

Financial Statements
and Related Information

2020

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019



Financial Statements
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June 30, 2020 and 2019

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to the Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23



Independent Auditors' Report

To the Board of Directors
Lexington and Fayette County Parking Authority
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Lexington and Fayette County Parking Authority (the "Parking Authority") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Parking Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Parking Authority'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 Parking Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Authority as of June 30, 2020 and 2019, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, on our consideration of the Parking Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Parking Authority's internal control over financial reporting and compliance.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 6, 2020

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis (Unaudited)

Lexington and Fayette County Parking Authority

June 30, 2020

Our Management's Discussion and Analysis ("MD&A") of the Lexington and Fayette Parking Authority (the "Parking Authority") provides an introduction and overview of the financial activity for the fiscal year ended June 30, 2020. The information contained in this MD&A should be read in conjunction with the financial statements and related notes which follow. The Parking Authority is an agency, instrumentality and constituted authority of the Lexington Fayette Urban County Government. Our mission is to provide, maintain and operate adequate, high-quality, customer-focused public parking and encourage economic growth for the benefit of the residents, businesses and visitors of Lexington-Fayette County

The Parking Authority, founded in 2005, operates off-street parking garage structures and on-street meters primarily in downtown Lexington and surrounding areas.

Prior to the fiscal year ended June 30, 2017, the Parking Authority was included as a Component Unit of Lexington-Fayette Urban County Government ("LFUCG") and was reflected in its Comprehensive Financial Annual Report in this manner. For fiscal year 2017, the management of both LFUCG and the Parking Authority determined that due to changes incorporated at the beginning of 2017, the Parking Authority was to be treated as a related organization.

Using This Annual Report

The report consists of a series of financial statements. The statements of net position provide information about the Parking Authority's assets and liabilities, with the difference between the two reported as net position. The statements of revenues, expenses, and changes in net position present information relating to the sources of revenues and related expenses over the respective years. The statements of cash flows provide the aggregate data regarding the cash inflows received from ongoing operations and the cash outflows that pay for the Parking Authority's activities. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

Financial Statements

The Parking Authority's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board ("GASB"). The Parking Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recorded at the time liabilities are incurred. See the notes to the financial statements for a summary of the Parking Authority's significant accounting policies.

Continued

Lexington and Fayette County Parking Authority

June 30, 2020

Statements of Net Position

Table 1 shows all of the assets and liabilities of the Parking Authority and is presented on the accrual basis. The total net financial position increased by \$585,830 for the year ended June 30, 2020 and \$1,512,899 for the year ended June 30, 2019 (see Table 1). The Parking Authority purchased \$1,097,492, \$1,517,638, and \$68,570 of capital assets during the fiscal years ended June 30, 2020, 2019 and 2018, respectively. Notes payable were paid down by \$409,299, \$400,641, and \$834,030 during the fiscal years ended June 30, 2020, 2019 and 2018, respectively. The Parking Authority added \$472,558, \$503,423, and \$1,204,351 to restricted investment balances during the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

Table 1

	June 30		
	2020	2019	2018
Assets			
Current assets	\$ 6,163,169	\$ 6,721,496	\$ 6,033,790
Capital assets	18,357,803	17,979,812	17,123,452
Total Assets	24,520,972	24,701,308	23,157,242
Liabilities			
Current liabilities	767,985	1,118,717	630,272
Noncurrent liabilities	2,455,849	2,871,283	3,328,561
Total Liabilities	3,223,834	3,990,000	3,958,833
Net Position			
Net investment in capital assets	15,499,992	14,712,702	13,455,701
Restricted	5,126,192	4,537,390	3,930,837
Unrestricted	670,954	1,461,216	1,811,871
Total Net Position	\$ 21,297,138	\$ 20,711,308	\$ 19,198,409

Continued

Lexington and Fayette County Parking Authority

June 30, 2020

Statements of Revenues, Expenses, and Changes in Net Position

Table 2 shows the revenues and expenses of the Parking Authority and is also presented on the accrual basis. Revenues were down slightly due to the COVID-19 pandemic in the last quarter of the fiscal year which impacted transit parking, event parking and meter collections due to the cancellation of events and closure of businesses due to social distancing requirements. Expenditures were up slightly from prior year as management anticipated social distancing requirements to be temporary. Expense reductions were not implemented until FY2021.

