Financial Statements

2022

Parking Authority of River City, Inc.
A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2022 and 2021

Strothman+Co

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

FINANCIAL STATEMENTS
June 30, 2022

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

FINANCIAL STATEMENTS
June 30, 2022

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Strothman and Company
Certified Public Accountants and Advisors
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Independent Auditors' Report

Strothman+Co

To the Honorable Greg Fisher, Mayor,
the Louisville Metro Council
and the Board of Directors
Parking Authority of River City
Louisville, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Parking Authority of River City, ("PARC"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise PARC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of PARC as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PARC’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PARC’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, 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.

(Continued)

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, 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 solely 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.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 29, 2022

(Continued)

Management's Discussion and Analysis ("MD&A") of the Parking Authority of River City, Inc. ("PARC") provides an overview of PARC's financial activities for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with PARC's basic financial statements, which begin on page 6. 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 13.

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 8 through 10) 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 11 and 12) 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.

2022 Compared to 2021: Total assets decreased 5.39%, from $186,329,399 at June 30, 2021 to $176,285,566 at June 30, 2022. 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 8.89% or $1,212,818 from June 30, 2021 to June 30, 2022. This decrease is due to the deferred loss on the advance refunding of the Clay Commons and Glassworks garage bonds and the amortization of the intra-entity transfer of assets and future revenues. There was also a decrease of $374,007 in the pension and OPEB deferred outflows.

Total liabilities increased 3.06%, from $97,747,458 at June 30, 2021 to $100,743,881 at June 30, 2022. This increase is primarily due to an increase in current liabilities to satisfy current obligations offset by the payment of $3,025,000 in debt service. Deferred inflows of resources decreased $1,258,877 from $32,839,728 at June 30, 2021 to $18,580,851 at June 30, 2022 due to refunding the 2010 and 2013 bonds.

PARC's net position increased $5,803 during fiscal year 2022 to $69,385,746.

(Continued)

Statement of Revenues, Expenses and Changes in Net Position

These statements help the user assess the profitability of PARC.

2022 Compared to 2021*:* Operating revenues increased 39.62% by $4,717,621 during the year ended June 30, 2022, $16,624,573 compared to June 30, 2021 of $11,906,952. The main reason operating revenue increased during the current year is PARC continued to experience an increase of parkers over many of their garages, lots, and meters as the effects of the pandemic slow. Operating expenses of $13,633,588 decreased by $10,626 or 0.07%, during the year ended June 30, 2022 compared to June 30, 2021 of $13,644,214.

During the fiscal year 2022 non-operating revenues decreased from $391,521 compared to $94,054 in fiscal year 2021 which is due primarily to interest income on trust investment funds and a reduction in the BABS rebate. Non-operating expenses decreased $408,577, from $3,487,813 in fiscal year 2021 to $3,079,236 in fiscal year 2022 primarily because of a decrease in interest 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 provide 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 2022, significant activity during the year included $16,755,037 of operating receipts, capital acquisitions of $1,693,292 and debt service principal and interest of $20,930,740. In fiscal year 2021, significant activity during the year included $12,024,233 of operating receipts, capital acquisitions of $2,665,192 and debt service payments of $6,992,233.

(Continued)

Condensed Statement of Cash Flows

	Year Ended June 30	
	2022	**2021**
Net cash provided by operating activities	$ 8,757,833	$ 4,971,724
Net cash provided by investing activities	2,603,854	15,357,748
Net cash used in capital and related financing activities	(22,989,319)	(9,526,267)
Net Increase in Cash and Cash Equivalents	(11,627,632)	10,803,205
Cash and Cash Equivalents, Beginning of Year	39,121,431	28,318,226
Cash and Cash Equivalents, End of Year	$ 27,493,799	$ 39,121,431

Capital Assets and Debt Administration

Capital Assets: On June 30, 2022, PARC had $123,847,045 in capital assets, consisting of parking garages and improvements, parking lots and parking meters, which represents a decrease of $3,242,553 or 2.55% compared to fiscal year ended June 30, 2021. The decrease is primarily a result of depreciation expense on the capital assets.

Debt: At June 30, 2022, PARC had $78,330,000 in outstanding bond principal and notes compared to $80,435,000 at June 30, 2021. The decrease in the current year is due to normal principal payments made during the fiscal year and a recognized savings from the refunding of the 2010 and 2013 bonds.

