

BIRMINGHAM PARKING AUTHORITY

**Financial Statements
and
Supplementary Information**

**For the Year Ended
June 30, 2020**

BIRMINGHAM PARKING AUTHORITY

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For the Year Ended June 30, 2020**

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BIRMINGHAM PARKING AUTHORITY

Management's Discussion and Analysis For the Year Ended June 30, 2020

The following Management Discussion and Analysis (MD&A) of the Birmingham Parking Authority's (the Authority) activities and financial performance is intended to provide readers with an introduction and overview of the financial statements of the Authority for the fiscal year ended June 30, 2020. This discussion should be read in conjunction with the financial statements and the notes to the financial statements, which are essential to a full understanding of the data contained in the financial statements.

The Authority, a component unit of the City of Birmingham, was created by Act 2079 of the Alabama State Legislature in 1971 and was incorporated on February 28, 1972. The mission of the Authority is to provide convenient, affordable parking facilities to serve the needs of a growing central business district. Currently, the Authority manages 8,116 spaces located in eight parking decks and two surface lots. The Authority has 42 full-time and 30 part-time employees.

Financial Highlights

- The assets of the Authority exceeded the liabilities by \$5,872,303 at the close of the fiscal year.
- At the end of fiscal year 2020, the Authority had unrestricted net position of \$2,338,525.

Using the Financial Statements

The Authority's financial report includes the statement of net position; statement of revenue, expenses and changes in net position; statement of cash flows; and notes to the financial statements. These financial statements are prepared in accordance with *Generally Accepted Accounting Principles* (GAAP). The Authority is required to present the basic financial statements and required supplementary information on a consolidated basis to focus on the Authority as a whole.

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BIRMINGHAM PARKING AUTHORITY

**Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020**

Condensed Statement of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year and includes all assets (what it owns) and liabilities (what it owes), with the difference in the two reported as net position. Net position is an indicator of the current financial condition of the Authority. The change in net position is an indicator of whether the financial condition has improved or worsened during the year. A summary of the Authority's assets, liabilities and net position is as follows at June 30:

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 4,617,701	\$ 4,984,085
Noncurrent Assets	<u>3,977,777</u>	<u>4,198,902</u>
Total Assets	<u>8,595,478</u>	<u>9,182,987</u>
Liabilities		
Current Liabilities	2,198,089	2,686,455
Noncurrent Liabilities	<u>525,086</u>	<u>693,525</u>
Total Liabilities	<u>2,723,175</u>	<u>3,379,980</u>
Net Position		
Net investment in capital assets	3,492,388	3,541,006
Restricted	41,390	-
Unrestricted	<u>2,338,525</u>	<u>2,262,001</u>
Total Net Position	<u>\$ 5,872,303</u>	<u>\$ 5,803,007</u>

Current assets consist of cash, accounts receivable, investments, and prepaid expenses. Noncurrent assets consist of property and equipment.

Current liabilities consist of accounts payable, salaries payable and a payable to the City of Birmingham. Noncurrent assets consist of compensated absences.

The Authority's assets exceeded its liabilities by \$5,872,303 at June 30, 2020.

Net position invested in capital assets of \$3,492,388 include the Authority's investment in land, equipment, furniture, vehicles, and land improvements and construction in progress. This balance is offset by debt related to capital assets. These capital assets are used in governmental activities and are not available for future spending or funding of operations.

Restricted assets of \$41,390 are to be used for debt service payments related to the parking deck equipment.

Unrestricted assets of \$2,338,525 may be used to meet ongoing obligations and for future operations.

