

Financial Statements  
and Related Information

2022

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021



Financial Statements  
and Related Information

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

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## **Independent Auditors' Report**

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

### **Opinion**

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Parking Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As discussed in Note B, the Parking Authority implemented new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 87, *Leases*. Accordingly, amounts previously reported in expenditures and net position have been restated in the 2022 financial statements now presented. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parking Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parking Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 January 12, 2023, 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  
January 12, 2023

**Management's Discussion and Analysis (Unaudited)**

## Management's Discussion and Analysis (Unaudited)

### **Lexington and Fayette County Parking Authority**

June 30, 2022

Our Management's Discussion and Analysis ("MD&A") of the Lexington and Fayette County Parking Authority (the "Parking Authority") provides an introduction and overview of the financial activity for the fiscal year ended June 30, 2022. 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 Annual Comprehensive Financial 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 is now 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 expense 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.

The Parking Authority implemented GASB Statement No. 87, *Leases*, during the current year. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The financial statements as of June 30, 2021 have been restated to incorporate the implementation of GASB Statement No. 87, with no impact to net position.

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022

**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 \$783,740 for the year ended June 30, 2022 and decreased by \$32,251 for the year ended June 30, 2021 (see Table 1). The Parking Authority purchased \$189,259, \$2,210,018, and \$1,097,492 of capital assets during the fiscal years ended June 30, 2022, 2021 and 2020, respectively. Notes payable were paid down by \$427,740, \$418,507, and \$409,299 during the fiscal years ended June 30, 2022, 2021 and 2020, respectively. The Parking Authority used \$260,789 and \$1,465,312 of restricted investment balances during the fiscal years ended June 30, 2022 and 2021, respectively, and added \$472,558 to restricted investment balances during the fiscal years ended June 30, 2020.

**Table 1**

	<b>June 30</b>		
	<b>2022</b>	<b>2021 (Restated)</b>	<b>2020</b>
<b>Assets</b>			
Current assets	\$ 5,308,465	\$ 4,819,330	\$ 6,347,893
Capital assets	19,231,036	19,800,676	18,357,803
<b>Total Assets</b>	24,539,501	24,620,006	24,705,696
<b>Liabilities</b>			
Current liabilities	2,148,427	912,595	767,985
Noncurrent liabilities	15,180	2,030,308	2,455,850
<b>Total Liabilities</b>	2,163,607	2,942,903	3,223,835
<b>Deferred Inflow of Resources</b>			
Deferred inflow on leases	142,544	227,493	
<b>Net Position</b>			
Net investment in capital assets	17,194,299	17,350,856	15,499,992
Restricted	3,399,022	3,659,811	5,126,192
Unrestricted	1,640,029	438,943	855,677
<b>Total Net Position</b>	<b>\$ 22,233,350</b>	<b>\$ 21,449,610</b>	<b>\$ 21,481,861</b>

Continued



**Lexington and Fayette County Parking Authority**

June 30, 2022

**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. For 2022, revenues and expenditures increased from the prior year due to businesses reopening and events being held as the COVID-19 pandemic social distancing restrictions were lifted. In the prior year, the Parking Authority experienced declines in transient parking, event parking, and meter collections due to the cancellation of events and mandatory closure of businesses due to social distancing requirements. Expenditures for 2021 were down from 2020 due to management efforts to decrease costs.

**Table 2**

	<b>June 30</b>		
	<b>2022</b>	<b>2021 (Restated)</b>	<b>2020</b>
<b>Operating Revenues</b>			
Monthly rental parking	\$ 1,522,679	\$ 1,435,094	\$ 1,439,506
Meter collections	1,054,429	669,565	1,009,002
Parking fines	884,703	762,054	836,141
Transient rental parking	691,316	285,597	598,787
Event parking	190,613		177,200
Validations	42,405	22,639	40,327
Other	2,794	1,439	6,184
<b>Total Operating Revenues</b>	<b>4,388,939</b>	<b>3,176,388</b>	<b>4,107,147</b>
<b>Operating Expenses</b>			
Off-street parking expenses	1,114,358	992,251	1,170,924
On-street parking expenses	1,177,668	1,004,223	1,110,553
Personnel expenses	339,781	309,536	323,669
Administrative expenses	164,630	140,646	247,125
<b>Total Operating Expenses</b>	<b>2,796,437</b>	<b>2,446,656</b>	<b>2,852,271</b>
<b>Depreciation and Amortization</b>	<b>839,497</b>	<b>788,002</b>	<b>728,883</b>
<b>Nonoperating Revenues and Expenses</b>	<b>30,735</b>	<b>26,019</b>	<b>86,983</b>
<b>Change in Net Position</b>	<b>\$ 783,740</b>	<b>\$ (32,251)</b>	<b>\$ 612,976</b>

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022

**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 with significant garage improvements being made. These improvements were funded through assets restricted for this purpose.

