



**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, 2015

(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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## **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 year ended June 30, 2015, 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 audit. We conducted our audit 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 financial position of the Parking Division of the City of St. Louis, Missouri, as of June 30, 2015, and the changes in financial position and its cash flows thereof for the year 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, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1(i), effective July 1, 2014, the Parking Division of the City of St. Louis, Missouri implemented Government Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. 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 9 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 28, 2015

**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, 2015

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 year ended June 30, 2015. 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, liabilities and deferred inflow of resources 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) as a blended component unit.

**PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**  
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June 30, 2015

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

	2015	2014	2015 vs 2014	
			Change	Percentage change
<b>Assets:</b>				
Current assets	\$ 26,867,981	17,486,735	9,381,246	54%
Capital assets	74,110,554	75,097,416	(986,862)	(1)
Other noncurrent assets	10,670,028	10,596,074	73,954	1
Deferred Outflow of Resources	4,806,081	4,681,577	124,504	3
Total assets and deferred outflow of resources	116,454,644	107,861,802	8,592,842	8
<b>Liabilities:</b>				
Current liabilities	8,353,310	6,099,546	2,253,764	37
Noncurrent liabilities	73,976,376	69,125,329	4,851,047	7
Deferred Inflow of Resources	154,861	—	154,861	100
Total liabilities and deferred inflow of resources	82,484,547	75,224,875	7,259,672	10
<b>Net position:</b>				
Net investment in capital assets	357,135	5,058,487	(4,701,352)	(93)
Restricted – bond reserve funds	18,335,974	12,362,451	5,973,523	48
Unrestricted	15,276,988	15,215,989	60,999	—
Total net position	\$ 33,970,097	32,636,927	1,333,170	4%

**Total Assets and Deferred Outflow of Resources:** The increase in current assets was the result of a new subordinated bond issuance in March 2015, which increased restricted cash by approximately \$6.0 million. Deferred outflow of resources and other noncurrent assets did not significantly change in the current fiscal year.

**Total Liabilities and Deferred Inflow of Resources:** Total liabilities and deferred inflow of resources increased in the current fiscal year by 10% following fiscal year 2014. In the current fiscal year, current liabilities increased due to the accounts payable for the purchase of new parking meters. In addition, the amount due to the general fund of the City of St. Louis, Missouri increased from \$1,200,300 to \$1,740,076. The fluctuation in noncurrent liabilities is the combination of fiscal year 2015 debt payments being made and the issuance of new subordinated debt.

**PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**  
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Management's Discussion and Analysis - Unaudited

June 30, 2015

	<b>2015 vs 2014</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>Percentage change</b>
Operating revenues	\$ 16,119,594	15,794,032	325,562	2%
Operating expenses	10,039,502	10,735,885	(696,383)	(6)
Operating income	6,080,092	5,058,147	1,021,945	20
Nonoperating expenses, net	(3,428,707)	(3,106,612)	(322,095)	(10)
Income before transfers	2,651,385	1,951,535	699,850	36
Transfers in	963,648	932,207	31,441	3
Transfers out	(1,061,000)	(780,000)	(281,000)	36
Increase in net position	<u>\$ 2,554,033</u>	<u>2,103,742</u>	<u>450,291</u>	<u>21%</u>
Cumulative effect of-Change in Accounting Principle	\$ (1,220,863)	—	(1,220,863)	(100)%
Net position, end of year	33,970,097	32,636,927	1,333,170	4%
Total assets and deferred outflow of resources, end of year	116,454,644	107,861,802	8,592,842	8

**Operating Income:** Operating revenues increased 2% from fiscal year 2014. Revenues remained consistent with prior year.

Operating expenses decreased 6% from fiscal year 2014. The fiscal year 2015 decrease is due to a reduction in noncapitalizable repairs associated with the demolition of the Cupples Garage in 2014 and depreciation associated with fully depreciated assets, even though personnel expenses were higher.

The 2% increase in revenues, coupled with a 6% decrease in operating expenses, resulted in operating income increase by \$1,021,945 or 20%.

**Non-operating Expenses, Net:** The current year's non-operating expenses, net, increased 10% in fiscal year 2015 due to the cost of issuance on the new subordinated debt reflected in interest expense. 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% in fiscal year 2015. No TIF funds were needed to supplement the actual operations of the Argyle Garage.

**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 \$1,061,000 and \$780,000 to the general fund of the City of St. Louis, Missouri, respectively, for fiscal years 2015 and 2014.

**Net Position:** The Parking Division's total net position increased 4% in fiscal year 2015. A \$1,220,863 cumulative effect of change in accounting principle from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 impacted net position for fiscal year 2015.

