

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL  
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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, 2020, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital City Plaza Parking Garage St. Paul as of December 31, 2020, 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.

***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 evaluation of the events and conditions and 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, 2020, 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. Our opinion is not modified with respect to this matter.

***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.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 12, 2021

## **BASIC FINANCIAL STATEMENTS**

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

**ASSETS**

**CURRENT ASSETS**

Restricted Cash and Cash Equivalents	\$ 295,858
Accounts Receivable, Net of Allowance for Uncollectible Accounts of \$505,000	125,693
Accrued Interest Receivable	796
Prepaid Assets	83,850
Prepaid Deposit	48,585
Total Current Assets	<u>554,782</u>

Capital Assets, Net of Accumulated Depreciation	<u>15,846,603</u>
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Total Assets	16,401,385
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**LIABILITIES AND NET POSITION (DEFICIT)**

**CURRENT LIABILITIES**

Delinquent Bonds Payable	19,612,111
Delinquent Accrued Interest Payable	49,488,299
Accrued Interest	512,947
Other Current Liabilities	318,504
Total Current Liabilities	<u>69,931,861</u>

Unreimbursed Operating Expenses	1,979,101
Long-Term Obligations	<u>3,300,000</u>
Total Liabilities	<u>75,210,962</u>

**NET POSITION (DEFICIT)**

Net Investment in Capital Assets	(7,065,508)
Unrestricted	<u>(51,744,069)</u>
Total Net Position (Deficit)	<u><u>\$ (58,809,577)</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, 2020**

**OPERATING REVENUES**

Parking Revenues	\$ 721,535
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**OPERATING EXPENSES**

Operations	1,002,487
Trustee Fees	38,256
Depreciation	481,298
Total Operating Expenses	1,522,041

<b>OPERATING LOSS</b>	(800,506)
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**NONOPERATING REVENUES (EXPENSES)**

Interest Income	2,830
Interest Expense	(5,871,490)
Provision for Uncollectible Accounts Receivable	(100,000)
Total Nonoperating Expenses	(5,968,660)

<b>DECREASE IN NET POSITION</b>	(6,769,166)
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Net Position (Deficit) - Beginning of Year	(52,040,411)
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<b>NET POSITION (DEFICIT) - END OF YEAR</b>	\$ (58,809,577)
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**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 767,749
Payments for Operations	<u>(1,184,333)</u>
Net Cash Used by Operating Activities	(416,584)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	<u>2,830</u>
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**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(413,754)

Cash and Cash Equivalents - Beginning of the Year

709,612

**CASH AND CASH EQUIVALENTS - END OF THE YEAR**

\$ 295,858

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (800,506)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Other Expenses - Provision for Uncollectible Receivables	(100,000)
Depreciation	481,298
Change in Operating Assets and Liabilities:	
Accounts Receivable	1,657
Prepaid Items	(9,147)
Other Current Liabilities	10,114
Net Cash Used by Operating Activities	<u><u>\$ (416,584)</u></u>

*See accompanying Notes to Basic Financial Statements.*

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**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, 177 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, 2020, 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, 2020**

**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, 2020, 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, 2020**

**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, 2020**

**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, 2020, the Parking Garage's deposits had a carrying amount of \$295,858 and bank balance of \$244,120.

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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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**  
**DECEMBER 31, 2020**

**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 2020; therefore, there is not any concentration of credit risk in 2020.

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 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	8,798,129	481,298	-	9,279,427
Total Capital Assets				
Being Depreciated, Net	10,347,901	(481,298)	-	9,866,603
Net Capital Assets	\$ 16,327,901	\$ (481,298)	\$ -	\$ 15,846,603

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 LONG-TERM DEBT**

Long-term obligations consisted of the following as of December 31, 2020:

<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)	\$ 13,498,702
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)	1,569,160
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>(55,751)</u>
Total	22,912,111
Less: Delinquent Bonds Payable	<u>(19,612,111)</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**  
**DECEMBER 31, 2020**

**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, 2020, 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, 2020, the total amount of delinquent bonds payable and delinquent accrued interest payable was \$19,667,862 (not including the discount of \$55,751) and \$49,488,299 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, 2020 were as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
Delinquent	\$ 19,667,862	\$ 49,488,299
2031	3,300,000	-
Total	<u>\$ 22,967,862</u>	<u>\$ 49,488,299</u>

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Year</u>	<u>Due Within One Year and Delinquent</u>
Bonds Payable:					
Tax-Exempt Revenue Bonds	\$ 15,067,862	\$ -	\$ -	\$ 15,067,862	\$ 15,067,862
Taxable Revenue Bonds	4,600,000	-	-	4,600,000	4,600,000
Unamortized Bond Discount	(67,362)	-	11,611	(55,751)	(55,751)
Total Bonds Payable	<u>19,600,500</u>	<u>-</u>	<u>11,611</u>	<u>19,612,111</u>	<u>19,612,111</u>
Notes Payable	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 22,900,500</u>	<u>\$ -</u>	<u>\$ 11,611</u>	<u>\$ 22,912,111</u>	<u>\$ 19,612,111</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, 2020, 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 2021 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, 2020, have been classified as long term.

**CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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. As of December 31, 2020, Allied has not been reimbursed for all operating expenses incurred in 2020. See Note 7 for additional information.

**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 2020, 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. In addition, Covid-19 has had an adverse impact on operating revenues such that the net revenues have not been sufficient to reimburse Allied for current operating costs, and reserves have been substantially depleted. In the near term, it does not appear that net revenues for the facility will be sufficient to cover operating costs. As such, options are being explored to be able to continue operations until such time as the facility can be sold, when the remaining debt would be extinguished with the remaining available resources.