

CAPITAL CITY PROPERTIES

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April 19, 2018

Mr. Corbin Connell
Wells Fargo Corporate Trust Special Accounts Group
625 Marquette Ave, 11th Floor
MAC N9311-161
Minneapolis, Minnesota 55479

**RE: Continuing Disclosure Agreement Annual Report – Capital City Plaza
Parking Garage**

Dear Mr. Connell:

In accordance with the Port Authority of the City of St Paul Parking Ramp Revenue Bonds, there are a number of continuing disclosure requirements. This letter summarizes those disclosures.

An electronic copy of the audited financial statements of Capital City Plaza Parking Garage (Parking Garage) as of December 31, 2017 will be emailed to you later next week. The annual budget for the calendar year ending December 31, 2018 was emailed to you earlier this year, however, for your convenience, the budget and the following items are attached to this letter:

- Schedule of Rates and Charges
- Projected Annual Operating Results and Debt Coverage

In addition to these attached statements, the following information is also being provided:

- All required insurance is in place and in effect.
- The contract with Allied Parking Company was effective July 1, 2011 and is for a five year term ending June 30, 2016; the contract was automatically renewed for an additional year due to activities being evaluated related to potential ownership or other changes.
- During the fiscal year ending December 31, 2017, rates and charges for the use of the project were not sufficient to provide for the deposits required by Section 1110 of the Indenture. Based upon the existing operating results and parking market, Allied Parking conducting a market study dated August 2017. Minor adjustments were made to the rates.

Mr. Corbin Connell

April 25, 2018

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- There were no material capital outlays in 2017 that required a draw on the repair and replacement reserve. At December 31, 2017 this reserve had a balance of \$237,228.
- The following are a list of material events that occurred during 2017:
 - No principal or interest was paid on the Subordinate debt; only a partial payment was made on the scheduled Senior debt service.
- Minnesota Statutes require that non-profit corporations created by political subdivisions take certain actions in order to remain in existence. These Statutes apply to Capital City Properties (CCP), which had been created in 1991 as an affiliate of the Port Authority of the City of St. Paul. Pursuant to these Statutes, the Port Authority and CCP adopted resolutions providing for the continued existence of CCP.
- There is no material litigation or claims pending with respect to the project on the ability of the Port Authority or CCP to own and or operate this project.

Please distribute this information as outlined in the continuing disclosure agreement and call me if you have any questions.