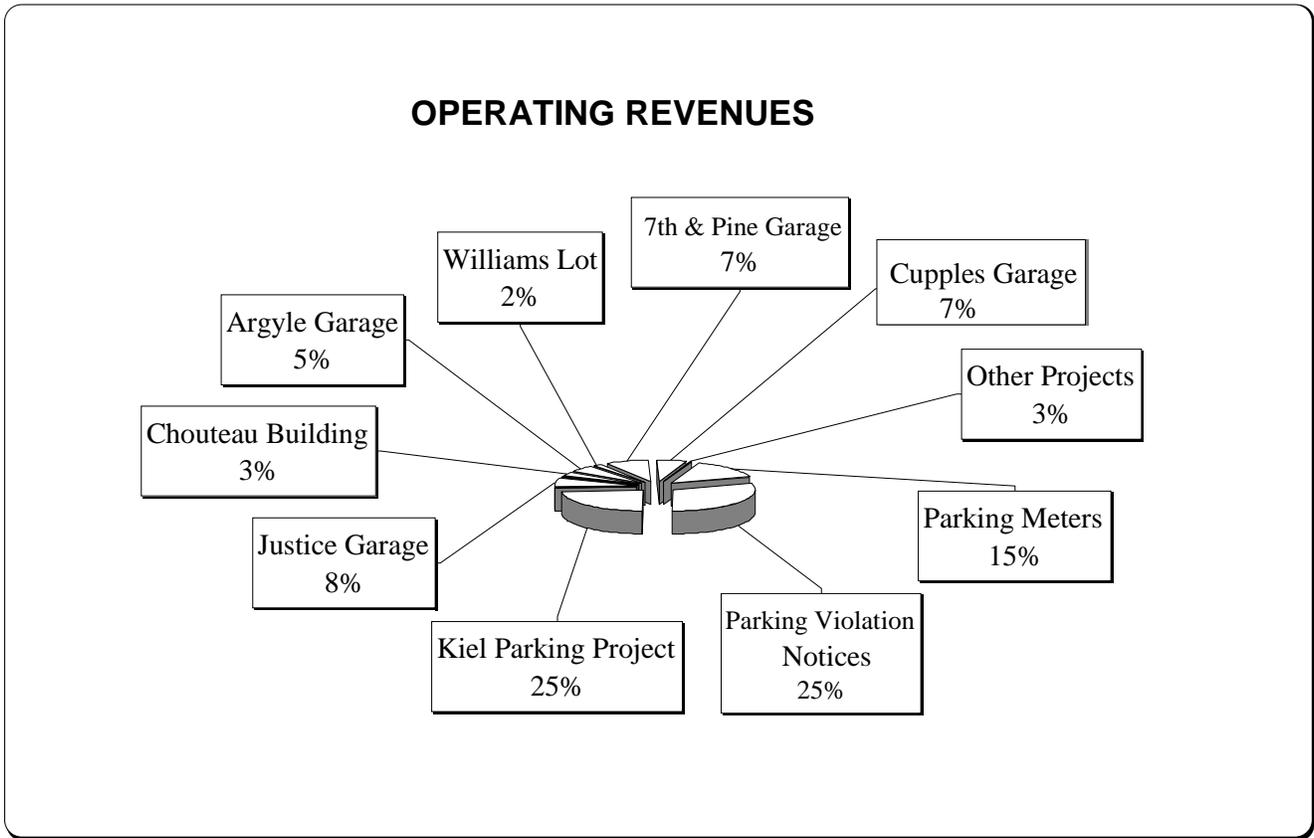
**PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis - Unaudited

June 30, 2015

**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, 2015:



**PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**  
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Management's Discussion and Analysis - Unaudited

June 30, 2015

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

	2015	2014	2015 vs 2014	
			Change	Percentage change
Parking meters, net	\$ 2,376,520	2,082,665	293,855	14%
Parking violation notices, net	4,073,761	4,357,290	(283,529)	(7)
Kiel Parking Project	4,037,708	3,987,250	50,458	1
7th & Pine Garage	1,133,139	1,233,471	(100,332)	(8)
Argyle Garage	758,986	763,022	(4,036)	(1)
Williams Lot	415,193	363,006	52,187	14
Justice Garage	1,338,721	1,198,490	140,231	12
Euclid/Buckingham Garage	207,075	133,828	73,247	55
Abrams Garage	168,927	138,679	30,248	22
Cupples Garage	1,051,621	895,623	155,998	17
Rental property (Chouteau Building)	453,665	389,794	63,871	16
Miscellaneous	104,278	250,914	(146,636)	(58)
<b>Total operating revenues</b>	<b>\$ 16,119,594</b>	<b>15,794,032</b>	<b>325,562</b>	<b>2%</b>

**Parking Meters Revenue, Net:** Gross parking meter revenue increased \$27,000 for fiscal year 2015 (note 1(g)). Net parking meter revenues include a reduction of \$1,662,000 for fiscal year 2015 for outsourcing costs. The outsourcing costs decreased in fiscal year 2015 due to the new vendor being selected for maintaining and collecting the meters at a costs savings. The outsourcing of the collection and maintenance of the meters began in June 2009.

