

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON
COUNTY METRO GOVERNMENT
Louisville, Kentucky

FINANCIAL STATEMENTS
June 30, 2020 and 2019

PARKING AUTHORITY OF RIVER CITY, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Greg Fischer, Mayor,
the Louisville Metro Council
and the Board of Directors
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Parking Authority of River City ("PARC"), a component unit of Louisville-Jefferson County Metro Government, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise PARC'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

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Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of the PARC's proportionate share of the net pension liability, the schedule of the PARC's pension contributions, the schedule of PARC's proportionate share of the net OPEB liability, and the schedule of PARC's OPEB contributions as listed in the table of contents 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 audits 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 on our consideration of PARC'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 the effectiveness of PARC's 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 PARC's internal control over financial reporting and compliance.


Crowe LLP

Louisville, Kentucky
December 23, 2020

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020 and 2019

Management's Discussion and Analysis ("MD&A") of the Parking Authority of River City, Inc. ("PARC") financial performance provides an overview of PARC's financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with PARC's basic financial statements, which begin on page 7. PARC is a component unit of the Louisville-Jefferson County Metro Government ("Metro Government"). The MD&A should be read in conjunction with the MD&A of Metro Government. For a description of PARC's activities, see Note 1 of the notes to financial statements on page 12.

Using this Annual Report: This annual report consists of a series of financial statements. The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position (on pages 7 through 9) provide information about the activities of PARC as a whole and present a longer-term view of PARC's finances. These statements include all assets, deferred outflows of resources, liabilities, revenues and expenses of PARC using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The statements of cash flows (on pages 10 and 11) provide information relating to PARC's cash receipts and disbursements during the fiscal year.

Statement of Net Position

The Statement of Net Position includes all of PARC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities) as well as items that are deferred outflows and inflows of resources to be recognized in a future period.

2020 Compared to 2019: Total assets decreased 1.71%, from \$166,050,753 at June 30, 2019 to \$163,217,072 at June 30, 2020. This decrease is primarily due to the net decrease in funds from operations and the use of restricted assets to satisfy related obligations. Deferred outflows of resources decreased 2.89% or \$382,213 from June 30, 2019 to June 30, 2020. This decrease is primarily due to the deferred loss on the advance refunding of the Arena garage bonds and the amortization of the intra-entity transfer of assets and future revenues. The decrease was offset by an increase of \$500,406 in the pension and OPEB deferred outflows.

Total liabilities decreased 2.33%, from \$103,759,229 at June 30, 2019 to \$101,339,207 at June 30, 2020. This decrease is primarily due to an increase in current liabilities to satisfy current obligations offset by the payment of \$3,640,000 in debt service. Deferred inflows of resources increased \$260,003, from \$264,312 at June 30, 2019 to \$524,315 at June 30, 2020 due to increases in pension and OPEB contribution deferrals.

PARC's net position decreased \$1,055,875 during fiscal year 2020 to \$74,213,497.

2019 Compared to 2018: Total assets increased 1.1%, from \$164,255,013 at June 30, 2018 to \$166,050,753 at June 30, 2019. This increase is primarily due to the net addition of funds from operations and the use of restricted assets to satisfy related obligations. Deferred outflows of resources decreased 6.8% or \$971,599 from June 30, 2018 to June 30, 2019. This decrease is primarily due to the deferred loss on the advance refunding of the Arena garage bonds and the amortization of the intra-entity transfer of assets and future revenues.

Total liabilities decreased 2.6%, from \$106,507,507 at June 30, 2018 to \$103,759,229 at June 30, 2019. This decrease is primarily due to an increase in current liabilities to satisfy current obligations offset by the payment of \$3,500,000 in debt service. Deferred inflows of resources increased \$133,261, from \$131,051 at June 30, 2018 to \$264,312 at June 30, 2019 due to increases in pension and OPEB contribution deferrals.

PARC's net position increased \$3,439,158 during fiscal year 2019 to \$75,269,372.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020 and 2019

Statement of Revenues, Expenses and Changes in Net Position

These statements help the user assess the profitability of PARC.

2020 Compared to 2019: Operating revenues decreased 13.57% by \$2,994,407 during the year ended June 30, 2020 (\$19,044,686) compared to June 30, 2019 (\$22,039,093). The main reason operating revenue decreased during the current year is PARC experienced a decrease of parkers over many of their garages, lots and meters due to COVID-19. Operating expenses increased by \$1,580,105 or 10.47%, during the year ended June 30, 2020 (\$16,669,311) compared to June 30, 2019 (\$15,089,206). Expenses increased in the current year due primarily to an increase in administrative, contractual and depreciation expense.

During the fiscal year 2020 non-operating revenues decreased \$44,287 compared to fiscal year 2019 (\$807,412 vs. \$851,699), which is due primarily to interest income on trust investment funds. Non-operating expenses in fiscal year 2020 decreased \$123,765 over fiscal year 2019 (\$4,238,663 vs. \$4,362,428) primarily because of a decrease in interest expense.

2019 Compared to 2018: Operating revenues increased 3.5% by \$737,124 during the year ended June 30, 2019 (\$22,039,093) compared to June 30, 2018 (\$21,301,969). The main reason operating revenue increased during the current year is PARC experienced an increase of parkers over many of their garages, lots and meters. Operating expenses increased by \$694,343 or 4.8%, during the year ended June 30, 2019 (\$15,089,206) compared to June 30, 2018 (\$14,394,863). Expenses increased in the current year due primarily to an increase in contractual and depreciation expense.

During the fiscal year 2019, non-operating revenues increased \$229,987 compared to fiscal year 2018 (\$851,699 vs. \$621,712), which is due primarily to interest income on trust investment funds. Non-operating expenses in fiscal year 2019 increased \$495,328 over fiscal year 2018 (\$4,362,428 vs. \$3,867,100) primarily because of increases in interest and amortization expense.

Statement of Cash Flows

PARC's statements of cash flows report cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to questions such as where did cash come from, what was cash used for and what were the changes in the cash balance during the reporting period.

In fiscal year 2020, significant activity during the year included \$18,416,623 of operating receipts, capital acquisitions of \$4,524,495 and debt service principal and interest of \$6,982,640. In fiscal year 2019, significant activity during the year included \$22,408,565 of operating receipts, capital acquisitions of \$2,702,580 and debt service principal and interest of \$6,985,057.

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PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020 and 2019

Condensed Statements of Cash Flows

	June 30		
	2020	2019	2018
Net cash provided by operating activities	8,496,504	\$13,698,319	\$13,721,351
Net cash provided by investing activities	3,740,548	1,408,504	1,288,937
Net cash (used in) capital and related financing activities	<u>(11,892,969)</u>	<u>(10,016,948)</u>	<u>(21,181,697)</u>
Net increase (decrease) in cash and cash equivalents	344,083	5,089,875	(6,171,409)
Cash and Cash Equivalents, Beginning of Year	<u>\$27,974,143</u>	<u>22,884,268</u>	<u>29,055,677</u>
Cash and Cash Equivalents, End of Year	<u>\$28,318,226</u>	<u>\$27,974,143</u>	<u>\$22,884,268</u>

Capital Assets and Debt Administration

Capital Assets: At June 30, 2020, PARC had \$128,845,313 in capital assets, consisting of parking garages and improvements, parking lots and parking meters, which represents a decrease of \$150,362 or 0.12% compared to fiscal year ending June 30, 2019. At June 30, 2019, PARC had \$128,995,675 invested in capital assets, consisting of parking garages and improvements, parking lots and parking meters, which represents a decrease of \$1,948,464 or 1.49% compared to fiscal year 2018. The decrease in the prior year is primarily a result of depreciation expense on the capital assets.

Debt: At June 30, 2020, PARC had \$84,420,000 in outstanding bond principal and notes compared to \$87,920,000 at June 30, 2019. At June 30, 2019, PARC had \$87,920,000 in outstanding bond principal and notes, compared to \$91,300,000 at June 30, 2018. The decrease in the current and prior year is due to normal principal payments made during the fiscal year.

Economic Factors:

PARC is inherently impacted by the economy based on the customer demand for facilities and amenities within the Louisville-Jefferson County area. Operating revenues are the primary source for financing of on-street and off-street parking facilities, as well as maintaining and improving those facilities.

PARC continues to invest in new facilities and examines the use of existing facilities to meet the demands of the citizens and businesses. PARC closely monitors the revenue streams, rates and fee revenues, and operating costs to support the facilities by managing any significant long-term changes in the economic environment.