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.

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, 2022

Assets		
Current Assets - Unrestricted		
Cash and cash equivalents		$ 13,175,762
Accounts receivable		516,659
Lease Receivable-Right to use		65,064
Other current assets		27,299
Total Current Assets - Unrestricted		13,784,784
Current Assets - Restricted		
Cash and cash equivalents		432,926
Total Current Assets - Restricted		432,926
	Total Current Assets	14,217,710
Noncurrent Assets - Unrestricted		
Cash and cash equivalents		5,216,686
Lease Receivable-Right to use		748,301
Notes receivable, net of discount		487,343
Right to use leased assets, net		6,750,404
Capital assets		
Nondepreciable capital assets		12,318,930
Depreciable capital assets, net		111,528,115
Total Capital Assets		123,847,045
Total Noncurrent Assets - Unrestricted		137,049,779
Noncurrent Assets - Restricted		
Cash and cash equivalents		8,668,425
Investments		16,349,652
Total Noncurrent Assets - Restricted		25,018,077
Total Noncurrent Assets		162,067,856
	Total Assets	$ 176,285,566
Deferred Outflows of Resources		
Unamortized amount on intra-entity transfer of assets and future revenues		$ 6,335,474
Pension related deferred outflows of resources		535,508
OPEB related deferred outflows of resources		710,116
Deferred outflows for advanced refunding of debt		4,843,814
Total Deferred Outflows of Resources		$ 12,424,912

Continued

See accompanying notes to the financial statements.

PARKING AUTHORITY OF RIVER CITY, INC.
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET POSITION - Continued
June 30, 2022

Liabilities		
Current Liabilities - Unrestricted		
Accounts payable	$	1,065,215
Prepaid parking		198,277
Lease Payable- Right to use		236,118
Accrued expenses		1,077,747
Current portion of financing arrangement		81,195
Total Current Liabilities - Unrestricted		2,658,552
Current Liabilities - Restricted		
Accrued interest payable		349,668
First mortgage revenue bonds		3,025,000
Total Current Liabilities - Restricted		3,374,668
Total Current Liabilities		6,033,220
Noncurrent Liabilities		
First mortgage revenue bonds, less current portion		75,305,000
Bond premium, net		2,471,089
Financing arrangement		4,721,130
Lease Payable- Right to use		6,608,852
Net pension liability		4,310,551
Net OPEB liability		1,294,039
Total Noncurrent Liabilities		94,710,661
Total Liabilities	$	100,743,881
Deferred Inflows of Resources		
Refunding of Bonds	$	16,321,937
Right to use Leases		828,371
Pension		763,812
OPEB		666,731
Total Deferred Inflows of Resources	$	18,580,851
Net Position		
Net investment in capital assets	$	49,390,928
Restricted		
Bond indenture		6,364,318
Construction and acquisition		4,805,238
Capital reserve		909,218
		12,078,774
Unrestricted		7,916,044
Total Net Position	$	69,385,746

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
June 30, 2022

Operating Revenues	
Parking facilities	$ 12,987,892
Parking meters	3,564,811
Rental and validated parking	71,870
Total Operating Revenues	16,624,573
Operating Expenses	
Contractual services	1,904,137
General and administrative	5,843,715
Depreciation and amortization	5,885,736
Total Operating Expenses	13,633,588
Total Operating Revenues Over (Under) Expenses	2,990,985
Non Operating Revenues (Expenses)	
Investment income	70,551
Interest expense	(2,613,296)
Build America Bank Strong bonds subsidy	23,503
Rent expense sublease	(395,890)
Other non-operating expense	(70,050)
Total Non Operating Revenues (Expenses)	(2,985,182)
Change in Net Position	5,803
Net Position, Beginning of Year	69,379,943
Net Position, End of Year	$ 69,385,746