<b>Table 3</b>			
<b>June 30</b>			
	<b>2022</b>	<b>2021 (Restated)</b>	<b>2020</b>
<b>Cash Provided By (Used In):</b>			
Operating activities	\$ 1,465,956	\$ 898,321	\$ 858,561
Capital and related financing activities	(697,597)	(2,649,383)	(1,506,790)
Investing activities	(472,558)		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 768,359</b>	<b>\$ (1,751,062)</b>	<b>\$ (1,120,787)</b>

**Financial Analysis of Overall Financial Position and Results of Operations**

Non-rental parking revenues increased during fiscal year 2022 due to an increase in activities as operations came back to pre-COVID-19 pandemic amounts. Public events resumed during fiscal year 2022, whereas social distancing restrictions limited consumer engagement throughout 2021. Cancellation of all public events led to there being zero event parking revenue in 2021.

Expenses throughout fiscal year 2022 increased in proportion to revenues due to the increase in activity as social distancing restrictions were lifted.

Revenue across all quarters in fiscal year 2022 improved from the prior year due to an increase in parking activity. This was driven largely by relief from social distancing restrictions.

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.

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022

**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 some parking garages to be operated without a gate. This technology improves the flow of traffic and enhances the customer experience. Additional new technology allowing more payment options and a "touchless" experience is available in the garage facilities.

The Parking Authority manages four off-street parking garage structures that total over 2,200 spaces combined and approximately 1,290 on-street metered spaces primarily in downtown Lexington and surrounding areas near the University of Kentucky. Three of the garages are owned and one is under a management agreement. 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 \$112,000.

**Description of Current and Expected Conditions**

As of June 30, 2022, the Parking Authority experienced improvements in revenues to pre-COVID-19 pandemic levels as businesses reopened and events were held in person. The Parking Authority has been impacted by cost increases relating to labor, supplies and materials.

**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**

	<b>June 30</b>	
	<b>2022</b>	<b>2021 (Restated)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,739,263	\$ 710,115
Accounts receivable	24,557	59,135
Lease receivable	145,623	227,493
REEF advance		162,776
Restricted cash and cash equivalents	<u>3,399,022</u>	<u>3,659,811</u>
<b>Total Current Assets</b>	<u>5,308,465</u>	<u>4,819,330</u>
<b>Non-Current Assets</b>		
Capital assets		
Land	7,585,094	7,585,094
Buildings and improvements	14,566,313	14,612,813
Equipment and furniture	3,093,453	2,973,257
Computer software	10,850	10,850
Construction in progress	111,564	
Right-of-use lease asset	<u>46,030</u>	<u>20,857</u>
Total Capital Assets	25,413,304	25,202,871
Less: Accumulated Depreciation	<u>(6,182,268)</u>	<u>(5,402,195)</u>
<b>Total Capital Assets, Net of Accumulated Depreciation and Amortization</b>	<u>19,231,036</u>	<u>19,800,676</u>
<b>Total Assets</b>	<u>24,539,501</u>	<u>24,620,006</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	96,307	464,575
Current portion of compensated absences	11,926	11,558
Deposits payable	3,457	1,657
Lease liability	25,173	10,516
Current maturities of note payable	<u>2,011,564</u>	<u>424,289</u>
<b>Total Current Liabilities</b>	<u>2,148,427</u>	<u>912,595</u>
<b>Non-Current Liabilities</b>		
Note payable		2,015,015
Compensated absences	11,926	11,559
Deposits payable	<u>3,254</u>	<u>3,734</u>
<b>Total Non-Current Liabilities</b>	<u>15,180</u>	<u>2,030,308</u>
<b>Total Liabilities</b>	<u>2,163,607</u>	<u>2,942,903</u>
<b>Deferred Inflow of Resources</b>		
Deferred inflow on leases	<u>142,544</u>	<u>227,493</u>
<b>Net Position</b>		
Net investment in capital assets	17,194,299	17,350,856
Restricted	3,399,022	3,659,811
Unrestricted	<u>1,640,029</u>	<u>438,943</u>
<b>Total Net Position</b>	<u>\$ 22,233,350</u>	<u>\$ 21,449,610</u>