For FY 2020, PARC's budgeted revenue was projected at \$21.5 million. However, due to the events surrounding the Coronavirus, revenues were \$19 million. Starting in mid-March, businesses in the downtown central business district required their employees to work from home due to governmental restrictions on non-essential businesses, leaving PARC facilities empty. PARC cut contractor personnel expenses as well as some of PARC's non-essential positions. Many other expenses and capital expenditures were deferred as well. PARC's FY 2021 budget now projects revenue of \$10.8 million and a net loss of \$7.3 million.

PARKING AUTHORITY OF RIVER CITY, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020 and 2019

Requests for Additional Information

This report is intended to provide readers with a general overview of PARC's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the Parking Authority of River City, Attention: Accounting Department, 222 South 1st Street Suite 400, Louisville, KY 40202.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	June 30	
	2020	2019
ASSETS		
Current Assets - Unrestricted		
Cash and cash equivalents	\$ 11,649,193	\$ 15,296,904
Investments - certificates of deposit	-	2,039,854
Accounts receivable	605,042	344,873
Other current assets	141,631	77,177
Total current assets - unrestricted	<u>12,395,866</u>	<u>17,758,808</u>
Current Assets - Restricted		
Cash and cash equivalents	812,598	787,941
Total current assets - restricted	<u>812,598</u>	<u>787,941</u>
Total Current Assets	<u>13,208,464</u>	<u>18,546,749</u>
Non-Current Assets - Unrestricted		
Cash and cash equivalents	3,665,528	580,194
Investments - certificates of deposit	604,164	598,634
Notes receivable, net of discount	861,079	996,699
Capital assets:		
Nondepreciable capital assets	15,370,534	12,618,822
Depreciable capital assets, net	113,474,779	116,376,853
Total capital assets	<u>128,845,313</u>	<u>128,995,675</u>
Total non-current assets - unrestricted	<u>133,976,084</u>	<u>131,171,202</u>
Non-Current Assets - Restricted		
Cash and cash equivalents	12,190,907	11,309,104
Investments - certificates of deposit	3,841,617	5,023,698
Total non-current assets - restricted	<u>16,032,524</u>	<u>16,332,802</u>
Total Non-Current Assets	<u>150,008,608</u>	<u>147,504,004</u>
Total Assets	<u>\$ 163,217,072</u>	<u>\$ 166,050,753</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized amount on intra-entity transfer of assets and future revenues	\$ 7,399,512	\$ 7,931,532
Pension related deferred outflows of resources	1,004,732	690,999
OPEB related deferred outflows of resources	470,117	283,444
Deferred outflow for advance refunding of debt	3,985,586	4,336,185
Total Deferred Outflows of Resources	<u>\$ 12,859,947</u>	<u>\$ 13,242,160</u>

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	June 30	
	2020	2019
LIABILITIES		
Current Liabilities - Unrestricted		
Accounts payable	\$ 953,395	\$ 1,476,686
Prepaid parking	179,161	5,841
Accrued expenses	664,997	989,001
Current portion of capital lease obligation	60,071	45,423
Total current liabilities - unrestricted	<u>1,857,624</u>	<u>2,516,951</u>
Current Liabilities - Restricted		
Accrued interest payable	522,494	538,245
First mortgage revenue bonds	3,640,000	3,500,000
Total current liabilities - restricted	<u>4,162,494</u>	<u>4,038,245</u>
Total Current Liabilities	<u>6,020,118</u>	<u>6,555,196</u>
Noncurrent Liabilities		
First mortgage revenue bonds, less current portion	80,780,000	84,420,000
Bond premium, net	3,490,504	3,712,555
Capital lease obligation	4,873,011	4,933,083
Net pension liability	4,983,824	3,204,265
Net OPEB Liability	1,191,750	934,130
Total noncurrent liabilities	<u>95,319,089</u>	<u>97,204,033</u>
Total Liabilities	<u>\$ 101,339,207</u>	<u>\$ 103,759,229</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 101,399	\$ 86,989
OPEB	422,916	177,323
Total Deferred Inflows of Resources	<u>\$ 524,315</u>	<u>\$ 264,312</u>
NET POSITION		
Net investment in capital assets	\$ 47,554,151	\$ 44,758,269
Restricted:		
Bond indenture	10,142,825	10,081,060
Construction and acquisition	3,854,863	1,088,097
Capital reserve	5,297,757	5,309,340
	<u>19,295,445</u>	<u>16,478,497</u>
Unrestricted	<u>7,363,901</u>	<u>14,032,606</u>
Net Position	<u>\$ 74,213,497</u>	<u>\$ 75,269,372</u>

See accompanying notes to the financial statements.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2020 and 2019

	June 30	
	2020	2019
Operating Revenues		
Parking facilities	\$ 14,775,963	\$ 16,726,138
Parking meters	3,991,906	4,998,805
Rental and validated parking	<u>276,817</u>	<u>314,150</u>
Total Operating Revenues	19,044,686	22,039,093
Operating Expenses		
Contractual services	2,980,330	3,374,732
General and administrative	8,353,558	6,463,241
Depreciation and amortization	<u>5,335,423</u>	<u>5,251,233</u>
Total Operating Expenses	<u>16,669,311</u>	<u>15,089,206</u>
Total Operating Revenues over Expenses	2,375,375	6,949,887
Non-Operating Revenues (Expenses)		
Investment income	524,143	563,252
Interest expense	(3,793,079)	(3,932,739)
Build America Back Strong bonds subsidy	283,269	288,447
Rent expense sublease	(396,015)	(392,265)
Other non-operating expense	<u>(49,568)</u>	<u>(37,424)</u>
Total Non Operating Revenues (Expenses)	<u>(3,431,250)</u>	<u>(3,510,729)</u>
Change in Net Position	(1,055,875)	3,439,158
Net Position, Beginning of Year	<u>75,269,372</u>	<u>71,830,214</u>
Net Position, End of Year	<u>\$ 74,213,497</u>	<u>\$ 75,269,372</u>

See accompanying notes to the financial statements.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	June 30	
	2020	2019
Cash Flows From Operating Activities		
Cash received from parking garages, meters, validations and leases	\$ 18,416,623	\$ 22,408,566
Cash payments to suppliers	(3,962,860)	(3,162,740)
Cash payments to employees for services	(5,957,259)	(5,547,507)
Net Cash Provided by Operating Activities	8,496,504	13,698,319
Cash Flows From Investing Activities		
Redemption of certificates of deposit	3,216,405	845,252
Investment income	524,143	563,252
Net Cash Provided by Investing Activities	3,740,548	1,408,504
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,524,495)	(2,702,580)
Change in notes receivable	135,620	170,210
Principal payments on revenue bonds	(3,500,000)	(3,380,000)
Interest payments on revenue bonds	(3,482,640)	(3,605,057)
Build America Back Strong bonds subsidy received	283,269	288,447
Payments on capital lease obligations	(371,614)	(355,624)
Rent payments on sublease	(396,015)	(392,265)
Other non-operating (expense)	(37,094)	(40,079)
Net Cash Used in Capital and Related Financing Activities	(11,892,969)	(10,016,948)
Net Increase (Decrease) in Cash and Cash Equivalents	344,083	5,089,875
Cash and Cash Equivalents, Beginning of Year	27,974,143	22,884,268
Cash and Cash Equivalents, End of Year	\$ 28,318,226	\$ 27,974,143

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	June 30	
	2020	2019
Reconciliation of Operating Revenues over Expenses to Net Cash Provided by Operating Activities		
Operating revenues over expenses	\$ 2,375,375	\$ 6,949,887
Adjustments to reconcile operating revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	5,335,423	5,251,233
Loss on sale of capital assets	(12,472)	47,871
Change in assets and liabilities		
Accounts receivable	(260,169)	369,473
Other current assets	(64,454)	(39,264)
Accounts payable and accrued expenses	(847,295)	595,397
Prepaid parking	173,320	(31,830)
Net pension liability	1,779,559	372,064
Net OPEB Liability	257,620	(38,753)
Pension related deferred outflows of resources	(313,733)	86,804
OPEB related deferred outflows of resources	(186,673)	2,176
Pension related deferred inflows of resources	14,410	6,875
OPEB related deferred inflows of resources	245,593	126,386
Net Cash Provided By Operating Activities	<u>\$ 8,496,504</u>	<u>\$ 13,698,319</u>
Cash and Cash Equivalents - Statement of Net Assets		
Current unrestricted	\$ 11,649,193	\$ 15,296,904
Current restricted	812,598	787,941
Noncurrent unrestricted	3,665,528	580,194
Noncurrent restricted	<u>12,190,907</u>	<u>11,309,104</u>
Total Cash and Cash Equivalents	<u>\$ 28,318,226</u>	<u>\$ 27,974,143</u>

See accompanying notes to the financial statements.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Parking Authority of River City, Inc. (“PARC”) is a component unit of Louisville-Jefferson County Metro Government (“Metro Government”) established in 1966 for the purpose of assisting in the redevelopment of the downtown riverfront areas. PARC is a non-profit, non-stock public corporation organized under the laws of the Commonwealth of Kentucky for the purpose of acquiring and improving interests in real estate and other property for use by and the ultimate benefit of Metro Government. In this regard, PARC serves as an agent of Metro Government in financing the acquisition of on-street and off-street parking facilities (“Consolidated Project”). PARC’s financial statements are included in Metro Government’s Comprehensive Annual Financial Report as a discretely presented component unit.

