,000
- 2) Parking Revenue Bonds (Argyle Project), Series 1999 – \$9,805,000
- 3) Subordinated Parking Revenue Bonds (Downtown Parking Facilities), Series 2002 – \$20,170,000

A portion of the net proceeds from the Series 2006A and Series 2006B issuance in the amount of \$53,685,448, plus an additional \$923,804 from the Series 2002 Revenue Bonds debt service monies, \$312,059 from the Series 2002 Revenue Bonds debt service reserve fund, and \$275,914 from the Series 1999 Revenue Bonds debt service reserve funds were deposited into an irrevocable trust with an escrow agent to currently refund the Series 1996 and Series 1999 Bond issuances on December 15, 2006, and to advance refund the Series 2002 Bond issuance on February 1, 2012. Therefore, as of June 30, 2014 and 2013, the Series 1996, Series 1999, and Series 2002 bonds are no longer outstanding. All remaining defeased 2002 Bonds were called on February 1, 2012.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,029,476. In accordance with GASB 65, the loss on bond defeasance has been recorded as a deferred outflow of resources, net of the accumulated amortization and will be recognized as a component of interest expense over its deemed remaining life.

The current and advance refunding increases total debt service payments over the life of the Series 2006A and Series 2006B bond issuances by \$5,745,015, and results in an economic gain (difference between the present values of the old and new debt service payments) of \$2,102,308.

On November 20, 2003, the SLPCFC issued \$6,730,000 in Series 2003A Tax Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12% and \$6,882,000 in Series 2003B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were \$13,127,018, after the deduction of \$484,982 in underwriting fees and issuance costs. The Series 2003A and 2003B bonds are secured solely by the net revenues of the Cupples Garage and do not constitute a general obligation of the Parking Division or of the City of St. Louis. The Series 2003A bonds are secured by an irrevocable direct pay letter of credit with the Bank of America, N.A. (the Bank) in the original amount of \$6,807,441. The

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letter of credit automatically extends for successive one-year periods until the absolute termination date of June 6, 2028, unless written notice is given not less than one year prior to the actual or anticipated termination date beyond which the Bank elects not to renew the letter of credit. The Parking Division has not received notice of termination as of the date of this report. As of June 30, 2014, there are no outstanding draws related to this letter of credit.

Revenue bonds outstanding at June 30, 2014 and 2013 are as follows:

	2014	2013
SLPCFC Series 2003A tax-exempt revenue bonds, interest rates variable, not to exceed 12%, payable in varying amounts through 2028	\$ 2,880,000	3,165,000
SLPCFC Series 2003B taxable revenue bonds, interest rates variable, not to exceed 5%, payable in varying amounts through 2038	6,039,000	6,142,000
Series 2006 revenue bonds interest ranging from 3.75% to 5.14% payable in varying amounts through 2032	47,975,000	49,615,000
Series 2007 revenue bonds interest ranging from 4.125% to 6.0% payable in varying amounts through 2034	11,285,000	11,605,000
Series 2013A subordinated parking revenue bond, interest rates variable, not to exceed 2.30%, payable in varying amounts through 2022	1,500,000	—
	69,679,000	70,527,000
Unamortized discount and premium	359,929	387,529
Current portion of revenue bonds payable	(2,585,667)	(2,298,000)
	\$ 67,453,262	68,616,529

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Debt service requirements of the revenue bonds at June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	\$ 2,585,667	3,133,072	5,718,739
2016	2,750,666	3,015,800	5,766,466
2017	2,855,666	2,904,992	5,760,658
2018	2,970,666	2,789,540	5,760,206
2019	3,103,667	2,655,856	5,759,523
2020 – 2024	17,416,668	11,013,598	28,430,266
2025 – 2029	19,302,000	6,939,812	26,241,812
2030 – 2034	16,999,000	2,000,481	18,999,481
2035 – 2038	1,695,000	210,600	1,905,600
	<u>\$ 69,679,000</u>	<u>34,663,751</u>	<u>104,342,751</u>

Following is a summary of the changes in revenue bonds payable for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balances, beginning of year, net	\$ 68,616,529	70,992,129
Revenue bonds paid or reclassified as current	(1,135,667)	(2,348,000)
Amortization of discounts and premiums	(27,600)	(27,600)
Balances, end of year, net	<u>\$ 67,453,262</u>	<u>68,616,529</u>
Amount due within one year	\$ 2,585,667	2,298,000

Debt-Related Items Presented as Deferred Outflows of Resources

As required by GASB, the Parking Division recognizes certain debt-related items as deferred outflows of resources. The detail of the debt-related items recognized as deferred outflows of resources is presented below.

