LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY

A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
Louisville, Kentucky

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
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Louisville, Kentucky

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Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Louisville and Jefferson County Riverport Authority (the "Authority"), a component unit of Louisville/Jefferson County Metro Government, as of and for the year ended June 30, 2020, and the related notes to the consolidated financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, the schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's pension contributions for the County Employees' Retirement System – Non-Hazardous on pages 28 through 30, and the schedule of the Authority's proportionate share of the net OPEB liability and the schedule of the Authority's OPEB contributions for the County Employees' Retirement System – Non-Hazardous on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November __, 2020 on our consideration of the Louisville and Jefferson County Riverport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 the Louisville and Jefferson County Riverport Authority's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Louisville, Kentucky
November 19, 2020

Management's Discussion and Analysis ("MD&A") of the Louisville and Jefferson County Riverport Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ending June 30, 2020. Please read it in conjunction with the Authority's basic consolidated financial statements, which begin on page 7.

The Authority is a component unit of the Louisville/Jefferson County Metro Government ("Metro Government"). The Authority's MD&A should be read in conjunction with the MD&A of Metro Government. For a description of the Authority's activities, see Note 1 of the Notes to Consolidated Financial Statements on page 11.

Using this Annual Report

This annual report consists of a series of financial statements. The Consolidated Statement of Net Position (page 7 and 8) and Consolidated Statement of Revenues, Expenses and Change in Net Position (page 9) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements include all assets, liabilities, deferred outflows and inflows of resources, and revenues and expenses of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Consolidated Statement of Cash Flows (page 10) provide information relating to the Authority's cash receipts and disbursements during the fiscal years.

Statements of Net Position

At June 30, 2020, the Authority's total assets and deferred outflows of resources were $30,509,360, an increase of $326,948 from prior year total assets and deferred outflows of resources of $30,182,412. This increase was due primarily to a net increase in investments of $1,755,634, a decrease in accounts receivable of $261,823, a decrease in real estate held for sale of $818,946, and a decrease in capital assets of $435,734 resulting from annual depreciation.

At June 30, 2019, the Authority's total assets and deferred outflows of resources were $30,182,412, an increase of $444,487 from prior year total assets and deferred outflows of resources of $29,737,925. This increase was due primarily to a net increase in accounts receivable of $183,750 and the development of land held for sale, an increase in land held for sale of $743,342, and a decrease in capital assets of $435,734 resulting from annual depreciation.

At June 30, 2020, the Authority's total liabilities and deferred inflows of resources were $1,320,841, a decrease of $427,494 from the prior year total liabilities and deferred inflows of resources of $1,748,335. This decrease was due primarily to a decrease in accounts payable and accrued expenses of $190,438, a decrease in unearned revenue of $143,753, a decrease in pension and other postemployment benefits-related deferred inflows of resources of $153,062, and a net increase in the Authority's proportionate share of the CERS net pension and OPEB liabilities of $53,722.

At June 30, 2019, the Authority's total liabilities and deferred inflows of resources were $1,748,335, an increase of $321,683 from the prior year total liabilities and deferred inflows of resources of $1,426,652. The increase was due primarily to an increase in pension and other postemployment benefits-related deferred inflows of resources of $287,151, a decrease in the Authority's proportionate share of the GASB 68 pension liability of $394,202 and an increase in accounts payable and accrued expenses of $535,336.

(Continued)

Condensed Consolidated Statements of Net Position are included in Table 1.

Table 1

Condensed Consolidated Statements of Net Position
(in thousands)

	June 30	
	2020	**2019**
Assets		
Current and other assets	$ 5,334	$ 3,774
Capital assets and real estate held-for-sale	25,057	26,312
Total assets	30,391	30,086
Deferred outflows of resources	118	96
Total assets and deferred outflows of resources	$ 30,509	$ 30,182
Liabilities		
Current operating payables	$ 552	$ 886
Net pension and OPEB liabilities	483	430
Total liabilities	1,035	1,316
Deferred inflows of resources	285	432
Total liabilities and deferred inflows of resources	1,320	1,748
Net Position		
Net investment in capital assets	15,307	15,743
Unrestricted	13,882	12,691
Total net position	29,189	28,434
Total liabilities, deferred inflows of resources and net position	$ 30,509	$ 30,182

(Continued)

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues were $4,166,263 in 2020, an increase of $2,520,668 from $1,645,595 in 2019. This increase was due primarily to higher land sales in 2020. Operating expenses were $3,487,673 in 2020 compared to $1,818,460 in 2019, an increase of $1,669,213. This increase was due primarily to higher cost of land sales expense and consultants and professional fees expense. Non-operating revenues were $76,212 in 2020 compared to $295,669 in 2019, a decrease of $219,457. The decrease was primarily due to higher grant revenues recorded in 2019.

Operating revenues were $1,645,595 in 2019, an increase of $1,006,239 from $639,356 in 2018. Operating expenses were $1,818,460 in 2019 compared to $1,411,211 in 2018, an increase of $407,249. This increase was due primarily to cost of land sales and railroad maintenance expense. Non-operating revenues were $295,669 in 2019 compared to $39,171 in 2018, an increase of $256,498. This was due grant revenue received for railroad improvements.

