

**The Parking Authority of the  
City of Lancaster  
(A Component Unit of the City of  
Lancaster, Pennsylvania)**

Financial Statements and Required  
Supplementary Information

Years Ended December 31, 2013 and 2012 with  
Independent Auditor's Report

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Pittsburgh | Harrisburg | Butler

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# **THE PARKING AUTHORITY OF THE CITY OF LANCASTER**

YEARS ENDED DECEMBER 31, 2013 AND 2012

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## Independent Auditor's Report

Board of Directors  
The Parking Authority of the City of Lancaster

We have audited the accompanying financial statements of The Parking Authority of the City of Lancaster (Authority), a component unit of the City of Lancaster, Pennsylvania, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express 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 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 financial position of the Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

The financial statements of the Authority as of December 31, 2012 were audited by other auditors whose report, dated June 27, 2013, expressed an unmodified opinion on those statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i to vi and the Historical Pension Information on pages 19 and 20 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.

*Maher Duessel*

Harrisburg, Pennsylvania  
May 22, 2014

# **The Parking Authority of the City of Lancaster**

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## **Management's Discussion and Analysis**

December 31, 2013 and 2012

### **Introduction**

The Parking Authority of the City of Lancaster (the Authority) was incorporated on January 4, 1967 to serve the City of Lancaster, Pennsylvania's (the City) parking needs. The Authority is incorporated under the "Parking Authority Law" of 1947, State of Pennsylvania. The Authority may acquire, construct, improve, and maintain parking projects; conduct research related to parking problems; establish a permanent, coordinated system of parking facilities; borrow money; and issue bonds.

The governing body of the Authority is a five-member Board of Directors appointed by the Mayor of the City of Lancaster, Pennsylvania for a term of five years. Each of the five appointments are staggered allowing for one new or reappointed member each year. The Board proceedings are governed by the adopted by-laws of the Authority. Twelve monthly board meetings are held per year. The board members are actively involved in strategic planning and approval of major lease arrangements, new construction, major maintenance, financial management (including budget review and approval), and marketing of the Authority.

The Authority owns and operates five parking garages including the Penn Square Garage, East King Street Garage, Duke Street Garage, Prince Street Garage, and Water Street Garage. The Authority owns and operates three surface lots on Cherry Street, Mifflin Street, and Queen Street. The Authority operates over 1000 parking metered spaces which reside both on city streets and at an off-street lot at the Lancaster Public Library.

### **Financial Requirements**

The Authority is a self-supporting municipal authority with financial responsibility to manage and maintain its properties on behalf of the City of Lancaster and the Authority's bondholders. To meet its obligations, the Authority must perform productively and efficiently with a high standard of accountability.

The Authority issued bonds in 1969 to purchase the Watt & Shand Garage, currently known as the Penn Square Garage. Bonds were issued in 1970 and 1971 to construct the Duke Street Garage and the Prince Street Garage, respectively. In 1987, bonds were issued for the construction of the Water Street Garage.

The Authority issued new revenue bonds in October 2007 to retire the existing debt and issue new bonds to construct the East King Street Garage. Under the 2007 bond indenture, the Authority's Board of Directors has responsibility for management oversight of the parking facilities. The City of Lancaster guarantees the debt of the Authority and plays a significant role in the management of the Authority through appointment of the Authority's Board of Directors by the Mayor of the City of Lancaster. The 2007 bond indenture places restrictions on financial resources of the Authority to provide for debt service payments. The 2007 bonds are scheduled to mature in 2035.

The following discussion and analysis of the Authority's activities and financial performance provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended December 31, 2013, 2012, and 2011. Please read it in conjunction with Authority's financial statements.

# The Parking Authority of the City of Lancaster

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## Management's Discussion and Analysis

December 31, 2013 and 2012

### Financial Highlights

- The Authority's net position increased by \$311,324 for the year ended December 31, 2013. This compares to a \$563,104 increase and a \$274,772 increase in net position for the years ended December 31, 2012 and 2011, respectively.
- The Authority's operating revenues increased approximately 2%, or \$110,175, to \$4,876,604 for the year ended December 31, 2013 compared to operating revenues of \$4,766,429 and \$4,540,398 for the years ended December 31, 2012 and 2011, respectively.
- The Authority's operating expenses increased approximately 6%, or \$163,627, to \$2,996,394. This compares to operating expenses of \$2,832,767 and \$3,148,890 for the years ended December 31, 2012 and 2011, respectively. Operating expenses included depreciation expense, which is a noncash expense, of \$981,806, \$883,586, and \$1,121,624 for the years ending December 31, 2013, 2012, and 2011, respectively.