	June 30		
	2020	2019	2018
Operating Revenues			
Monthly rental parking	\$ 1,439,506	\$ 1,440,960	\$ 1,337,948
Meter collections	1,009,002	1,238,543	1,132,329
Parking fines	836,141	941,211	878,766
Transient rental parking	598,787	760,009	843,591
Event parking	177,200	268,439	146,495
Validations	40,327	49,230	77,361
Other	6,184	5,605	2,903
Total Operating Revenues	4,107,147	4,703,997	4,419,393
Operating Expenses			
Off-Street parking expenses	1,252,128	1,203,750	1,148,683
On-Street parking expenses	1,123,953	1,170,931	875,950
Personnel expenses	323,669	287,640	288,635
Administrative expenses	179,667	196,423	204,533
Total Operating Expenses	2,879,417	2,858,744	2,517,801
Depreciation and Amortization	728,883	667,918	667,131
Nonoperating Revenues and Expenses	86,983	335,564	36,349
Change in Net Position	\$ 585,830	\$ 1,512,899	\$ 1,270,810

Continued

Lexington and Fayette County Parking Authority

June 30, 2020

Statements of Cash Flows

Table 3 shows the cash activity of the Parking Authority. The Parking Authority continues to generate positive cash flow from operating activities. Investing and financing activities occurred as planned.

	Table 3		
	June 30		
	2020	2019	2018
Cash Provided By (Used In):			
Operating activities	\$ 858,561	\$ 2,530,292	\$ 1,796,967
Financing activities	(1,506,790)	(1,918,279)	(902,601)
Investing activities	(472,558)	(503,423)	(1,202,684)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,120,787)	\$ 108,590	\$ (308,318)

Financial Analysis of Overall Financial Position and Results of Operations

Revenue through the first three quarters of 2020 increased by 2% from the same period in the previous year. Revenue during the fourth quarter of 2020 was significantly impacted by the COVID-19 pandemic. Total revenue in the fourth quarter declined by over 100% from same quarter of the previous fiscal year. The local community underwent significant social distancing protocols as businesses were shut down and workers were sent home to quarantine. Revenue from monthly rentals was impacted less than other revenue streams, decreasing by 6%.

For 2019, the 9% increase in meter revenues as compared to 2018, is attributed to the increase in credit card usage at the meters coupled with an increase in meter fees. During 2018, operating efficiencies created an 8% increase in the number of available metered spaces available which, along with increased credit card usage at the meters contributed to the approximate 5% increase in meter revenues as compared to 2017.

Through robust marketing and slight rate increases the Parking Authority increased its off-street monthly permit customers by 8% and 20% for the years ended June 30, 2019 and 2018, respectively, which contributed to an overall increase of monthly parking revenues. Event parking increased 83% during the fiscal year ended June 30, 2019 to the closure of Rupp Arena parking for construction and working additional special events. For the fiscal year ended June 30, 2018, event parking decreased approximately 25% as compared to 2017, due to an overall decline in attendance at events hosted at Rupp Arena.

The Parking Authority received grant revenue during 2020, which is to be used improve storm water management and to restore the various parking garages.

Continued

Lexington and Fayette County Parking Authority

June 30, 2020

The Parking Authority's superseding interest in clean and safe facilities informs its spending. To meet green garage best practices, the garages are washed annually. Lighting upgrades and public art projects made our facilities brighter and more accessible during the year. Old meters were replaced with new, efficient meters in high traffic areas.

Capital Assets

The Parking Authority strives to embrace new technology when it improves customer service, data collection, and auditing services. The Parking Authority continues to market smartphone apps that allow customers to pay meter parking or reserve event parking using their phones in an effort to reduce stress associated with parking in our downtown core. This is especially helpful for our customers who may not be from Lexington or are infrequent visitors of downtown. In addition to this, the Parking Authority invested in technology that allows for parking garages to be operated without a gate. This technology improves the flow of traffic and enhances the customer experience.