Sincerely,

Bruce A. Kessel
Controller

BAK:ca

Attachments

Capital City Plaza Parking Garage - 2018 Operating Budget

	2018 Budget												Total
	Jan	Feb	March	April	May	June	July	August	Sep	Oct	Nov	Dec	
Income													
Bank Lease	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	150	150	150	150	150	150	150	150	150	150	150	150	1,800
CAM Charges	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	24,600
Event Revenue	4,000	3,500	6,500	3,500	3,500	3,000	2,500	2,500	3,500	3,500	3,500	4,250	43,750
Validation Revenue	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,000
Contract Parking Revenue	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	726,000
Transient Parking Revenue	57,500	57,500	57,500	57,500	57,500	52,500	52,500	52,500	52,500	59,500	59,500	59,500	676,000
Collection Revenue	450	450	450	450	450	450	450	450	450	450	450	450	5,400
Coupon Revenue	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Hotel Shared Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	127,900	127,400	130,400	127,400	127,400	121,900	121,400	121,400	122,400	129,400	129,400	130,150	1,516,550
Sales Tax 7.875%	(9,337)	(9,300)	(9,519)	(9,300)	(9,300)	(8,899)	(8,862)	(8,862)	(8,935)	(9,446)	(9,446)	(9,501)	(107,444)
Total Income	118,563	118,100	120,881	118,100	118,100	113,001	112,538	112,538	113,465	119,954	119,954	120,649	1,409,106
Expenses													
Payroll	16,300	16,300	24,450	16,300	16,300	16,300	16,300	24,450	16,300	16,300	16,300	16,300	211,900
Ramp Patrol	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	21,500	258,000
Payroll Taxes 10.2%	1,663	1,663	2,494	1,663	1,663	1,663	1,663	2,494	1,663	1,663	1,663	1,663	21,614
Workers Comp. 9.51%	1,550	1,550	2,325	1,550	1,550	1,550	1,550	2,325	1,550	1,550	1,550	1,550	20,152
Hospitalization	620	620	620	620	620	620	620	620	620	620	620	620	7,440
Clerical and Administrative	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Retirement 1.00%	195	195	195	195	195	195	195	195	195	195	195	195	2,340
Property Taxes	0	0	0	0	5,250	0	0	0	0	13,250	0	0	18,500
Advertising	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Elevator Maintenance	600	600	6,000	600	600	6,000	600	600	6,000	600	600	6,000	28,800
Liability Insurance	0	0	900	0	0	0	0	0	14,500	72,000	0	0	87,400
Burgular Security Monitoring	0	0	175	0	0	175	450	0	175	0	0	175	1,150
Small Equipment Expense	200	200	200	200	200	200	200	200	200	200	200	200	2,400
R & M	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250	87,000
Telephone	630	630	630	630	630	630	630	630	630	630	630	630	7,560
R & M Scrubing	0	0	0	2,500	6,500	0	0	0	0	0	0	0	9,000
Snow Removal	6,000	6,000	6,000	6,000	3,000	0	0	0	0	0	0	6,000	33,000
Concrete repairs	0	0	0	0	0	15,000	15,000	15,000	0	0	0	0	45,000
Window Washing	0	0	0	3,750	0	0	0	3,750	0	0	0	0	7,500
Supplies	950	950	950	950	950	950	950	950	950	950	950	950	11,400
Parking Tickets	1,900	0	0	0	0	0	0	0	0	1,900	0	0	3,800
Relamping	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Uniforms	75	75	75	500	75	75	75	75	500	75	75	75	1,750
Electric	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	58,200
Heating/ Cooling	10,500	10,500	10,500	10,250	8,150	8,150	8,150	8,150	8,150	10,200	10,200	10,750	113,650
Water	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Base Management Fee	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Computer Billing	650	650	650	650	650	650	650	650	650	650	650	650	7,800
Permits and Licenses	0	0	0	500	0	0	0	0	500	0	0	0	1,000
Employee Development	50	50	50	50	50	50	50	50	50	100	100	350	1,000
Bank & Credit Card Fees	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000
Annual Audit	0	0	0	0	7,500	7,500	0	0	0	0	0	0	15,000
Miscellaneous	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Auto Damage	65	65	65	65	65	65	65	65	65	65	65	65	780
Total Expenses	82,798	80,898	97,129	87,823	94,798	100,623	87,998	101,054	93,548	161,798	74,648	87,023	1,150,135
Net Income From Operations	35,765	37,202	23,752	30,277	23,302	12,378	24,540	11,484	19,917	(41,844)	45,306	33,626	258,971
Capital Infrastructure/ Operations Expenses	0	0	0	0	0	200,000	50,000	15,000	15,000		25,000	0	305,000
Total Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Proceeds/ (Loss)	35,765	37,202	23,752	30,277	23,302	(187,622)	(25,460)	(3,516)	4,917	(41,844)	20,306	33,626	(46,029)

Schedule of Rates and Charges

CCP has established the following schedule of rates and charges for the Parking Ramp Project. The rate schedule may be revised by CCP at any time.

Parking Rate Schedule

<u>Parking Rates</u>	<u>Gross</u>	<u>Tax (1)</u>	<u>Net</u>
Less than 1 hour	\$6.00	\$0.43	\$5.57
1-2 hours	\$8.00	\$0.57	\$7.43
2-3 hours	\$10.00	\$0.71	\$9.29
3-4 hours	\$11.00	\$0.78	\$10.22
4-5 hours	\$12.00	\$0.85	\$11.15
5-6 hours	\$13.00	\$0.92	\$12.08
6-10 hours	\$14.00	\$0.99	\$13.01
10-12 hours	\$16.00	\$1.13	\$14.87
12-24 hours	\$18.00	\$1.28	\$16.72
Hotel overnight	\$17.00	\$1.20	\$15.80
Early Bird	\$7.50	\$0.53	\$6.97
Event	\$5.00	\$0.35	\$4.65
Monthly Day	\$142.00	\$10.06	\$131.94
Monthly Group (2)	\$132.00	\$9.35	\$122.65
Monthly Reserved	\$228.00	\$16.15	\$211.85
Monthly Night	\$72.00	\$5.10	\$66.90

(1) 6.875% State sales tax, 0.50% City sales tax and transit tax 0.25% built into rates, except contract parkers pay the special taxes on top of gross rate.