### Overview of the Financial Statements

The Authority's basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. This report also includes required supplementary information in addition to the basic financial statements themselves.

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

**Statement of Net Position.** The statement of net position presents the financial position of the Authority. It presents information on the Authority's assets, deferred outflows and inflows of resources, liabilities, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position.** The statement of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during each fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused vacation leave).

**Statement of Cash Flows.** The statement of cash flows present information on the effects of changes in assets, deferred outflows and inflows of resources, and liabilities have on cash during the course of the fiscal year.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements.

# The Parking Authority of the City of Lancaster

## Management's Discussion and Analysis

December 31, 2013 and 2012

### Financial Analysis

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities are greater than assets by \$2,976,618, \$3,287,942 and \$3,851,046 at December 31, 2013, 2012, and 2011, respectively.

A condensed summary of the Authority's statement of net position at December 31 is presented below:

#### Condensed Statement of Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current unrestricted assets	\$ 1,629,273	\$ 1,674,295	\$ 1,335,200
Current restricted assets	3,070,592	3,052,471	3,068,021
Capital assets, net	19,361,878	19,822,274	20,289,511
<b>Total Assets</b>	<b>24,061,743</b>	24,549,040	24,692,732
<b>Total Deferred Outflows of Resources</b>	<b>39,108</b>	65,179	97,769
Current unrestricted liabilities	159,538	195,052	171,721
Current restricted liabilities	972,301	944,558	925,703
Elevator loan payable	900,000	1,050,000	1,200,000
Bond payable	25,300,000	25,990,000	26,645,000
Less discount and interest costs	(254,370)	(277,449)	(300,877)
<b>Total Liabilities</b>	<b>27,077,469</b>	27,902,161	28,641,547
<b>Total Net Position</b>	<b>(2,976,618)</b>	(3,287,942)	(3,851,046)

The largest portion of the Authority's net position, \$(4,314,052) reflects its investment in capital assets, net of related debt, (e.g., land, garages, garage equipment, office equipment, vehicles, and parking meters) as of December 31, 2013, compared to \$(4,627,627) and \$(4,868,822) as of December 31, 2012 and 2011, respectively. The Authority's operating revenues are derived entirely from User Fees. The patrons are primarily employees of downtown businesses and their customers who commute from the suburban areas to the City on a regular basis as well as fees collected from special events held at the Lancaster County Convention Center. During the year ended December 31, 2013, the Authority invested in structural improvements and repairs to the garages, lots and office, as well as upgrades to equipment. During the year ended December 31, 2012, the Authority invested in structural improvements to the garages, updates to garage and office equipment and garage security improvements. During the year ended December 31, 2011, the Authority invested in improvements to the garages, including energy efficient lighting and other garage equipment.

# The Parking Authority of the City of Lancaster

## Management's Discussion and Analysis

December 31, 2013 and 2012

### Financial Analysis (continued)

**Changes in net position.** A condensed summary of the Authority's statements of revenues, expenses, and changes in net position for the years ended December 31 is presented below:

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>			
Parking garages and lots	\$ 3,878,526	\$ 3,880,502	\$ 3,769,563
Parking meters	998,078	885,927	770,835
<b>Total Operating Revenues</b>	<u>4,876,604</u>	<u>4,766,429</u>	<u>4,540,398</u>
<b>Operating Expenses, Excluding Depreciation</b>	<u>2,014,588</u>	<u>1,949,181</u>	<u>2,027,266</u>
<b>Provision for Depreciation</b>	<u>981,806</u>	<u>883,586</u>	<u>1,121,624</u>
<b>Total Operating Expenses</b>	<u>2,996,394</u>	<u>2,832,767</u>	<u>3,148,890</u>
<b>Operating Income</b>	<u>1,880,210</u>	<u>1,933,662</u>	<u>1,391,508</u>
<b>Non-Operating Revenues (Expense)</b>			
Unrealized gain (loss) on investments	(300,618)	11,100	404,454
Gain on sale of assets	-	743	4,312
Investment income	67,171	64,477	68,249
Interest expense	(1,478,067)	(1,518,373)	(1,611,946)
Insurance proceeds	107,549	-	-
Miscellaneous income	35,079	71,495	18,195
<b>Total Net Non-Operating Revenues (Expenses)</b>	<u>(1,568,886)</u>	<u>(1,370,558)</u>	<u>(1,116,736)</u>
<b>Increase (Decrease) in Net Position</b>	<u>311,324</u>	<u>563,104</u>	<u>274,772</u>
<b>Net Position (Deficit), Beginning</b>	<u>(3,287,942)</u>	<u>(3,851,046)</u>	<u>(4,125,818)</u>
<b>Net Position (Deficit), Ending</b>	<u>\$ (2,976,618)</u>	<u>\$ (3,287,942)</u>	<u>\$ (3,851,046)</u>

The Authority's major expenses are salaries, fringe benefits, facility maintenance, and interest expense.