The Parking Authority manages four off-street parking garage structures that total over 2,200 spaces combined and approximately 1,270 on-street meters primarily in downtown Lexington and surrounding areas near the University of Kentucky. Three of the garages are owned and one is leased. Only garages owned by the Parking Authority are reflected in its Capital Assets.

During the current year, the Parking Authority continued projects to restore and improve both the functionality and appearance of several parking garages. The Parking Authority completed projects totaling approximately \$713,000. Ongoing projects are reported as Construction in Progress, which totaled \$323,892 and \$128,249 as of June 30, 2020 and 2019, respectively.

Description of Current and Expected Conditions

As of June 30, 2020, the Parking Authority is still being impact by the COVID-19 pandemic. While there are some signs of increasing demand for parking, management does not know when demand will return to pre-COVID-19 levels.

Request for Information

These financial statements are intended to provide the reader with a general overview of the Parking Authority's finances and to show accountability to its members. If you have questions about the information provided in this report or need additional information, contact the Parking Authority's office at 162 East Main, Suite 212, Lexington, Kentucky 40507.

Financial Statements

Statements of Net Position

Lexington and Fayette County Parking Authority

	June 30	
	2020	2019
Assets		
Cash and cash equivalents	\$ 1,022,239	\$ 2,143,026
Accounts receivable	42,181	68,444
Restricted cash and cash equivalents	5,098,749	4,510,026
Total Current Assets	6,163,169	6,721,496
Non-Current Assets		
Capital assets		
Land	7,585,094	7,585,094
Buildings and improvements	12,773,257	12,144,374
Equipment and furniture	2,278,903	1,996,555
Computer software	10,850	10,850
Construction in progress	323,892	128,249
Total Capital Assets	22,971,996	21,865,122
Less: Accumulated Depreciation	(4,614,193)	(3,885,310)
Total Capital Assets, Net of Accumulated Depreciation	18,357,803	17,979,812
Total Assets	24,520,972	24,701,308
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	340,015	699,732
Current portion of compensated absences	9,840	9,230
Deposits payable	1,657	4,695
Current maturities of note payable	416,473	405,060
Total Current Liabilities	767,985	1,118,717
Non-Current Liabilities		
Note payable	2,441,338	2,862,053
Compensated absences	9,839	9,230
Deposits payable	4,672	
Total Non-Current Liabilities	2,455,849	2,871,283
Total Liabilities	3,223,834	3,990,000
Net Position		
Net investment in capital assets	15,499,992	14,712,699
Restricted	5,126,192	4,537,390
Unrestricted	670,954	1,461,219
Total Net Position	\$ 21,297,138	\$ 20,711,308

See Accompanying Notes to Financial Statements

Statements of Revenues, Expenses, and Changes in Net Position

Lexington and Fayette County Parking Authority

	Year Ended June 30	
	2020	2019
Operating Revenues		
Monthly rental parking	\$ 1,439,506	\$ 1,440,960
Meter collections	1,009,002	1,238,543
Parking fines	836,141	941,211
Transient rental parking	598,787	760,009
Event parking	177,200	268,439
Validations	40,327	49,230
Other	6,184	5,605
Total Operating Revenues	4,107,147	4,703,997
Operating Expenses		
Operator expenses	1,977,331	2,001,198
Personnel	323,669	287,640
Bank and credit card fees	156,934	188,689
Legal and professional	166,899	114,507
Insurance	93,999	96,216
Utilities	118,312	113,747
Other	42,273	56,747
Total Operating Expenses	2,879,417	2,858,744
Operating Income before Depreciation	1,227,730	1,845,253
Depreciation	728,883	667,918
Operating Income	498,847	1,177,335
Nonoperating Revenues (Expenses)		
Interest income	88,509	103,130
Interest expense	(67,457)	(76,114)
Grant revenue	7,260	133,709
Rental revenue	48,996	88,775
Other non-operating revenue		76,000
Unrealized gain on investments	292	3,424
Gain on disposal of equipment	9,383	6,640
Total Nonoperating Revenues (Expenses)	86,983	335,564
Change in Net Position	585,830	1,512,899
Net Position, Beginning of Year	20,711,308	19,198,409
Net Position, End of Year	\$ 21,297,138	\$ 20,711,308