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
June 30, 2022

Cash Flows From Operating Activities	
Cash received from parking garages, meters, validations and leases	$ 16,755,037
Cash payments to suppliers	(4,903,020)
Cash payments to employees for services	(3,094,184)
Net Cash Provided By Operating Activities	8,757,833
Cash Flows From Investing Activities	
Redemption of certificates of deposit	2,587,287
Proceeds on sale of fixed assets	16,567
Net Cash Provided By Investing Activities	2,603,854
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,693,292)
Change in notes receivable	148,166
Principal payments on revenue bonds	(18,112,499)
Interest payments on revenue bonds	(2,818,241)
Build America Back Strong bonds subsidy received	23,503
Payments on financing arrangement	(71,016)
Rent payments on sublease	(395,890)
Other non-operating (expense)	(70,050)
Net Cash Used In Capital and Related Financing Activities	(22,989,319)
Net Decrease in Cash and Cash Equivalents	(11,627,632)
Cash and Cash Equivalents, Beginning of Year	39,121,431
Cash and Cash Equivalents, End of Year	$ 27,493,799

(Continued)

Reconciliation of Operating Revenues Over (Under) Expenses to Net Cash Provided By Operating Activities	
Operating revenues over (under) expenses	$ 2,990,985
Adjustments to reconcile operating revenues over (under) expenses to net cash provided by operating activities	
Depreciation and amortization	4,850,821
Amortization of bond premiums/loss	731,571
Loss on sale of capital assets	68,457
Change in assets and liabilities	
Accounts receivable	(28,898)
Other current assets	101,413
Lease receivable	15,006
RTU leased assets, net	94,566
Accounts payable and accrued expenses	109,242
Prepaid parking	42,943
Net pension and OPEB liabilities deferred outflows and deferred liabilities	(218,273)
Net Cash Provided By Operating Activities	$ 8,757,833
Cash and Cash Equivalents - Statement of Net Assets	
Current unrestricted	$ 13,175,762
Current restricted	432,926
Noncurrent unrestricted	5,216,686
Noncurrent restricted	8,668,425
Total Cash and Cash Equivalents	$ 27,493,799

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.

<u>Recent Events</u>: 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 had restricted access to public facing institutions, those deemed non-essential. These closures 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.

Coronavirus continues to have a significant impact on PARC operations as well. For fiscal year 2022, PARC's revenues were over $16.5 million. However, due to the beginning events in March 2020 surrounding the Coronavirus, revenues were over $19 million. The effects of COVID-19 have had a detrimental effect on PARC revenues, and it is unknown how long the effects will continue to have an impact.

<u>Basis of Presentation</u>: 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.

<u>Implementation of Accounting Standards</u>: Two new GASB pronouncements become effective for fiscal years indicated below:

Fiscal year 2022

1. GASB Statement No. 87, *Leases*

Fiscal year 2023

1 GASB Statement No. 91, *Conduit Debt Obligations*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certificates of deposit.

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, 2022.

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 refunding 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.

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 restricted 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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022. Settlements have not exceeded insurance coverage for the three years ended June 30, 2022.

Leases: PARC implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of PARC's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and an intangible right to use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in PARC's June 30, 2022 financial statements and had no effect on the beginning net position of PARC.

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") in 1985. 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. PARC adopted a new trust indenture in May 2021 in connection with the refunding of the 2010 and 2013 Bonds, which removed some of the antiquated language and requirements of the 1985 agreement. The new Trust Indenture will cover the 2021 and subsequent Bond issuances. 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.

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, 2022, the account was 3.55% 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.

(Continued)

NOTE 2 – TRUST INDENTURE FUND AND RESTRICTED ASSETS (Continued)

Assets by Fund: At June 30, 2022, assets in these funds were as follows:

	Revenue Fund	Operating Fund	Bond Fund	Depreciation Fund	Construction & Acquisition Fund	Total
Cash and cash equivalents	$ 2,423,170	$ 15,969,277	$ 3,412,977	$ 3,174,041	$ 2,514,334	$ 27,493,799
Other	1				16,349,651	16,349,652
	$ 2,423,171	$ 15,969,277	$ 3,412,977	$ 3,174,041	$ 18,863,985	$ 43,843,451

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.

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, 2022, bank deposits were $130,223. The carrying amount of PARC's deposits on June 30, 2022 was $326,604. All deposits in excess of FDIC insured amounts are fully collateralized.

PARC held investments in state and local government series money market funds and nonnegotiable certificates of deposit totaled $16,349,652 as of June 30, 2022. The nonnegotiable 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, 2022 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.