(2) Operator may deviate from rate as part of a proposal to a group.

Amounts as of January 1, 2018

Capital City Plaza Parking Garage
Projected
Annual Operating Results and Debt Service Coverage
For the Year Ending December 31, 2017

Operating Revenue:	(a)		
Monthly (contract)		\$726,000	
Transient & miscellaneous		790,550	
Subtotal		<u>1,516,550</u>	
Less: Sales Tax		(107,444)	
Add: Debt Service Reserve Fund interest earnings			
Senior Lien @ 0.1%		1,190	
Subordinate Lien (depleted)		<u>0</u>	
Net Operating Revenue			1,410,296
Total Operating Expenses	(a)		<u>1,150,000</u>
Net Operating Income	A		260,296
Less scheduled debt service:			
Senior Lien - delinquent interest		10,047,441	
Senior Lien - approx 2018 interest		1,223,160	
Senior Lien - defaulted principal		15,264,667	
Subordinate Lien - scheduled interest	(c)	0	
Subordinate Lien - defaulted principal	(c)	<u>4,600,000</u>	
Total scheduled debt service	E		<u>31,135,268</u>
Net Revenue after scheduled debt service	D		<u>(\$30,874,972)</u>
Senior Lien debt service (tax exempt), 2018	(b)	B	<u>\$2,168,160</u>
Senior Lien Coverage:			
Gross Revenue A / B			0.120 Times
Net Revenue D / B			<u>N/A</u>
Subordinate Lien Debt Service (taxable)	(c)	C	<u>N/A</u>
Subordinate Lien Coverage:			
Gross Revenue $(D+E) / C$			<u>N/A</u>

Notes:

- (a) Amounts per 2018 budget.
- (b) Original debt service on Series 2000-1 and 2000-7.
- (c) Subordinate Lien Debt is all delinquent

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
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YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Capital City Properties
Saint Paul, Minnesota

We have audited the accompanying financial statements of Capital City Plaza Parking Garage St. Paul (the Garage), a project of Capital City Properties (CCP), as of and for the year ended December 31, 2017, and the related notes to basic financial statements, which collectively comprise the Garage'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.

Auditors' Responsibility

Our responsibility is to express opinions 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 Capital City Plaza Parking Garage St. Paul as of December 31, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Omitted Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Emphasis-of-matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Garage will continue as a going concern. As discussed in Note 7 to the financial statements, the Garage has suffered recurring losses from operations, its total liabilities exceed total assets, and it has not been able to make sufficient lease payments to service the debt held by the senior and subordinate bondholders. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Financial Reporting Entity

As discussed in Note 1, the financial statements of the Garage are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of CCP that is attributable to the transactions of the project. They do not purport to, and do not, present fairly the financial position of CCP, a component unit of the Port Authority of the City of Saint Paul, as of December 31, 2017, or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 24, 2018

BASIC FINANCIAL STATEMENTS

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Restricted Cash and Cash Equivalents	\$ 710,217
Accounts Receivable, Net of Allowance for Uncollectible Accounts of \$195,000	132,861
Accrued Interest Receivable	548
Prepaid Assets	58,409
Prepaid Deposit	60,000
Total Current Assets	<u>962,035</u>
Capital Assets, Net of Accumulated Depreciation	17,290,496
Total Assets	<u>18,252,531</u>

LIABILITIES AND NET POSITION (DEFICIT)

CURRENT LIABILITIES

Delinquent Bonds Payable	19,773,335
Delinquent Accrued Interest Payable	33,676,970
Accrued Interest	394,423
Other Current Liabilities	355,145
Total Current Liabilities	<u>54,199,873</u>
Unreimbursed Operating Expenses	1,979,101
Long-Term Obligations	3,300,000
Total Liabilities	<u>59,478,974</u>

NET POSITION (DEFICIT)

Net Investment in Capital Assets	(5,782,839)
Unrestricted	(35,443,604)
Total Net Position (Deficit)	<u><u>\$ (41,226,443)</u></u>

See accompanying Notes to Basic Financial Statements.