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BIRMINGHAM PARKING AUTHORITY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2020

Condensed Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses and changes in net position presents the Authority's results of operations. It presents information showing how the Authority's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position, regardless of when cash is received or paid. Gross expenses are offset by revenues to determine the increase or decrease in net position. The change in net position allows the reader to determine whether the Authority's financial position has improved or deteriorated over the course of the fiscal year. The Authority's revenue, expenses and changes in net position for the year ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Parking fees	\$ 6,749,367	\$ 6,581,709
Rental income	250,530	254,751
Facility management fees	<u>40,526</u>	<u>49,067</u>
Total Operating Revenue	7,040,423	6,885,527
Less: Operating expenses	<u>(7,002,096)</u>	<u>(6,805,842)</u>
Operating Revenue, net	<u>38,327</u>	<u>79,685</u>
Nonoperating Revenues/(Expenses)		
Interest on investments	47,883	10,951
Interest expense	<u>(16,914)</u>	<u>(21,339)</u>
Total Nonoperating Revenue/(Expenses)	<u>30,969</u>	<u>(10,388)</u>
Increase in Net Position	<u>\$ 69,296</u>	<u>\$ 69,297</u>

Operating revenue is derived primarily from short-term parking revenue and payments received from customers under contract. Facility management fees include fees paid to the Authority for the management of customer-owned parking facilities. The Authority provides management services for Cooper Green Hospital. Rental income is derived from the lease of commercial office space in several downtown facilities.

Debt Outstanding

In February 2018, the Authority received \$880,217 in proceeds from an issuance of debt to finance the purchase of equipment to be used at the parking facilities. The Authority incurred \$16,914 in interest related to this debt during the year. The outstanding balance at year end was \$485,389.

Capital Asset Activity

Capital assets, net of accumulated depreciation, totaled \$3,977,777 at June 30, 2020. Investments in capital assets include land, vehicles, equipment, furniture and fixtures, and land improvements and construction in progress.

Capital additions totaled \$7,159 for the fiscal year 2020.

BIRMINGHAM PARKING AUTHORITY

Management's Discussion and Analysis (continued) For the Year Ended June 30, 2020

Capital Assets	<u>2020</u>	<u>2019</u>
Land	\$ 2,406,797	\$ 2,406,797
Construction in progress	-	880,217
Vehicles	236,266	236,266
Equipment	2,086,675	1,219,849
Furniture and fixtures	49,163	49,163
Land improvements	<u>739,779</u>	<u>739,779</u>
Total Capital Assets	5,518,680	5,532,071
Less: Accumulated depreciation	<u>(1,540,903)</u>	<u>(1,333,169)</u>
Capital Assets, net of depreciation	<u>\$ 3,977,777</u>	<u>\$ 4,198,902</u>

Budget Information and Economic Factors Affecting the Birmingham Parking Authority

The annual budget is approved by the Authority's Board of Directors. In fiscal year 2020, actual operating expenses were less than projected expenses. The Authority strives to deliver a high level of quality service while operating within budget.

The Authority's fiscal year 2021 budget is prepared in accordance with sound budget practices. We believe that estimates are reasonable and anticipate that actual revenue and expenditures will closely approximate budgeted amounts.

Downtown Birmingham's economic growth and development affects the future performance of the Authority. The demand for parking in the central business district could significantly decrease or increase depending on the economy and future development.

Financial Contact

If you have any questions regarding these financial statements or supplemental information, you may contact Wanda Knight, Interim Executive Director, Birmingham Parking Authority, 1732 5th Avenue, North, Birmingham, Alabama, (205) 321-7040.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Birmingham Parking Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Birmingham Parking Authority (the Authority), a component unit of the City of Birmingham, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Birmingham Parking Authority, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

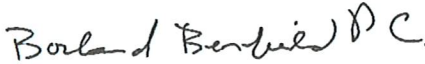
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-4 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 REPORT DATE, on our consideration of the 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 Authority's internal control over financial reporting and compliance.