Basis of Presentation: The financial statements of PARC have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. PARC reports as a business-type activity and operates as a Proprietary fund - single enterprise fund. Activities are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents: PARC considers all highly liquid investments (including restricted investments) purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments are reported at fair value and may consist of money market funds and commercial paper.

Accounts, Notes, and Other Receivables: PARC uses the allowance for bad debts method of valuing doubtful accounts receivable that is based on historical experience, coupled with a review of the current status of existing receivables. Management has not recorded an allowance for doubtful accounts at June 30, 2020 and 2019.

Capital Assets: Capital assets are stated at cost and depreciated over their estimated useful lives using the straight-line method. Parking garages and improvements are depreciated over useful lives ranging from 15 to 50 years and equipment is generally depreciated over 5 to 10 years. Property and equipment are generally capitalized at \$5,000. Interest costs related to financing during construction are capitalized into the cost of the respective projects. There was no capitalized interest during the year. Construction in progress is capitalized and begins depreciating when a certificate of final completion is issued for the project.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). These amounts will amortize over the life of the related transaction or event. Examples include intra-entity transactions, accounting loss from advance refundings and employer pension and other post-employment benefits (“OPEB”) actuarial activity or contributions. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). PARC’s activities are related to recognition of changes in the net pension liability and the net OPEB liability that will be amortized over time.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: GASB requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These net position 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 bonds, notes, or other borrowings and related accounts payable that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – This component of net position consists of external party restricted resources; typically, debt or construction related, including liabilities being paid from current assets.
- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Debt Issuance Costs, Bond Premiums and Deferred Losses on Bond Refundings: Debt issuance costs are expensed in the period of issuance and bond premiums and original issue discounts are amortized over the lives of the bond using an effective interest method. Deferred outflows of resources on bond refundings are amortized over the life of the new issues or the remaining life of the old issue, whichever is shorter, using the straight-line method, which approximates the effective interest method.

Net Pension Liability: PARC has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the County Employees’ Retirement System (“CERS”) plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CERS plan and additions to /deductions from the CERS plan fiduciary net position have been determined on the same basis as they are reported by the CERS plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net OPEB Liability: PARC has recorded a net OPEB liability reflecting their proportionate share of the difference between the total OPEB liabilities and the fiduciary net positions of the CERS plan. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS plan and additions to /deductions from the CERS plan fiduciary net position have been determined on the same basis as they are reported by the CERS plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating and Non-operating Revenues: Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Restricted and Unrestricted Assets: When both restricted and unrestricted resources are available for use, it is PARC’s policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Risk Management: PARC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; general liability claims; and natural disasters. PARC manages these risks through the purchase of insurance. There have been no reductions in insurance coverage during the year ended June 30, 2020. Settlements have not exceeded insurance coverage for the three years ended June 30, 2020.

Recent Events: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. Coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In response, governments and businesses worldwide have restricted access to public facing institutions, those deemed non-essential. These closures have led to significant, adverse changes in macroeconomic conditions – constraints on supply chain, sourcing of inputs and workforce availability. The extent to which the coronavirus impacts results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact; among others.

NOTE 2 – TRUST INDENTURE FUND AND RESTRICTED ASSETS

In connection with the issuance of first mortgage revenue bonds (the "Bonds"), PARC entered into a Trust Indenture (the "Indenture"). The Indenture contains provisions for establishing accounts for segregation of assets and sometimes restricting the use of the proceeds of the Bonds as well as other funds received. Cash and investments of the various funds and accounts are for the following purposes:

Revenue Fund: A depository for collections of all income and revenue of PARC. Transfers are made from this account according to funding requirements of the Indenture.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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 NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – TRUST INDENTURE FUND AND RESTRICTED ASSETS (Continued)

Operating Fund: Assets held for operation, normal maintenance and insurance costs.

Bond Fund: Bond related accounts include:

- Bond Service Account: assets held for payment of principal and interest on the Bonds
- Reserve Account: assets held as a reserve for payment of principal and interest if monies in the Bond Service Account are insufficient to make required payments

Depreciation Fund: Assets held as a reserve for payment of extraordinary repairs and maintenance, and additions to the parking garages. Under the Bond Indenture, the Depreciation Fund is required to maintain an account balance of at least 3.55% of the aggregate principal amount of bonds outstanding. At June 30, 2020 and 2019, the account balance was 3.55%, respectively, of the aggregate principal amount of bonds outstanding. The trustee monitors this account and any shortage is corrected at the annual valuation on December 1.

Construction and Acquisition Fund: Assets held for project costs.

Trust Assets by Fund: At June 30, 2020 and 2019, assets in these funds were as follows:

<u>2020</u>	<u>Revenue</u>	<u>Operating</u>	<u>Bond</u>	<u>Depreciation</u>	<u>Construction & Acquisition</u>	<u>Total</u>
Cash and cash equivalents	\$ 517,101	\$14,797,620	\$ 6,823,511	\$ 192	\$ 6,179,802	\$ 28,318,226
Certificates of deposit	<u>1</u>	<u>604,163</u>	<u>751,254</u>	<u>3,090,363</u>	<u>-</u>	<u>4,445,781</u>
Total	<u>\$ 517,102</u>	<u>\$15,401,783</u>	<u>\$ 7,574,765</u>	<u>\$ 3,090,555</u>	<u>\$ 6,179,802</u>	<u>\$ 32,764,007</u>
<u>2019</u>	<u>Revenue</u>	<u>Operating</u>	<u>Bond</u>	<u>Depreciation</u>	<u>Construction & Acquisition</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,181,268	\$13,695,830	\$ 5,436,174	\$ 159,432	\$ 6,501,439	\$ 27,974,143
Certificates of deposit	<u>-</u>	<u>2,638,488</u>	<u>2,000,000</u>	<u>3,023,698</u>	<u>-</u>	<u>7,662,186</u>
Total	<u>\$ 2,181,268</u>	<u>\$16,334,318</u>	<u>\$ 7,436,174</u>	<u>\$ 3,183,130</u>	<u>\$ 6,501,439</u>	<u>\$ 35,636,329</u>

The Revenue and Operating funds are recorded as unrestricted assets, while the remaining funds are reported as restricted assets. These amounts are categorized as current or noncurrent assets based on intended use.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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 NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits: The Indenture requires that all deposits with the Trustee or any other depository in excess of Federal Deposit Insurance Corporation (“FDIC”) insured amounts be collateralized by government obligations equal to the amount of such deposits. As of June 30, 2020 and 2019, bank deposits were \$440,675 and \$2,231,997 respectively. The carrying amount of PARC’s bank deposits at June 30, 2020 and 2019 was \$513,262 and \$2,562,609. The differences between the bank balances and book balances are deposits in transit and outstanding checks. All deposits in excess of FDIC insured amounts are fully collateralized.

PARC held investments in nonnegotiable certificates of deposit totaling \$4,445,781 and \$7,662,186 as of June 30, 2020 and 2019, respectively. These certificates of deposit were insured by the FDIC up to \$250,000 or are fully collateralized by government obligations.

Cash Equivalents: All investments are held under a Trust Indenture, which dictates the investment policy. Investments at June 30, 2020 and 2019 primarily consisted of U.S. Government Money Market Funds, which are not subject to custodial risk. The Funds are concentrated in one money market fund and are treated as cash equivalents for financial reporting.