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Lexington and Fayette County Parking Authority

	Year Ended June 30	
	2020	2019
Cash Flows From Operating Activities		
Payments received from parking customers	\$ 4,129,670	\$ 4,729,922
Cash received from commercial property renters	48,996	88,775
Cash received from grants	7,260	133,709
Payments to suppliers for goods and services	(2,980,450)	(2,102,287)
Payments to employees for services	(319,188)	(297,903)
Payments to LFUCG	(27,727)	(21,924)
Net Cash Provided By Operating Activities	858,561	2,530,292
Cash Flows From Capital and Related Financing Activities		
Payments on note payable	(409,299)	(400,641)
Purchases of capital assets	(1,097,491)	(1,517,638)
Net Cash Used In Capital and Related Financing Activities	(1,506,790)	(1,918,279)
Cash Flows From Investing Activities		
Purchase of restricted cash equivalents	(561,067)	(503,423)
Income earned on restricted cash and cash equivalents	88,509	
Net Cash Used In Investing Activities	(472,558)	(503,423)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,120,787)	108,590
Cash and Cash Equivalents, Beginning of Year	2,143,026	2,034,436
Cash and Cash Equivalents, End of Year	\$ 1,022,239	\$ 2,143,026
Reconciliation of Change in Net Position to Net Cash Provided By Operating Activities		
Change in net position	\$ 585,830	\$ 1,512,899
Adjustments to Reconcile Change in Net Position to Net Cash Provided By Operating Activities:		
Depreciation	728,883	667,918
Gain on disposal of equipment	(9,383)	(6,640)
Interest on cash and cash equivalents	(116,244)	(103,130)
Change in Assets and Liabilities:		
Accounts receivable	26,342	27,440
Accounts payable and accrued liabilities	(359,720)	441,130
Security deposits	1,634	(2,853)
Compensated absences	1,219	(6,472)
Net Cash Provided By Operating Activities	\$ 858,561	\$ 2,530,292

See Accompanying Notes to Financial Statements

Notes to the Financial Statements

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note A--Summary of the Parking Authority

The Lexington and Fayette County Parking Authority (the "Parking Authority") was created in December 2005 by Ordinance 2-178 issued by the Lexington Fayette Urban County Government ("LFUCG") Council. The Parking Authority's mission is to provide, maintain and operate efficient and effective, high quality, customer-focused public parking and encourage economic growth for the benefit of the residents, businesses and visitors of Lexington, Kentucky and Fayette County. The Parking Authority operates four Off-Street parking garage structures and approximately 1,100 On-Street meters primarily in downtown Lexington and surrounding areas near the University of Kentucky. The Parking Authority is governed by a six-member Board of Commissioners appointed by the Lexington Mayor.

The Parking Authority has achieved significant growth since its parking programs began in July 2008. During this time, the Parking Authority contracted with LFUCG to provide certain administrative services and was also included in the LFUCG Comprehensive Annual Financial Report through June 30, 2016. Over the past few years, the Parking Authority has taken steps to operate more independently of LFUCG. The final piece of separation occurred on July 1, 2016. The fiscal year ended June 30, 2017 was the first full year of operations for which the Parking Authority was not a component unit of LFUCG. The Parking Authority began outsourcing daily operations to a third party, Lanier Parking Meter Services, LLC (dba REEF Parking) for the years ended June 30, 2020 and 2019 and Republic Parking System LLC for prior years and works closely with their staff to manage the On-Street and Off-Street parking services.