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUES

Parking Revenues	\$ 1,406,925
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OPERATING EXPENSES

Operations	1,044,051
Trustee Fees	101,113
Depreciation	481,298
Total Operating Expenses	1,626,462

OPERATING INCOME

(219,537)

NONOPERATING REVENUES (EXPENSES)

Interest Income	4,613
Interest Expense	(4,479,450)
Provision for Uncollectible Accounts Receivable	(10,000)
Total Nonoperating Expenses	(4,484,837)

DECREASE IN NET POSITION

(4,704,374)

Net Position (Deficit) - Beginning of Year

(36,522,069)

NET POSITION (DEFICIT) - END OF YEAR

\$ (41,226,443)

See accompanying Notes to Basic Financial Statements.

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 1,349,592
Payments for Operations	<u>(1,073,952)</u>
Net Cash Provided by Operating Activities	275,640

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Paid	(83,501)
Principal Paid on Bonds	<u>(135,082)</u>
Net Cash Used by Capital and Related Financing Activities	(218,583)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>4,068</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

61,125

Cash and Cash Equivalents at Beginning of the Year

649,092

CASH AND CASH EQUIVALENTS AT END OF THE YEAR

\$ 710,217

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ (219,537)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Other Expenses - Provision for Uncollectible Receivables	(10,000)
Depreciation	481,298
Change in Operating Assets and Liabilities:	
Accounts Receivable	(3,557)
Prepaid Items	2,198
Other Current Liabilities	25,238
Net Cash Provided by Operating Activities	<u><u>\$ 275,640</u></u>

See accompanying Notes to Basic Financial Statements.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Capital City Plaza Parking Garage St. Paul (the Garage) is located at Fourth and Minnesota Streets in downtown St. Paul, Minnesota. The Garage commenced parking operations in June 2001. The Garage has 954 parking stalls and is in close proximity to the main convention hotel and numerous other properties in the City. At year-end, 387 stalls were under monthly leases, with the remaining stalls being available for transient business. The Garage has been operated by Allied Parking, Inc. (Allied) since June 1, 2006. The priority and use of the revenues from the operation of the Garage are governed by the Indenture of Trust (Trust Indenture) between the Port Authority of the City of Saint Paul (Port Authority) and Wells Fargo Bank, National Association dated as of May 1, 2000, as modified by the Order on Second Supplemental Petition of Wells Fargo Bank, National Association, as Trustee for Instruction in the Administration of a Trust dated June 12, 2006.

Financial Reporting Entity

The financial statements of the Garage are intended only to present the financial position, the changes in financial position, and the cash flows that are attributable to the Capital City Plaza Parking Garage St. Paul project. They do not purport to, and do not, present fairly the financial position of Capital City Properties, a component unit of the Port Authority of the City of Saint Paul (the Port Authority), as of December 31, 2017, or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Measurement Focus and Basis of Accounting

The Garage uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the Garage's general policy to use unrestricted resources first, then restricted resources when possible.

The Capital City Plaza Parking Garage St. Paul's (the Garage) financial statements are prepared in accordance with GAAP. The Government Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Garage are discussed below.

Restricted Cash and Cash Equivalents and Investments

The Garage considers money market mutual funds and debt security investments with original maturities of three months or less to be cash equivalents. Restricted investments are reported at fair value, with the unrealized gains and losses reported in the statement of revenues, expenses, and changes in net position (deficit), except for guaranteed investment contracts, which are reported at cost. For the purpose of the statement of cash flows, the Garage treats restricted cash and cash equivalents the same as restricted investments.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Equivalents and Investments (Continued)

Certain proceeds of the Parking Ramp Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The funds and accounts the Garage is required to maintain are as follows:

- *Reserve Funds:* The Parking Ramp Revenue Bond indentures for the senior and subordinate bonds require that separate accounts be maintained in amounts sufficient to meet the reserve requirements of \$1,920,500 and \$460,000, respectively, for the purpose of covering any potential future deficiencies in those bond funds, to the extent that amounts held in the bond funds are not sufficient to make the bond payments as they come due. As of December 31, 2017, amounts held in the senior debt and subordinated debt reserve funds were not sufficient to meet the respective reserve requirements.
- *Bond Funds:* The Parking Ramp Revenue Bond indentures require that all gross receipts from operation of the Garage, as defined by the Trust Indenture, be deposited daily into this account. In accordance with the Hennepin County Court order, beginning on June 1, 2006, amounts are applied (1) to pay or reimburse actual out-of-pocket operating costs incurred and paid by an operator in connection with the operation of the Garage; (2) to interest and principal on the senior bonds; and (3) to replenish the senior bond reserve fund. Any remaining funds are transferred to the subordinate bond trustee and thereafter follow the instructions of the indenture of Trust dated May 1, 2000.
- *Operating Fund:* The senior bonds indenture requires that all gross receipts from the operation of the Garage be deposited in the bond fund with the trustee daily. As noted above, beginning June 1, 2006, amounts are transferred from the bond fund for the reimbursement of current operating expenses of the Garage incurred by Allied. Amounts remaining after the reimbursement of current operating expenses are applied to the payment of senior bond scheduled debt service.
- *Repair and Replacement Fund:* The senior bonds indenture requires that the Garage maintain a minimum of \$100,000 in this account to assure the availability of funds for future major repairs, renewals, replacements, or maintenance items of a type not recurring annually or at shorter intervals.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets consist of land, the parking ramp structure, and major refurbishments, which are stated at cost. Depreciation for the parking ramp structure is computed on the straight-line method over its estimated useful life of 40 years.

The Garage reviews its long-lived assets for recoverability whenever events or changes in circumstances, such as a change in the manner or duration of use, indicate that an impairment of its long-lived assets has occurred. If impairment has occurred, the impairment loss would be measured using the method that best reflects the diminished service utility of the long-lived asset. To date, management has determined that no impairment of long-lived assets exists.

Unearned Revenue

Payments received in advance of the related rental period are recognized as unearned revenue.

Long-Term Obligations

Unamortized bond discounts are being amortized over the life of the related bonds. Amortization expense is included with depreciation expense in the statement of revenues, expenses, and changes in net position (deficit). Bonds payable are reported net of the applicable bond premium or discount.

Net Position

Net position is classified in three components. *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and related indebtedness. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Garage. *Unrestricted net position* is remaining net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position. The various net position balances of the Garage are in a deficit as a result of expenses exceeding revenues, in prior years and debt outstanding exceeding the net book value of capital assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operations

The Garage's statement of revenues, expenses, and changes in net position (deficit) distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing parking rental to patrons – the Garage's principal activity. Operating expenses are all expenses incurred to provide parking rentals. All other revenues and expenses, including interest income and interest expense, are reported as nonoperating revenues and expenses.

Income and Property Taxes

The Garage is a project of CCP which is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements. The Garage is also exempt from property taxes.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota State Statutes, the Garage maintains deposits at financial institutions authorized by the board of directors. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

At December 31, 2017, the Parking Garage's deposits had a carrying amount of \$710,217 and bank balance of \$704,844.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the Garage's deposits may not be returned to it. The Garage's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the Garage's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Garage may also invest idle funds as authorized by the Trust Indenture dated May 2000 and Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated “A” or better; revenue obligations rated “AA” or better
- General obligations of the Minnesota Housing Finance Agency rated “A” or better
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

The Parking Garage follows CCP’s investment policy which addresses investment risks as follows:

Interest Rate Risk – As a means of managing its exposure to changing interest rates, the trustee has been instructed by CCP to match maturities to its liquidity needs. Additionally, whenever possible, the investment with the shortest duration will be selected when choosing between equal alternatives.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk – As a means of managing its exposure to credit risk, the trustee has been instructed by CCP to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities.