The following information are the investments at June 30, 2020 and 2019:

<u>2020</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average</u>	<u>Credit Rating</u>
U.S. Government Money-Market Funds	\$ 27,804,964	0.11	Aaa-mf
<u>2019</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average</u>	<u>Credit Rating</u>
U.S. Government Money-Market Funds	\$ 25,411,534	0.08	Aaa-mf

The following table summarizes cash and cash equivalents and investments at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents		
Cash in banks and on hand	\$ 513,262	\$ 2,562,609
U.S. Government Money-Market Funds	<u>27,804,964</u>	<u>25,411,534</u>
Total Cash and Cash Equivalents	<u>28,318,226</u>	<u>27,974,143</u>
Investments		
Certificates of deposit	<u>4,445,781</u>	<u>7,662,186</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 32,764,007</u>	<u>\$ 35,636,329</u>

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 4 – NOTES RECEIVABLE

PARC has three notes receivable agreements summarized below:

Spaces, LLC Note: In 2001, PARC loaned \$750,000 to a parking garage developer. No payments were required for the first six years, and principal payments were required over 19 years with no interest. The loan is recorded at the net present value of the repayments using a 5% discount rate. During January 2020 and 2019, PARC received principal payments of \$39,474.

Aloft Note: PARC has entered into an agreement (September 15, 2015) with the developer (LOUMAIN, LLC) of the newly built Aloft Hotel whereby PARC purchased 22 spaces in the First & Main garage (adjacent to the hotel) at a cost of \$318,000 which had been owned by the developer and another third party (Marine Electric Co.) under a prior agreement. The developer built a new hotel and asked PARC to purchase the spaces in the garage for use by the hotel. The developer asked PARC to provide financial assistance for this project in the form of a five-year non-interest bearing note. The developer has determined that PARC will derive new business from the hotel and PARC has agreed with the developer that the revenue from this arrangement will increase parking revenue and will enhance Louisville's convention business and tourism. Certain revenue (guest-parking revenue) from hotel parkers using the PARC garage is used to reduce the note by \$112,400 per year, unless such revenue falls below this amount, then the note will be reduced by the actual amount received. Subsequent to year end, PARC amended and extended the maturity date of the agreement to December 15, 2020 and has initiated the approval of a second extension of the maturity date to December 15, 2021.

Guest-parking revenue was applied to the principal balance of the note of \$60,701 and \$81,621 during years ending June 30, 2020 and 2019, respectively.

Homewood Suites Note: PARC has entered into an agreement (May 21, 2018) with the developer (LOUHOME, LLC) of the recently built Homewood Suites whereby PARC will loan the developer \$600,000 for six years. The loan will carry a 2% interest rate and accrue \$12,000 annually in interest. The developer will be credited a dollar for dollar reduction in the loan based on all validation funds received by PARC from Homewood Suites that are directly related to guest stays at the hotel. At the end of the six-year period, PARC will notify the developer of the amount of the accumulated credits from the validation payments and if there is a balance owed, then the developer shall make the payment to PARC to satisfy the loan balance. The loan is guaranteed by a separate guaranty arrangement. During 2020 and 2019, PARC received principal payments of \$57,186 and \$73,653, respectively.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 4 – NOTES RECEIVABLE (continued)

The following is a summary of the notes from inception through 2020:

	<u>2020</u>	<u>2019</u>
Spaces, LLC Note Receivable		
Gross amount of note	\$ 750,000	\$ 750,000
Discount	(394,013)	(394,013)
Accrued interest	349,946	340,205
Principal received	<u>(513,160)</u>	<u>(473,686)</u>
Ending balance	<u>192,773</u>	<u>222,506</u>
Aloft Note Receivable		
Gross amount of note	562,000	562,000
Principal received	<u>(366,144)</u>	<u>(305,443)</u>
Ending balance	<u>195,856</u>	<u>256,557</u>
Homewood Suites Note Receivable		
Gross amount of note	600,000	600,000
Accrued interest	25,349	13,349
Principal received	<u>(152,899)</u>	<u>(95,713)</u>
Ending balance	<u>472,450</u>	<u>517,636</u>
Total notes receivable, net of discount	<u>\$ 861,079</u>	<u>\$ 996,699</u>

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 5 – CAPITAL ASSETS, NET

The following is a summary of capital assets for the years ended June 30, 2020 and 2019:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2020</u>
Nondepreciable:				
Land	\$ 11,461,424	\$ -	\$ -	\$ 11,461,424
Construction-in-progress	1,157,398	4,707,288	(1,955,576)	3,909,110
Total	<u>12,618,822</u>	<u>4,707,288</u>	<u>(1,955,576)</u>	<u>15,370,534</u>
Depreciable:				
Buildings and improvements	182,563,579	1,203,394	(33,561)	183,733,412
Equipment	9,366,251	615,318	(45,700)	9,935,869
	<u>191,929,830</u>	<u>1,818,712</u>	<u>(79,261)</u>	<u>193,669,281</u>
Less accumulated depreciation	<u>(75,552,977)</u>	<u>(4,676,554)</u>	<u>35,029</u>	<u>(80,194,502)</u>
Total	<u>116,376,853</u>	<u>(2,857,842)</u>	<u>(44,232)</u>	<u>113,474,779</u>
Capital assets, net	<u>\$ 128,995,675</u>	<u>\$ 1,849,446</u>	<u>\$ (1,999,808)</u>	<u>\$ 128,845,313</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>
Nondepreciable:				
Land	\$ 11,461,424	\$ -	\$ -	\$ 11,461,424
Construction-in-progress	631,360	2,537,159	(2,011,121)	1,157,398
Total	<u>12,092,784</u>	<u>2,537,159</u>	<u>(2,011,121)</u>	<u>12,618,822</u>
Depreciable:				
Buildings and improvements	181,256,596	1,357,330	(50,347)	182,563,579
Equipment	8,547,039	819,212	-	9,366,251
	<u>189,803,635</u>	<u>2,176,542</u>	<u>(50,347)</u>	<u>191,929,830</u>
Less accumulated depreciation	<u>(70,952,280)</u>	<u>(4,603,353)</u>	<u>2,656</u>	<u>(75,552,977)</u>
Total	<u>118,851,355</u>	<u>(2,426,811)</u>	<u>(47,691)</u>	<u>116,376,853</u>
Capital assets, net	<u>\$ 130,944,139</u>	<u>\$ 110,348</u>	<u>\$ (2,058,812)</u>	<u>\$ 128,995,675</u>

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – FIRST MORTGAGE REVENUE BONDS

First Mortgage Revenue Bonds and promissory notes activity for the years ended June 30, 2020 and 2019 is shown below:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Series 2009A	\$ 1,860,000	\$ -	\$ (910,000)	\$ 950,000	\$ 950,000
Series 2009B	1,310,000	-	(640,000)	670,000	670,000
Series 2010B	14,925,000	-	(455,000)	14,470,000	470,000
Series 2013A	7,735,000	-	(435,000)	7,300,000	445,000
Series 2013B	11,265,000	-	(615,000)	10,650,000	640,000
Series 2016A	18,435,000	-	(280,000)	18,155,000	290,000
Series 2016B	<u>32,390,000</u>	<u>-</u>	<u>(165,000)</u>	<u>32,225,000</u>	<u>175,000</u>
	87,920,000	-	(3,500,000)	84,420,000	3,640,000
Unamortized premium	<u>3,712,555</u>	<u>-</u>	<u>(222,051)</u>	<u>3,490,504</u>	<u>-</u>
	<u>\$ 91,632,555</u>	<u>\$ -</u>	<u>\$ (3,722,051)</u>	<u>\$ 87,910,504</u>	<u>\$ 3,640,000</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Series 2009A	\$ 2,735,000	\$ -	\$ (875,000)	\$ 1,860,000	\$ 910,000
Series 2009B	1,925,000	-	(615,000)	1,310,000	640,000
Series 2010B	15,370,000	-	(445,000)	14,925,000	455,000
Series 2013A	8,155,000	-	(420,000)	7,735,000	435,000
Series 2013B	11,865,000	-	(600,000)	11,265,000	615,000
Series 2016A	18,700,000	-	(265,000)	18,435,000	280,000
Series 2016B	<u>32,550,000</u>	<u>-</u>	<u>(160,000)</u>	<u>32,390,000</u>	<u>165,000</u>
	91,300,000	-	(3,380,000)	87,920,000	3,500,000
Unamortized premium	<u>3,947,113</u>	<u>-</u>	<u>(234,558)</u>	<u>3,712,555</u>	<u>-</u>
	<u>\$ 95,247,113</u>	<u>\$ -</u>	<u>\$ (3,614,558)</u>	<u>\$ 91,632,555</u>	<u>\$ 3,500,000</u>

Each of the First Mortgage Revenue bonds are publicly traded debt. The bonds are secured by and payable on a parity with certain outstanding bonds and notes issued under the Indenture solely from (i) a first mortgage lien on the various public parking garages constituting a part of the Consolidated Project financed by PARC, (ii) the revenues and rents derived from an annually renewable lease whereby the Consolidated Project is leased to Metro Government at rentals sufficient to amortize all outstanding parity bonds, (iii) the net revenues from the operation of the Consolidated Project, (iv) the net revenues derived from Metro Government's on-street parking meters which are pledged by Metro Government to secure its obligations under the Lease, and (v) contractual revenues from several corporate sources, including but not limited to the PARC Agreements, all of which have been assigned to the Trustee (collectively the "Security").