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Debt-Related Deferred Outflow of Resources

	2014	2013
Loss on Bond Defeasance	\$ 4,681,577	5,015,977
Deferred Outflow of Resources	\$ 4,681,577	5,015,977

For the years ended June 30, 2014 and 2013, the amortization of the Loss on Bond Defeasance totaled \$334,400, respectively, which increases interest expense.

(7) Employees Retirement System of the City of St. Louis

The Parking Division contributes to the Employees Retirement System of the City of St. Louis (Employees System), a cost-sharing, multiple-employer public defined benefit pension plan.

(a) Plan Description

All Parking Division employees become members of the Employees System upon employment, with the exception of employees hired after attaining age 60.

The Employees System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85 years. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and

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at the 10-year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the members completely terminate employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

(b) Funding Policy

The Employees System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method.

Employer contribution rates are established annually by the Board of Trustees of the Employees System based on an actuarial study. Deductions from plan net assets are financed from plan additions. The Board of Trustees established the required employer contributions rate based on active member payroll of 15.56% effective July 1, 2013 and 14.27% of active member payroll effective July 1, 2012.

At September 30, 2013, the actuarial accrued liability of the Employees System was \$889,448,579 and the actuarial value of assets was \$685,397,323. At September 30, 2012, the actuarial accrued liability of the Employees System was \$866,890,445 and the actuarial value of assets was \$653,001,852. However, a determination of the actuarial status is not made for individual funds.

Employees who became members of the Employees System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

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(c) *Annual Pension Cost*

The Parking Division's allocation of the City's annual pension cost and net pension obligation to the Employees System for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 438,793	423,232
Interest on net pension obligation	53,812	54,406
Adjustment to annual required contribution	<u>(59,750)</u>	<u>(60,410)</u>
Annual pension cost	432,855	417,228
Contributions made	<u>(458,368)</u>	<u>(406,461)</u>
Increase (decrease) in net pension obligation	(25,513)	10,767
Net pension obligation, beginning of year	<u>690,845</u>	<u>680,078</u>
Net pension obligation, end of year	<u>\$ 665,332</u>	<u>690,845</u>

The net pension obligation of \$665,332 and \$690,845 as of June 30, 2014 and 2013, respectively, is reflected as other noncurrent liabilities in the accompanying basic financial statements. During fiscal year 2008, the City of St. Louis Municipal Finance Corporation issued \$46,700,000 in Taxable Leasehold Revenue and Refunding Bonds Series 2007 (Pension Funding Project) to fund the Employees Retirement System. While the Parking Division is not legally responsible for these bonds, \$887,282 of the proceeds was allocated to the Parking Division. Additionally, an \$846,076 liability is reflected as part of the other noncurrent long-term liabilities on the Statement of Net Position and is payable to the City of St. Louis by June 30, 2037.

The following were some of the significant actuarial assumptions used in the valuation of the Employees System:

Valuation date	October 1, 2013
Actuarial cost method	Projected unit credit actuarial cost method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2013
Asset valuation method	5-year smoothed market
Inflation rate	3.125%
Investment rate of return	8.00%
Projected salary increases	Varies by age, ranging from 3.500% to 7.0174%
Cost of living adjustments	3.125% per year, simple with a 25% lifetime cap

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Three-year trend information for the Employees System is as follows:

Fiscal year:	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2014	\$ 432,855	105.89%	\$ 665,332
2013	417,228	97.42	690,845
2012	365,233	98.16	680,078

(8) Change in Noncurrent Liabilities

The following table shows the changes in noncurrent liabilities for the fiscal year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Revenue bonds payable (see note 6)	\$ 70,527,000	1,500,000	(2,348,000)	69,679,000	2,585,667
Net pension obligation (see note 7)	690,845	—	(25,513)	665,332	—
Pension funding project (see note 7)	846,076	—	(15,551)	830,525	—
Unamortized discounts and premiums, net	387,529	—	(27,600)	359,929	—
Other	160,990	15,220	—	176,210	—
Total	<u>\$ 72,612,440</u>	<u>1,515,220</u>	<u>(2,416,664)</u>	<u>71,710,996</u>	<u>2,585,667</u>

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The following table shows the changes in noncurrent liabilities for the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Revenue bonds payable (see note 6)	\$ 72,763,000	—	(2,236,000)	70,527,000	2,298,000
Net pension obligation (see note 7)	680,078	10,767	—	690,845	—
Pension funding project (see note 7)	860,677	—	(14,601)	846,076	—
Unamortized discounts and premiums, net	415,129	—	(27,600)	387,529	—
Other	161,678	52,783	(53,471)	160,990	—
Total	<u>\$ 74,880,562</u>	<u>63,550</u>	<u>(2,331,672)</u>	<u>72,612,440</u>	<u>2,298,000</u>

