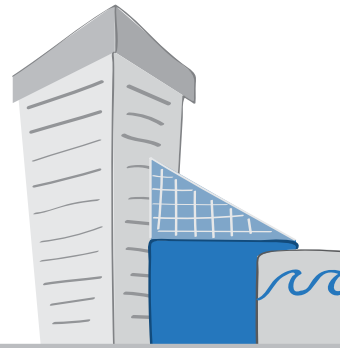




PARKING OF BALTIMORE CITY AUTHORITY



Driving Baltimore Forward
for 15 YEARS!



2016 ANNUAL REPORT

CELEBRATING 15 YEARS OF ACCOMPLISHMENT!

We celebrated our 15-year anniversary in 2016, having opened our doors in a small office located in one of the municipal buildings near City Hall in 2001. Since that time, we are proud to have grown in a myriad of ways to accomplish our mission:

To find, or create, and implement parking solutions for Baltimore City, and to be the resource on all things “parking” in Baltimore.

In 2001, we had a dozen employees using index cards and paper files to serve our customers’ needs. Over the last 15 years, we have improved our methods, expanded our programs and provided a healthy return on investment to the City. We look forward to the next 15 years and the progress we will continue to make towards fulfilling our mission.

TABLE OF CONTENTS

- 2 -

Message from the Mayor

- 2 -

Letter from the Board

- 3 -

Planning Case Study: Station North

- 4 -

Then/Now

- 6 -

Financials



Message from the **MAYOR**



Dear Friends:

Parking in Baltimore has changed a lot over the years. As a city that pre-dates the automobile, Baltimore's streets were not designed with the automobile or parking in mind. As we've grown, we've had to incorporate cars into our mix of transportation choices.

Since cars are parked 90% of the time and so many of us drive to most of our destinations, Baltimore has had to use more parking tools to manage parking. In 2001, the Parking Authority of Baltimore City began operations to help us find and implement those parking management tools.

This year, the Parking Authority celebrates its 15-year anniversary. They've covered a lot of ground during that time. From introducing multi-space parking meters that accept credit cards, to the use of Zipcars, to regulating valet parking operators, they have shown us that there is a lot more to parking than meets the eye.

In a world where transportation is constantly evolving, I am proud of the great strides that the Parking Authority has made in providing an innovative infrastructure that makes traveling easier and efficient for our City residents, visitors and commuters to our city.

Sincerely,

Stephanie Rawlings-Blake
Mayor, City of Baltimore



Councilwoman Sharon Green Middleton, Board Secretary
Baltimore City Council, District 6

Pierce J. Flanigan, IV
President, P. Flanigan & Sons, Inc.

Henry J. Raymond
Director of Finance, City of Baltimore

Peter E. Auchincloss, Board Chair
President, Watermark Corporation

Sophie Dagenais
Director, The Annie E. Casey Foundation

Letter from the **BOARD**

This year's annual report includes a special 15-year anniversary timeline. Follow the Parking Authority's journey over our history as we grew from a small organization of 15 employees working in one office on the 9th floor of 417 E Fayette Street to what we are today - 49 team members working in a street level office that's easily accessible to residents and parkers needing our services. We've added a number of tools to our parking management toolbox since we began. This includes regulation of valet parking services, a parking planning section and the introduction of car sharing services. We're constantly evolving with the times to fulfill our mission, no matter what year it is - to find, or create, and implement parking solutions for Baltimore and to be the resource on all things "parking" in Baltimore.

Peter Auchincloss,
Chairman, Board of Directors



Planning Case Study: STATION NORTH



Attendees at Artscape, America's largest free arts festival.
Photo credit: Station North Arts & Entertainment, Inc.

When parking meters were first installed decades ago in the Station North neighborhood, it was a much different place. Most businesses in the area, such as banks and markets, only operated during the day, and required parking for customers for only short periods of time. Since that time, the area has gone through a stunning transformation, with new theaters, restaurants and an arts scene that keeps the neighborhood lively day and night. Patrons of the area's attractions need to park for longer periods of time, usually into the evening hours.