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – FIRST MORTGAGE REVENUE BONDS (Continued)

- A. Series 2009A: During March 2009, PARC issued the Series 2009A bonds in the amount of \$39,265,000 and Series 2009B bonds in the amount of \$16,110,000. The proceeds of the Series 2009A Bonds were used to fund the construction of the Louisville Arena Parking Garage. The Louisville Arena Parking Garage does not generate sufficient cash from operations to cover the related debt service. However, management has determined that the overall operations of PARC are sufficient, in total, to fund the debt service of the Series 2009A bonds as well as other outstanding debt. This bond issue had an advanced refunding with the issuance of the Series 2016B issue in September 2016. The unrefunded debt service was for \$4,390,000. Principal payments are annually from \$845,000 in 2018 to \$950,000 in 2021. Interest rate ranges from 4.0% to 4.125%. See Series 2016B note below.
- B. Series 2009B: The proceeds of the Series 2009B Bonds were used to advance refund the remaining outstanding Series 1997 Bonds. Principal payments are due annually in amounts ranging from \$615,000 on December 1, 2018 to \$670,000 on December 1, 2020. The remaining effective interest rate ranges from 4.0% to 4.125%. The transaction resulted in a \$1,692,027 accounting loss that was recorded as a deferred outflow of resources.
- C. Series 2010B: During January 2010, PARC issued the Series 2010B Build America Bonds in the amount of \$16,220,000. The proceeds of the Series 2010B Bonds were used to fund the construction of the Glassworks and Clay Commons garages. Principal payments are due annually in amounts ranging from \$445,000 on December 1, 2018 to \$995,000 on December 1, 2040. The remaining interest rate ranges from 4.5% to 6.375%.
- D. Series 2013A: During June 2013, PARC issued the Series 2013A Bonds in the amount of \$10,095,000. The proceeds were used to finance the transfer of two parking lots from Metro Government to PARC. Principal payments are due annually in amounts ranging from \$420,000 on June 1, 2019 to \$715,000 on June 1, 2033. The remaining effective interest rate ranges from 3.0% to 5.0%.
- E. Series 2013B: During July 2013, PARC issued the Series 2013B Bonds in the amount of \$17,080,000. The proceeds were used to advance refund the PARC Series 2001 and 2002 bonds. Principal payments are due annually in amounts ranging from \$590,000 on June 1, 2018 to \$1,130,000 on June 1, 2032. The remaining effective interest rate is 3%. The refunding provided for cumulative savings of \$3,800,645 over the life of the bonds resulting in a net present value savings of \$2,961,943.
- F. Series 2016A: In June 2016, PARC issued the Series 2016A Bonds in the amount of \$18,700,000. The proceeds were used to begin construction on the Omni Hotel Garage. Principal payments are due annually beginning June 1, 2019 and ending June 1, 2046 in amounts ranging from \$25,000 to \$1,140,000. The remaining effective interest rate ranges from 1.83% to 4.78%.
- G. Series 2016B: In September 2016, PARC issued the Series 2016B Bonds in the amount of \$32,875,000 to pay off part of the 2009A Bond issue. The proceeds were used for the refinancing of the Arena garage. Principal payments are due annually in amounts ranging from \$160,000 on December 1, 2019 to \$2,175,000 on December 1, 2040. The remaining interest rates range from 2.25% to 5%. The refunding provided for cumulative savings of \$8,477,212 over the life of the bonds resulting in a net present value savings of \$5,593,786. The transaction also resulted in a \$4,691,813 accounting loss that was recorded as a deferred outflow of resources.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 6 – FIRST MORTGAGE REVENUE BONDS (Continued)

The Bonds are collateralized by a first mortgage lien on all of PARC’s property and equipment and by PARC’s pledge of rental revenues received pursuant to a lease agreement with Metro Government. Metro Government leases and operates PARC’s properties at an annual rent payment equal to the sum of annual debt service requirements on the remaining outstanding bonds and certain debt reserve requirements. Metro Government has pledged as collateral on the Bonds all revenue derived from the operation of the PARC properties, revenues derived from all on-street parking meters and any other rentals from parking facilities to the extent of the required annual rentals due under the lease agreement.

Debt service to maturity of the Bonds is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,640,000	\$ 3,352,233	\$ 6,992,233
2022	3,785,000	3,224,924	7,009,924
2023	3,910,000	3,086,459	6,996,459
2024	4,055,000	2,920,584	6,975,584
2025	3,895,000	2,747,333	6,642,333
2026-2030	21,970,000	11,050,516	33,020,516
2031-2035	21,085,000	6,435,244	27,520,244
2036-2040	19,820,000	2,599,463	22,419,463
2041-2045	2,235,000	88,716	2,323,716
2046	<u>25,000</u>	<u>900</u>	<u>25,900</u>
	<u>\$ 84,420,000</u>	<u>\$ 35,506,372</u>	<u>\$ 119,926,372</u>

Events of Default with financial consequences may occur under the Indenture or the Lease that allow that the Trustee may, and upon written request of the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds shall, enforce its rights by any one or more of the remedies. Significant remedies under the Indenture include:

- Declare the entire principal of and accrued interest on the Bonds to be immediately due and payable, subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.
- Bring legal action upon the Bonds.
- Commence judicial proceedings to enforce the Indenture or the Lease.
- Accelerate the obligation and enforce the lien on all or any part of the Consolidated Project in the manner provided by Kentucky law (provided, however, that no deficiency judgment thereunder shall lie against the Issuer or Metro Government), and the Trustee may become the purchaser at any judicial sale if the highest bidder. The Issuer, taking into account that the value of the Consolidated Project may be inextricable from the management, maintenance, and general operation of the Consolidated Project, consents, to the extent it may legally do so, to appointment of a receiver or to possession by the Trustee of the Consolidated Project and control and collection of income, rents, and profits of the Consolidated Project during the pendency of such proceedings.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – FIRST MORTGAGE REVENUE BONDS (Continued)

- Re-enter and take possession of all or any part of the Consolidated Project without terminating the Lease and sublease the Consolidated Project for the account of Metro Government, holding Metro Government liable for the difference between the rent and other amounts payable by the sublessee in such subleasing and the rentals payable by Metro Government under the Lease, including all costs and expenses incurred in reentering, taking possession, and subleasing the Consolidated Project.
- Terminate the Lease, exclude Metro Government from possession of the Consolidated Project, and use its best efforts to lease or sell all or any part of the Consolidated Project to another for the account of Metro Government, holding Metro Government liable for all rental payments and other payments due up to the effective date of such termination.

For the lease, whenever any Event of Default shall have occurred and be continuing, the Issuer or the Trustee may exercise any one or more of the following remedies:

- Declare all rental payments due under the Lease to be immediately due and payable, whereupon the same shall be immediately due and payable.
- Enforce and collect upon the assignments, pledges, and security interests granted under the Lease by Metro Government.
- Re-enter and take possession of the Consolidated Project without terminating the Lease and sublease the Consolidated Project or any portion thereof for the account of Metro Government, holding Metro Government liable for the difference between the rent and other amounts payable by any sublessee in such subleasing and the rentals and other amounts payable by Metro Government under the Lease; provided, however, that until the Issuer or the Trustee has entered into a firm agreement for the subleasing of the Consolidated Project, Metro Government may at any time pay all accrued rentals (exclusive of any accelerated rentals) and fully cure all defaults, whereupon Metro Government shall be restored to its use, occupancy, and possession of the Consolidated Project.
- Have access to and inspect, examine, and make copies of the books and records of Metro Government insofar as they relate to the Consolidated Project or the Event of Default and the remedying thereof.
- Take whatever action at law or in equity as may appear necessary or desirable to collect the rental payments then due and thereafter to become due or to enforce performance and observance of any obligation of Metro Government under the Lease.
- Repair the Consolidated Project in order to better sublease or re-let the Consolidated Project, and the costs and expenses of such repair will become a debt due by Metro Government to the Issuer or the Trustee, and Metro Government will be entitled to reimbursement for such costs and expenses from the first such sublease or re-letting.