(9) Risk Management & Litigation

The Parking Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Parking Division participates in the Public Facilities Protection Corporation (PFPC) internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self-insured claims, liabilities, and payments are recorded in PFPC. The Parking Division reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. At June 30, 2014 and 2013, the Parking Division owed PFPC \$293,111 and \$211,950, respectively, for unreimbursed workers' compensation claim liabilities, which is recorded as part of due to the City of St. Louis, Missouri. All other self-insured risks are paid for by the General Fund of the City on behalf of the Parking Division. The Parking Division also purchases commercial insurance for other risks it considers significant, including surety bonds on various employees that handle cash, general liability, and property damage for its buildings and parking garages. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

(10) Pledged Revenue

The Parking Division has pledged specific net Parking Division project revenues and net Parking Division revenues, net of specified operating expenses, to secure the repayment of the City of St. Louis Parking Revenue Bonds, Series 2006 and 2007. The general purpose of the bonds is to build parking facilities in the City. As of June 30, 2014 the remaining principal and interest requirement is \$88,413,088 payable through fiscal year 2034. Principal and interest paid for the Series 2006 and 2007 Parking Revenue Bonds was \$4,770,973 and \$4,770,631 for the years ended June 30, 2014 and 2013, respectively. The pledged net

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revenue recognized for the year ended June 30, 2014 and 2013 was \$8,937,106 and \$8,687,275, respectively.

(11) Capital Commitments and Subsequent Events

On June 10, 2010, several employees who were part of an outsourcing of the meter collections, filed suit against the Parking Division. On August 24, 2012, the Court found the Parking Division liable by outsourcing the duties of the employees. However, in fiscal 2014, the Parking Division won the case on appeal and there is a possibility that this case will be taken by the Supreme Court. The process continues to be managed by the legal firm.

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Cupples Garage

Schedules of Assets, Liabilities, and Fund Net Position

(Unaudited)

June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 387,287	345,414
Accounts receivable	5,412	4,641
Total current assets	<u>392,699</u>	<u>350,055</u>
Noncurrent assets:		
Capital assets:		
Equipment	62,266	62,266
Cupples Garage building	11,159,440	11,159,440
Less accumulated depreciation	<u>(3,357,608)</u>	<u>(3,026,823)</u>
	7,864,098	8,194,883
Cupples Garage land	<u>1,950,000</u>	<u>1,950,000</u>
Total capital assets	<u>9,814,098</u>	<u>10,144,883</u>
Total noncurrent assets	<u>9,814,098</u>	<u>10,144,883</u>
Total assets	<u>\$ 10,206,797</u>	<u>10,494,938</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,240	60,335
Accrued interest	421	917
Accrued salaries and other benefits	6,200	5,246
Due to the City of St. Louis, Missouri	5,710	88
Unearned revenue and other deposits	33,976	28,261
Current portion of revenue bonds payable	<u>354,000</u>	<u>338,000</u>
Total current liabilities	<u>461,547</u>	<u>432,847</u>
Noncurrent liabilities:		
Revenue bonds payable, net	<u>8,565,000</u>	<u>8,969,000</u>
Total noncurrent liabilities	<u>8,565,000</u>	<u>8,969,000</u>
Total liabilities	<u>9,026,547</u>	<u>9,401,847</u>
Net position – net investment in capital assets	<u>1,180,250</u>	<u>1,093,091</u>
Total liabilities and net position	<u>\$ 10,206,797</u>	<u>10,494,938</u>

See accompanying independent auditors' report.

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Cupples Garage

Schedules of Revenues, Expenses, and Changes in Fund Net Position

(Unaudited)

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Cupples Garage	\$ 895,623	750,139
Total operating revenues	<u>895,623</u>	<u>750,139</u>
Operating expenses:		
Parking Division management fees	109,841	79,837
Personal services	112,691	109,337
Materials and supplies	5,921	2,360
Contractual services	88,999	45,032
Insurance	29,871	28,958
Utilities	34,065	34,011
Miscellaneous	—	5,800
Depreciation and amortization	330,784	347,386
Total operating expenses	<u>712,172</u>	<u>652,721</u>
Operating income	<u>183,451</u>	<u>97,418</u>
Nonoperating revenues (expenses):		
Investment income	47	46
Interest expense	(96,339)	(71,007)
Total nonoperating expenses, net	<u>(96,292)</u>	<u>(70,961)</u>
Income before transfers	87,159	26,457
Transfers from the City of St. Louis, Missouri	<u>—</u>	<u>—</u>
Change in net position	87,159	26,457
Total net position, beginning of year	1,093,091	1,393,916
Cumulative effect of change in accounting principle	<u>—</u>	<u>(327,282)</u>
Total net position, beginning of year, adjusted	<u>1,093,091</u>	<u>1,066,634</u>
Total net position, end of year	\$ <u><u>1,180,250</u></u>	<u><u>1,093,091</u></u>

See accompanying independent auditors' report.