

**Capital Region Development Authority
Parking Facilities**

**Financial Statements
and Independent Auditor's Report**

June 30, 2020 and 2019

Capital Region Development Authority Parking Facilities

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Independent Auditor's Report

To the Board of Directors
Capital Region Development Authority

We have audited the accompanying financial statements of 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"), which comprise the statements of assets, liabilities and owner's equity - contractual basis as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in owner's equity - contractual basis and cash flows - contractual basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the management agreement dated January 1, 2015, 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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, 2020 and 2019, and the revenues, expenses and changes in owner's equity and cash flows for the years then ended in accordance with the financial reporting provisions of the management agreement.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Authority on the basis of the financial reporting provisions specified in the management agreement dated January 1, 2015, between the Authority and LAZ, 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 this 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.

CohnReznick LLP

Hartford, Connecticut
September 18, 2020

Capital Region Development Authority Parking Facilities

**Statements of Assets, Liabilities and Owner's Equity - Contractual Basis
June 30, 2020 and 2019**

Assets

	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 19,500	\$ 19,500
Accounts receivable	48,265	158,187
Prepaid expenses	<u>12,140</u>	<u>11,821</u>
Total current assets	79,905	189,508
Noncurrent assets		
Restricted cash	<u>2,301,817</u>	<u>1,910,658</u>
Total assets	<u>\$ 2,381,722</u>	<u>\$ 2,100,166</u>

Liabilities and Owner's Equity

Current liabilities		
Accounts payable and accrued expenses	\$ 44,715	\$ 146,632
Due to operator	96,701	36,704
Unearned revenue	<u>39,707</u>	<u>21,628</u>
Total liabilities	181,123	204,964
Owner's equity	<u>2,200,599</u>	<u>1,895,202</u>
Total liabilities and owner's equity	<u>\$ 2,381,722</u>	<u>\$ 2,100,166</u>

See Notes to Financial Statements.

Capital Region Development Authority Parking Facilities

Statements of Revenues, Expenses and Changes in Owner's Equity - Contractual Basis Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues		
Transient parking	\$ 2,345,672	\$ 3,439,011
Monthly parking	3,242,101	3,353,528
Hotel guest parking	523,708	729,543
Total revenues	6,111,481	7,522,082
Operating expenses		
Payroll and related taxes	1,235,567	1,514,902
Repairs and maintenance	535,157	554,279
Utilities	352,166	402,669
Security	219,596	243,693
Snow removal	129,715	131,838
Liability insurance	182,160	182,160
Credit card fees	127,889	156,645
Group health insurance	122,700	122,700
Professional fees	154,345	138,246
Operating supplies	47,149	95,039
Management fees	83,187	83,184
Workers' compensation insurance	38,629	45,533
Identification and credentials	13,885	22,850
Telephone	38,674	31,928
Retirement benefits	23,859	28,123
Bank service charges	21,950	23,344
Uniforms	6,968	9,147
Office supplies	17,288	21,780
Signage	2,985	5,951
Sanitation	4,853	5,170
Claims	1,660	4,103
Other	442	-
Total expenses	3,360,824	3,823,284
Operating income	2,750,657	3,698,798
Nonoperating revenue		
Interest income	3,602	2,816
Net income	2,754,259	3,701,614
Owner's equity, beginning	1,895,202	1,223,312
Debt service	(6,656,124)	(7,385,724)
Operating contributions	4,207,262	4,356,000
Owner's equity, end	\$ 2,200,599	\$ 1,895,202

See Notes to Financial Statements.