(Continued)

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NOTE 6 – FIRST MORTGAGE REVENUE BONDS (Continued)

The following is a summary of deferred outflows of resources related to the advanced refunding of debt for the years ended June 30, 2020 and 2019:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2020</u>
Advanced refunding of debt	\$ 6,383,840	\$ -	\$ -	\$ 6,383,840
Less accumulated amortization	<u>(2,047,655)</u>	<u>(350,599)</u>	<u>-</u>	<u>(2,398,254)</u>
Net advanced refunding of debt	<u>\$ 4,336,185</u>	<u>\$ (350,599)</u>	<u>\$ -</u>	<u>\$ 3,985,586</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>
Advanced refunding of debt	\$ 6,383,840	\$ -	\$ -	\$ 6,383,840
Less accumulated amortization	<u>(1,697,056)</u>	<u>(350,599)</u>	<u>-</u>	<u>(2,047,655)</u>
Net advanced refunding of debt	<u>\$ 4,686,784</u>	<u>\$ (350,599)</u>	<u>\$ -</u>	<u>\$ 4,336,185</u>

NOTE 7 – PROMISSORY NOTES PAYABLE AND CAPITAL LEASE OBLIGATION

Capital Lease Obligations: As a component unit of Metro Government, PARC participated in an agreement between Metro Government and Johnson Controls, Inc. (“JCI”) to implement and finance capital improvements to enhance energy efficiency and decrease related future utility expenses. The improvements are intended to generate energy cost savings sufficient to make the lease payments, or from guaranteed payments from JCI to the extent that energy costs savings are not achieved based on an annual energy savings calculation.

PARC’s portion of the overall project is 19.54% based on the improvements made to PARC properties. The Energy Savings Performance Contract required the project to be financed through a lease purchase agreement with payments made annually through August 2038. Metro Government and PARC have agreed on a sublease for PARC’s portion of the project. Lease payments are made by PARC to Metro Government based on the lease finance payment schedule using PARC’s proportionate share of 19.54% of total payments. At June 30, 2020 and 2019, related capital assets with net book value of \$4,133,458 and \$4,341,868, respectively, are recorded on the statements of net position.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 7 – PROMISSORY NOTES PAYABLE AND CAPITAL LEASE OBLIGATION (Continued)

Future minimum lease payments under the capital lease are:

Fiscal Year	Amount
2021	\$ 383,307
2022	389,986
2023	395,864
2024	402,476
2025	409,064
2026-2030	2,194,715
2031-2035	2,522,116
2036-2039	2,656,484
Total	9,354,012
Less amounts representing interest	(4,420,930)
Present value of net minimum lease payments	4,933,082
Less current portion or principal payments	(60,071)
	\$ 4,873,011

NOTE 8 – RELATED PARTY TRANSACTIONS

Operating Activities: PARC reimburses Metro Government for certain agreed-upon administrative and other expenses that Metro Government pays on behalf of PARC. During the years ended June 30, 2020 and 2019:

- Administrative expenses for personnel totaled \$3,386,386 and \$2,748,608, respectively. The remainder of cash paid to employees is for contracted operating personnel and contracted security personnel. PARC owed Metro Government \$318,890 and \$296,058 for these administrative expenses at June 30, 2020 and 2019, respectively. Amounts paid to Metro Government for personnel are reported in general and administrative expenses.
- Certain operating and non-operating expenses totaled \$2,365,702 and \$2,480,055, respectively. At June 30, 2020 and 2019, PARC owed Metro Government \$368,158 and \$315,269, respectively. Amounts paid to Metro Government for these operating and non-operating expenses are reported in contractual services, general and administrative, rent expense sublease, and/or other non-operating expenses depending on the nature of the expense.

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NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

Amounts due to Metro Government at the end of the fiscal years for operating expenses are reported as accounts payable and amounts due to Metro Government for administrative costs are reported in accrued expenses on the statements of net position.

Employees providing services for PARC are employees of Metro Government and are eligible to participate in pension and other post-employment benefit programs. PARC reimburses Metro Government for actual annual contributions, only.

Consolidated Project and Financing: Metro Government assigns to PARC the operating revenues from the Consolidated Project for debt service requirements pursuant to the annual lease agreement dated December 1, 1985. The lease agreement is automatically renewable at Metro Government's option for successive annual terms through December 1, 2040.

Metro Government has the option to purchase, subject to any prior rights of the Commonwealth of Kentucky, the Consolidated Project at any time during the term of this lease by directing PARC to exercise immediately its option to redeem all of the Bonds on the earliest possible date permitted under the terms thereof and by paying directly to the Trustee the redemption price due upon such redemption. In any event, upon the full payment and retirement (or provision therefore) of all Bonds (and interest thereon) issued under the Indenture, in accordance with Article 11 of the Indenture and payment of all other amounts due under this lease, this lease will automatically terminate and PARC will convey the Consolidated Project, subject to any prior rights of the Commonwealth of Kentucky, to Metro Government at the earliest practical time.

In November 2004, PARC entered into an operating sublease agreement with Metro Government for certain improvements and major repairs to be made to the Consolidated Project from the proceeds of \$5,655,000 Series 2004B general obligation bonds issued by Metro Government. The sublease is renewable annually through 2025 at the option of PARC. Payments under the sublease agreement are in amounts equal to the debt service on the general obligation bonds issued to finance the projects and are subordinate to the payments of debt service on the First Mortgage Revenue Bonds discussed in Note 6. Sublease payments paid to Metro Government during the year ended June 30, 2020 and 2019 were \$396,015 and \$392,265, respectively. In June 2013, Metro Government issued \$16,685,000 General Obligation Refunding Bonds, Series 2013B to advance refund the portion of the Series 2004B bonds maturing on or after November 2015.

Future sublease payments due under the agreement, assuming the lease is renewed annually through the end of the term of the underlying bonds are as follows:

Refunding of Series 2004B	
<u>Year Ending June 30</u>	
2021	\$ 393,889
2022	395,890
2023	396,889
2024	393,027
2025	<u>389,464</u>
	<u>\$ 1,969,159</u>

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NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

During February 2013, PARC acquired two parking garages located at 415 South 6th Street (the “Louisville Gardens Garage”) and 536 West Market Street (the “Market Street Garage”) from CPC. These garages were paid for with cash and promissory notes to CPC. See Note 9 for additional information.

During June 2013, PARC acquired two parking lots located on Market Street between 6th and 7th Streets (the “City Hall Lot”) and on Jefferson between 7th and 8th Streets (the “Mud Lot”) from Metro Government. These lots were financed with the issuance of the Series 2013A bonds and cash. See Note 9 for additional information.

In May 2015, Metro Government financed PARC capital assets through a capital lease financing transaction as further described in Note 7.

NOTE 9 – INTRA-ENTITY TRANSFER OF ASSETS AND FUTURE REVENUES

During fiscal year 2013, PARC acquired two lots and the rights to future revenues from Metro Government for \$10,740,000. The lots were carried by Metro Government at a net book value of approximately \$1,280,400. The transfer amounts of the parking lots were based on an appraisal that valued the land and the potential revenue PARC could receive from the renting of space in these lots. In addition to the acquisition of the two lots, PARC also acquired two garages and the rights to future revenues from CPC. The total purchase price of the two garages was \$4,950,000, with \$4,200,300 due at closing and \$749,700 due over the next five fiscal years. The garages were recorded on CPC’s books at a net book value of approximately \$4,341,868, with the difference attributable to acquisition of future revenues.

In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the lots and garages were transferred to PARC from Metro Government and CPC, respectively, at the net book value recorded by the transferor of the asset. The difference between the acquisition amount of the assets and the net book value as recorded by the transferor is recorded as a deferred outflow of resources for PARC based on the value of future revenues.