# The Parking Authority of the City of Lancaster

## Management's Discussion and Analysis

December 31, 2013 and 2012

### Capital Assets

#### Capital Acquisitions

The Authority's investment in capital assets includes land, parking garages, gate/revenue control systems, parking meters, vehicles, and office equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by revenue generated by our patrons as well as by bonds.

Capital acquisitions for the years ended December 31, 2013, 2012, and 2011 totaled \$521,410, \$416,531 and \$695,627, respectively. The Authority's investments in capital assets as of December 31, 2013, 2012, and 2011, net of accumulated depreciation were as follows:

	Capital Assets at December 31		
	2013	2012	2011
Land	\$ 3,695,871	\$ 3,695,871	\$ 3,695,871
Parking garages/lots	32,795,704	32,291,679	31,943,635
Office furnishings and equipment	93,424	93,424	81,233
Equipment	3,367,801	3,350,416	3,318,076
Vehicles	88,843	88,843	74,862
	<b>40,041,643</b>	39,520,233	39,113,677
Less accumulated depreciation	<b>20,679,765</b>	19,697,959	18,824,166
<b>Net Capital Assets</b>	<b>\$ 19,361,878</b>	<b>\$ 19,822,274</b>	<b>\$ 20,289,511</b>

Additional information on capital assets can be found in Note 4.

### Debt Administration

As of December 31, 2013, the Authority had \$25,990,000 of outstanding bonded debt compared to \$26,645,000 and \$27,275,000 for the years ended December 31, 2012 and 2011, respectively.

In 2010, the Authority obtained a ten year loan for \$1,500,000 to finance the replacement of eight garage elevators. The outstanding balance as of December 31, 2013 is \$1,050,000 and was \$1,200,000 and \$1,350,000 as of December 31, 2012 and 2011, respectively.

More detailed information about the Authority's long-term debt is presented in Notes 5 and 6 to the financial statements.

# **The Parking Authority of the City of Lancaster**

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## Management's Discussion and Analysis

December 31, 2013 and 2012

### **Economic Condition and Outlook**

The Authority's financial outlook remains strong based on steady demand throughout the City for off-street garages, surface lots and on-street metered parking resulting in several facilities projected to be near capacity in the coming year. The Authority continues to pursue additional parking management opportunities outside its own portfolio to further diversify its revenue stream, an initiative tied directly to its strategic plan.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide our customers, creditors, and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report, or if additional financial information is required, please contact the Director of Finance and Administration, The Parking Authority of the City of Lancaster at P.O. Box 866, Lancaster, PA 17608-0866.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## STATEMENTS OF NET POSITION

DECEMBER 31, 2013 AND 2012

<b>Assets</b>	2013	2012
Current assets:		
Cash and cash equivalents	\$ 1,510,431	\$ 1,498,398
Accounts receivable	11,236	23,349
Prepaid expenses	107,606	152,548
Total current assets	1,629,273	1,674,295
Restricted assets:		
Investments	3,070,592	3,052,471
Capital assets:		
Capital assets not being depreciated:		
Land	3,695,871	3,695,871
Capital assets being depreciated:		
Parking garages, lots, and rental complex	32,795,704	32,291,679
Office furnishings and equipment	93,424	93,424
Equipment	3,367,801	3,350,416
Vehicles	88,843	88,843
	36,345,772	35,824,362
Less accumulated depreciation	(20,679,765)	(19,697,959)
	15,666,007	16,126,403
Capital assets, net	19,361,878	19,822,274
<b>Total Assets</b>	24,061,743	24,549,040
<b>Deferred Outflows of Resources</b>		
Deferred charge on debt refunding, net of accumulated amortization	39,108	65,179
<b>Total Deferred Outflows of Resources</b>	39,108	65,179

The accompanying notes are an integral part of these financial statements.