Borland Benefield, P.C.
Birmingham, Alabama
REPORT DATE

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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

To the Board of Directors
Birmingham Parking Authority

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 business-type activities of Birmingham Parking Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Birmingham Parking Authority's (the Authority) basic financial statements, and have issued our report thereon dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Borland Benefield, P.C.
Birmingham, Alabama
REPORT DATE

BIRMINGHAM PARKING AUTHORITY

**Statement of Net Position
As of June 30, 2020**

Assets

Current Assets

Cash	\$ 4,322,458
Restricted cash	41,390
Certificates of deposit	110,436
Accounts receivable, net of reserve for bad debts of \$4,000	114,708
Prepaid expenses	28,709
Total Current Assets	<u>4,617,701</u>

Noncurrent Assets

Non-depreciable capital assets	2,406,797
Depreciable capital assets, net of accumulated depreciation	1,570,980
Total Noncurrent Assets, net	<u>3,977,777</u>

Total Assets	<u>\$ 8,595,478</u>
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Liabilities

Current Liabilities

Due to the City of Birmingham	\$ 1,674,771
Accounts payable	107,515
Salaries payable	105,508
Compensated absences	39,320
Unearned revenue	93,363
Current portion of long-term debt	177,612
Total Current Liabilities	<u>2,198,089</u>

Noncurrent Liabilities

Compensated absences	217,309
Long-term debt	307,777
Total Noncurrent Liabilities	<u>525,086</u>

Total Liabilities	<u>\$ 2,723,175</u>
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Net Position

Net investment in capital assets	\$ 3,492,388
Restricted	41,390
Unrestricted	2,338,525
Total Net Position	<u>5,872,303</u>

Total Liabilities and Net Position	<u>\$ 8,595,478</u>
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See accompanying notes to financial statements.

BIRMINGHAM PARKING AUTHORITY

**Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2020**

Operating Revenue	
Parking fees	\$ 6,749,367
Rental income	250,530
Facility management fees	<u>40,526</u>
Total Operating Revenue	<u>7,040,423</u>
Operating Expenses	
Salaries	2,660,123
City affiliation agreement	1,623,646
Employee benefits	715,447
Utilities	533,813
Professional fees	391,334
Building and facilities	262,999
Depreciation	207,734
Payroll taxes	194,960
City lighting agreement	168,907
Insurance	95,260
Bank/credit card fees	52,425
Equipment maintenance	32,397
Miscellaneous	27,222
Office supplies	21,997
Janitorial services	5,586
Travel	4,800
Equipment rental	2,045
Bad debt expense	<u>1,401</u>
Total Operating Expenses	<u>7,002,096</u>
Income from Operations	38,327
Nonoperating Revenue (Expenses)	
Interest on investments	47,883
Interest expense	<u>(16,914)</u>
Total Nonoperating Revenue (Expenses)	<u>30,969</u>
Increase in Net Position	69,296
Net Position, Beginning of Year	<u>5,803,007</u>
Net Position, End of Year	<u>\$ 5,872,303</u>

See accompanying notes to financial statements.

BIRMINGHAM PARKING AUTHORITY

**Statement of Cash Flows
For the Year Ended June 30, 2020**

Cash Flows From Operating Activities	
Cash received from customers	\$ 7,072,380
Cash payments to employees for services and benefits	(3,435,673)
Cash payments to suppliers for goods and services	<u>(3,810,436)</u>
Net Cash (Used) By Operating Activities	<u>(173,729)</u>
 Cash Flows From Capital and Related Financing Activities	
Interest payments on long-term debt	(16,914)
Principal payments on long-term debt	(172,507)
Redemption of certificate of deposit	237,899
Purchases of capital assets	<u>(7,159)</u>
Net Cash Provided By Capital and Related Financing Activities	<u>41,319</u>
 Cash Flows from Investing Activities	
Interest received	<u>47,883</u>
Net Cash Provided By Investing Activities	<u>47,883</u>
 Net Decrease in Cash and Cash Equivalents	(84,527)
 Cash and Cash Equivalents - Beginning of Year	<u>4,448,375</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 4,363,848</u>
 Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Income from operations	\$ 38,327
Adjustments to reconcile change in net position to net cash flows from operating activities	
Depreciation	207,735
Change in operating activities and operating liabilities	
Accounts receivable	(659)
Prepaid expenses	44,617
Due to the City of Birmingham	(271,932)
Accounts payable	(164,330)
Accrued salaries and wages	(60,103)
Deferred revenue	<u>32,616</u>
Net Cash (Used) By Operating Activities	<u>\$ (173,729)</u>
 Supplemental Disclosure of Cashflow Information	
Cash and cash equivalents	
Unrestricted	\$ 4,322,458
Restricted cash	<u>41,390</u>
 Total Cash and Cash Equivalents	<u>\$ 4,363,848</u>

See accompanying notes to financial statements.