The original amount of the deferred outflows and the amortization period of the deferred outflows are listed in the table below:

<u>Asset Description</u>	<u>Acquisition Amount</u>	<u>Net Book Value of Transferor</u>	<u>Deferred Outflow</u>	<u>Amortization Period</u>
Mud Lot	\$ 6,740,000	\$ 1,048,405	\$ 5,691,595	20 Years
City Hall Lot	4,000,000	231,984	3,768,016	20 Years
Louisville Gardens Garage	1,951,540	1,538,895	412,645	25 Years
Market Street Garage	<u>2,998,460</u>	<u>1,722,467</u>	<u>1,275,993</u>	30 Years
	<u>\$ 15,690,000</u>	<u>\$ 4,541,751</u>	<u>\$ 11,148,249</u>	

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NOTE 9 – INTRA-ENTITY TRANSFER OF ASSETS AND FUTURE REVENUES (Continued)

The following summarizes the related deferred outflows of resources for the years ended June 30, 2020 and 2019:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2020</u>
Deferred outflows of resources				
Intra-entity transfer of assets and future revenues	\$ 11,148,249	\$ -	\$ -	\$ 11,148,249
Less accumulated amortization	<u>(3,216,717)</u>	<u>(532,020)</u>	<u>-</u>	<u>(3,748,737)</u>
	<u>\$ 7,931,532</u>	<u>\$ (532,020)</u>	<u>\$ -</u>	<u>\$ 7,399,512</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>
Deferred outflows of resources				
Intra-entity transfer of assets and future revenues	\$ 11,148,249	\$ -	\$ -	\$ 11,148,249
Less accumulated amortization	<u>(2,684,697)</u>	<u>(532,020)</u>	<u>-</u>	<u>(3,216,717)</u>
	<u>\$ 8,463,552</u>	<u>\$ (532,020)</u>	<u>\$ -</u>	<u>\$ 7,931,532</u>

NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS

General Information about the Pension and OPEB Plan: All full-time and eligible part-time employees of PARC participate in CERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (“KRS”), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the “Board”) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system’s assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

PARC participates in the CERS plan under Metro Government’s participating employer code with CERS. Although PARC is not a direct participant in CERS, they are allocated a portion of Metro Government’s net pension and OPEB liabilities, related deferrals and pension expense based on their percentage of employer contributions relative to Metro Government as a whole.

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund (the "Insurance Fund"). The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the Insurance Fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PENSION BENEFITS PROVIDED: The information below summarizes the major retirement benefit provisions of CERS-Non-hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Members whose participation began before 8/1/2004:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five fiscal years of salary. If the number of months of service credit during the five year period is less than 48, one or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five fiscal years of salary. If the number of months of service credit during the five year period is less than 48, one or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

<u>Service Credit</u>	<u>Benefit Factor</u>
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five complete fiscal years of salary. Each fiscal year used to determine final compensation must contain 12 months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to CERS, the member contributes 5.00% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If CERS' geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from CERS as a lump sum or annuitized into a single life annuity option.

OPEB BENEFITS PROVIDED: The information below summarizes the major retirement benefit provisions of CERS-Non-hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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**NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN –
COST SHARING - CERS (Continued)**

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement.

Benefit: CERS provides a monthly contribution subsidy of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement.

Benefit: CERS provides a monthly contribution subsidy of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Contributions: PARC was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal years ended June 30, 2020 and 2019, participating employers contributed 24.06% (19.30% allocated to pension and 4.76% allocated to OPEB) and 21.48% (16.22% allocated to pension and 5.26% allocated to OPEB) as set by KRS, respectively, of each Non-hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings.

PARC has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2020. Total contributions recognized by CERS were \$425,635 (\$341,428 related to pension and \$84,207 related to OPEB) for the year ended June 30, 2020. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$25,589. PARC has also met 100% of the contribution funding requirement for the fiscal year ended June 30, 2019. Total contributions recognized by CERS were \$305,487 (\$230,680 related to pension and \$74,807 related to OPEB) for the year ended June 30, 2019. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$15,069.

Members whose participation began before 9/1/2008:

Non-hazardous member contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Members whose participation began on or after 9/1/2008:

Non-hazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Members are entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation on or after 1/1/2014:

Non-hazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

PENSION PLAN INFORMATION FOR JUNE 30, 2020 FINANCIAL STATEMENTS

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2018. An expected TPL was determined at June 30, 2019 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30%
Salary increases	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males). For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Actuarial assumptions:

- (a) **Discount Rate:** The discount rate used to measure the TPL was 6.25%, which did not change from the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

- (c) **Long-Term Expected Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the TPL.
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity:		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents TARC's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25%, as well as what TARC's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1 percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
PARC's net pension liability - Non-hazardous	\$ 6,233,351	\$ 4,983,824	\$ 3,942,356

Employer's Portion of the Collective Net Pension Liability: PARC's proportionate share of the NPL, as indicated in the prior table, is \$4,983,824, or approximately 0.07%. The NPL was distributed based on 2019 actual employer contributions to CERS. PARC's previous year's proportionate share of the NPL was approximately 0.05%.

Measurement Date: June 30, 2018 is the actuarial valuation date and June 30, 2019 is the measurement date upon which the TPL is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes to benefit terms. However, changes in assumptions since the prior measurement date are as follows:

- Annual salary increases were updated based on the 2018 Experience Study
- Annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees.
- The assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Changes Since Measurement Date: There were no changes between the measurement date of the collective NPL and the employer's reporting date.

Pension Expense: PARC was allocated pension expense of \$892,473 related to the CERS for the year ending June 30, 2020.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 127,252	\$ 21,058
Change of assumptions	504,420	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	31,632	
Differences between expected and actual investment earnings on plan investments	-	80,341
	663,304	101,399
Contributions subsequent to the measurement date	341,428	-
Total	\$ 1,004,732	\$ 101,399

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$341,428 will be recognized as a reduction of NPL in the year ending June 30, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

Year ending June 30:	
2021	\$ 173,832
2022	133,375
2023	50,998
2024	5,700
	\$ 561,905

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

OPEB INFORMATION FOR JUNE 30, 2020 FINANCIAL STATEMENTS

Total OPEB Liability: The total other postemployment benefits plan (“OPEB”) liability was determined by an actuarial valuation as of June 30, 2018. An expected total OPEB liability was determined at June 30, 2019 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males). For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Actuarial assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.68%, which decreased from the 5.85% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Expected Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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PARKING AUTHORITY OF RIVER CITY, INC.
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 NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.13% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) **Assumed Asset Allocations:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity:		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

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PARKING AUTHORITY OF RIVER CITY, INC.
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 NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents TARC's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what TARC's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate for non-hazardous:

	<u>1% Decrease</u> <u>(4.68%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.68%)</u>	<u>1% Increase</u> <u>(6.68%)</u>
Net OPEB liability	\$ 1,596,454	\$ 1,191,750	\$ 858,300

The following presents PARC's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what PARC's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for non-hazardous:

	<u>1% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 886,310	\$ 1,191,750	\$ 1,562,131

Employer's Portion of the Collective OPEB Liability: PARC's proportionate share of the net OPEB liability, as indicated in the prior table, is \$1,191,750, or approximately 0.07%. The net OPEB liability was distributed based on 2019 actual employer contributions to the plan. PARC's previous year's proportionate share of the net pension liability was approximately 0.04%.