(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The following information are the investments at June 30, 2022:

Investment Type	Fair Value	Weighted Average	Credit Rating
U.S. Government Money-Market Funds	$27,232,947	0.04	Aaa-mf

The following table summarizes cash and cash equivalents and investments on June 30, 2022.

Investment Type	Fair Value	Weighted Average	Credit Rating
U.S. Government Money-Market Funds	$27,232,947	0.04	Aaa-mf

(Continued)

NOTE 4 – NOTES RECEIVABLE

PARC has two 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. PARC received $78,947 in principal payments during fiscal year 2022.

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 2022, PARC received principal payments of $97,238.

The following is a summary of the notes from inception through June 30, 2022:

Spaces, LLC Note Receivable	
Gross amount of note	$ 750,000
Discount	(394,013)
Accrued interest	375,641
Principal received	(592,107)
Ending Balance	139,521
Homewood Suites Note Receivable	
Gross amount of note	600,000
Accrued interest	49,349
Principal received	(301,527)
Ending Balance	347,822
Total Notes Receivable, Net of Discount	$ 487,343

(Continued)

NOTE 5 – CAPITAL ASSETS, NET

The following is a summary of capital assets for the year ended June 30, 2022:

	July 1, 2021	Additions	Reductions	June 30, 2022
Nondepreciable:				
Land	$ 11,461,424			$ 11,461,424
Construction-in-progress	456,114	$ 1,842,851	$(1,441,459)	857,506
	11,917,538	1,842,851	(1,441,459)	12,318,930
Depreciable:				
Buildings and improvements	189,440,142	544,545		189,984,687
Equipment	10,347,326	747,355	(346,567)	10,748,114
	199,787,468	1,291,900	(346,567)	200,732,801
Less accumulated depreciation	(84,615,408)	(4,850,821)	261,543	(89,204,686)
	115,172,060	(3,558,921)	(85,024)	111,528,115
Capital assets, net	$ 127,089,598	$ (1,716,070)	$(1,526,483)	$ 123,847,045

(Continued)

NOTE 6 – FIRST MORTGAGE REVENUE BONDS

First Mortgage Revenue Bonds and promissory notes activity for the year ended June 30, 2022 is shown below:

	July 1, 2021	Additions	Reductions	June 30, 2022	Current Portion
Series 2016A	$ 17,865,000		$ (930,000)	$ 16,935,000	$ 945,000
Series 2016B	32,050,000		(1,175,000)	30,875,000	1,230,000
Series 2021A	12,440,000			12,440,000	
Series 2021B	18,080,000			18,080,000	850,000
	80,435,000		(2,105,000)	78,330,000	3,025,000
Unamortized premium	2,578,329		(107,240)	2,471,089	
	$ 83,013,329	$	$ (2,212,240)	$ 80,801,089	$ 3,025,000

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").

A. 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%.

B. 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 is recorded as a deferred outflow of resources.

C. Series 2021A: In May 2021, PARC issued the Series 2021A Bonds in the amount of $12,440,000. The proceeds were used for the refunding of the 2010B Bonds. Principal payments are due annually in amounts ranging from $360,000 to $920,000 starting December 1, 2023 and ending on December 1, 2040. The interest rates range from 2% to 4%.

(Continued)

NOTE 6 – FIRST MORTGAGE REVENUE BONDS (Continued)

D. Series 2021B: In May 2021, PARC issued the Series 2021B Bonds in the amount of $18,080,000 The proceeds were used for the refunding of the 2013A and the advance refunding of the 2013B Bonds. The Bond proceeds are being held in escrow for the bonds to be called in June 2023.

Principal payments are due annually in amounts ranging from $775,000 to $1,980,000 starting June 1, 2023 and ending June 1, 2033 Interest rates range from 0.5% to 2.3%. The combined 2021A & B Bonds provided for cumulative savings of $7,461,720 over the life of the bonds resulting in a net present value savings of $4,020,011. The transaction also resulted in a $1,180,246 accounting loss that is recorded as a deferred outflow of resources.

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:

	Principal	Interest	Total
Year Ending June 30			
2023	$ 3,025,000	$ 2,204,838	$ 5,229,838
2024	4,170,000	2,102,038	6,272,038
2025	4,290,000	1,979,553	6,269,553
2026	4,415,000	1,852,228	6,267,228
2027	4,555,000	1,714,138	6,269,138
2028-32	24,740,000	6,612,166	31,352,166
2033-37	18,795,000	3,601,216	22,396,216
2038-42	14,240,000	845,150	15,085,150
2043-46	100,000	9,000	109,000
	$ 78,330,000	$ 20,920,327	$ 99,250,327

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.