	<u>2013</u>	<u>2012</u>
<b>Liabilities</b>		
<hr/>		
Current liabilities (payable from current unrestricted assets):		
Trade accounts payable	51,683	32,088
Accrued salaries	29,196	37,947
Accrued payroll taxes	861	2,815
Revenue received in advance	77,798	122,202
	<hr/>	<hr/>
Total current liabilities (payable from current unrestricted assets)	159,538	195,052
	<hr/>	<hr/>
Current liabilities (payable from restricted assets):		
Accrued interest	132,301	139,558
Current portion of elevator loan payable	150,000	150,000
Current portion of revenue bonds payable	690,000	655,000
	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	972,301	944,558
	<hr/>	<hr/>
Long-term debt - less current portion:		
Elevator loan payable	900,000	1,050,000
Revenue bonds payable	25,300,000	25,990,000
Less unamortized bond discount	(254,370)	(277,449)
	<hr/>	<hr/>
Total long-term debt	25,945,630	26,762,551
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>27,077,469</b>	<b>27,902,161</b>
	<hr/>	<hr/>
<b>Net Position</b>		
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Net investment in capital assets	(4,314,052)	(4,627,627)
Unrestricted	1,337,434	1,339,685
	<hr/>	<hr/>
<b>Total Net Position</b>	<b>\$ (2,976,618)</b>	<b>\$ (3,287,942)</b>
	<hr/>	<hr/>

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<b>Operating Revenues:</b>		
Parking garages and lots	\$ 3,878,526	\$ 3,880,502
Parking meters	998,078	885,927
Total operating revenues	4,876,604	4,766,429
<b>Operating Expenses:</b>		
Operating expenses, excluding depreciation	(2,014,588)	(1,949,181)
Operating income before depreciation	2,862,016	2,817,248
Provision for depreciation	(981,806)	(883,586)
<b>Operating Income</b>	1,880,210	1,933,662
<b>Nonoperating Revenues (Expenses):</b>		
Unrealized gain (loss) on investments	(300,618)	11,100
Gain on sale of assets	-	743
Investment income	67,171	64,477
Interest expense	(1,478,067)	(1,518,373)
Insurance proceeds	107,549	-
Miscellaneous income	35,079	71,495
Total nonoperating revenues (expenses)	(1,568,886)	(1,370,558)
<b>Change in Net Position</b>	311,324	563,104
<b>Net Position:</b>		
Beginning of year	(3,287,942)	(3,851,046)
End of year	\$ (2,976,618)	\$ (3,287,942)

The accompanying notes are an integral part of these financial statements.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 4,879,392	\$ 4,843,432
Cash payments to suppliers for goods and services	(1,016,971)	(1,145,220)
Cash payments to employees for services	(943,785)	(883,004)
Net cash provided by operating activities	2,918,636	2,815,208
<b>Cash Flows from Noncapital Financing Activities</b>		
Insurance proceeds	107,549	-
Net cash provided by noncapital financing activities	107,549	-
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital asset purchases	(521,410)	(415,788)
Interest paid on bonds and loans	(1,436,174)	(1,468,501)
Payments to redeem bonds and loans	(805,000)	(780,000)
Net cash used in capital and related financing activities	(2,762,584)	(2,664,289)
<b>Cash Flows from Investing Activities:</b>		
Sale of investments	2,046,114	512,133
Purchases of investments	(2,364,853)	(485,300)
Interest received on investments	67,171	64,477
Net cash provided by (used in) investing activities	(251,568)	91,310
<b>Net Increase in Cash and Cash Equivalents</b>	12,033	242,229
<b>Cash and Cash Equivalents:</b>		
Beginning of year	1,498,398	1,256,169
End of year	\$ 1,510,431	\$ 1,498,398
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 1,880,210	\$ 1,933,662
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	981,806	883,586
Miscellaneous income	35,079	71,495
(Increase) decrease in assets:		
Accounts receivable	12,113	(10,762)
Prepaid expenses	44,942	(86,104)
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	8,890	7,061
Revenue received in advance	(44,404)	16,270
Net cash provided by operating activities	\$ 2,918,636	\$ 2,815,208

The accompanying notes are an integral part of these financial statements.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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### 1. NATURE OF ACTIVITY

The Parking Authority of the City of Lancaster (Authority) was incorporated January 4, 1967, by an ordinance of the City of Lancaster (City), under the Commonwealth of Pennsylvania Parking Authority Law. The governing body of the Authority is a board consisting of five members, all of whom are appointed by the Mayor for a term of five years. The Authority owns various parking garages throughout the City and has issued revenue bonds to acquire or construct the parking facilities. Each of the bond issues is secured by a trust indenture.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. There were no additional entities required to be included in the reporting entity under these criteria for the periods covered by the financial statements.

#### Component Unit

A component unit is a legally separate entity that satisfies at least one of the following criteria: 1) elected officials of a primary government are financially accountable for the entity, or 2) the nature and significance of the relationship between the entity and primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. The Authority is a component unit of the City.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing

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# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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operations. The principal operating revenues of the Authority are charges to customers for parking services. Operating expenses include the cost of providing parking services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all short-term investments with a maturity of one month or less to be cash and cash equivalents.