See Accompanying Notes to Financial Statements

Statements of Revenues, Expenses, and Changes in Net Position

**Lexington and Fayette County Parking Authority**

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021 (Restated)</b>
<b>Operating Revenues</b>		
Monthly rental parking	\$ 1,522,679	\$ 1,435,094
Meter collections	1,054,429	669,565
Parking fines	884,703	762,054
Transient rental parking	691,316	285,597
Event parking	190,613	
Validations	42,405	22,639
Other	2,794	1,439
<b>Total Operating Revenues</b>	<b>4,388,939</b>	<b>3,176,388</b>
<b>Operating Expenses</b>		
Operator expenses	1,978,548	1,709,819
Personnel	339,781	309,536
Bank and credit card fees	140,535	87,320
Legal and professional	116,733	123,781
Insurance	79,938	89,329
Utilities	121,594	113,294
Other	19,308	13,577
<b>Total Operating Expenses</b>	<b>2,796,437</b>	<b>2,446,656</b>
<b>Operating Income Before Depreciation and Amortization</b>	<b>1,592,502</b>	<b>729,732</b>
<b>Depreciation and Amortization</b>	<b>839,497</b>	<b>788,002</b>
<b>Operating Income (Loss)</b>	<b>753,005</b>	<b>(58,270)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	12,166	20,189
Interest expense	(49,190)	(58,436)
Rental revenue	82,325	66,255
Unrealized loss on investments	(14,566)	(1,989)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>30,735</b>	<b>26,019</b>
<b>Change in Net Position</b>	<b>783,740</b>	<b>(32,251)</b>
<b>Net Position, Beginning of Year</b>	<b>21,449,610</b>	<b>21,481,861</b>
<b>Net Position, End of Year</b>	<b>\$ 22,233,350</b>	<b>\$ 21,449,610</b>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

**Lexington and Fayette County Parking Authority**

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021 (Restated)</b>
<b>Cash Flows From Operating Activities</b>		
Payments received from parking customers	\$ 4,443,690	\$ 3,199,215
Cash received from commercial property renters	84,955	66,255
Payments to suppliers for goods and services	(2,707,069)	(2,034,687)
Payments to employees for services	(332,635)	(310,552)
Payments to LFUCG	(22,985)	(21,910)
<b>Net Cash Provided By Operating Activities</b>	<b>1,465,956</b>	<b>898,321</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Payments on note payable	(427,740)	(418,507)
Purchases of capital assets	(269,857)	(2,230,876)
<b>Net Cash Used In Capital and Related Financing Activities</b>	<b>(697,597)</b>	<b>(2,649,383)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>768,359</b>	<b>(1,751,062)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,369,926</b>	<b>6,120,988</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,138,285</b>	<b>\$ 4,369,926</b>
<b>Reconciliation of Change in Net Position to Net Cash Provided By Operating Activities</b>		
Change in net position	\$ 783,740	\$ (32,251)
<b>Adjustments to Reconcile Change in Net Position to Net Cash Provided By Operating Activities:</b>		
Depreciation and amortization	839,497	788,002
Interest from deferred inflows	(3,079)	
<b>Change in Assets and Liabilities:</b>		
Accounts receivable	34,578	(16,953)
REEF Advance	162,776	21,947
Accounts payable and accrued liabilities	(368,268)	124,560
Lease liabilities	14,657	10,516
Deposits payable	1,320	(938)
Compensated absences	735	3,438
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 1,465,956</b>	<b>\$ 898,321</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash and cash equivalents	\$ 1,739,263	\$ 710,115
Restricted cash and cash equivalents	3,399,022	3,659,811
	<b>\$ 5,138,285</b>	<b>\$ 4,369,926</b>

See Accompanying Notes to Financial Statements

## **Notes to the Financial Statements**



**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**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 588 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 outsourced daily operations to a third party, Lanier Parking Meter Services, LLC (dba REEF Parking) for the years ended June 30, 2022 and 2021 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, 2022 and 2021

**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.

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

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

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

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.