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Garage will not be able to recover the value of its investments that are in the possession of another party. The Trust Indenture allows investments held by the trustee in trust to be commingled for the purpose of investment, but requires all securities purchased to be segregated from other funds.

Concentration of Credit Risk – The Garage held only cash and cash equivalents during 2017; therefore, there is not any concentration of credit risk in 2017.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance at Beginning of Year	Additions / Other	Deductions	Balance at End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 5,980,000	\$ -	\$ -	\$ 5,980,000
Capital Assets Being Depreciated:				
Parking Ramp Structure	19,146,030	-	-	19,146,030
Less:				
Accumulated Depreciation	7,354,236	481,298	-	7,835,534
Total Capital Assets				
Being Depreciated, Net	11,791,794	(481,298)	-	11,310,496
Net Capital Assets	\$ 17,771,794	\$ (481,298)	\$ -	\$ 17,290,496

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NOTE 4 LONG-TERM DEBT

Long-term obligations consisted of the following as of December 31, 2017:

<u>Description</u>	<u>Amount</u>
Port Authority of the City of Saint Paul, 8% Tax Exempt Senior Lien Parking Ramp Revenue Bonds, Series 2000-1, interest due semi-annually with principal due in varying annual installments beginning in 2013 through 2027, collateralized by the gross receipts of the Garage and the property of the Garage (a)(b)	\$ 13,675,011
Port Authority of the City of Saint Paul, 8.125% Tax Exempt Senior Lien Parking Ramp Revenue Bonds, Series 2000-7, interest due semi-annually with principal due in varying annual installments beginning in 2013 through 2027, collateralized by the gross receipts of the Garage and the property of the Garage (a)(b)	1,589,656
Port Authority of the City of Saint Paul, 12.5% Taxable Subordinate Lien Parking Ramp Revenue Bonds, Series 2000-2, interest due semi-annually with principal due in varying annual installments through 2012, collateralized by the gross receipts of the Garage and the property of the Garage (a)(b)	4,600,000
Port Authority of the City of Saint Paul, 14% Taxable Subordinate Cash Flow Notes, Series 2000-3 and Series 2000-4, principal and interest due semi-annually through 2030, payable from excess cash flows as described in the trust indentures, subordinated to the Senior Lien, Subordinate Lien and operating expenses of the Garage (a)	3,000,000
CCP note payable 14%, unsecured	300,000
Unamortized Bond Discounts	<u>(91,332)</u>
Total	23,073,335
Less: Delinquent Bonds Payable	<u>(19,773,335)</u>
Total	<u><u>\$ 3,300,000</u></u>

- (a) The Garage was built using proceeds from bonds and notes, which were issued through the Port Authority as conduit financings. The debt holders' only sources of repayments are the Garage's cash flows and the unspent proceeds from the Senior Lien Parking Ramp Revenue Bonds, Series 2000-1; the Subordinate Lien Parking Ramp Revenue Bonds, Series 2000-2; and the Senior Lien Parking Ramp Revenue Bonds, Series 2000-7 (collectively, the Bonds), which are held in reserve by the trustee for the Bonds (the Trustee). The Port Authority and CCP have no obligation to the debt holders in the event that Garage cash flows and reserves are insufficient to repay the debt.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 LONG-TERM DEBT (CONTINUED)

(b) The Garage was not able to meet its obligations on the Senior Lien Parking Ramp Revenue Bonds in the prior years and, therefore, the Trustee filed a petition and received a Court order dated February 4, 2010 declaring the full principal balance and all accrued interest now currently due. For the year ended December 31, 2017, the Garage was also not able to meet its current obligations relating to the principal and interest payments due on the Subordinate Lien Parking Ramp Revenue Bonds. As of December 31, 2017, the total amount of delinquent bonds payable and delinquent accrued interest payable was \$19,864,667 (not including the discount of \$91,322) and \$33,664,947 respectively. Until such time as the Senior Lien Parking Ramp Revenue Bonds are paid in full, however, the Trustee shall not accelerate amounts due on the subordinated bonds.