**Parking Violation Notices Revenue, Net:** Net parking violation notice revenues declined \$283,529 in fiscal year 2015. In fiscal year 2015, the number of tickets issued decreased by 4% and tickets collected declined by 1%.

**Kiel Parking Project:** Revenue from the Kiel Garage Project increased by 1% in fiscal year 2015 and was consistent with fiscal year 2014.

**7th & Pine Garage:** The revenues at the 7th & Pine Garage decreased 8% in fiscal year 2015. The decrease in fiscal year 2015 is due to an increase in prepaid revenues due to the acceptance of credit cards and more monthly parkers requesting quarterly billing.

**Argyle Garage:** The revenues at the Argyle Garage remained relatively consistent with a decrease of 1% in fiscal year 2015.

**Williams Lot:** The revenues at Williams Lot increased 14% in fiscal year 2015. Total event revenue increased by \$40,000, while the remaining revenue classes were consistent between years.

**Justice Garage:** The revenues at Justice Garage increased by 12%, resulting in six consecutive years of increases. In fiscal year 2015, monthly and event revenue continued to increase.

**Euclid/Buckingham Garage:** The revenues at the Euclid/Buckingham Garage increased by 55%. Monthly parking is at 91% capacity in fiscal year 2015 and daily parking has increased by 41% due to the continuing development of the Central West End.

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**Cupples Garage:** The revenues at Cupples increased by 17% in fiscal year 2015 since the demolition of Cupples Building #7. In fiscal year 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. The demolition of the building began in fiscal year 2013 and was completed in early fiscal year 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 89% of the building's office space is leased to various professional businesses. Fiscal year 2015 lease revenues increased by 16% due to an increase in expense recoveries for the lobby security services.

**Miscellaneous Revenues:** Miscellaneous revenues decreased in fiscal year 2015 by \$146,636 mainly due to a loss on disposal of retired meters.

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

	2015	2014	2015 vs 2014	
			Change	Percentage change
Personnel services	\$ 5,265,035	5,186,664	78,371	2%
Materials and supplies	199,964	176,978	22,986	13
Contractual services	1,273,250	1,366,338	(93,088)	(7)
Utilities	267,493	258,471	9,022	3
Insurance	196,740	197,409	(669)	—
Operating services	281,997	166,802	115,195	69
Noncapitalizable repairs	6,025	585,567	(579,542)	(99)
Interfund services used	124,657	142,468	(17,811)	(13)
Depreciation	2,424,341	2,655,188	(230,847)	(9)
	<u>\$ 10,039,502</u>	<u>10,735,885</u>	<u>(696,383)</u>	<u>(6)%</u>

**Personnel Services:** Personnel salaries and benefits remain the largest annual expense of the Parking Division, representing approximately 50% of both the current and prior years' total expenses. Personnel costs remained fairly consistent.

**Materials and Supplies:** Materials and supplies increased 13% in fiscal year 2015 due to new ticket stock needed for the PEO citation devices related to equipment changes.

**Contractual Services:** Contractual service costs decreased \$93,088 this year. Repair and replacement costs, which were the factor for the decrease, were down by 50% in fiscal year 2015.

**Utilities and Insurance:** Fiscal year 2015 showed little change from the previous year.

**Operating Services:** Operating services increased \$115,195 in fiscal year 2015. Commission fees were more in in the current year.

## **PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**

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Management's Discussion and Analysis - Unaudited

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**Noncapitalizable Repairs:** In fiscal year 2014, all expenses are associated with the demolition of Cupples #7.

**Interfund Services Used:** Interfund services represent the cost allocation fees charged to the Parking Division by the General Fund for using City services. These base costs decreased \$17,811 in fiscal year 2015 and the removal of Treasury allocated expenses for Paymaster and Banking services decreased as well.

**Depreciation:** Depreciation expense decreased due to assets being in their final year of depreciation. See capital asset discussion below.

### **Significant Capital Assets and Long-Term Debt Activities.**

On April 2, 2015, the City of St. Louis, Missouri issued \$6,440,000 of Subordinated Parking Revenue Bonds, Series 2015A (the Series 2015A Bond), acting through the Treasurer of the City in her capacity as Supervisor of Parking Meters. The Series 2015A Bond constitutes debt for the Parking Division and was issued for the purpose of financing the acquisition of new meter technology which would replace the existing meters in the City of St. Louis. The debt will also finance the purchase of new revenue equipment at the Cupples garage.

Standard & Poor's did issue the Parking Division's "BBB+" 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**

- The Parking Division has projected \$2.1 million in excess revenues over expenses for the 2015-2016 fiscal year.
- Rate increases for meters will take effect in fiscal year 2016. High-demand areas will increase from \$1.00 to \$1.50 per hour and lower demand areas will increase from \$0.75 to \$1.00.
- Rate increases for monthly parking at the off street facilities increased effective July 1, 2015 by \$5/month, with the exception of City Hall, which was revised to one rate from two. The single rate will result in an increase of 3%.
- A refunding in advance of maturity of the tax-exempt portion of the Series 2006A and Series 2007A Bonds is being reviewed by the Treasurer's Office for fiscal year 2016.