REEF Advance--Amounts, in prior years, that were recorded in REEF Advance represented a deposit made to the parking management vendor for contingent costs. The deposit is adjusted annually to reflect the vendor's estimated contingent costs for the year. The balance of the deposit was refunded upon the expiration of the management contract at the end of the 2022 fiscal year. The term of the contract was three years with two one-year extension options. The Parking Authority has fulfilled the three years of the base contract and had extended the contract for one-year.

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

Leases--Leases are contracts that convey control of a right to use another entity's nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

Short-Term Leases

For leases with a maximum term of 12-months or less at the commencement date of the lease the Parking Authority recognizes lease income or lease expense as amounts become due under the lease agreement.

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

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

Leases--Continued

*The Parking Authority as Lessee*

Lease liabilities on the statement of net position represent the present value of payments expected to be made during the lease term. Lease payments are discounted to present value using the rate implicit in the lease, when it can be readily determined, or the Parking Authority's incremental borrowing rate at the commencement of the lease. In subsequent years, amortization of the discount is included in interest expense in the statement of activities.

Variable payments based on future performance of the Parking Authority, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the lease liability. Those variable payments are recognized as lease expense in the period in which the obligation for those payments is incurred.

At commencement of the lease, a right-to-use asset is recorded on the statement of net position in an amount equal to the corresponding lease liability plus lease payments paid by the Parking Authority at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The right-to-use asset also includes any initial direct costs that are necessary to place the leased asset into service. The right-to-use asset is amortized over the shorter of the lease term or the useful life of the right-to-use asset.

Subsequent to the commencement of the lease, the lease liability and right-to-use asset are remeasured if certain criteria are met.

In the financial statements prepared using the current financial resources measurement focus (i.e. the governmental funds financial statements), an expenditure (as calculated using the same principles as the right-to-use asset above) and other financing source (calculated using the same principles as the lease liabilities above) is reported in the period the lease is initially recognized. Subsequent lease payments are recognized as expenditures when they become due under the lease agreement.

*The Parking Authority as Lessor*

Lease receivables represent the present value of payments expected to be received during the lease term, reduced by a provision for estimated uncollectible amounts, if necessary. Lease payments are discounted to present value using the rate implicit in the lease. In subsequent years, amortization of the discount is included in interest income.

Variable payments based future performance of the lessee, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the lease receivable. Those variable payments are recognized as lease income in the period to which those payments relate.

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

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

Leases--Continued

At commencement of the lease, a deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflow of resources is recognized as rental income in a systematic and rational manner (generally, the Parking Authority uses the straight-line approach) over the term of the lease.

Subsequent to the commencement of the lease, the lease receivable and the deferred inflow of resources are remeasured if certain criteria are met.

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.

Changes in compensated absences are summarized as follows:

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 23,117	\$ 19,679
Increases	31,230	28,845
Decreases	<u>(30,495)</u>	<u>(25,407)</u>
<b>Ending Balance</b>	<b><u>\$ 23,852</u></b>	<b><u>\$ 23,117</u></b>
Amounts due within one year	\$ 11,926	\$ 11,558
Non-current portion	<u>11,926</u>	<u>11,559</u>
<b>Total</b>	<b><u>\$ 23,852</u></b>	<b><u>\$ 23,117</u></b>

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.

Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

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

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 "Net Investment in capital assets."

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.

Reclassifications--Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Change in net position was not affected by the reclassifications.

Restatement of Prior Period - Government Accounting Standard Board Statement No. 87--The Parking Authority adopted the provisions of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The financial statements as of June 30, 2021 have been restated to incorporate the implementation of GASB Statement No. 87, with zero impact to net position.

**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, 2022 and 2021, the carrying amount of the Parking Authority's bank deposits was \$5,130,885 and \$4,361,094, respectively. Deposits with the bank of \$1,731,863 and \$701,283 are classified as cash and cash equivalents, and deposits of \$3,399,022 and \$3,659,811 are classified within restricted cash and cash equivalents as of June 30, 2022 and 2021, 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 \$7,400 and \$8,832 for the change fund as of June 30, 2022 and 2021, 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.