The parking meters, however, remained the same, which did not serve the needs of those visiting Station North. In 2013, the newly created Planning Division at the Parking Authority began putting together a neighborhood parking plan. Parking Planner Melissa Krafchik surveyed the area, counting parked cars and available parking spaces at various times during daytime hours, evenings, weekdays and weekends. She accounted for new establishments and new residential developments, working with members of the community to understand its current needs and where the neighborhood is heading. Melissa compiled and analyzed this information to come up with a parking plan that meets the needs of the neighborhood. In 2016, the parking meters were updated to reflect these needs.

Parkers in Station North will notice:

- You no longer have to pay on weekends near residential areas with low commercial activity.
- You can park for longer periods of time at some meters.
- We've added and upgraded meters to improve availability and give you more payment options.





Garages and Lots

It used to feel like there weren't enough parking garages in downtown Baltimore. There were, however, plenty of spaces, but garage managers at City owned garages would often put out the "full" sign when just the first three floors were full. Why? The elevators were broken! Now, the Parking Authority takes on the responsibility of properly maintaining City-owned garages so every parking space can be fully utilized.

THEN

NOW

| | |
|--|--|
| Reputation for being dangerous, dirty and poorly maintained | Reputation as some of the best garages in Baltimore |
| No bicycle racks | 5 garages have free bicycle racks, 1 with secure monthly bike parking |
| Dim lighting | 3,407 incandescent light bulbs replaced with brighter and more energy-efficient fluorescent & LED lighting solutions |
| Garages not repaired in timely fashion | Structural survey conducted on all garages by a structural engineering firm. Garages repaired and maintained at the right time |
| Did not meet Americans with Disabilities Act (ADA) standards | ADA compliant |
| Revenues not secure | Payment kiosks that accept cash and credit installed. All revenues secure and auditable |
| No Electric Vehicle charging stations | 11 City-owned garages have EV charging stations |

Car Sharing

Car Sharing helps reduce the number of cars that need to park on-street. Dedicated on-street parking for Zipcars was introduced in 2010. The partnership reduces parking demand, resulting in fewer cars competing for limited curb space. Fewer cars means improved parking for everyone, even residents who never join Zipcar.



| | |
|---|---|
| Residents who relied on transit, walking or bikes to get around had no car sharing option | 255 Zipcars "live" in the Baltimore area serving over 10,000 Zipcar Baltimore members |
| No programs to help residents live car-free or car-light | 3,315 personally owned vehicles have been eliminated from Baltimore's roads due to car sharing |
| Building more parking was seen as the only way to solve parking problems | The City did not have to build another 3,000+ parking spaces, saving taxpayers \$75 Million |
| Driving was the primary way to get around Baltimore | Lots of new alternative transportation options exist – Charm City Circulator, Zipcar, bike paths and bike sharing |



Residential Permit Parking

Residential Permit Parking (RPP) reduces competition for parking in residential areas by requiring a permit to park on designated streets during certain times. This program improves the quality of life for residents in areas with large employers or other popular destinations nearby.

THEN

NOW

23 RPP areas

47 RPP areas

RPP data kept on index cards

Modern RPP online database

Permits were affixed to outside of windshield and exposed to weather and potential thieves

Permits are adhered to inside of windshield

RPP customers had to purchase permits at an office, often standing in long lines to be waited on while employees used notecards and paper filing to authenticate which properties were eligible for parking permits

Most RPP customers purchase their permits online and pick up their permits at a community pick up

RPP blocks were kept on lists

RPP blocks can be viewed on an online map

Community groups had to notify residents about renewing

PABC sends emails directly to residents' inboxes with permit renewal information

Reserved Residential Handicap Parking

Since we started administering the program in 2001, we've significantly reduced the time needed to receive the service, which is critical to maintain the recipients' quality of life.