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

Statement of Net Position

June 30, 2015

**Assets**

**Current assets:**

Cash and cash equivalents:		
Restricted	\$	8,114,571
Unrestricted		18,353,364
Receivables		380,046
Other assets		20,000
Total current assets		26,867,981

**Noncurrent assets:**

Restricted investments		10,221,403
Capital assets, net:		
Nondepreciable-Land		22,903,153
Depreciable		51,207,401
Intangible and other assets, net		448,625
Total noncurrent assets		84,780,582

**Deferred outflow of resources**

4,806,081

**Total assets and deferred outflow of resources**

\$ 116,454,644

**Liabilities**

**Current liabilities:**

Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$	1,467,609
Accrued salaries and other benefits		259,508
Accrued vacation and compensatory benefits		177,189
Due to the City of St. Louis, Missouri		1,740,076
Due to other governmental agencies		60,132
Unearned revenue and other deposits		1,654,577
Total payable from unrestricted assets		5,359,091

Payable from restricted assets:

Accrued interest		243,552
Current portion of revenue bonds payable		2,750,667
Total payable from restricted assets		2,994,219
Total current liabilities		8,353,310

**Noncurrent liabilities:**

Revenue bonds payable, net		71,002,752
Net pension liability		1,967,566
Other		1,006,058
Total noncurrent liabilities		73,976,376

**Deferred inflow of resources**

154,861

**Total liabilities and deferred inflow of resources**

82,484,547

**Net position:**

Net investment in capital assets		357,135
Restricted – bond reserve funds		18,335,974
Unrestricted		15,276,988
Total net position		33,970,097

**Total liabilities and net position**

\$ 116,454,644

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)

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

Year ended June 30, 2015

Operating revenues:	
Parking meters, net	\$ 2,376,520
Parking violation notices, net	4,073,761
Parking facilities	9,111,475
Rental property	453,665
Miscellaneous	104,173
Total operating revenues	16,119,594
Operating expenses:	
Personnel services	5,265,035
Materials and supplies	199,964
Contractual services	1,273,250
Utilities	267,493
Insurance	196,740
Operating services	281,997
Noncapitalizable repairs	6,025
Interfund services used	124,657
Depreciation	2,424,341
Total operating expenses	10,039,502
Operating income	6,080,092
Nonoperating revenues (expenses):	
Investment income	373,467
Interest and debt service expenses	(3,811,356)
Other	9,182
Total nonoperating expenses, net	(3,428,707)
Income before transfers	2,651,385
Transfers from the City of St. Louis, Missouri TIF Districts	963,648
Transfers to the City of St. Louis, Missouri	(1,061,000)
Total transfers, net	(97,352)
Increase in net position	2,554,033
Total net position, beginning of year	32,636,927
Cumulative effect of change in accounting principle	(1,220,863)
Total net position, beginning of year, as adjusted	31,416,064
Total net position, end of year	\$ 33,970,097

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)

Statement of Cash Flows  
Year ended June 30, 2015

Cash flows from operating activities:	
Receipts from customers and users	\$ 15,820,990
Other operating cash receipts	119,965
Payments to suppliers of goods and services	(422,755)
Payments to employees	(5,451,051)
Net cash provided by operating activities	<u>10,067,149</u>
Cash flows from noncapital financing activities:	
Transfers from the State of Missouri	9,182
Transfers from the City of St. Louis, Missouri TIF Districts	963,648
Transfers to the City of St. Louis, Missouri	(1,061,000)
Net cash used in noncapital financing activities	<u>(88,170)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,489,334)
Loss on the retirement of PP&E	51,855
Interest on deferred outflow of resources	334,401
Proceeds from issuance of revenue bonds	6,440,000
Principal paid on revenue bonds payable	(2,630,666)
Interest paid on revenue bonds payable	(3,779,499)
Net cash used in capital and related financing activities	<u>(1,073,243)</u>
Cash flows from investing activities:	
Purchase of investments	(14,054,755)
Proceeds from maturities of investments	13,954,426
Investment income on cash and investments	357,675
Net cash provided by investing activities	<u>257,346</u>
Net increase in cash and cash equivalents	9,163,082
Cash and cash equivalents, beginning of year	<u>17,304,853</u>
Cash and cash equivalents, end of year	<u>\$ 26,467,935</u>
Cash flows from operating activities:	
Operating income	\$ 6,080,092
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,424,341
Change in assets and liabilities:	
Increase in receivables	(195,997)
Decrease in intangible and other assets, net	20,000
Increase in accounts payable and accrued expenses	1,355,538
Increase in accrued salaries and other benefits	43,712
Decrease in accrued vacation and compensatory benefits	(6,378)
Increase in due to City of St. Louis, Missouri, and other government agencies	551,833
Increase in unearned revenue and other deposits	17,358
Increase in net pension liability	442,659
Decrease in other noncurrent liabilities	(666,009)
Net cash provided by operating activities	<u>\$ 10,067,149</u>
Supplemental disclosure for noncash financing activities:	
Unrealized gains on investments	\$ 28,033

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)

Notes to Basic Financial Statements

June 30, 2015

**(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 the following blended component unit:

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.