### Investments

Investments are carried at fair value or cost, plus any earned purchase discounts, or less any amortized purchase premiums. The Board is permitted to invest the Authority's funds as defined in the Pennsylvania Parking Authorities Law. Authorized types of investments include short-term, highly liquid debt instruments that include commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Non-negotiable certificates of deposits are recorded at cost. Investment income is recognized when earned.

### Accounts Receivable

Accounts receivable are stated at outstanding balances. The Authority considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged-off accounts are recorded when received.

### Restricted Assets

The terms of the bond indentures require that certain assets be restricted in favor of the bondholders and for capital projects. Restricted assets represent monies held or receivable by the independent trustee.

### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

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# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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### Capital Assets

Capital assets are carried in the basis of cost. Capital assets are defined by the Authority as assets with a useful life in excess of one year and an initial individual cost of more than \$5,000. Expenditures for maintenance and repairs are charged against income, whereas major additions and betterments are capitalized. Depreciation is computed on the straight-line method. Estimated useful lives assigned to the various assets are as follows:

Parking garages, lots, and rental complex	10 to 40 years
Office furnishings and equipment	5 to 10 years
Equipment	7 to 10 years
Vehicles	5 years

Provisions for depreciation amounted to \$981,806 and \$883,586 for the years ended December 31, 2013 and 2012, respectively.

Capital assets other than those held for sale are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Management has concluded that no impairment reserves are required as of December 31, 2013 and 2012.

### Revenue Received in Advance

Parking fees, contract parking income, and lease rental revenues are recognized in the period for which such revenues pertain. Any amounts collected in advance of such periods are reflected in the statements of net position as unearned revenue.

### Net Position

Net position is classified between two categories as follows:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt associated with capital assets. Debt related to unspent proceeds or other restricted investments is excluded from the determination.

Unrestricted net position consists of amounts that are not restricted for any project or other purpose and are available for Authority operations.

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# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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When restricted and unrestricted resources are available for its use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Risk Management

The Authority 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. Significant losses are covered by commercial insurance. The Authority received \$107,549 in insurance proceeds during the year ended December 31, 2013. With the exception of these proceeds, settlement amounts have not exceeded insurance coverages for the years ended December 31, 2013 or the two prior years.

### Pending Changes in Accounting Principles

In June of 2012, the GASB issued Statements No. 67 and 68, "*Financial Reporting for Pension Plans*" and "*Accounting and Financial Reporting for Pensions.*" In addition, in November of 2013, the GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date.*" These Statements revise and establish reporting requirements for most governments that provide their employees with pension benefits. The provisions of GASB Statement No. 67 are effective for the Authority's December 31, 2014 financial statements, and GASB Statements No. 68 and 71 are effective for the Authority's December 31, 2015 financial statements.

The effect of implementation of these Statements has not yet been determined.

### Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

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### 3. DEPOSITS AND INVESTMENTS

#### Deposits

The Authority's available cash is invested in demand deposit accounts and petty cash. The carrying amounts of the cash deposits at December 31 consist of the following:

	<u>2013</u>	<u>2012</u>
Cash Deposits:		
Cash and cash equivalents	\$ 1,488,458	\$ 1,475,043
Petty cash	21,973	23,355
	<u>\$ 1,510,431</u>	<u>\$ 1,498,398</u>

*Custodial credit risk* - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority has custodial credit risk on cash deposits. The Authority has a deposit policy for custodial credit risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

As of December 31, 2013 and 2012, the Authority's cash deposits were \$1,488,458 and \$1,475,043, respectively. The bank balances as of December 31, 2013 and 2012 were \$1,674,745 and \$1,317,600, respectively. At December 31, 2013 and 2012, \$418,021 and \$533,538, respectively, was covered by federal depository insurance and \$1,256,724 and \$784,062, respectively, was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

#### Investments

The Authority is authorized by statutes to invest its funds in certain governmental obligations as described in Note 2. The Authority's investment policy is consistent with these limitations.

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## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

As of December 31, 2013 and 2012, the Authority had the following investments:

Investments	Fair Value
December 31, 2013	
U.S. Government Money Market Fund	\$ 1,423,160
U.S. Government Securities Fixed Income Securities	1,647,432
	\$ 3,070,592
December 31, 2012	
U.S. Government Money Market Fund	\$ 1,104,421
U.S. Government Securities Fixed Income Securities	1,948,050
	\$ 3,052,471

*Custodial credit risk* - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Authority does not have a formal policy that would limit its investment choices with regard to custodial credit risk. At December 31, 2013, all investments of the Authority are held by the financial institution's trust department or agency, in the Authority's name.