100-150 participants

1500+ participants

6 months to process a completed application

30 days to process a completed application

Free

Free

Parking Meters

We've been modernizing parking meters in Baltimore for the past 12 years. With these new meters:

- Parkers have more payment options
- More vehicles can park in blocks with new multi-space meters

12,000 old-style single space parking meters

918 solar-powered EZ Park multi-space parking meters and 2,375 "smart" solar-powered single-space parking meters

Only accepted coins for payment

Accept credit and debit cards, as well as coins, for payment

No information when meters malfunction

New meters communicate malfunctions so that repairs can happen quickly

No record of revenues collected

New meter systems record and transmit all revenues collected so that they can be reconciled and audited

2016 FINANCIALS

- 7 -

Independent Auditors' Report

- 8 -

Management's Discussion and Analysis

- 10 -

Governmental Fund Balance Sheet/Statement of Net Position

- 10 -

Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance/Statement of Activities

- 11 -

Notes to Financial Statements

- 13 -

Required Supplementary Information:
Budgetary Comparison Schedule - General Fund



To the Board of Directors of Baltimore City Parking Authority, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and fund information of the Baltimore City Parking Authority, Inc. (Authority) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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 auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 governmental activities and fund information of the Baltimore City Parking Authority, Inc. as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on Pages 8 and 9 and 13 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.

Ellin & Tucker, Chartered

ELLIN & TUCKER, CHARTERED
Certified Public Accountants
Baltimore, Maryland
November 14, 2016

Overview of the Financial Statements

The Authority's basic financial statements consist of the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Notes to Financial Statements follow the presentation of the basic financial statements. The report also contains other required supplementary information, primarily a Budgetary Comparison Schedule.

The Governmental Fund Balance Sheet/Statement of Net Position is presented in reconciliation format and shows the difference between the assets and liabilities of the Authority as reported using the current financial resources measurement focus and modified accrual basis of accounting (Balance Sheet) and assets and liabilities as reported using the total economic resources measurement focus and the accrual basis of accounting (Statement of Net Position). For the Authority, the difference related primarily to capital assets which are reflected as assets on the Statement of Net Position but are excluded from general fund assets.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities is also presented in reconciliation format and shows the differences between revenues and expenditures as reported using the current financial resources measurement focus and modified accrual basis of accounting (Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) and revenues and expenses as reported using the total economic resources measurement focus and the accrual basis of accounting (Statement of Activities). The primary differences relate to the treatment of capital asset purchases. For governmental fund accounting purposes, all cash payments for capital asset acquisitions are reflected as expenditures and deducted from revenues in calculating the net fund activity for the year. Under accounting principles generally accepted in the United States of America, capital asset acquisitions are not reflected in the Statement of Activities as a deduction from revenues but are reflected as increases to assets or reductions of liabilities.

Generally, fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources segregated by specific activities or objectives. The Authority's financial activity is classified into one fund—the general fund. The general fund accounts for capital asset acquisitions as expenditures when acquired, rather than as capital assets as a result of the use of the current financial resources measurement focus in accordance with generally accepted accounting principles.

The Notes to Financial Statements provide additional information needed for a full understanding of the basic financial statements.

Required supplementary information consists of a comparison of actual financial activity to budgeted amounts to demonstrate compliance with the budget.