Note B--Summary of Significant Accounting Policies

Prior to the fiscal year ended June 30, 2017, the Parking Authority was included as a component unit of LFUCG and was reflected in its Comprehensive Financial Annual Report in this manner. For fiscal year 2017, the management of both LFUCG and the Parking Authority determined that, due to changes incorporated at the beginning of 2017, the Parking Authority was to be treated as a related organization effective July 1, 2016.

Basis of Accounting and Accounting Presentation--The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. The Government Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below to assist the user in interpreting these financial statements.

Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note B--Summary of Significant Accounting Policies--Continued

Proprietary Fund--The Parking Authority is a single-enterprise proprietary fund. Proprietary funds are used to account for operations that are financed in a manner similar to a private business enterprise and that a periodic determination of revenues earned, expense incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Parking Authority activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recognized as soon as they result in liabilities for the benefits provided.

Proprietary funds distinguish operating revenues and expenses from non-operating items:

- Operating revenues generally result from providing parking services. The principle operating revenues of the Parking Authority are generated by monthly, transient and event On-Street and Off-Street parking, along with related fines, penalties and other parking validations.
- Operating expenses include the cost of providing On-Street meter parking and Off-Street garage parking, administrative expenses, interest expense on funds borrowed to invest in capital assets and depreciation of those capital assets.
- Other minor expenses not related to the provision of parking services are reported as non-operating expenses.

The Parking Authority restricts certain portions of its net assets for capital projects, note payable obligation, a garage maintenance reserve and an operating contingency. It is the Parking Authority's policy to apply restricted resources when an obligation is incurred that meets the criteria of the restricted purpose (see Note F for more information).

Exchange and Non-Exchange Transactions--Revenues resulting from exchange transactions, in which each party received essentially equal value, are recorded on the accrual basis when the exchange takes place. Non-exchange transactions are transactions in which the Parking Authority receives value without directly giving equal value in return. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Federal, State and Local Funding--The Parking Authority does not receive any federal, state or local funding for operational purposes. Parking operations, capital asset additions, repairs and maintenance projects and other business expenses are generally funded by operating cash or borrowings from third party financial institutions.

During the fiscal year ended June 30, 2018, the Parking Authority was co-awarded (along with LFUCG) a grant to be used for installation of stormwater control infrastructure improvements at a parking garage. The total grant was \$240,000. The Parking Authority received a final portion of \$7,260 in revenue from the grant during the fiscal year ended June 30, 2020 and \$133,709 and \$24,587 in the fiscal years ended June 30, 2020 and June 30, 2019, respectively.

Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note B--Summary of Significant Accounting Policies--Continued

Eligibility requirements include the following: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; (2) matching requirements, in which the Parking Authority must provide local resources to be used for a specified purpose; and (3) expenditure requirements, in which resources are provided to the Parking Authority on a reimbursement basis.

Cash and Cash Equivalents--The Parking Authority's cash and cash equivalents consist of be cash on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable--Amounts recorded in accounts receivables represent monies due for parking services provided in a service period prior to year end are, but not yet received and deposited. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Capital Assets--Capital assets, which include land, buildings and improvements, equipment and furniture and computer software, are capitalized at total acquisition cost, provided such cost exceeds \$5,000 and the expected useful life of the asset is more than one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to expense in the current fiscal year.

LFUCG holds title to the Courthouse garage structure; however, the Parking Authority operates the Courthouse garage and is responsible for improvements, maintenance and upkeep of the asset.

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Computer Software	3 to 5 years
Equipment and Furniture	5 to 15 years
Buildings and Improvements	10 to 40 years

Compensated Absences--The Parking Authority's policy permits employees to receive payment for earned but unused vacation upon separation from service, up to 168 hours. Employees are entitled to receive payment for earned but unused sick leave upon separation from service, up to 600 hours. Employees can receive payment for earned but unused holidays, up to 80 hours, upon separation from service. All earned vacation and the vested portions of sick and holiday leave are expensed as incurred.