(Continued)

NOTE 6 – FIRST MORTGAGE REVENUE BONDS (Continued)

- 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.
- 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)

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 year ended June 30, 2022:

	July 1, 2021	Additions	Reductions	June 30, 2022
Advanced refunding of debt	$ 8,264,166			$ 8,264,166
Less accumulated amortization	(3,113,560)	$ (306,792)		(3,420,352)
Net Advanced Refunding of Debt	$ 5,150,606	$ (306,792)	$ 0	$ 4,843,814

NOTE 7 – FINANCING ARRANGEMENT

Financing Arrangement: 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 annual 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 the 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. Payments are made by PARC to Metro Government based on the finance payment schedule using PARC's proportionate share of 19.54% of total payments.

(Continued)

NOTE 7 – FINANCING ARRANGEMENT (Continued)

Financial activity for the year ended June 30, 2022 is shown below:

	July 1, 2021	Additions	Deductions	June 30, 2022	Current Portion
Johnson Controls	$ 4,873,341		$ (71,016)	$ 4,802,325	$ 81,195

Future minimum payments under the financing arrangement are:

Fiscal Year	Amount
2023	$ 395,864
2024	402,476
2025	409,064
2026	416,897
2027	427,692
2028-2032	2,314,079
2033-2037	2,684,872
2038-2039	1,529,777
Total	8,580,721
Less amounts representing interest	(3,778,396)
Present value of net minimum finance payments	4,802,325
Less current portion	(81,195)
	$ 4,721,130

(Continued)

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 year ended June 30, 2022:

- Administrative expenses for personnel totaled $3,658,015. The remainder of cash paid to employees is for contracted operating personnel and contracted security personnel. PARC owed Metro Government $303,823 for these administrative expenses on June 30, 2022.

- Certain operating and non-operating expenses totaled $2,429,748. At June 30, 2022, PARC owed Metro Government $99,299. Amounts paid to Metro Government are reported in contractual services, general and administrative, rent expense sublease, and/or other non-operating expenses depending on the nature of the expense.

Amounts due to Metro Government at the end of the fiscal year for operating expenses are reported as accounts payable and amounts due to Metro Government for administrative costs and 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.

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, 2022 were $395,890. 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.

(Continued)

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

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 Year Ending June 30	
2023	$ 396,889
2024	393,027
2025	389,464
	$ 1,179,380

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 Capital Projects Corporation ("CPC"). These garages were paid for with cash and promissory notes to CPC. See Note 10 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 financing transaction as further described in Note 7.

NOTE 9 - LEASE ACCOUNTING

PARC as Lessor: During fiscal year 2022, PARC implemented GASB Statement No. 87, Leases, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with PARC, as of July 1, 2021 PARC recognized both a lease receivable ($949,578) and a deferred inflow of resources ($949,457) related to leased properties. The lease agreements have various terms with the longest contract ending October 2042. PARC has calculated the present value of the future lease payments based on an incremental borrowing rate of 2.85%.

The present value of the expected minimum lease payments for these leases are as follows:

Fiscal Year	**Principal**	**Interest**	**Total**
2023	$66,067	$21,959	$88,026
2024	54,132	20,428	74,560
2025	55,705	18,855	74,560
2026	57,261	17,299	74,560
2027	58,864	15,696	74,560
Thereafter	927,963	62,143	990,106
Total Future Lease Payments	$1,219,992	$156,380	$1,376,372

(Continued)

NOTE 9 - LEASE ACCOUNTING (Continued)

PARC as Lessee: During FY2022 PARC was required to record a right-to-use asset and a related lease liability for an office building lease and two land leases. The right-to-use asset net of amortization of $6,750,404 and $6,844,970 in lease liability were at June 30, 2022.

PARC as lessee recognizes a lease liability and right-to-use asset at the commencement of the lease term. The lease liability is based on the present value of the lease payments expected to be paid during the lease term. The right-to-use asset should be valued at the lease liability in addition to the accumulated amortization expense recognized throughout the life of the leases. The lease liability is discounted to the net present value by using a 2.85% implied interest rate.