Measurement Date: June 30, 2018 is the actuarial valuation date and June 30, 2019 is the measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes to benefit terms. However, changes in assumptions since the prior measurement date are as follows:

- Annual salary increases were updated based on the 2018 Experience Study
- Annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees.
- The assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: PARC was allocated OPEB expense of \$130,733 related to the CERS for the year ending June 30, 2020.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 359,578
Change of assumptions	352,650	2,358
Changes in proportion and differences between employer contributions and proportionate shares of contributions	7,671	8,048
Differences between expected and actual investment earnings on plan investments	<u>-</u>	<u>52,932</u>
	360,321	422,916
Contributions subsequent to the measurement date	<u>109,796</u>	<u>-</u>
Total	<u>\$ 470,117</u>	<u>\$ 422,916</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$109,796, which includes the implicit subsidy reported of \$25,589, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to six years with remaining amortization as follows:

Year ending June 30:	
2021	\$ (8,844)
2022	(8,844)
2023	7,985
2024	(24,255)
2025	(24,196)
Thereafter	<u>(4,441)</u>
	<u>\$ (62,595)</u>

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

(Continued)

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

PENSION PLAN INFORMATION FOR JUNE 30, 2019 FINANCIAL STATEMENTS:

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2017. An expected TPL was determined at June 30, 2018 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Actuarial assumptions:

- (a) **Discount Rate:** The discount rate used to measure the TPL was 6.25%.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- (c) **Long-Term Expected Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	<u>2.00</u>	1.50
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability (“NPL”) to changes in the discount rate. The following presents PARC's allocated portion of the NPL of CERS, calculated using the discount rate of 6.25 percent, as well as what PARC's allocated portion of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1 percentage-point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Discount Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
PARC's net pension liability - Non-hazardous	\$4,033,838	\$3,204,265	\$2,509,228

Employer's Portion of the Collective Net Pension Liability: PARC's proportionate share of the NPL, as indicated in the prior table, is \$3,204,265, or approximately 0.053%. The NPL was distributed based on 2018 actual employer contributions to CERS. PARC's prior year proportionate share of the NPL was approximately 0.048%.

Measurement Date: June 30, 2017 is the actuarial valuation date and June 30, 2018 is the measurement date upon which the TPL is based.

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PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

Changes Since Measurement Date: There were no changes between the measurement date of the collective NPL and the employer's reporting date.

Pension Expense: PARC was allocated pension expense of \$527,176 related to the CERS for the year ending June 30, 2019.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive CERS members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the measurement date include:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 104,514	\$ 46,904
Change of assumptions	313,150	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	42,655	1,664
Differences between expected and actual investment earnings on plan investments	-	<u>38,421</u>
	<u>460,319</u>	86,989
Contributions subsequent to the measurement date	<u>230,680</u>	-
Total	<u>\$ 690,999</u>	<u>\$ 86,989</u>

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$230,680 will be recognized as a reduction of NPL in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:		
2020	\$	278,084
2021		144,734
2022		(32,290)
2023		<u>(17,198)</u>
	\$	<u>373,330</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

OPEB INFORMATION FOR JUNE 30, 2019 FINANCIAL STATEMENTS

Total OPEB Liability: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to 2018, using the following actuarial assumptions applied to all periods included in the measurement.

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05%, average
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Actuarial assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.85%, which was increased from the 5.84% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Expected Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) **Assumed Asset Allocations:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
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NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	<u>2.00</u>	1.50
 Total	 <u>100.00%</u>	

The long-term expected rate of return on OPEB plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents PARC's allocated portion of the net OPEB liability of CERS, calculated using the discount rate of 5.85%, as well as what PARC's allocated portion of CERS' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate for Non-hazardous:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(4.85%)</u>	<u>(5.85%)</u>	<u>(6.85%)</u>
Net OPEB liability	\$ 1,213,286	\$ 934,130	\$ 696,341

The following presents PARC's allocated portion of the net OPEB liability of CERS, calculated using the healthcare cost trend rate of percent, as well as what the PARC's allocated portion of CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 695,469	\$ 934,130	\$ 1,215,443

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Employer's Portion of the Collective OPEB Liability: PARC's proportionate share of the net OPEB liability, as indicated in the prior table, is \$934,130, or approximately 0.038%. The net OPEB liability was distributed based on 2018 actual employer contributions to the plan. PARC's previous year's proportionate share of the net pension liability was approximately 0.048%.

Measurement Date: June 30, 2017 is the actuarial valuation date and June 30, 2018 is the measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. CERS shall now pay 100% of the insurance premium for spouses and children of all active members who dies in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: PARC was allocated OPEB expense of \$120,037 related to the CERS for the year ending June 30, 2019.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the measurement date include:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 108,861
Change of assumptions	186,560	2,158
Changes in proportion and differences between employer contributions and proportionate shares of contributions	7,008	1,961
Differences between expected and actual investment earnings on plan investments	-	64,343
	<u>193,568</u>	<u>177,323</u>
Contributions subsequent to the measurement date	<u>89,876</u>	<u>-</u>
Total	<u>\$ 283,444</u>	<u>\$ 177,323</u>

(Continued)

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 10 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$89,876, which includes the implicit subsidy reported of \$11,149, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:		
2020	\$	4,189
2021		4,189
2022		4,189
2023		16,685
2024		(7,255)
Thereafter		<u>(5,752)</u>
	\$	<u>16,245</u>

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

REQUIRED SUPPLEMENTARY INFORMATION

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PARC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
 June 30, 2020

	2020	2019	2018	2017	2016	2015
PARC's Proportion of the net pension liability	0.070%	0.050%	0.048%	0.030%	0.045%	0.050%
PARC's proportionate share of the net pension liability	\$ 4,983,824	\$ 3,204,265	\$ 2,832,201	\$ 1,491,603	\$ 1,915,204	\$ 1,623,565
PARC's covered employee payroll	\$ 1,372,073	\$ 1,275,139	\$ 1,203,082	\$ 1,180,107	\$ 1,209,000	\$ 1,150,000
PARC's proportion of the net pension liability as a percentage of its covered employee payroll	363.233%	251.288%	235.412%	126.396%	158.412%	141.174%
Plan fiduciary net position as a percentage of the total pension liability	49.430%	52.401%	52.397%	55.503%	59.968%	66.801%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, PARC is presenting information for those years for which information is available.

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Changes in Assumptions and Benefit Terms from 2019 to 2020: Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Changes in Assumptions and Benefit Terms from 2018 to 2019: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

Changes in Assumptions and Benefit Terms from 2017 to 2018: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described below:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

Note: There were no changes in assumptions and benefit terms from 2016 to 2017.

Changes in Assumptions and Benefit Terms from 2015 to 2016: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described below:

- The assumed investment rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PARC'S PENSION CONTRIBUTIONS
 COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 341,428	\$ 230,680	\$ 191,126	\$ 166,417	\$ 144,266	\$ 154,167
Contributions in relation to the statutorily required contribution	<u>(341,428)</u>	<u>(230,680)</u>	<u>(191,126)</u>	<u>(166,417)</u>	<u>(144,266)</u>	<u>(154,167)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PARC's contributions as a percentage of the statutorily required contribution for pension	100%	100%	100%	100%	100%	100%
PARC's covered employee payroll	\$ 1,782,075	\$ 1,372,073	\$ 1,275,139	\$ 1,203,082	\$ 1,180,107	\$ 1,209,000
Contributions as a percentage of its covered employee payroll	19.159%	16.813%	14.989%	13.833%	12.225%	12.752%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, PARC is presenting information for those years for which information is available.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PARC'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
PARC's proportion of the net OPEB liability Non-hazardous	0.071%	0.038%	0.048%
PARC's proportionate share of the net OPEB liability	\$ 1,191,750	\$ 934,130	\$ 972,883
PARCs covered payroll	\$ 1,372,073	\$ 1,275,139	\$ 1,203,082
PARCs proportion of the net OPEB liability as a percentage of its covered payroll	86.86%	73.257%	80.866%
Plan fiduciary net position as a percentage of the total OPEB liability	61.753%	59.757%	54.524%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, PARC is presenting information for those years for which information is available.

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Changes in Assumptions and Benefit Terms from 2019 to 2020: Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003

Changes in Assumptions and Benefit Terms from 2018 to 2019: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PARC'S OPEB CONTRIBUTIONS
 COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 109,796	\$ 89,876	\$ 73,927
Contributions in relation to the statutorily required contribution	<u>(109,796)</u>	<u>(89,876)</u>	<u>(73,927)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PARCs covered employee payroll	\$ 1,782,075	\$ 1,372,073	\$ 1,275,139
Contributions as a percentage of its covered employee payroll	6.16%	6.55%	5.80%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, PARC is presenting information for those years for which information is available.

PARC's proportionate share of the net OPEB liability for FY2020 was \$1,191,750. The proportion of the OPEB liability was 5.791%.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Greg Fischer, Metro Mayor
Members of the Metro Council
Louisville-Jefferson County Metro Government
Louisville, 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 Parking Authority of River City, Inc. ("PARC"), a component unit of Louisville-Jefferson County Metro Government, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise PARC's basic financial statements, and have issued our report thereon dated December 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PARC's internal control over financial reporting (internal control) as a basis for designing 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 PARC's internal control. Accordingly, we do not express an opinion on the effectiveness of PARC'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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PARC'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 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.


Crowe LLP

Louisville, Kentucky
December 23, 2020