Continued

Notes to the Financial Statements--Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note B--Summary of Significant Accounting Policies--Continued

Changes in compensated absences are summarized as follows for the years ended June 30, 2020 and 2019:

	June 30	
	2020	2019
Beginning balance	\$ 18,460	\$ 24,932
Increases	22,609	10,770
Decreases	<u>(21,390)</u>	<u>(17,242)</u>
Ending Balance	<u>\$ 19,679</u>	<u>\$ 18,460</u>
Amounts due within one year	\$ 9,840	\$ 9,230
Non-current portion	<u>9,839</u>	<u>9,230</u>
Total	<u>\$ 19,679</u>	<u>\$ 18,460</u>

Deposits Payable--The Victorian Square garage contains commercial retail space leased to three tenants as of June 30, 2020 and four tenants as of June 30, 2019. The security deposits paid by the lessees are recorded as a noncurrent liability to reflect the obligations due upon termination of the lease agreements (see Note G), if all conditions are satisfied for return of deposits at the end of the leases.

Net Position--Net position is classified into three components – net investment in capital assets; restricted for debt service/restricted for capital projects; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets--This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those capital assets.

Restricted--This component consists of funds with external constraints placed on net assets imposed by third parties, the Board of Directors, or laws and regulations of governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted--This component consists of net assets that do not meet the definition of "Restricted" or "Investment in capital assets."

Continued

Notes to the Financial Statements--Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note B--Summary of Significant Accounting Policies--Continued

Use of Estimates in Preparation of Financial Statements--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events--The Parking Authority's management evaluated the period from July 1, 2019 to November 6, 2020 (the date the financial statements were ready to be issued) for subsequent events. There were no events during the evaluation period that require recognition or disclosure in the financial statements.

Note C--Cash and Cash Equivalents

The Parking Authority's cash and cash equivalents are comprised of deposits with financial institutions and certificates of deposits. As of June 30, 2020 and 2019, the carrying amount of the Parking Authority's bank deposits was \$6,112,128 and \$6,645,950, respectively. Deposits with the bank of \$1,013,379 and \$2,135,396 are classified as cash and cash equivalents, and deposits of \$5,098,749 and \$4,510,026 are classified within restricted cash and cash equivalents as of June 30, 2020 and 2019, respectively. All certificates of deposits have a maturity date of twelve months or less. Also included in cash and cash equivalents are the cash amounts of \$8,860 and \$7,102 for the change fund as of June 30, 2020 and 2019, respectively, representing amounts stored in change machines in the parking garages and in a safe in the Parking Authority's office.

Restricted cash and cash equivalents represent amounts of board designated funds for capital asset management projects and garage maintenance projects.

Deposits are subject to several types of risks including credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Parking Authority has a concentration of credit risk in that it periodically maintains bank accounts, which at times, may exceed the coverage provided by the Federal Deposit Insurance Corporation. Cash balances in excess of insured limits were approximately \$11,000,000 and \$12,000,000 as of June 30, 2020 and 2019, respectively.

Notes to the Financial Statements--Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note D--Capital Assets

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Nondepreciable capital assets				
Land	\$ 7,585,094			\$ 7,585,094
Construction in progress	128,249	\$ 954,458	\$ (758,815)	323,892
	7,713,343	954,458	(758,815)	7,908,986
Depreciable capital assets				
Buildings and improvements	12,144,374	628,883		12,773,257
Equipment and furniture	1,996,555	282,348		2,278,903
Computer software	10,850			10,850
Total Depreciable Capital Assets	<u>14,151,779</u>	<u>911,231</u>		<u>15,063,010</u>
Total Capital Assets	21,865,122	1,865,689	(758,815)	22,971,996
Less: Accumulated Depreciation	<u>(3,885,310)</u>	<u>(728,883)</u>		<u>(4,614,193)</u>
Net Capital Assets	<u><u>\$ 17,979,812</u></u>	<u><u>\$ 1,136,806</u></u>	<u><u>\$ (758,815)</u></u>	<u><u>\$ 18,357,803</u></u>

Continued

Notes to the Financial Statements--Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note D--Capital Assets--Continued