PARC has entered into operating leases for the rental of office space and land leases underneath of two garages and has recognized right-to-use assets and liabilities for these assets. At June 30, 2022 the related lease liability was as follows:

Lessee Accounting	Beginning Lease Liability	Reduction	Ending Lease Liability	Implied Interest	Annual Lease Payments*
Lease Asset-Bldg	$ 2,039,865	$ 157,313	$ 1,882,552	$ 4,343	$ 161,656
Lease Asset-Land	5,013,883	51,465	4,962,418	11,450	62,915
Total Leases	$ 7,053,748	$ 208,778	$ 6,844,970	$ 15,793	$ 224,571

* Annual Lease Payment = Reduction + Implied Interest

Right to Use Assets for the year ended June 30, 2022 were as follows:

Capital Asset	Beginning Balance	Increases	Amortization	Ending Balance
RTU Bldg	$ 2,039,865		$ 202,314	$ 1,837,551
RTU Land	5,013,883		101,030	4,912,853
Right to Use Assets	$ 7,053,748	$	$ 303,344	$ 6,750,404

Building Office Lease: PARC currently has a building lease located at First and Jefferson Street in Louisville and the leased space is approximately 18,234 square feet. The original lease commenced in January 2016. There have been multiple amendments and extensions. The last extension, which is reasonably certain to be exercised, expires in December 2031. The current rent payment is $17,932 per month.

Land Leases: PARC currently leases the land beneath the Glassworks Garage and the Clay Commons Garage. The Glassworks Garage lease commenced in January 2011 and with various extensions expiring in December 2050. The current monthly rent is $8,237. The Clay Commons Garage lease commenced in January 2010 and expires in December 2060. The current monthly rent is $7,715.

(Continued)

NOTE 9 - LEASE ACCOUNTING (Continued)

The future minimum lease payments for the above leases are as follows:

	Principal	Interest	Total
2023	$ 236,118	$ 169,836	$ 405,954
2024	226,674	183,621	410,295
2025	233,447	177,133	410,580
2026	246,759	170,398	417,157
2027	257,759	163,293	421,052
Thereafter	5,644,213	5,459,033	11,103,246
Total Future Lease Payments	$ 6,844,970	$ 6,323,314	$ 13,168,284

NOTE 10 – 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 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:

Asset Description	Acquisition Amount	Net Book Value of Transferor	Deferred Outflow	Amortization Period
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	2,998,460	1,722,467	1,275,993	30 Years
	$ 15,690,000	$ 4,541,751	$ 11,148,249	

(Continued)

NOTE 10 – INTRA-ENTITY TRANSFER OF ASSETS AND FUTURE REVENUES (Continued)

The following summarizes the related deferred outflows of resources for the year ended June 30, 2022.

	July 1, 2021	Additions	Dispositions	June 30, 2022
Deferred Outflows of Revenues				
Intra-entity transfer of assets and future revenues	$ 11,148,249			$ 11,148,249
Less accumulated amortization	(4,280,757)	$ (532,018)		(4,812,775)
Net Advanced Refunding of Debt	$ 6,867,492	$ (532,018)	$	$ 6,335,474

NOTE 11 – 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.

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.

(Continued)

NOTE 11 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

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.

(Continued)

NOTE 11 – 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.

Service Credit	**Benefit Factor**
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)

NOTE 11 – 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 year ended June 30, 2022, participating employers contributed 26.95% (21.17% allocated to pension and 5.78% allocated to OPEB) as set by KRS 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, 2022. Total current year contributions recognized by CERS were $544,348 ($427,601 related to pension and $116,747 related to OPEB) for the year ended June 30, 2022. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $45,579. PARC has also met 100% of the contribution funding requirement for the fiscal year ended June 30, 2021.

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.

(Continued)

NOTE 11 – 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. M embers 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, 2021 FINANCIAL STATEMENTS

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2020. An expected TPL was determined at June 30, 2021 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, 2019 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 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.

(Continued)

NOTE 11 – 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 total pension liability.