Capital Region Development Authority Parking Facilities

Statements of Cash Flows - Contractual Basis Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Receipts from customers	\$ 6,239,482	\$ 7,509,791
Payments to		
Employees	(1,502,284)	(1,659,491)
Contractors	(999,204)	(1,056,439)
Suppliers	(901,575)	(1,044,376)
	2,836,419	3,749,485
Cash flows from noncapital financing activities		
Operating contributions	4,207,262	4,356,000
	4,207,262	4,356,000
Cash flows from capital and related financing activities		
Debt service	(6,656,124)	(7,385,724)
	(6,656,124)	(7,385,724)
Cash flows from investing activities		
Interest income on cash	3,602	2,816
	3,602	2,816
Net increase in cash	391,159	722,577
Cash, beginning	1,930,158	1,207,581
Cash, end	\$ 2,321,317	\$ 1,930,158
Cash, end		
Unrestricted cash	\$ 19,500	\$ 19,500
Restricted cash	2,301,817	1,910,658
	\$ 2,321,317	\$ 1,930,158
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,750,657	\$ 3,698,798
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in operating assets		
Accounts receivable	109,922	(493)
Prepaid expenses	(319)	(406)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(101,917)	55,259
Due to operator	59,997	8,125
Unearned revenue	18,079	(11,798)
	\$ 2,836,419	\$ 3,749,485

See Notes to Financial Statements.

Capital Region Development Authority Parking Facilities

Notes to Financial Statements June 30, 2020 and 2019

Note 1 - Summary of significant accounting policies

Financial reporting entity

The 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 (the "CCEDA")) and expanded its powers to serve as a regional planning authority. The powers of the Authority are vested in its 14-member Board of Directors appointed pursuant to C.G.S. § 32-601. The accompanying 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 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 financial statements have 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, 2015, between the Authority and LAZ. The management agreement specifies that financial statements be prepared in which all the assets and liabilities of the Parking Facilities are presented under a contractual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). That basis differs from GAAP in the areas of 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 financial statements, debt associated with the Parking Facilities has been excluded from the statements of assets, liabilities and owner's equity - contractual basis and operating contributions provided by the Authority have been excluded from the determination of net income in the statements of revenues, expenses and changes in owner's equity - contractual basis. 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 debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2020 and 2019.

Capital Region Development Authority Parking Facilities

Notes to Financial Statements June 30, 2020 and 2019

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 - contractual basis.

Accounts receivable

The Parking Facilities grant credit without collateral to its customers. Based on historical collection experience, management has determined that an allowance for doubtful accounts is not considered necessary as of June 30, 2020 and 2019.

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 51% and 50% of monthly parking revenue in the accompanying statements of revenues, expenses and changes in owner's equity - contractual basis for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 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 greater. 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 Financial Statements June 30, 2020 and 2019

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 Travelers Indemnity Company ("Travelers") to provide up to \$12,500,000 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 Travelers dated March 24, 2008, at which time the entire \$12,500,000 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, 2020 and 2019. In addition, the Authority and Travelers have executed a parking contract whereby Travelers pays for use of certain parking garages.

Note 4 - Bonds payable

The Authority issued four series of Parking and Energy Fee Revenue Bonds in the original aggregate principal amount of \$110,000,000, the proceeds of which provided financing for the construction of the Adriaen's Landing Project. During fiscal year 2019, the Authority issued a refunding series of its Parking and Energy Fee Revenue Bonds with a par amount of \$16,365,000 for the purposes of paying the cost of refunding the CCEDA 2008 Series D Parking and Energy Fee Revenue Bonds and issuing the CRDA 2018 Refunding Series Bonds. The revenue bonds are secured by a pledge of parking and energy fee revenues (except for parking revenues from the Travelers Parking Contract, which are pledged for the Travelers Loan) and are due in various installments through 2034. Parking revenues remitted to the Authority for payment on the bonds totaled \$5,656,500 and \$6,386,100 for the years ended June 30, 2020 and 2019, respectively.

Note 5 - Contingencies

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The Parking Facilities are not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Parking Facilities' operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Parking Facilities' financial position, results of operations, and cash flows.

Note 6 - 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. entered into a three-year management agreement, with options to extend for two additional years. The management agreement has been extended and will expire on June 30, 2021. Fees paid for management of the Parking Facilities totaled \$83,187 and \$83,184 for the years ended June 30, 2020 and 2019, respectively.

Note 7 - Subsequent events

The Authority has evaluated subsequent events through September 18, 2020, which is the date the financial statements were available to be issued.



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