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable capital assets				
Land	\$ 7,585,094			\$ 7,585,094
Construction in progress	46,544	\$ 1,435,650	\$ (1,353,945)	128,249
	7,631,638	1,435,650	(1,353,945)	7,713,343
Depreciable capital assets				
Buildings and improvements	10,794,871	1,349,503		12,144,374
Equipment and furniture	1,903,929	101,520	(8,894)	1,996,555
Computer software	10,850			10,850
Total Depreciable Capital Assets	12,709,650	1,451,023	(8,894)	14,151,779
Total Capital Assets	20,341,288	2,886,673	(1,362,839)	21,865,122
Less: Accumulated Depreciation	(3,217,836)	(667,029)	(445)	(3,885,310)
Net Capital Assets	\$ 17,123,452	\$ 2,219,644	\$ (1,363,284)	\$ 17,979,812

During the year ended June 30, 2019, the Parking Authority disposed of certain meters that were replaced or removed from service. A gain of \$9,383 and \$6,640 on disposal of assets is recorded in the accompanying financial statements for 2020 and 2019, respectively.

Note E--Note Payable

The Parking Authority entered into a note payable agreement with a financial institution in 2013 for the purposes of funding garage improvements. This agreement was refinanced in January 2018. The new note payable accrues interest at 2.154%, requires monthly payments of principal and interest of \$39,729, and matures in January 2023.

Continued

Notes to the Financial Statements--Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note E--Note Payable--Continued

Long-term liabilities at June 30, 2020, are summarized as follows

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 3,267,110	\$	\$ (409,299)	\$ 2,857,811	\$ 416,473

Principal maturities of the note payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 416,473	\$ 60,283	\$ 476,756
2022	424,289	52,467	476,756
2023	2,017,049	66,035	2,083,084
	<u>\$ 2,857,811</u>	<u>\$ 178,785</u>	<u>\$ 3,036,596</u>

The note is collateralized by a general pledge of parking revenues and the Victorian Square garage property, together with an assignment of commercial retail leases and rents. The note requires the Parking Authority to meet certain financial and nonfinancial covenants, including maintaining a Fixed Charge Coverage Ratio of at least 1.10 times Debt Service, as defined in the terms of the agreement. At June 30, 2020, the Parking Authority was in compliance with all debt covenants.

Note F--Restricted Net Position

Restricted net position represents funds with external constraints imposed by creditors, the Board of Directors, or laws or regulations of governments, or constraints imposed through constitutional provisions or enabling legislation. At June 30, 2020 and 2019, restricted net assets consisted of \$5,126,192 and \$4,537,390, respectively, restricted primarily for a capital asset management program. There were no other restrictions of net assets related to the years ended June 30, 2020 and 2019.

Continued

Notes to the Financial Statements--Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note F--Restricted Net Position--Continued

Restricted net position consisted of:

	June 30	
	2020	2019
Capital asset management	\$ 3,500,000	\$ 3,500,000
Garage maintenance projects	1,626,192	1,037,390
Total Restricted Net Assets	\$ 5,126,192	\$ 4,537,390

Note G--Operating Leases

The Parking Authority leases commercial retail space within the garages and a land parcel to various tenants. The lease agreements active subsequent to the year ended June 30, 2020 are for various terms and require the tenants to pay monthly rent amounts and their proportionate share of electric and other utility charges. All rental income and expenses for retail space operations are recorded on a net basis in the commercial property rental revenue account. The Parking Authority does not report the expenses separately from rental income because the increase in net assets from the commercial property rental activity is not material to its overall financial position and the retail space operations are not the Parking Authority's primary line of business.

A summary of terms with the retail tenants, which are all unrelated third parties, is as follows:

Tenant	Date of Lease	Termination Date	Monthly Rent	Renewal Clause
A	04/23/20	03/31/23	\$ 1,800	No renewal clause
B	04/01/20	03/31/25	1,404	No renewal clause
C	08/01/12	02/28/24	1,806	No renewal clause

Note H--Related Party Transactions

The Parking Authority leases office space in a building owned by LFUCG. During the fiscal years ended June 30, 2020 and 2019, the Parking Authority paid LFUCG \$10,510 for rent expense. The Parking Authority also paid LFUCG \$17,217 and \$22,192 for utilities, water quality, sewer and landfill fees for the four garages during the fiscal years ended June 30, 2020 and 2019, respectively.