**(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.

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.

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(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:

	<b>Years</b>
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.

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

Intangible and other assets, net of \$468,625 at June 30, 2015, represent (1) 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; this intangible asset is being amortized on the straight-line method over 40 years; and (2) a note receivable to assist in the tenant improvements for a leased parking lot; this intangible asset has a loan repayment schedule for 20 years, principal and interest.

(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 are expensed as incurred.

(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

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and maintenance began on June 1, 2009. Gross parking meter revenues and outsourcing expenses for the year ended June 30, 2015 are as follows:

Parking meter revenues	\$	4,038,659
Outsourcing expenses		<u>(1,662,139)</u>
Parking meter revenues, net	\$	<u><u>2,376,520</u></u>

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 year ended June 30, 2015 is as follows:

Parking violation notices revenues and related boot fees	\$	5,950,922
Parking violation notices expenses		<u>(1,877,161)</u>
Parking violation notices revenues, net	\$	<u><u>4,073,761</u></u>

**(h) Statement of Cash Flows**

For purposes of the statement 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.

**(i) Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*, which enhances 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. In adopting these standards, the Parking Division recognized the effect of a change in accounting principle in the amount of \$1,220,863 for the net pension liability at the beginning of fiscal year 2015. The Parking Division will now recognize a long-term liability for the net pension liability in the statement of net position. The Parking Division will continue to report pension expense as a component of personnel services. The amount of expense reported now includes the overall change in the pension liability.

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement are effective for the Parking Division for the year ending June 30, 2016. The Parking Division has not evaluated the impact of this statement.

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GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued in June 2015. The objective of this statement is to improve the usefulness of information about pensions and clarifies the application of certain provisions of Statements No. 67 and 68. The requirements of this statement are effective for the Parking Division for the year ending June 30, 2017. The Parking Division has not evaluated the impact of this statement.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in June 2015. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental other postemployment benefit plans for making decisions and assessing accountability. The requirements of this statement are effective for the Parking Division for the year ended ending 30, 2016. The Parking Division has not evaluated the impact of this statement.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued in June 2015. The objective of this statement is to identify the hierarchy of generally accepted accounting principles. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified with a source of authoritative GAAP. The requirements of this statement are effective for the Parking Division for the year ending June 30, 2016. The Parking Division has not evaluated the impact of this statement.

**(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.

**(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.

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As of June 30, 2015, the Parking Division had the following cash deposits and investments:

U.S. Treasuries	\$	2,497,525
Federal Home Loan Mortgage Corporation		2,427,437
Federal Home Loan Bank		5,296,441
Money market mutual funds		8,114,571
Cash deposits		18,353,364
Total cash and investments	\$	36,689,338

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 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.

The Parking Division's investments (excluding cash deposits) had the following maturities (in years) on June 30, 2015:

	<b>Fair value</b>	<b>Less than 1</b>	<b>1 – 5</b>
U.S. Treasuries	\$ 2,497,525	2,497,525	—
Federal Home Loan Mortgage Corporation	2,427,437	2,427,437	—
Federal Home Loan Bank	5,296,441	—	5,296,441
Money market mutual funds	8,114,571	8,114,571	—
	\$ 18,335,974	13,039,533	5,296,441

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**(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, 2015, the Federal Home Loan Mortgage Corporation investments were rated Aa2 and Aaa, respectively, by Moody's. The Federal Home Loan Bank Investments were rated AA+ and Aaa as of June 30, 2015 by Standard & Poor's and Moody, respectively. Parking Division's holdings in a money market mutual fund were rated AAAm/Aaa-mf/AAAmf as of June 30, 2015 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 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, 2015, 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.

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At June 30, 2015, the concentration of the Parking Division’s investments (excluding cash deposits) was as follows:

U.S. Treasuries	14%
Federal Home Loan Mortgage Corporation	13%
Federal Home Loan Bank	29%
Money market mutual funds	44%
	100%
	100%

**(3) Restricted Assets**

Cash and investments restricted in accordance with bond indentures at June 30, 2015 are as follows:

Series 2015A bonds:	
Debt service reserve	\$ 513,750
Debt service	50,799
Series 2015A project account	5,344,285
Total series 2015A bonds	5,908,834
Series 2013A bonds:	
Debt service reserve	125,704
Total series 2013A bonds	125,704
Series 2007 and 2006 bonds:	
Debt service reserve	4,942,996
Debt service	1,396,936
Net project revenues	120,089
Parking trust – Parking Division accounts	1,887,675
Repair and replacement	3,456,352
Total series 2007 and 2006 bonds	11,804,048
Series 2003A and 2003B bonds:	
Gross revenues	156,119
Bond	149,111
Repair and replacement	31,100
Operating reserve	100,000
Redemption	61,058
Total series 2003A and 2003B bonds	497,388
Total restricted cash and investments	\$ 18,335,974

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Series 2003A and 2003B bonds:	
Gross revenues	156,119
Bond	149,111
Repair and replacement	31,100
Operating reserve	100,000
Redemption	61,058
Total series 2003A and 2003B bonds	497,388
Total restricted cash and investments	\$ 18,335,974

Descriptions of the funds required by the Series 2015A Subordinated Bond Indentures are as follows:

- 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.
- Debt service – 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.
- Series 2015A project account – Maintains funds used to fund the debt service account.