Continued

Notes to the Financial Statements--Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**Note C--Cash and Cash Equivalents--Continued**

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 or are not otherwise insured. There were no cash balances in excess of insured limits as of June 30, 2022 and 2021, respectively.

**Note D--Capital Assets**

Capital asset activity for the year ended June 30, 2022 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		\$ 111,564		111,564
	<u>7,585,094</u>	<u>111,564</u>		<u>7,696,658</u>
Depreciable capital assets				
Buildings and improvements	14,612,813		\$ (46,500)	14,566,313
Equipment and furniture	2,973,257	195,558	(75,363)	3,093,452
Computer software	10,850			10,850
	<u>17,596,920</u>	<u>195,558</u>	<u>(121,863)</u>	<u>17,670,615</u>
<b>Total Depreciable Capital Assets</b>				
Less: accumulated depreciation and amortization	<u>(5,391,854)</u>	<u>(828,981)</u>	<u>59,425</u>	<u>(6,161,410)</u>
<b>Total Depreciable Capital Assets, net</b>	12,205,066	(633,423)	(62,438)	11,509,205
Right-of-use lease asset - office space	20,857	25,173		46,030
Less: accumulated amortization	<u>(10,341)</u>	<u>(10,516)</u>		<u>(20,857)</u>
<b>Total Right-of-Use Lease Asset, net</b>	<u>10,516</u>	<u>14,657</u>		<u>25,173</u>
<b>Total Capital Assets, net</b>	<u>\$ 19,800,676</u>	<u>\$ (507,202)</u>	<u>\$ (62,438)</u>	<u>\$ 19,231,036</u>

Continued

Notes to the Financial Statements--Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**Note D--Capital Assets--Continued**

Capital asset activity for the year ended June 30, 2021 is as follows:

	<b>Beginning Balance (Restated)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Nondepreciable capital assets</b>				
Land	\$ 7,585,094			\$ 7,585,094
Construction in progress	323,892	\$ 2,210,018	\$ (2,533,910)	
	7,908,986	2,210,018	(2,533,910)	7,585,094
<b>Depreciable capital assets</b>				
Buildings and improvements	12,773,257	1,839,556		14,612,813
Equipment and furniture	2,278,903	694,354		2,973,257
Computer software	10,850			10,850
	<b>Total Depreciable Capital Assets</b>	<b>2,533,910</b>		<b>17,596,920</b>
Less: accumulated depreciation and amortization	(4,614,193)	(777,661)		(5,391,854)
	<b>Total Depreciable Capital Assets, net</b>	<b>1,756,249</b>		<b>12,205,066</b>
Right-of-use lease asset - office space	10,341	10,516		20,857
Less: accumulated amortization		(10,341)		(10,341)
	<b>Total Right-of-Use Lease Asset, net</b>	<b>175</b>		<b>10,516</b>
	<b>Total Capital Assets, net</b>	<b>\$ 3,966,442</b>	<b>\$ (2,533,910)</b>	<b>\$ 19,800,676</b>

**Note E--Note Payable**

The Parking Authority entered into a note payable 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 matured in January 2023 and paid in full on January 5, 2023.

Continued



Notes to the Financial Statements--Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**Note E--Note Payable--Continued**

Changes in long-term liabilities during the years ended June 30, 2022 and 2021, are summarized as follows:

<u>Year Ending</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2022	\$ 2,439,304	\$ _____	\$ (427,740)	\$ 2,011,564	\$ 2,011,564
2021	\$ 2,857,811	\$ _____	\$ (418,507)	\$ 2,439,304	\$ 424,289

Principal maturities of the note payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,011,564	\$ 23,250	\$ 2,034,814

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, 2022 and 2021, 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, 2022 and 2021, restricted net assets consisted of \$3,399,022 and \$3,659,811, respectively, restricted primarily for a capital asset management program. There were no other restrictions of net assets related to the years ended June 30, 2022 and 2021.

Restricted net position consists of:

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Capital asset management	\$ 3,399,022	\$ 3,500,000
Garage maintenance projects		159,811
<b>Total Restricted Net Assets</b>	<b>\$ 3,399,022</b>	<b>\$ 3,659,811</b>

Notes to the Financial Statements--Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**Note G--Leases**

*As a Lessor*

The Parking Authority, as a lessor, has entered into lease agreements regarding commercial retail space within the garages and a land parcel to various tenants. The lease agreements active subsequent to the year ended June 30, 2022 are for various terms and require the tenants to pay monthly rent amounts and their proportionate share of electric and other utility charges. The total amount of inflows of resources, including lease revenue and interest revenue recognized during the fiscal year ended June 30, 2022 was \$90,657.