BIRMINGHAM PARKING AUTHORITY

Notes to Financial Statements For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Principles

The Birmingham Parking Authority (the Authority)'s accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity – The Authority a component unit of the City of Birmingham (the City) as is accounted for as a self-supporting enterprise fund in the basic financial statements of the City. The financial statements presented herein represent the financial position, changes in net position and cash flows of the Authority only and are not intended to present fairly the financial position, changes in net position or cash flows of the City.

The Authority was incorporated on February 28, 1972 pursuant to Act 2079 of the Alabama State Legislature in 1971. The purpose of the Authority is to operate parking facilities in the City and to act as a manager for certain other parking facilities.

Basis of Presentation – All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenue from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenue; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses recognized when incurred, regardless of the timing of cash flows.

The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenue is derived from the various parking facilities owned by the City but operated by the Authority. Operating expenses include administration, maintenance, utilities, insurance, depreciation, and payments to the city. All revenue and expenses not meeting these definitions are reported as non-operating revenue and expenses. This includes interest earned on investments.

Affiliation – The City provides accounting and other services to the Authority under an affiliation and management agreement entered into in June 2007. The agreement requires that the Authority remit any excess funds to the City, excluding any revenue required to be remitted to third parties, and gifts, grants, bequests, contributions, or donations to the Authority including, without limitations, payments made by the City on indebtedness incurred with respect to parking facilities.

The agreement will continue until all indebtedness incurred by the City or the Authority, for Authority or City-owned parking facilities is retired. Thereafter, the agreement is subject to renewal by either party for an additional five-year period. As of June 30, 2020, the Authority had excess funds in the amount of \$1,623,646 which had not been remitted to the City, of which all was from the current fiscal year.

See accompanying independent auditors' report.

BIRMINGHAM PARKING AUTHORITY

Notes to Financial Statements (continued) For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Principles

In November 2015, the Authority entered into a new agreement with the City for the installation of energy efficient lighting. In accordance with the agreement, the City funded the installation of new lighting equipment, and the Authority will remit quarterly payments to the City for the cost savings. The Authority determines the amount of the savings by comparing current period power bills to the same period in the base year, fiscal year 2015.

Accordingly, the Authority has included a liability to the City of Birmingham for the following amounts in the accompanying Statement of Net Position:

Due to City under affiliation agreement	\$ 1,623,646
Due to City under lighting agreement	51,126
Total Due to City	<u>\$ 1,674,771</u>

In addition, the Authority has reported a \$50,879 accounts receivable balance from the City for the use of parking spaces.

Revenue Recognition – Operating revenue, which is recorded as earned, is derived substantially from fees charged at the various parking facilities owned by the City, but operated by the Authority. Parking fees are derived from leasing of parking spaces and rental income is derived from leasing of commercial space. Investment income is earned from various investments during the year such as money markets, cash deposits and marketable securities. Management fees originate from a contractual agreement with the Cooper Green Hospital for services rendered to operate their parking facilities.

Cash and Cash Equivalents – Cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from date of acquisition. As of June 30, 2020, \$41,390 of cash and cash equivalents were restricted for the debt service payments related to the purchase of equipment to be used in the parking facilities. See Note 5.

Investments – Investments may include nonnegotiable certificates of deposit with redemption terms that use a cost-based value. Any other investments are stated at market value. Investment income, including changes in the fair market value of investments (if any), is reported as revenue (expenses) in the statement of revenue, expenses and changes in net position.