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

- 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.
- 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:

- 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.
- Debt service – Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds.
- Net project revenues – Maintains funds used to fund the debt service account.
- Argyle TIF revenues – Argyle TIF revenues are used for the payment of debt service on the Series 2006 Bonds.
- 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.
- Repair and replacement – Provides for the repair and upkeep of parking garages.

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

- 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.
- Bond – Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B bonds.
- Repair and replacement – Provides for the repair and upkeep of the Cupples Garage.
- Operating reserve – Maintains operating reserve as required by the Bond Indenture.
- Redemption – Maintains funds set aside for the future redemption of the Series 2003A and 2003B bonds.

**(4) Capital Assets**

Following is a summary of the changes in capital assets for the year ended June 30, 2015:

	<b>Balances, June 30, 2014</b>	<b>Reclassifications and additions</b>	<b>Retirements</b>	<b>Balances, June 30, 2015</b>
Capital assets being depreciated:				
Buildings and parking garages	\$ 74,541,235	24,513	—	74,565,748
Equipment	1,472,042	24,526	(27,030)	1,469,538
Parking meters and lot equipment	7,518,775	1,289,629	(740,330)	8,068,074
Parking meters and lot equipment	—	156,691	—	156,691
	<u>83,532,052</u>	<u>1,495,359</u>	<u>(767,360)</u>	<u>84,260,051</u>
Less accumulated depreciation:				
Buildings and parking garages	(23,609,660)	(2,065,138)	—	(25,674,798)
Equipment	(969,466)	(92,609)	22,020	(1,040,055)
Parking meters and lot equipment	(6,764,689)	(266,594)	693,486	(6,337,797)
Total accumulated depreciation	<u>(31,343,815)</u>	<u>(2,424,341)</u>	<u>715,506</u>	<u>(33,052,650)</u>
Total capital assets being depreciated	<u>52,188,237</u>	<u>(928,982)</u>	<u>(51,854)</u>	<u>51,207,401</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>22,909,179</u>	<u>—</u>	<u>(6,026)</u>	<u>22,903,153</u>
	<u>\$ 75,097,416</u>	<u>(928,982)</u>	<u>(57,880)</u>	<u>74,110,554</u>

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**(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 year ended June 30, 2015, the Parking Division recorded a transfer to the City of St. Louis, Missouri of \$1,061,000 for this requirement. Of such amount, \$861,000 was still outstanding as of June 30, 2015 and recorded as a due to the City of St. Louis, Missouri.

Additionally, at June 30, 2015, the Parking Division had the following amounts due to the City of St. Louis, Missouri:

- An amount of \$644,567, due to the City for reimbursement of Parking Division vouchers paid by the City, net of \$10,095 as of June 30, 2015, representing amounts due to the Parking Division for City parking fees.
- An amount of \$244,604, 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 year ended June 30, 2015, the City charged the Parking Division \$148,787 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 2015 were reduced by \$24,130 for Treasury services related to paymaster and banking services.

During the year ended June 30, 2015, the City transferred \$963,648 to the Parking Division from the City's Tax Increment Financing Special Revenue Fund. Of this transfer, \$662,944 was applied by the Parking Division towards the principal and interest payments on the Series 1999 Argyle bonds. The remaining \$300,704 related to the Buckingham/Euclid TIF project.

**(6) Revenue Bonds Payable**

On April 2, 2015, the City of St. Louis, Missouri issued \$6,440,000 of Subordinated Parking Revenue Bonds, Series 2015A (the Series 2015A Bond), acting through the Treasurer of the City in her capacity as Supervisor of Parking Meters. The Series 2015A Bond constitutes debt for the Parking Division and was issued for the purpose of financing the acquisition of new meter technology which would replace the existing meters in the City of St. Louis. The debt will also finance the purchase of new revenue equipment at the Cupples Garage. The Series 2015A Bond is a tax-exempt subordinate parking revenue bond, bearing interest at a variable rate from .73% to 3.5% per annum, maturing on December 15, 2031.

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

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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 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 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:

- Parking Revenue Refunding Bonds, Series 1996 – \$22,085,000
- Parking Revenue Bonds (Argyle Project), Series 1999 – \$9,805,000
- 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, 2012, 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 Statement No. 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.