Analysis of Net Position and Changes in Net Position

The following is a comparison summary of the Authority's net position and changes in net position for the years ended June 30, 2016 and 2015:

| | 2016 | 2015 |
|---|----------------------------|----------------------------|
| Assets: | | |
| Current and Other Assets | \$ 1,335,919 | \$ 2,180,021 |
| Capital Assets | <u>282,973</u> | <u>352,185</u> |
| Total Assets | <u>\$ 1,618,892</u> | <u>\$ 2,532,206</u> |
| Liabilities: | | |
| Current Liabilities | <u>\$ 830,779</u> | <u>\$ 815,427</u> |
| Net Position: | | |
| Invested in Capital Assets | \$ 282,973 | \$ 352,185 |
| Unrestricted | <u>505,140</u> | <u>1,364,594</u> |
| Total Net Position | <u>\$ 788,113</u> | <u>\$ 1,716,779</u> |
| Changes in Net Position: | | |
| Program Revenues: | | |
| Baltimore City Grant | \$ 5,883,965 | \$ 5,199,883 |
| Other | <u>412,972</u> | <u>337,050</u> |
| Total Revenues | <u>6,296,937</u> | <u>5,536,933</u> |
| Expenses: | | |
| Administration of Parking Facilities | 7,091,563 | 6,121,623 |
| Capital Outlay/Depreciation | <u>134,040</u> | <u>160,381</u> |
| Total Expenses | <u>7,225,603</u> | <u>6,282,004</u> |
| Decrease in Net Position | (928,666) | (745,071) |
| Net Position – Beginning of Year | <u>1,716,779</u> | <u>2,461,850</u> |
| Net Position – End of Year | <u>\$ 788,113</u> | <u>\$ 1,716,779</u> |

For the year ended June 30, 2016, the Authority received substantially all of its funding from an annual grant from the City of Baltimore. The purpose of the grant was to finance the administration of the City's parking operations through the Authority and cover all of the Authority's personnel costs, capital asset requirements, and other operating costs. The grant for the year ended June 30, 2016 was \$5,883,965. Operating expenses for the year ended June 30, 2016 totaled \$7,225,603 resulting in a decrease in net position of approximately \$929,000. Total operating expenses increased approximately \$944,000 during the year ended June 30, 2016 as compared to the year ended June 30, 2015. The increase was primarily a result of an increase in salaries and employee benefits relating to the hiring of additional employees throughout the year and an increase in merchant service fees relating to increased credit card usage on meters and the fees associated with their usage.

During the year ended June 30, 2016, the Authority purchased capital assets of approximately \$65,000. At June 30, 2016, the Authority had liabilities totaling \$830,779. These liabilities are expected to be funded through existing cash balances.

Budget Analysis

The Budgetary Comparison Schedule for the fiscal year ended June 30, 2016 (FY 2016) is presented on Page 13. The most significant budget variations included salaries and benefits and merchant service fees.

Salaries and benefits, which include base salaries, benefits, and health insurance costs, were approximately \$432,000 less than expected. The decrease was due to employment vacancies during the fiscal year.

Merchant service fees, which include credit card fees, were approximately \$176,000 more than expected. This is due to increases in installed meters and credit card usage and fees.

The most significant variance between the original and final budget was for merchant service fees. Merchant service fees final budgeted amounts increased by approximately \$502,000 compared to the original budgeted amounts. The increase was due primarily to rising credit card fees.

Fiscal Year Ending June 30, 2017

The budget for the fiscal year ending June 30, 2017 (FY 2017) has been submitted to the Baltimore City Board of Estimates in the amount of \$7,478,209, which represents an overall increase in the funding level compared to the fiscal year ended June 30, 2016 in the amount of \$1,594,244. The total grant appropriation includes \$3,061,354 for the base administrative grant, \$4,215,290 for the Meter Program Administrative grant, and \$201,565 for the Valet Regulations Program. The Authority has been granted supplemental funding for the Bus Facility Parking Program in the amount of \$25,325. The total available funds for FY 2016 are \$8,310,648, including carryover funds from the fiscal year ended June 30, 2016.

This grant will pay salary, benefits, and other costs to support the administrative functions of the Authority. This is the fifth year of consolidation of parking meter programs for both single- and multi-space meters, which will now be referred to as the EZPark Meter Program. There are currently 918 multi-space meters and 4,910 single-space meters of which 2,375 are single-space smart meters and 2,535 mechanical single-space meters as of June 30, 2016.