*Concentration of credit risk* - The Authority places no limits on the amount the Authority may invest in any one issuer. At December 31, 2013, more than five percent of the Authority's investments were held with the following issuers:

December 31, 2013	Fair Value	Percent of Investments
Goldman Sachs Financial Square Treasury Obligation Money Market Fund	\$ 1,423,160	46.35%

*Credit risk* - The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. As of December 31, 2013, the Authority's investments in U.S. Government Securities Fixed Income Securities were rated AAA. As of December 31, 2013, the Authority's investments in U.S. Government Money Market Fund were rated AAA.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

*Interest rate risk* - As a means of managing its exposure to fair value losses arising from changes in interest rates, the Authority's investment policy permits investments with a maturity date in excess of 18 months, provided market conditions and projected use of funds warrant a longer term. At December 31, 2013, the Authority's U.S. Government Money Market Fund investments had maturities of less than one year and the U.S. Government Securities Fixed Income Securities had maturities greater than 10 years.

### 4. CAPITAL ASSETS

Capital asset activity for the years ended December 31 is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Capital assets not being depreciated:				
Land	\$ 3,695,871	\$ -	\$ -	\$ 3,695,871
Capital assets being depreciated:				
Parking garages, lots, and rental complex	32,291,679	504,025	-	32,795,704
Office furnishings and equipment	93,424	-	-	93,424
Equipment	3,350,416	17,385	-	3,367,801
Vehicles	88,843	-	-	88,843
Total capital assets being depreciated	<u>35,824,362</u>	<u>521,410</u>	<u>-</u>	<u>36,345,772</u>
Less accumulated depreciation for:				
Parking garages, lots, and rental complex	18,102,759	669,954	-	18,772,713
Office furnishings and equipment	71,513	4,664	-	76,177
Equipment	1,478,697	292,718	-	1,771,415
Vehicles	44,990	14,470	-	59,460
Total accumulated depreciation	<u>19,697,959</u>	<u>981,806</u>	<u>-</u>	<u>20,679,765</u>
Total capital assets being depreciated, net	<u>16,126,403</u>	<u>(460,396)</u>	<u>-</u>	<u>15,666,007</u>
	<u>\$ 19,822,274</u>	<u>\$ (460,396)</u>	<u>\$ -</u>	<u>\$ 19,361,878</u>

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets not being depreciated:				
Land	\$ 3,695,871	\$ -	\$ -	\$ 3,695,871
Capital assets being depreciated:				
Parking garages, lots, and rental complex	31,943,635	348,044	-	32,291,679
Office furnishings and equipment	81,233	12,191	-	93,424
Equipment	3,318,076	32,340	-	3,350,416
Vehicles	74,862	23,956	9,975	88,843
Total capital assets being depreciated	35,417,806	416,531	9,975	35,824,362
Less accumulated depreciation for:				
Parking garages, lots, and rental complex	17,547,538	555,221	-	18,102,759
Office furnishings and equipment	64,178	7,335	-	71,513
Equipment	1,174,461	304,236	-	1,478,697
Vehicles	37,989	16,794	9,793	44,990
Total accumulated depreciation	18,824,166	883,586	9,793	19,697,959
Total capital assets being depreciated, net	16,593,640	(467,055)	182	16,126,403
	<u>\$ 20,289,511</u>	<u>\$ (467,055)</u>	<u>\$ 182</u>	<u>\$ 19,822,274</u>

### 5. UNAMORTIZED BOND DISCOUNTS AND DEFERRED CHARGE ON REFUNDING

The bond discounts of the various issues of the Parking Revenue Bonds are being amortized using the effective interest method over the terms of the bonds. The deferred charge on refunding is being amortized using the effective interest rate method over the remaining lives of the old bond issues. Amortized interest expense totaled \$49,150 and \$56,018 during the years ended December 31, 2013 and 2012, respectively.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

The bond discounts and deferred charge on refunding are as follows:

	Series A of 2007	Series B of 2007	Total
Balance at December 31, 2011	\$ 263,776	\$ 134,870	\$ 398,646
2012 interest expense	(42,699)	(13,319)	(56,018)
Balance at December 31, 2012	221,077	121,551	342,628
2013 interest expense	(35,846)	(13,304)	(49,150)
Balance at December 31, 2013	\$ 185,231	\$ 108,247	\$ 293,478

The bond discounts are presented as a reduction of the outstanding debt, in accordance with accounting principles generally accepted in the United States of America. The deferred charge on refunding is shown as a deferred outflow of resources.