The total future minimum lease revenues as of June 30, 2022, are as follows:

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 79,508	\$ 5,708	\$ 85,216
2024	52,603	3,219	55,822
2025	13,512	1,058	14,570
	\$ 145,623	\$ 9,985	\$ 155,608

*As a Lessee*

The Parking Authority, has entered into a lease agreement with a related party, LFUCG, for the lease of office space. The Parking Authority made payments totaling \$10,690 during the fiscal year ended June 30, 2022.

The total of the Parking Authority's lease assets is recorded at a cost of \$46,030 less accumulated amortization of \$20,857 as of June 30, 2022.

The future lease payments under the lease agreement are as follows:

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 12,225	\$ 588	\$ 12,813
2024	12,948	211	13,159
	\$ 25,173	\$ 799	\$ 25,972

The Parking Authority also paid LFUCG \$12,300 and \$11,400 for utilities, water quality, sewer, and landfill fees for the four garages during the fiscal years ended June 30, 2022 and 2021, respectively.

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**Note H--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 \$13,467 and \$9,141 to the Plan for the years ended June 30, 2022 and 2021, 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 I--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	\$36,734,811
Commercial General Liability	\$ 5,000,000
Workers' Compensation & Employers' Liability	\$ 4,000,000
Public Officials Liability	\$ 5,000,000
Business Auto Liability	\$ 1,000,000
Equipment	\$ 90,900

During the fiscal year ended June 30, 2022 and 2021, 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	\$ 4,000,000
Excess/Umbrella Liability	\$ 5,000,000
Auto Liability	\$ 2,000,000
Garage Keepers Liability	\$ 1,000,000
Workers' Compensation & Employers' Liability	\$ 1,000,000
Crime	\$ 1,000,000

**Note J--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 35% of the revenues in that category for the fiscal year ended June 30, 2022, (13%, 12%, and 10%). Three customers with off-street monthly parking arrangements made up 37% of the revenues for the fiscal year ended June 30, 2021 (13%, 13%, and 11%). 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.

Notes to the Financial Statements--Continued

## **Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

### **Note K--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

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak to be a pandemic. The impact of COVID-19 continued through the year ended June 30, 2022. 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 continues to be 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, 2022.

### **Note L--Subsequent Events**

On April 20, 2022, the Parking Authority entered into an agreement with a new management company, PCI Municipal Services, to provide parking management services for the Lexington on-street and off-street parking programs. The agreement is effective for the period July 1, 2022 to June 30, 2025 and can be extended for two additional one year terms.

In 2017, LFUCG entered into a land swap agreement with the University of Kentucky to take effect on July 1, 2022. As a result of the agreement, 89 metered spaces across 17 streets were removed from the impacted land. The estimated annual loss of metered revenue for the Parking Authority is \$300,000.

As of January 1, 2023 and as a result of House Bill 8 passed by the Kentucky State Legislature, the Parking Authority will be required to remit sales tax of 6% to the state for all parking services. This includes monthly, hourly, event, and daily parking in garages and at meters. The Parking Authority estimates the annual tax payment to be around \$250,000. The implementation impact also includes costs of updating the software and related processes.

On January 10, 2023, the Parking Authority paid the remaining balance of its loan that was originally taken in May 2013 for \$6,000,000.

Notes to the Financial Statements--Continued

**Lexington and Fayette County Parking Authority**

June 30, 2022 and 2021

**Note M--Future Accounting Pronouncements**

The GASB has issued several reporting standards that became effective for FY 2023 and later years financial statements:

Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, provides guidance on the accounting and financial reporting for SBITA's, by defining a SBITA, establishes that a SBITA results in an intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, and required note disclosures (FY 2023).

Statement No. 101, *Compensated Absences*, this Statement updates the recognition and measurement guidance for compensated absences. This is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. (FY 2025)

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

**Independent Auditors' 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 Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
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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, 2022, 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 January 12, 2023.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

## **Report on 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 financial statements. 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  
January 12, 2023