(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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	

(Continued)

NOTE 11 – 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 7.30% 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 (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
PARC's net pension liability - Non-hazardous	$5,528,486	$4,310,551	$3,302,738

Employer's Portion of the Collective Net Pension Liability ("NPL"): PARC's proportionate share of the NPL, as indicated in the prior table, is $4,310,551, or approximately 0.07%. The NPL was distributed based on 2021 actual employer contributions to CERS. PARC's prior year proportionate share of the NPL was approximately 0.07%.

Measurement Date: June 30, 2020 is the actuarial valuation date and June 30, 2021 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 assumptions. However, changes in benefit terms since the prior measurement date are as follows:

- Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position.

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 $319,352 related to the CERS for the year ending June 30, 2021.

(Continued)

NOTE 11 – 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 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 49,498	$ 41,837
Change of assumptions	57,853	
Changes in proportion and differences between employer contributions and proportionate shares of contributions	556	147,450
Net difference between expected and actual investment earnings on plan investments		574,525
	107,907	763,812
Contributions subsequent to the measurement date	427,601	
	$ 535,508	$ 763,812

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $427,601 will be recognized as a reduction of NPL in the year ending June 30, 2023. 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	
2022	$ (165,737)
2023	(178,848)
2024	(131,407)
2025	(179,913)
	$ (655,905)

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)

NOTE 11 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS (Continued)

OPEB INFORMATION FOR JUNE 30, 2022 FINANCIAL STATEMENTS

Total OPEB Liability: The total other postemployment benefits plan ("OPEB") liability was determined by an actuarial valuation as of June 30, 2020. An expected total OPEB liability was determined at June 30, 2021 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 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 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 5.20%, which decreased from the 5.34% 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 30-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 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.

(Continued)

NOTE 11 – 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 1.92% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2021. 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:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	

The long-term expected rate of return on OPEB plan assets was established by the KRS Board of Trustees at 7.30% based on a blending of the factors described above.

(Continued)

NOTE 11 – 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 PARC's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what PARC'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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate for non-hazardous:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Net OPEB liability	$1,776,706	$1,294,039	$897,931

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:

	1% Decrease (4.20%)	Current Healthcare Cost Trend Rate (5.20%)	1% Increase (6.20%)
Net OPEB liability	$931,554	$1,294,039	$1,731,564

Employer's Portion of the Collective OPEB Liability: PARC's proportionate share of the net OPEB liability, as indicated in the prior table, is $1,294,039, or approximately 0.07%. The net OPEB liability was distributed based on 2021 actual employer contributions to the plan. PARC's prior year proportionate share of the net pension liability was approximately 0.07%.

Measurement Date: June 30, 2020 is the actuarial valuation date and June 30, 2021 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 assumptions. However, changes in benefit terms since the prior measurement date are as follows:

- Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position.

(Continued)

NOTE 11 – 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 $145,552 related to the CERS for the year ending June, 30, 2022.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 203,488	$ 386,357
Change of assumptions	343,074	1,203
Changes in proportion and differences between employer contributions and proportionate shares of contributions	4,228	76,737
Net difference between expected and actual investment earnings on plan investments		202,434
	550,790	666,731
Contributions subsequent to the measurement date	159,326	
	$ 710,116	$ 666,731

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $159,326, which includes the implicit subsidy reported of $41,828, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. 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	
2022	$ 10,807
2023	(19,915)
2024	(23,709)
2025	(83,124)
2026	
	$ (115,941)

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)

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, 2022

	2022	**2021**	**2020**	**2019**
PARC's Proportion of the net pension liability	0.068%	0.070%	0.070%	0.050%
PARC's proportionate share of the net pension liability	$4,310,551	$5,412,774	$4,983,824	$3,204,265
PARC's covered employee payroll	$1,837,576	$1,782,075	$1,372,073	$1,275,139
PARC's proportion of the net pension liability as a percentage of its covered employee payroll	234.578%	303.734%	363.233%	251.288%
Plan fiduciary net position as a percentage of the total pension liability	55.950%	46.820%	49.430%	52.401%

	2018	**2017**	**2016**	**2015**
PARC's Proportion of the net pension liability	0.048%	0.030%	0.045%	0.050%
PARC's proportionate share of the net pension liability	$2,832,201	$1,491,603	$1,915,204	$1,623,565
PARC's covered employee payroll	$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	235.421%	126.396%	158.412%	141.174%
Plan fiduciary net position as a percentage of the total pension liability	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.