## 6. LONG-TERM DEBT

The Parking Revenue Bonds of 1992, Parking Revenue Bonds of 1993, and 2003 Note were secured by a trust indenture dated December 31, 1985, and supplemental trust indentures dated January 15, 1992, December 14, 1993, and January 1, 1996, respectively, all issued by the Authority to the Trustee. The bonds were payable out of revenue derived principally from the operation of the parking facilities. The City has guaranteed (under the terms of a lease agreement dated December 31, 1985, as amended by supplemental issues dated January 15, 1992, December 14, 1993, and January 1, 1996) debt service payments to the Trustee.

On September 15, 2007, the 1992 and 1993 Series Bonds were defeased and the 2003 Note was paid in full with issuance of 2007 Series A and B Parking Revenue Bonds. The 2007 bonds are secured by a trust indenture dated September 15, 2007. Debt service payments are guaranteed by the City with a guaranty agreement dated September 15, 2007. The bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the 2007 Series A Bonds range from 3.65 to 5.00%. Interest rates on the 2007 Series B Bonds range from 5.60 to 5.95%.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	Balance January 1, 2013	Additions	Repayments	Balance December 31, 2013	Amounts Due Within One Year
2007 Series A Parking Revenue Bonds	\$ 18,105,000	\$ -	\$ 645,000	\$ 17,460,000	\$ 675,000
2007 Series B Parking Revenue Bonds	8,540,000	-	10,000	8,530,000	15,000
	\$ 26,645,000	\$ -	\$ 655,000	\$ 25,990,000	\$ 690,000
	Balance January 1, 2012	Additions	Repayments	Balance December 31, 2012	Amounts Due Within One Year
2007 Series A Parking Revenue Bonds	\$ 18,725,000	\$ -	\$ 620,000	\$ 18,105,000	\$ 645,000
2007 Series B Parking Revenue Bonds	8,550,000	-	10,000	8,540,000	10,000
	\$ 27,275,000	\$ -	\$ 630,000	\$ 26,645,000	\$ 655,000

Future maturities are as follows:

	Principal	Interest	Total
2014	\$ 690,000	\$ 1,357,396	\$ 2,047,396
2015	715,000	1,329,532	2,044,532
2016	745,000	1,300,667	2,045,667
2017	785,000	1,263,306	2,048,306
2018	830,000	1,193,395	2,023,395
2019 - 2023	4,935,000	5,314,558	10,249,558
2024 - 2028	6,485,000	3,706,570	10,191,570
2029 - 2033	8,275,000	1,914,000	10,189,000
2034 - 2035	2,530,000	157,500	2,687,500
	\$ 25,990,000	\$ 17,536,924	\$ 43,526,924



# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

### Elevator Loan

During the year ended December 31, 2010, the Authority obtained bank financing of \$1,500,000 to upgrade elevators in the garages. Principal is to be paid in ten equal annual installments of \$150,000. Interest is fixed at 4.31% through August 1, 2020, when the loan is scheduled to be paid in full.

	Balance January 1, 2013	Additions	Repayments	Balance December 31, 2013	Amounts Due Within One Year
Elevator Loan Payable	\$ 1,200,000	\$ -	\$ 150,000	\$ 1,050,000	\$ 150,000

  

	Balance January 1, 2012	Additions	Repayments	Balance December 31, 2012	Amounts Due Within One Year
Elevator Loan Payable	\$ 1,350,000	\$ -	\$ 150,000	\$ 1,200,000	\$ 150,000

Future maturities are as follows:

	Principal	Interest	Total
2014	\$ 150,000	\$ 42,545	\$ 192,545
2015	150,000	36,080	186,080
2016	150,000	29,704	179,704
2017	150,000	23,150	173,150
2018	150,000	16,685	166,685
2019 - 2020	300,000	13,993	313,993
	\$ 1,050,000	\$ 162,157	\$ 1,212,157

### Interest Expense

Interest expense on all bonds totaled \$1,381,573 and \$1,403,003 for the years ended December 31, 2013 and 2012, respectively. Interest expense on the elevator loan totaled \$47,344 and \$59,352 for the years ended December 31, 2013 and 2012, respectively.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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### Defeased Debt

On September 15, 2007, the Authority funded the outstanding balance of \$17,980,000 of the Parking Revenue Bonds of the 1992 issue and the 1993 issue, by irrevocably placing in trust, direct obligations of the United States of America sufficient to satisfy the semi-annual interest payments and bond redemption requirements. The bonds are considered to be extinguished for financial reporting purposes and are excluded from the statements of net position. The Trustee retired \$1,745,000 and \$2,135,000 of this debt in 2013 and 2012, respectively.