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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 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, 2015 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds, interest rates variable, not to exceed 12%, payable in varying amounts through 2028	\$ 2,585,000
SLPCFC Series 2003B taxable revenue bonds, interest rates variable, not to exceed 5%, payable in varying amounts through 2038	5,935,000
Series 2006 revenue bonds interest ranging from 3.75% to 5.14% payable in varying amounts through 2032	46,250,000
Series 2007 revenue bonds interest ranging from 4.125% to 6.0% payable in varying amounts through 2034	10,945,000
Series 2013A subordinated parking revenue bond, interest rates variable, not to exceed 2.30%, payable in varying amounts through 2022	1,333,334
Series 2015A subordinated parking revenue bond, interest rates variable, not to exceed 3.50%, payable in varying amounts through 2032	<u>6,440,000</u>
	73,488,334
Unamortized discount and premium	265,085
Current portion of revenue bonds payable	<u>(2,750,667)</u>
	<u><u>\$ 71,002,752</u></u>

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Debt service requirements of the revenue bonds at June 30, 2015 are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2016	\$ 2,750,667	3,216,585	5,967,252
2017	3,200,667	3,070,420	6,271,087
2018	3,320,667	2,951,819	6,272,486
2019	3,453,667	2,813,743	6,267,470
2020 - 2024	19,226,666	11,701,569	30,928,235
2025 - 2029	21,402,000	7,374,293	28,776,293
2030 - 2034	18,439,000	2,077,131	20,516,131
2035 - 2039	1,695,000	210,600	1,905,600
	\$ 73,488,334	33,416,160	106,904,494

Following is a summary of the changes in revenue bonds payable for the year ended June 30, 2015:

Balances, beginning of year, net	\$ 67,453,262
Revenue bonds paid or reclassified as current	3,644,334
Discount on new bond issuance	(67,952)
Amortization of discounts and premiums	(26,892)
Balances, end of year, net	\$ 71,002,752
Amount due within one year	\$ 2,750,667

***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***

Loss on bond defeasance	\$ <u>4,347,176</u>
Deferred outflow of resources	\$ <u><u>4,347,176</u></u>

For the year ended June 30, 2015, the amortization of the loss on bond defeasance totaled \$334,401, which increases interest expense.

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

The Parking Division participates in 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 required supplementary information. The Employees System financial statements are prepared using the accrual basis of accounting. 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. The DROP account earns interest at the actuarial valuation rate of return and 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.

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Notes to Basic Financial Statements

June 30, 2015

**(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. The Board of Trustees established the required employer contributions rate based on active member payroll of 15.17% effective July 1, 2014.

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.

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

June 30, 2015

(c) *Net Pension Liability*

The Parking Division net pension liability as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. The Parking Division's proportion of the net pension liability was based on the Parking Division's share of contributions to the Employees System relative to the contributions of all Employees System participating employers. At June 30, 2015, the Parking Division's collective proportion was 1.27 percent.

	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a) - (b)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances at July 1, 2014	\$ 11,145,785	8,922,813	2,222,972
Changes for the year:			
Service cost	134,835	—	134,835
Interest	916,715	—	916,715
Difference between expected and actual experience	(46,652)	—	(46,652)
Difference in proportion	92,997	—	92,997
Benefit payments	(716,782)	—	(716,782)
Contributions - employer	—	468,178	(468,178)
Contributions - employee	—	1,644	(1,644)
Net investment income	—	892,068	(892,068)
Benefit payments	—	(716,916)	716,916
Administrative expenses	—	(8,455)	8,455
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net changes	381,113	636,519	(255,406)
Balances at June 30, 2015	\$ <u><u>11,526,898</u></u>	<u><u>9,559,332</u></u>	<u><u>1,967,566</u></u>

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Notes to Basic Financial Statements

June 30, 2015

**(d) Actuarial Methods and Assumptions**

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

Valuation date	October 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Remaining amortization period	30 years as of October 1, 2014
Asset valuation method	5-year smoothed market
Inflation rate	3.125%
Discount rate	8.09%
Projected salary increases	3.50% to 7.02%
Mortality	1994 Group Annuity Mortality Table

The discount rate used to measure the total pension liability was 8.09%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2014 actuarial valuation, an 8.09% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the Parking Division is as follows:

	<u>Rate</u>	<u>Net Pension Liability</u>
1% decrease	7.09%	\$ 3,158,068
Current rate	8.09%	1,967,566
1% increase	9.09%	948,757

**(e) Pension Expense**

For the year ended June 30, 2015, the Parking Division recognized pension expense of \$297,800. Annual pension expense consists of service cost, interest, and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources

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Notes to Basic Financial Statements

June 30, 2015

and recognized in pension expense over a five-year period. The pension expense for the year ended June 30, 2015 is summarized as follows:

Service cost	\$	134,835
Interest		916,715
Administrative expenses		8,455
Recognized portion of current-period difference between expected and actual experience		(11,663)
Contributions - employee		(1,644)
Projected earnings on pension plan investments		(742,167)
Recognized portion of change in proportion		23,249
Recognized portion of current-period difference between projected and actual earnings on pension plan investments		(29,980)
Pension expense for year ended June 30, 2015	\$	<u><u>297,800</u></u>