There were no changes from FY 2021 to FY 2022.

There were no changes from FY 2020 to FY 2021.

<u>Changes in Assumptions and Benefit Terms from 2019 to 2020</u>: House Bill 1 passed during the 2019 special legislative session which allowed additional agencies in the KERS Non- Hazardous fund to elect to cease participating in the System as of June 30, 2020 under different provisions than were previously established for cessation. Senate Bill 249 passed during the 2020 legislative session which delayed the effective date of cessation for these provisions to June 30, 2021. House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

(Continued)

The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

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.

(Continued)

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, 2022

	2022	2021	2020	2019
Statutorily required contribution	$ 427,601	$ 355,351	$ 341,428	$ 230,680
Contributions in relation to the Contributions in relation to the	(427,601)	(355,351)	(341,428)	(230,680)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -
PARC's contributions as a percentage of the statutorily required contribution for pension	100%	100%	100%	100%
PARC's covered employee payroll	$ 2,020,300	$ 1,837,576	$ 1,782,075	$ 1,372,073
Contributions as a percentage of its covered employee payroll	21.165%	19.338%	19.159%	16.813%

	2018	2017	2016	2015
Statutorily required contribution	$ 191,126	$ 166,417	$ 144,266	$ 154,167
Contributions in relation to the statutorily required contribution	(191,126)	(166,417)	(144,266)	(154,167)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -
PARC's contributions as a percentage of the statutorily required contribution for pension	100%	100%	100%	100%
PARC's covered employee payroll	$ 1,275,139	$ 1,203,082	$ 1,180,107	$ 1,209,000
Contributions as a percentage of its covered employee payroll	14.989%	12.225%	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.

(Continued)

SCHEDULE OF PARC'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2022

	2022	2021	2020	2019	2018
PARC's proportion of the net OPEB liability Non-hazardous	0.068%	0.071%	0.071%	0.038%	0.048%
PARC's proportionate share of the net OPEB liability	$ 1,294,039	$ 1,704,347	$ 1,191,750	$ 934,130	$ 972,883
PARC's covered payroll	$ 1,837,576	$ 1,782,075	$ 1,372,073	$ 1,275,139	$ 1,203,082
PARC's proportion of the net OPEB liability as a percentage of its covered spot	70.421%	95.640%	86.860%	73.257%	80.866%
Plan fiduciary net position as a percentage of the total OPEB liability	64.160%	53.894%	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 FY2021 to FY2022:

- The Insurance Plan single discount rate of 5.18% was used to measure the total OPEB liability as of June 30, 2020.
- The discount rates used to calculate the total OPEB liability decreased for all Funds
- The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's long-term healthcare cost increase. In general, the updated assumption is assuming high future increases in healthcare costs.

Changes in Assumptions and Benefit Terms from FY2020 to FY2021:

- The discount rates used to calculate the total OPEB liability decreased for all Funds
- The assumed increase in future health care costs, or trend assumption was updated to better reflect more current expectations relating to anticipated future increases in medical costs
- The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed
- The Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee

Changes in Assumptions and Benefit Terms from 2019 to 2020: The assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis and was updated since the June 30, 2019 valuation to better reflect the plan's anticipated long-term healthcare cost increases. There were no other changes in actuarial assumptions since the prior valuation.

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. The system 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.

(Continued)

SCHEDULE OF PARC'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2022

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 116,747	$ 87,641	$ 109,796	$ 89,876	$ 73,927
Contributions in relation to the statutorily required contribution	(116,747)	(87,641)	(109,796)	(89,876)	(73,927)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
PARC's covered employee payroll	$ 2,020,300	$ 1,837,576	$ 1,782,075	$ 1,372,073	$ 1,275,139
Contributions as a percentage of its covered employee payroll	5.78%	4.77%	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 FY2022 was $1,294,039. The proportion of the OPEB liability was 0.068%.

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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*

To the Honorable Greg Fisher, Mayor,
the Louisville Metro Council
and the Board of Directors
Parking Authority of River City
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, 2022, and the related notes to the financial statements, which collectively comprise PARC's basic financial statements, and have issued our report thereon dated November 29, 2022.

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 PARC's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PARC's financial statements are free of 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 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 or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PARC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Strothman and Company

Louisville, Kentucky
November 29, 2022