A summary of outstanding refunded bonds at December 31 is as follows:

	<u>2013</u>	<u>2012</u>
Series of 1992 and 1993		
Bonded debt outstanding	\$ 5,235,000	\$ 6,980,000
Funds on deposit with Trustee at fair value	\$ 4,830,994	\$ 6,359,287

## **7. PENSION PLAN**

The Authority's defined benefit pension plan, The Parking Authority of the City of Lancaster Employee Pension Plan, provides retirement, disability, and death benefits to plan members and their beneficiaries. The pension plan is affiliated with the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer pension plan administered by an independent state agency created by the Pennsylvania General Assembly in 1974 to administer local government pension plans. The authority to participate in the PMRS Plan and to select specific benefit options rests with the Board of Directors of the Authority. The PMRS issues a publicly available comprehensive annual financial report (CAFR). A copy of the CAFR can be obtained by writing to Pennsylvania Municipal Retirement Systems, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165 or by calling 1-800-622-7968.

### Funding Policy

Plan participants are required to contribute 3.50% of their total compensation. The Authority is required to contribute at an actuarially determined rate; the current rate is 8.97% of annual covered payroll. The contribution requirement of the Authority is established and may be amended by PMRS. The contribution requirement of the Plan participants is established by the Board of Directors of the Authority.

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# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

### Annual Pension Cost

The Authority had an annual pension cost of \$2,736 and \$14,139 for the years ended December 31, 2013 and 2012, respectively, which equaled the Authority's required and actual contribution. The required contribution was determined as a part of the actuarial valuation using the entry age normal, closed level dollar actuarial cost method. The actuarial assumptions include: (a) 5.5% investment rate of return (net of administration expense), (b) projected salary increases using an age-related scale for merit/seniority (e.g., age 30 – 6.4%; age 40 – 5.0; age 50 – 4.1%; age 60 – 3.7%; 2.0% added for each of the first three years of services), including inflation at 3.0%, and (c) disability rates equal to 40% of the rates set forth in the 1964 OASPI (Social Security) experience.

The following is a summary of the last three years:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
12/31/2011	\$ 13,372	100%
12/31/2012	14,139	100%
12/31/2013	2,736	100%

The schedules of funding progress, presented as required supplementary information following the notes to financial statements, present multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2013	\$ 1,527,779	\$ 1,355,760	\$ 172,019	112.7%	\$ 370,246	46.5%

## **8. PENN SQUARE LEASE AGREEMENT**

In 2007, the Authority entered into a lease agreement with Penn Square Partners. The lease provides Penn Square Partners with 300 guaranteed spaces, and the option to modify the Penn Square Garage. All modifications are paid by the Authority upon approval and are then reimbursed by the lessee. In the event of lease termination or cancellation, the lessee is

# **THE PARKING AUTHORITY OF THE CITY OF LANCASTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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responsible for all expenses required to revert the Penn Square Garage to its original form that existed prior to the lease agreement.

### **9. TRANSACTIONS WITH PRIMARY GOVERNMENT – CITY OF LANCASTER**

During the years ended December 31, 2013 and 2012, the City paid the Authority \$127,192 and \$127,602, respectively, for employee parking. These transactions are reported as parking garages and lots revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

**Required Supplementary  
Information**

**THE PARKING AUTHORITY OF THE  
CITY OF LANCASTER**

HISTORICAL PENSION INFORMATION  
(REQUIRED SUPPLEMENTARY INFORMATION)

(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as of Percentage of Covered Payroll ((a-b)/c)
2009	\$ 1,441,908	\$ 1,224,520	\$ 217,388	117.75%	\$ 413,241	52.61%
2011	1,487,813	1,336,517	151,296	111.32%	362,428	41.75%
2013	1,527,779	1,355,760	172,019	112.69%	370,246	46.46%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Annual Required Contribution	Percentage Contributed
2008	\$ 7,369	100.00%
2009	5,479	100.00%
2010	10,008	100.00%
2011	13,372	100.00%
2012	14,139	100.00%
2013	2,736	100.00%

See accompanying note to required supplementary information.

# THE PARKING AUTHORITY OF THE CITY OF LANCASTER

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2013

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The information presented in the required supplementary information on page 19 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the actuarial latest valuation date used to determine the Annual Pension Cost (APC) is as follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	using an age-related scale for merit/seniority (e.g., age 30 – 6.4%; age 40 – 5.0; age 50 – 4.1%; age 60 – 3.7%; 2.0% added for each of the first three years of services), including inflation at 3.0%