Receivables – Receivables include amounts due from monthly customers for use of parking facilities. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts of \$4,000 for the year ended June 30, 2020.

Capital Assets and Depreciation – Capital assets are stated at historical cost or estimated historical cost. Contributed capital assets are valued at their estimated fair value on the date donated. The Authority defines capital assets as assets with an initial, individual cost of \$1,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives are:

Parking facilities	50 years
Land improvements	20 years
Furniture and fixtures	10 years
Equipment	10 years
Vehicles	5 years

See accompanying independent auditors' report.

BIRMINGHAM PARKING AUTHORITY

Notes to Financial Statements (continued) For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Principles (continued)

The cost of assets sold or otherwise disposed of and the related accumulated depreciation are removed from the accounts and the gain or loss on such disposition is included in the statement of revenue, expenses and changes in net position.

The cost of constructed capital assets includes interest during the construction period. No depreciation is provided on construction in progress until construction is complete and the asset is placed in service.

Interest is normally expensed as incurred, except when it is incurred in conjunction with major capital additions and then it is capitalized as part of the asset cost. The amounts of interest capitalized are determined by applying interest rates to the funds required to finance the construction. No interest was capitalized for the year ending June 30, 2020.

Compensated Absences – Authority employees earn vacation leave at graduated rates based on the length of service (one day per month of service initially) and may be accumulated up to a maximum of 320 hours or forty (40) days. Leave earned in excess of the maximum accumulation is forfeited after December 31. Sick leave is accrued at the rate of one (1) day per month of service with a maximum of sixty (60) days. Leave earned in excess of the maximum shall be held in a reserve fund and may be granted as supplemental sick leave once all accumulated sick leave has been exhausted. Upon completion of six (6) months of service in a salaried position, employees shall be eligible to use sick leave. A salaried employee who resigns or retires in good standing from the Authority after five (5) years of service may request to receive terminal pay for half of accrued sick leave not to exceed thirty (30) paid days.

Use of Estimates – The preparation of financial statements in conformity with *Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting – The Authority's budget is a management tool that assists its users in analyzing financial activity for its year ended June 30, 2020. Revenue estimates are based upon the best available information as to potential sources of funding. The Board of Directors formally approves the annual budget, but greater emphasis is placed on complying with the budget, terms and conditions.

Note 2 – Cash and Investment Deposits

Cash and Investments – The Board approves, by resolution, all banks or other financial institutions utilized as depositories for the Authority's funds.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

Custodial Credit Risk – Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository (QPD). Under the mandatory SAFE program, each qualified public depository is required to hold collateral for all of its public depositories on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. At June 30, 2020, the bank balance of the Authority's deposits was \$4,363,848. At June 30, 2020, the Authority's cash was in bank deposits, certificates of deposit or money market funds that were insured or collateralized through SAFE. The investments include \$110,436 in nonnegotiable certificates of deposit with redemption terms that do not consider market rates.

See accompanying independent auditors' report.

BIRMINGHAM PARKING AUTHORITY

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

Note 3 – Capital Assets

The following provides a summary of changes in capital assets at June 30, 2020:

	<u>Balance June 30, 2019</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2020</u>
Capital Assets Not Being Depreciated				
Land	\$ 2,406,797	\$ -	\$ -	\$ 2,406,797
Construction in progress	880,217	-	(880,217)	-
Total Capital Assets Not Being Depreciated	<u>3,287,014</u>	<u>-</u>	<u>(880,217)</u>	<u>2,406,797</u>
Capital Assets Being Depreciated				
Furniture and fixtures	49,163	-	-	49,163
Equipment	1,219,849	866,826	-	2,086,675
Vehicles	236,266	-	-	236,266
Land improvements	739,779	-	-	739,779
Total Capital Assets Being Depreciated	<u>2,245,057</u>	<u>866,826</u>	<u>-</u>	<u>3,111,883</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(46,426)	(1,117)	-	(47,543)
Equipment	(954,969)	(149,551)	-	(1,104,520)
Vehicles	(198,499)	(20,078)	-	(218,577)
Land improvements	(133,275)	(36,988)	-	(170,263)
Total Accumulated Depreciation	<u>(1,333,169)</u>	<u>(207,734)</u>	<u>-</u>	<u>(1,540,903)</u>
Total Capital Assets Being Depreciated, Net	<u>911,888</u>	<u>659,092</u>	<u>-</u>	<u>1,570,980</u>
Total Capital Assets, Net	<u>\$ 4,198,902</u>	<u>\$ 659,092</u>	<u>\$ (880,217)</u>	<u>\$ 3,977,777</u>

