

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES**

**SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2017 AND 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Capital Region Development Authority  
Hartford, Connecticut

We have audited the accompanying special-purpose statements of assets, liabilities and owner's equity relating to the parking facilities affiliated with the Capital Region Development Authority (the "Parking Facilities"), which are owned by the Capital Region Development Authority (the "Authority") and operated by LAZ Parking, Ltd. ("LAZ") as of June 30, 2017 and 2016, and the related special-purpose statements of revenues, expenses and changes in owner's equity and cash flows for the year then ended, and the related notes to the special-purpose financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the special-purpose financial statements in accordance with the management agreement dated January 1, 2017, between the Authority and LAZ. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose 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 audits to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and owner's equity of the Parking Facilities, as of June 30, 2017 and 2016, and the revenues, expenses and changes in owner's equity and cash flows for the years then ended, on the basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. The accompanying special-purpose financial statements were prepared for the purpose of complying with the management agreement dated January 1, 2017, between the Authority and LAZ, as discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the management agreement referred to above. Our opinion is not modified with respect to that matter.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and management of the Capital Region Development Authority and LAZ Parking, Ltd., and is not intended to be and should not be used by anyone other than these specified parties.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
September 29, 2017

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES  
STATEMENTS OF ASSETS, LIABILITIES AND OWNER'S EQUITY  
JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 19,500	\$ 18,500
Accounts receivable	123,187	47,113
Prepaid expenses	11,005	10,657
Total current assets	153,692	76,270
Non-current assets:		
Restricted cash	940,091	815,572
Total assets	\$ 1,093,783	\$ 891,842
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 124,825	\$ 101,975
Due to operator	29,498	155,834
Unearned revenue	32,629	71,793
Total liabilities	186,952	329,602
 <b>OWNER'S EQUITY</b>	906,831	562,240
 Total liabilities and owner's equity	\$ 1,093,783	\$ 891,842

*See auditor's report and accompanying notes to financial statements.*

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN OWNER'S EQUITY  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Transient parking	\$ 3,334,518	\$ 3,119,945
Monthly parking	3,205,441	3,160,861
Hotel guest parking	760,831	653,988
Interest income	1,989	2,154
Other	<u>(2,103)</u>	<u>(194)</u>
Total revenues	<u>7,300,676</u>	<u>6,936,754</u>
<b>OPERATING EXPENSES</b>		
Payroll and related taxes	1,428,846	1,425,126
Repairs and maintenance	429,948	308,545
Utilities	382,438	369,629
Security	224,165	200,727
Snow removal	223,405	151,157
Liability insurance	169,100	142,500
Credit card fees	134,419	121,011
Group health insurance	118,740	106,740
Professional fees	112,200	102,153
Operating supplies	83,360	63,540
Management fees	78,409	76,125
Workers compensation insurance	42,735	45,577
Indentification and credentials	34,530	7,045
Telephone	28,217	26,342
Retirement benefits	26,395	30,668
Bank service charges	22,510	21,157
Uniforms	18,101	6,874
Office supplies	14,285	13,671
Signage	7,837	8,967
Sanitation	5,849	6,130
Claims	4,393	3,904
Other	<u>279</u>	<u>18</u>
Total expenses	<u>3,590,161</u>	<u>3,237,606</u>
Net income	3,710,515	3,699,148
<b>OWNER'S EQUITY, BEGINNING OF YEAR</b>	562,240	1,151,316
<b>DEBT SERVICE</b>	(7,421,924)	(7,238,224)
<b>OPERATING CONTRIBUTION</b>	<u>4,056,000</u>	<u>2,950,000</u>
<b>OWNER'S EQUITY, END OF YEAR</b>	<u>\$ 906,831</u>	<u>\$ 562,240</u>

*See auditor's report and accompanying notes to financial statements.*

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,710,515	\$ 3,699,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(76,074)	113,509
Prepaid expenses	(348)	(216)
Increase (decrease) in:		
Deferred revenue	(39,164)	26,118
Accounts payable and accrued expenses	22,850	(46,154)
Due to operator	(126,336)	115,429
Due to customer	-	(16,877)
Net cash provided by operating activities	<u>3,491,443</u>	<u>3,890,957</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Operating contributions	<u>4,056,000</u>	<u>2,950,000</u>
Net cash provided by non-capital financing activities	<u>4,056,000</u>	<u>2,950,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt service	<u>(7,421,924)</u>	<u>(7,238,224)</u>
Net cash used in financing activities	<u>(7,421,924)</u>	<u>(7,238,224)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	125,519	(397,267)
<b>CASH AT BEGINNING OF YEAR</b>	<u>834,072</u>	<u>1,231,339</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 959,591</u>	<u>\$ 834,072</u>
<b>Cash, end of year:</b>		
Unrestricted cash	\$ 19,500	\$ 18,500
Restricted cash	940,091	815,572
	<u>\$ 959,591</u>	<u>\$ 834,072</u>

*See auditor's report and accompanying notes to financial statements.*

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES  
NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Capital Region Development Authority (the "Authority") was established in 1998 under Title 32, Chapter 600 of the General Statutes of the State of Connecticut (the "Act"), as amended, and was created as a body politic and instrumentality of the State of Connecticut (the "State"). In 2012, the General Assembly renamed the Authority (The Capital Region Development Authority had formerly been called the Capital City Economic Development Authority) and expanded its powers to serve as a regional planning authority. The powers of the Authority are vested in its thirteen member Board of Directors appointed pursuant to C.G.S § 32-601. The accompanying special-purpose financial statements are intended to only present activity related to the parking facilities affiliated with the Capital Region Development Authority (the "Parking Facilities"), which are owned by the Authority and operated by LAZ Parking, Ltd. ("LAZ"). Accounts and activities of other operations of the Authority are not reflected in the accompanying special-purpose financial statements. Financial statements containing all activities of the Authority may be obtained from the Authority.