Over the next several years, the Authority anticipates the installation of approximately 400 additional new multi-space meters and 2,500 single-space smart meters. The FY 2017 budget for the EZPark Meter Program includes the cost for single- and multi-space meter administration. The budget includes funds to purchase 1,770 new single-space electronic meters and operational costs for installation and maintenance of those meters.

During FY 2016, the Authority implemented PARIS-On-The-Web, which allows customers to manage their parking accounts online, via the Authority's website. Customers looking for monthly parking go to <https://payments.bcparking.com> to find, locate and pay for monthly parking. PARIS-On-The-Web is a feature of the PARIS program that provides customers with a more interactive experience. Full implementation of this project allows customers to pay bills via the web and provide some account controls for contract customers via a web connection. In FY 2017, the Authority will be making refinements to the system to continue to improve its customer service experience.

The financial system is now generating reports electronically containing current financial information by program. Implementation of software to manage the revenue process and coordinate the electronic transfer of data from the billing system to the facility access control system will continue in FY 2017. During the first quarter of FY 2017, the Authority will be upgrading GP Dynamics from the 2010 version to the current 2016 version of Great Plains. During FY 2017, the Authority anticipates issuing a request for proposal to upgrade its financial software Microsoft Dynamics Great Plains reporting capabilities. The Authority will also be implementing time-saving data importing of information.

In addition, the Authority has added a new budgeting software tool called Dynamic Budgets. This software will provide benefits such as simple, itemized, or custom budget forms, real-time budget versus actual, mass allocations, analytical accounting, and sub-ledger dimensions.

The initiative to automate finance functions includes the automation of payroll. The Authority will be implementing online payroll processing in the fall of FY 2017. This will streamline the payroll processing, including submission and tracking of leave time.

The management team of the Authority is committed to introducing new technology and other methods to increase revenues for the City and provide outstanding customer service to all City patrons.

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

June 30, 2016

| | General Fund | Adjustments (Note 4) | Statement of Net Position |
|--|---------------------|----------------------|---------------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 1,095,550 | \$ - | \$ 1,095,550 |
| Accounts Receivable | 240,369 | - | 240,369 |
| Capital Assets, Net (Note 2) | - | 282,973 | 282,973 |
| Total Assets | \$ 1,335,919 | \$ 282,973 | \$ 1,618,892 |
| Liabilities: | | | |
| Accounts Payable | \$ 541,814 | \$ - | \$ 541,814 |
| Due to Baltimore City | 59,843 | - | 59,843 |
| Accrued Expenses | 229,122 | - | 229,122 |
| Total Liabilities | 830,779 | - | 830,779 |
| Commitments (Note 3) | | | |
| Fund Balances: | | | |
| General Fund Balance | 505,140 | (505,140) | - |
| Total Liabilities and Fund Balances | \$ 1,335,919 | | |
| Net Position: | | | |
| Invested in Capital Assets | | 282,973 | 282,973 |
| Unrestricted | | 505,140 | 505,140 |
| Total Net Position | | 788,113 | 788,113 |
| Total Liabilities and Net Position | | \$ 282,973 | \$ 1,618,892 |

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For Year Ended June 30, 2016

| | General Fund | Adjustments (Note 4) | Statement of Activities |
|--|-------------------|----------------------|-------------------------|
| Expenditures/Expenses: | | | |
| Administration of Parking Facilities | \$ 7,091,563 | \$ - | \$ 7,091,563 |
| Capital Outlay/Depreciation | 64,828 | 69,212 | 134,040 |
| Total Expenditures/Expenses | 7,156,391 | 69,212 | 7,225,603 |
| Program Revenue: | | | |
| Grant Revenue - Baltimore City | 5,883,965 | - | 5,883,965 |
| Other Income | 412,972 | - | 412,972 |
| Total Revenue | 6,296,937 | - | 6,296,937 |
| Deficit of Revenue Over Expenditures | (859,454) | 859,454 | - |
| Change in Net Position | | \$ (928,666) | (928,666) |
| Fund Balance/Net Position - Beginning of Year | 1,364,594 | | 1,716,779 |
| Fund Balance/Net Position - End of Year | \$ 505,140 | | \$ 788,113 |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Baltimore City Parking Authority, Inc. (Authority) was created in 2000 by Baltimore City Ordinance 2000-71. The Authority's purpose is to assist Baltimore City (City) in the planning, development, management, and administration of its parking assets. The Authority does not own any parking facilities or other real property. The Authority's main source of revenue is a grant from the City rather than parking receipts. The grant is intended to fund all operating expenses of the Authority.