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note I--Retirement Savings Plans

A 401(a) plan was created during 2015 after the Commonwealth of Kentucky notified the Parking Authority that it would no longer manage outside agencies' contributions for employees who were not direct state employees. Employees can elect to contribute up to 5% of their compensation and the Parking Authority matches 100% of the employee contribution. The Parking Authority contributed \$6,864 and \$6,178 to the Plan for the years ended June 30, 2020 and 2019, respectively.

Employees still have the opportunity to pay into the Commonwealth of Kentucky's 401(k) retirement savings plan on a pre-tax basis.

Note J--Risk Management

The Parking Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets; injuries to employees; general liability claims; and natural disasters. The Parking Authority manages these risks through the purchase of insurance and carries the following insurance policies with the indicated limits of coverage:

Building and Personal Property	\$36,014,521
Commercial General Liability	\$ 5,000,000
Workers' Compensation & Employers' Liability	\$ 4,000,000
Public Officials Liability	\$ 1,000,000
Business Auto Liability	\$ 1,000,000
Equipment	\$ 90,000

During the fiscal years ended June 30, 2020 and 2019, Lanier Parking Meter Services, LLC. (dba "REEF Parking") carried insurance policies for risks associated with its daily operations of the Parking Authority's On-Street and Off-Street parking. Lanier's policies and coverages are listed below:

General Liability	\$ 5,000,000
Excess/Umbrella Liability	\$ 10,000,000
Auto Liability	\$ 2,000,000
Garage Keepers Liability	\$ 1,000,000
Workers' Compensation & Employers' Liability	\$ 1,000,000
Crime	\$ 1,000,000

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note K--Concentration of Revenues

On-Street and Off-Street parking revenues are generated by monthly patrons, transient parkers, event attendees, parking validations and fines. Three customers with Off-Street monthly parking arrangements made up 32% of the revenues in that category for the fiscal year ended June 30, 2020, (12%, 10%, and 10% respectively). Three customers with Off-Street monthly parking arrangements made up 31% of the revenues in that category for the fiscal year ended June 30, 2019, (11%, 10% and 10% respectively). Should any monthly parking groups terminate their arrangements, available spots are quickly filled by other customers seeking parking in the garages. Also, due to the number of annual events and turnover of visitors in the downtown Lexington area for events, dining, shopping and other purposes, management believes there is not a concentration of customers in event, transient or On-Street parking revenues that would indicate a risk for the Parking Authority.

Note L--Contingencies

Lawsuits

From time to time, the Parking Authority may be involved in various claims and arbitrations involving meter customers, garage patrons and certain other matters.

Liens and Encumbrances

While the Parking Authority believes that LFUCG has satisfactory title to the Courthouse garage facility operated by the Parking Authority, there may be some liens and encumbrances on the Courthouse assets for matters unrelated to the Parking Authority's business operations. Only a complete and accurate title search of the property would disclose such liens and encumbrances

Business Disruption

In March, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a risk that operations could be disrupted in the near future.

The extent to which COVID-19 impacts the Parking Authority will depend on future developments, which are highly uncertain and cannot be predicted. As a result, the Parking Authority has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2021.

Notes to the Financial Statements—Continued

Lexington and Fayette County Parking Authority

June 30, 2020 and 2019

Note M--Future Accounting Pronouncements

The GASB has issued several reporting standards that will become effective for FY 2021 and later year's financial statements:

Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments. (FY 2022).

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, requires interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported on an enterprise fund. (FY 2022)

Management has not yet determined the effect, if any, that the adoption of these standards may have on its financial statements.

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance
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To the Board of Directors
Lexington and Fayette County Parking Authority
Lexington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lexington and Fayette County Parking Authority (the "Parking Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Parking Authority's basic financial statements, and have issued our report thereon dated November 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parking Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Parking Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parking Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Parking Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parking Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Parking Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Parking Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 6, 2020