**Nature of Operations**

The purpose of the Parking Facilities is to support the parking needs of the Connecticut Convention Center, the adjacent hotel, the Connecticut Science Center, the Front Street District and businesses in the area.

**Basis of Accounting**

The accompanying special-purpose financial statements has been prepared to present the assets, liabilities, owner's equity, revenues, expenses, and cash flows of the Parking Facilities pursuant to the management agreement dated January 1, 2017 between the Authority and LAZ. The management agreement specifies that special-purpose financial statements be prepared in which all the assets and liabilities of the Parking Facilities are presented in accordance with accounting principles generally accepted in the United States of America, except for land, buildings, and related debt, which are not to be presented. All capital assets of the Parking Facilities, including the Parking Facilities themselves, are owned by the Authority and operated by LAZ.

For purposes of the special-purpose financial statements, debt associated with the Parking Facilities has been excluded from the statements of assets, liabilities and owner's equity and operating contributions provided by the Authority have been excluded from the determination of net income in the statement of revenues, expenses and changes in owner's equity. Debt repayments and operating contributions have instead been presented as a component of owner's equity.

**Use of Estimates**

The preparation of financial statements in conformity with the basis of accounting referred to above requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Cash Equivalents**

Management considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2017 or 2016.

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES  
NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued***

**Restricted Cash**

Cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties, are classified as restricted cash in the accompanying statements of assets, liabilities and owner's equity.

**Accounts Receivable**

The Parking Facilities grant credit without collateral to its customers. Based on historical collection experience and the fact that a majority of receivables were collected subsequent to year end, management has determined that an allowance for doubtful accounts is not considered necessary as of June 30, 2017 and 2016.

**Revenue Recognition**

The Parking Facilities serve both hourly and monthly parking patrons. Hourly parking fees are payable prior to exiting the Parking Facilities, and the revenue is recognized at the time of receipt. Both individuals and private businesses may enter into monthly contracts, and related monthly fees are billed to the customer on the 15th of the month prior to the month to which the fees relate. Revenue on monthly contracts is recognized in the month the Parking Facilities are used by the customer. Approximately 63% and 78% of monthly parking revenues in the accompanying statements of revenue, expenses and changes in owner's equity for the years ended June 30, 2017 and 2016, respectively, was derived from parking contracts with four Hartford area employers.

The Marriott Hotel (which is adjacent to the Convention Center) has an agreement with the Authority which allows its guests to park in the Parking Facilities during their hotel stay. Valet services are billed monthly, and other services are paid by the hotel guest upon leaving the Parking Facilities. Revenue is recognized in the month the Parking Facilities are used by the hotel guests.

Unearned revenue as of June 30, 2017 and 2016 represents payments received in advance of use by customers on certain monthly contracts.

**NOTE 2 – CASH DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the balance of cash deposits will not be able to be recovered. The cash attributed to the Parking Facilities was deposited in a qualified public institution as defined by Connecticut General Statutes, which states that any bank holding public deposits must at all times, maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is great. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The cash attributed to the Parking Facilities represents only a portion of the Authority's total cash deposits and additional disclosures regarding custodial credit risk may be obtained from the Authority.

**CAPITAL REGION DEVELOPMENT AUTHORITY  
PARKING FACILITIES  
NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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**NOTE 3 – LOAN AGREEMENT AND PARKING CONTRACT**

During the year ended June 30, 2005, the Authority entered into a Construction and Term Loan Agreement with the Traveler's Indemnity Company ("Traveler's") to provide up to \$12.5 million in funding for a parking garage. No advances were made until the year ended June 30, 2008, when the Authority entered into an Amended and Restated Term Loan Agreement with Traveler's, at which time the entire \$12.5 million was advanced. This loan is secured by a security interest on parking revenues. Loan repayments totaled \$999,624 for each of the years ended June 30, 2017 and 2016. In addition, the Authority and Traveler's have executed a parking contract whereby Traveler's pays for use of certain parking garages.

**NOTE 4 – BONDS PAYABLE**

The Authority has issued four series of Parking and Energy Fee Revenue Bonds in the original aggregate principal amount of \$110 million the proceeds of which provided financing for the construction of the Adriaen's Landing Project. The revenue bonds are secured by a pledge of parking and energy fee revenues (except for parking revenues from the Traveler's Parking Contract, which are pledged for the Traveler's Loan) and are due in various installments through 2034. Parking revenues remitted to the Authority for payment on the bonds totaled \$6,422,300 and \$6,238,600 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 5 – COMMITMENTS**

LAZ manages the normal operations of the Parking Facilities owned by the Authority. As of January 1, 2015 the Authority and LAZ Parking LTD, LLC entered into a three year management agreement, with options to extend for two additional years. The newly executed management agreement shall not exceed five years and will expire on December 31, 2019. Fees paid for management of the Parking Facilities totaled \$78,409 and \$76,125 for fiscal years ended June 30, 2017 and 2016 respectively.