Debt service requirements at December 31, 2017 were as follows:

	Principal	Interest
Delinquent	\$ 19,864,667	\$ 33,676,970
2031	3,300,000	-
Total	<u>\$ 23,164,667</u>	<u>\$ 33,676,970</u>

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Due Within One Year and Delinquent
Bonds Payable:					
Tax-Exempt Revenue Bonds	\$ 15,399,749	\$ -	\$ (135,082)	\$ 15,264,667	\$ 15,264,667
Taxable Revenue Bonds	4,600,000	-	-	4,600,000	4,600,000
Unamortized Bond Discount	(103,427)	-	12,095	(91,332)	(91,332)
Total Bonds Payable	19,896,322	-	(122,987)	19,773,335	19,773,335
Notes Payable	3,300,000	-	-	3,300,000	-
Total Long-Term Liabilities	<u>\$ 23,196,322</u>	<u>\$ -</u>	<u>\$ (122,987)</u>	<u>\$ 23,073,335</u>	<u>\$ 19,773,335</u>

NOTE 5 OPERATIONS AGREEMENT

Pursuant to an agreement that expired May 31, 2006, Standard Parking, Inc. (Standard) operated the Garage and received reimbursement for operating expenses out of the net revenues of the Garage after payment of the senior bond debt service. Limited payments were made to Standard over the life of the agreement. As of December 31, 2017, the unreimbursed operating expenses were \$1,979,101. As disclosed in Note 7, management believes there will not be sufficient funds available to make all of the 2018 debt service payments on the senior bonds and the senior bond reserve fund has been depleted to the floor established by a Hennepin County Court Order. Therefore, these unreimbursed operating expenses as of December 31, 2017, have been classified as long term.

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NOTE 5 OPERATIONS AGREEMENT (CONTINUED)

The Garage has been operated by Allied Parking, Inc. (Allied) under a management agreement that expired on June 30, 2016. Subsequent to June 30, 2016, the agreement automatically renews on an annual basis. Pursuant to the Hennepin County Court order and the management agreement, Allied is reimbursed out of gross revenues for current operating expenses including Allied's management fee of \$2,000 per month, prior to payment of the senior bond debt service. In conjunction with the management agreement, in 2006 the Garage advanced \$60,000 to Allied as a deposit to pay current operating expenses. The Garage reimburses Allied for current operating expenses in the month after the expenses are paid by Allied.

NOTE 6 RISK MANAGEMENT

The Garage is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; general liability; and workers' compensation and unemployment claims for which the Garage carries commercial insurance. The Garage has not reduced insurance coverage in the past year, and settled claims have not exceeded commercial insurance coverage in any of the three preceding years.

NOTE 7 GOING CONCERN

Since parking operations commenced, the Garage has incurred losses from operations. During 2017, the Garage was not able to meet its current obligations relating to the debt service requirements of the senior or subordinate bonds from revenues generated by operations or reserve funds. The ability to make timely payments of debt service is contingent upon the results of operations of the Garage. While management believes the Garage's gross receipts, along with available bond reserve funds, will be sufficient to reimburse Allied for current operating costs, management does not believe that there will be sufficient funds available under the current priority of payment to make all scheduled 2018 debt service payments on the senior or subordinate bonds and notes. The long-term viability of the Garage, including its ability to make its scheduled debt service payments is highly dependent on the Garage operator's ability to significantly improve the Garage's results of operations. The monthly lease rates for contract spaces and the overall operating results of the Garage have occurred at a significantly lower level than originally anticipated when the bonds and notes described above were issued and the lease was signed. As a result, the monthly cash flow generated by operations has not been adequate to provide for the scheduled debt service payments and operating expenses. In accordance with the terms of the bond indenture, a rate study was conducted in August 2017 to evaluate the current rates, charges, and operations of the Garage, resulting in minor adjustments in parking rates. There can be no assurances that the results of operations of the Garage will improve sufficiently to repay delinquent debt service amounts and meet future debt service requirements.

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NOTE 8 COMMITMENT

The Garage has agreements with various adjacent building owners relating to parking rates and conditions that were put into place prior to the construction of the parking facility. These arrangements expire based upon various terms and conditions, none of which should extend beyond 2018. The impact of these agreements does not have a material impact on the overall operations of the Garage.