(f) ***Deferred Outflows/Inflows of Resources Related to Pensions***

In accordance with GASB Statements No. 67 and 68, the Parking Division recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the Parking Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ —	(34,978)
Net difference between projected and actual earnings on pension plan investments	—	(119,883)
Changes in proportion	69,743	—
Parking Division contributions subsequent to the measurement date	389,162	—
Total	\$ <u><u>458,905</u></u>	<u><u>(154,861)</u></u>

The Parking Division recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Employee System's employees. The following table summarizes the future recognition of these items:

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June 30, 2015

<b>Year ended June 30</b>	<b>Recognition</b>
2015	\$ 370,768
2016	(18,394)
2017	(18,394)
2018	(29,936)
2019	—
Thereafter	—
	\$ 304,044

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 System. While the Parking Division is not legally responsible for these bonds, \$887,282 of the proceeds was allocated to the Parking Division. An \$814,960 liability is reflected as other noncurrent long-term liabilities on the statement of net position and is payable to the City of St. Louis by June 30, 2037.

**(8) Change in Noncurrent Liabilities**

The following table shows the changes in noncurrent liabilities for the fiscal year ended June 30, 2015:

	<b>Balance June 30, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2015</b>	<b>Due within one year</b>
Revenue bonds payable (see note 6)	\$ 69,679,000	6,440,000	(2,630,666)	73,488,334	2,750,667
Net pension liability (see note 7)	—	2,222,972	(255,406)	1,967,566	—
Pension funding project (see note 7)	830,525	—	(15,565)	814,960	—
Net pension obligation	665,332	—	(665,332)	—	—
Unamortized discounts and premiums, net	359,929	(67,952)	(26,892)	265,085	—
Other	176,210	32,298	(17,410)	191,098	—
Total	\$ 71,710,996	8,627,318	(3,611,271)	76,727,043	2,750,667

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

June 30, 2015

**(9) Risk Management and 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, 2015, the Parking Division owed PFPC \$244,604 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, 2007, 2013A, and 2015A. The general purpose of the bonds is to build parking facilities in the City. As of June 30, 2015, the remaining principal and interest requirement is \$93,437,793 payable through fiscal year 2034. Principal and interest paid for the Series 2006, 2007, 2013A, and 2015A Parking Revenue Bonds was \$4,802,522 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$9,766,722.

**(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. In fiscal year 2015, the Parking Division won the summary judgment on all claims without going to trial. However, this could still be appealed. The final outcome should be determined before January, 2016.

**PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**  
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Cupples Garage

Schedule of Assets, Liabilities, and Fund Net Position

(Unaudited)

June 30, 2015

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 479,825
Accounts receivable	43,484
	<hr/>
Total current assets	523,309

**Noncurrent assets:**

Capital assets:	
Equipment	62,266
Cupples Garage building	11,159,440
Less accumulated depreciation	(3,688,394)
	<hr/>
	7,533,312

Cupples Garage land	<hr/>
	1,950,000

Total capital assets	<hr/>
	9,483,312

Total noncurrent assets	<hr/>
	9,483,312

<b>Total assets</b>	\$ <b>10,006,621</b>
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**Liabilities**

**Current liabilities:**

Accounts payable and accrued expenses	\$ 72,194
Accrued interest	377
Accrued salaries and other benefits	8,652
Due to the City of St. Louis, Missouri	8,740
Unearned revenue and other deposits	78,361
Current portion of revenue bonds payable	369,000
	<hr/>
Total current liabilities	537,324

**Noncurrent liabilities:**

Revenue bonds payable, net	<hr/>
	8,151,000

Total noncurrent liabilities	<hr/>
	8,151,000

<b>Total liabilities</b>	8,688,324
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<b>Net position – net investment in capital assets</b>	<hr/>
	1,318,297

<b>Total liabilities and net position</b>	\$ <b>10,006,621</b>
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See accompanying independent auditors' report.

**PARKING DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**  
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Cupples Garage

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

(Unaudited)

Year ended June 30, 2015

Operating revenues:		
Cupples Garage	\$	1,051,621
Total operating revenues		1,051,621
Operating expenses:		
Parking Division management fees		150,987
Personal services		119,712
Materials and supplies		6,175
Contractual services		42,051
Insurance		31,783
Utilities		34,132
Miscellaneous		1,167
Depreciation and amortization		330,784
Total operating expenses		716,791
Operating income		334,830
Nonoperating revenues (expenses):		
Investment income		57
Interest expense		(196,840)
Total nonoperating expenses, net		(196,783)
Income before transfers		138,047
Transfers from the City of St. Louis, Missouri		—
Change in net position		138,047
Total net position, beginning of year		1,180,250
Total net position, end of year	\$	1,318,297

See accompanying independent auditors' report.