The Board of Directors of the Authority consists of five members, four of which are appointed by the Mayor of Baltimore City and confirmed by the City Council and one who is a member of the City Council appointed by the City Council President.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34) and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (GASB 38). GASB 34 requires net position be classified as restricted, unrestricted, or invested in capital assets and presentation of a Management's Discussion and Analysis section to introduce the basic financial statements. GASB 34 and GASB 38 require certain expanded footnote disclosures.

The Authority's main source of revenue is a single grant from the City; therefore, all assets, liabilities, revenues, and expenses/expenditures are accounted for in a governmental fund.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain other obligations, are recorded only when payment is due.

The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Amounts reported as program revenues primarily include the operating grant from the City.

Budgetary Information

The annual budget of the Authority is subject to approval by the City's Board of Estimates. The budget serves as the basis for determining the grant from the City. Budgetary data is presented as required supplementary information for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) for the governmental fund.

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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent Events

The Authority has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 14, 2016, the date the financial statements were available to be issued.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Authority maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Capital Assets

Capital assets are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, which range from 3 to 10 years. It is the Authority's policy to capitalize capital assets over \$500. Lesser amounts are expensed.

Compensated Absences

The Authority accrues a liability for compensated absences which consists primarily of accumulated vacation leave. The liability includes those amounts expected to be paid upon termination of employment or through paid leave time.

2. CAPITAL ASSETS

Capital assets of the Authority are as follows:

| | Beginning of Year | Additions | Retirements | End of Year |
|--|----------------------|--------------------|------------------|-------------------|
| Capital Assets: | | | | |
| Computer Equipment | \$ 826,756 | \$ 64,828 | \$ (228,290) | \$ 663,294 |
| Office Equipment | 98,848 | - | - | 98,848 |
| Furniture and Fixtures | 106,527 | - | - | 106,527 |
| Leasehold Improvements | 60,744 | - | - | 60,744 |
| | <u>1,092,875</u> | <u>64,828</u> | <u>(228,290)</u> | <u>929,413</u> |
| Less: Accumulated Depreciation: | | | | |
| Computer Equipment | 536,865 | 120,571 | (228,290) | 429,146 |
| Office Equipment | 69,592 | 5,207 | - | 74,799 |
| Furniture and Fixtures | 73,488 | 8,262 | - | 81,750 |
| Leasehold Improvements | 60,745 | - | - | 60,745 |
| | <u>740,690</u> | <u>134,040</u> | <u>(228,290)</u> | <u>646,440</u> |
| Net Capital Assets | <u>\$ 352,185</u> | <u>\$ (69,212)</u> | <u>\$ -</u> | <u>\$ 282,973</u> |

3. COMMITMENTS

The Authority leases office space from the City under various leases, which expire through June 2018. The Authority leases office equipment under lease agreements, which expire through July 2017. Rent expense recorded for the year ended June 30, 2016 was \$110,533.

Future minimum lease payments under operating leases are as follows:

| | | |
|----------------------|------|-----------|
| Year Ending June 30, | 2017 | \$ 28,787 |
| | 2018 | 22,993 |

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS FINANCIAL STATEMENTS AND GAAP FINANCIAL STATEMENTS

Statement of Net Position and Governmental Fund Balance Sheet

The fund balance of the general fund differs from net position reported in the Statement of Net Position. The difference results primarily from the treatment of capital assets. When capital assets are used in governmental activities, the costs of the assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those assets among the assets of the Authority.

Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

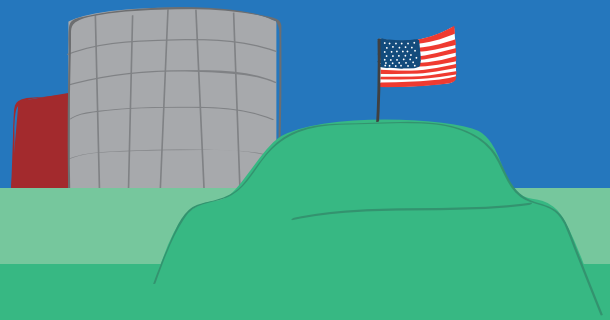
As noted above, outlays for capital assets to be used in governmental activities are reported as expenditures in the general fund; however, those expenditures are reported as assets, not expenses, in the Statement of Activities.

5. RETIREMENT PLAN

The Authority maintains a retirement plan covering substantially all employees. On January 1, 2012, the Authority amended its retirement plan to allow for discretionary matching contributions. Amounts to be contributed to the plan are determined by the Board of Directors. The Authority made contributions for the years ended June 30, 2016 and 2015 in the amounts of \$30,021 and \$19,520, respectively.

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance Positive (Negative) |
|--|----------------------------|-------------------------|---|---|
| Revenue: | | | | |
| Grant - Baltimore City | \$ 6,940,700 | \$ 7,442,700 | \$ 5,883,965 | \$ (1,558,735) |
| Other | - | - | 412,972 | 412,972 |
| Total Revenue | \$ 6,940,700 | \$ 7,442,700 | \$ 6,296,937 | \$ (1,145,763) |
| Expenditures: | | | | |
| Salaries and Benefits | \$ 3,611,000 | \$ 3,610,900 | \$ 3,178,524 | \$ 432,376 |
| Telephones/Utilities/Internet | 65,600 | 65,600 | 68,653 | (3,053) |
| Vehicles/Travel | 56,300 | 56,300 | 34,434 | 21,866 |
| Business Machine Rental | 14,900 | 14,900 | 16,021 | (1,121) |
| Consultants | 73,700 | 73,700 | 40,219 | 33,481 |
| Equipment Warranty | 289,000 | 289,000 | 284,823 | 4,177 |
| Software | 578,800 | 578,800 | 728,755 | (149,955) |
| Legal | 48,500 | 48,500 | - | 48,500 |
| Printing and Copying | 26,700 | 26,700 | 37,438 | (10,738) |
| Merchant Service Fees | 1,326,800 | 1,828,900 | 2,004,676 | (175,776) |
| Computer Maintenance | 42,000 | 42,000 | 57,081 | (15,081) |
| Other Services | 283,700 | 283,700 | 329,796 | (46,096) |
| Maintenance and Supplies | 184,200 | 184,200 | 164,704 | 19,496 |
| Equipment Acquisitions | 186,100 | 186,100 | 68,419 | 117,681 |
| Rent | 117,900 | 117,900 | 110,533 | 7,367 |
| Advertising | 1,500 | 1,500 | 4,308 | (2,808) |
| Dues/Subscriptions/Training | 34,000 | 34,000 | 28,007 | 5,993 |
| Total Expenditures | \$ 6,940,700 | \$ 7,442,700 | 7,156,391 | \$ 286,309 |
| Reconciliation of Budgetary Expenditures to Expenses Reported Under GAAP: | | | | |
| Depreciation Expense (Net of Disposals) Not Included in Budget | | | 134,040 | |
| Capital Asset Acquisitions Included in Expenses | | | (64,828) | |
| Total Expenses | | | \$ 7,225,603 | |



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