Depreciation expense for the fiscal year ended June 30, 2020, was \$207,734.

Note 4 – Compensated Absences

In accordance with GASB Statement No. 16, as amended by GASB Statement No. 34, an accrual is recorded for accumulated unpaid vacation and sick pay, and as of June 30, 2020, accrued vacation and sick pay totaled \$256,630.

Full-time employees are required to take a minimum of five (5) consecutive days of vacation per year and those hours represent the current liability of \$39,320. The amounts are charged to expense and a corresponding liability in the applicable department. The estimated liabilities include required salary-related payments.

BIRMINGHAM PARKING AUTHORITY

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

Note 4 – Compensated Absences (continued)

Current year compensated absences activity is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>A Year</u>
Compensated absences	\$ 246,217	\$ 10,412	\$ -	\$ 256,629	\$ 39,320

Note 5 – Long-Term Debt

In February 2018, the Authority entered into a debt agreement to finance the purchase of equipment to be used at the parking facilities. The equipment serves as collateral to secure the debt. The debt will mature in February 2023. The interest rate is fixed at 2.920%. Current year activity is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>A Year</u>
Equipment Note	\$ 657,896	\$ -	\$ (172,507)	\$ 485,389	\$ 177,612

Maturities are as follows for June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 177,612	\$ 11,809	\$ 189,421
2022	182,868	6,553	189,421
2023	124,909	1,371	126,280
Total Long-term Debt	<u>\$ 485,389</u>	<u>\$ 19,733</u>	<u>\$ 505,122</u>

Note 6 – Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

Restricted – The Authority classifies net position resulting from transactions with purpose restriction as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. As of June 30, 2020, the Authority had \$41,390 of restricted net position for debt service payments.

Unrestricted – This category includes all of the Authority’s other net positions, which may be used for the Authority’s general operations. In April 2010 the Authority’s management established a preventative maintenance and repair fund in the amount of \$75,000 annually, which is included in unrestricted net position.

Net Investment in Capital Assets – This category includes all of the Authority’s capital assets, net of accumulated depreciation and related debt.

See accompanying independent auditors' report.

BIRMINGHAM PARKING AUTHORITY

Notes to Financial Statements (continued) For the Year Ended June 30, 2020

Note 7 – Deferred Compensation Plan

The Authority requires all full-time employees to participate in a deferred compensation plan in accordance with Internal Revenue Code 401(a). The Authority matches employee contributions up to 8% of employee compensation. For the year ended June 30, 2020, the Authority contributed \$163,585 to the 401(a) plan.

Additionally, the Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all its full-time and part-time employees, permitting them to defer a portion of their salary until future years. Participation in the 457 plan is optional. The Authority does not provide a matching contribution to the 457 Plan. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Authority does not present the assets of this plan within the accompanying financial statements.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments in the plans are managed by the plans' administrator, which provides the Authority and its employees with periodic reports on investments earnings and expense and individual account balances. The investments held in various types of mutual funds.

Note 8 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure for such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. There have been no settled claims to date, and insurance coverage, by major categories of risk, is consistent with prior years.

Note 9 – Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants and monthly customer's ability to pay the required monthly rent. Operating functions that may be changed include rent intake and maintenance. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

The Authority has evaluated subsequent events as of REPORT DATE, the date the financial statements were available to be issued.