Table 2

Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Position
(in thousands)

	June 30	
	2020	**2019**
Revenues		
Operating revenues		
Port services	$ 200	$ 200
Land sales	3,442	1,007
Rental and other fees	524	439
Total operating revenues	4,166	1,646
Non-operating revenues		
Grant revenue	21	254
Interest and other income	55	41
Total non-operating revenues	76	295
Total revenues	4,242	1,941
Expenses		
Operating expenses		
Salaries, wages and employee benefits	228	194
Cost of land sales	2,071	293
Depreciation	436	436
Other general and administrative	752	895
Total operating expenses	3,487	1,818
Total expenses	3,487	1,818
Change in Net Position	$ 755	$ 123

(Continued)

Capital Assets and Debt Administration

At June 30, 2020, the Authority had $15,307,136 in capital assets, consisting mostly of building and facilities related to its port operations. The decline of $435,734 from the capital asset balance of $15,742,870 at June 30, 2019 resulted from annual depreciation (see Note 4 for additional capital asset detail). A summary of capital assets is included in Table 3. At June 30, 2020, the Authority had $9,749,984 in real estate held-for-sale, a decrease of $818,946 from prior year real estate held-for-sale of $10,568,930. This decrease was due primarily to current year land sales.

At June 30, 2019, the Authority had $15,742,870 in capital assets, consisting mostly of building and facilities related to its port operations. The decline of $435,734 from the capital asset balance of $16,178,604 at June 30, 2018 resulted from annual depreciation (see Note 4 for additional capital asset detail). A summary of capital assets is included in Table 3. At June 30, 2019, the Authority had $10,568,930 in real estate held-for-sale, an increase of $743,342 from prior year real estate held-for-sale of $9,825,588. This increase was due primarily to the continued development of the Phase V land.

Table 3

Capital Assets
(Net of Depreciation, in thousands)

	June 30	
	2020	**2019**
Capital Assets		
Land and improvements	$ 7,705	$ 7,705
Buildings and equipment	7,602	8,038
Total capital assets	$ 15,307	$ 15,743

Current Known Facts

The Authority's fiscal year 2021 budget has been influenced by the following major factors:

- Land sales are expected to remain at historic expected levels of one land sale per year.
- Expenditures for capital assets and real estate held-for-sale will be funded internally.
- Expenditures for real estate held-for-sale are expected to increase during Phase V development.

Contacting the Authority's Financial Management

This financial report is designed to provide Board members, taxpayers, creditors and elected public officials with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's president at:

Louisville and Jefferson County Riverport Authority
P.O. Box 58010
6900 Riverport Drive
Louisville, Kentucky 40268-0010

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CONSOLIDATED STATEMENT OF NET POSITION
June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 1,936,657
Investments	3,155,634
Accrued interest	3,120
Accounts receivable	168,208
Prepaid insurance and other	70,019
Total current assets	5,333,638
Non-current assets	
Capital assets	
Capital assets not being depreciated:	
Land and improvements	7,704,698
Capital assets being depreciated:	
Buildings and facilities	29,771,477
Other capital assets	169,771
Less accumulated depreciation	(22,338,810)
Total capital assets being depreciated	7,602,438
Total capital assets	15,307,136
Real estate held-for-sale	9,749,984
Total non-current assets	25,057,120
Total assets	30,390,758
Deferred Outflows of Resources	
Pension related	81,204
OPEB related	37,398
Total deferred outflows of resources	118,602
Total assets and deferred outflows of resources	$ 30,509,360

(Continued)

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CONSOLIDATED STATEMENT OF NET POSITION
June 30, 2020

Liabilities	
Current liabilities	
Accounts payable and accrued expenses	$ 541,792
Unearned revenue	10,000
Total current liabilities	551,792
Non-current liabilities	
Net pension liability	390,334
Net OPEB liability	93,332
Total non-current liabilities	483,666
Total liabilities	1,035,458
Deferred Inflows of Resources	
Pension related	172,417
OPEB related	112,606
Total deferred inflows of resources	285,023
Total liabilities and deferred inflows of resources	1,320,481
Net position	
Net investment in capital assets	15,307,136
Unrestricted	13,881,743
Total net position	29,188,879
Total liabilities, deferred inflows of resources and net position	$ 30,509,360

See accompanying notes to consolidated financial statements.

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year ended June 30, 2020

Operating revenues	
Port services	$ 200,000
Land sales	3,442,330
Rental and other fees	523,933
Total operating revenues	4,166,263
Operating expenses	
Salaries, wages and employee benefits	227,901
Cost of land sales	2,071,000
Railroad maintenance	59,049
Consultants and professional fees	436,382
Building and grounds maintenance	60,350
Supplies and miscellaneous expenses	62,850
Rent and utilities	91,140
Insurance and bonds	43,267
Depreciation	435,734
Total operating expenses	3,487,673
Operating income	678,590
Non-operating revenues	
Grant revenue	21,025
Investment income	55,187
Total non-operating revenues	76,212
Change in net position	754,802
Net position, beginning of year	28,434,077
Net position, end of year	$ 29,188,879

See accompanying notes to consolidated financial statements.

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2020

Cash flows from operating activities	
Cash received from customers for land sales	$ 3,442,330
Cash received from customers for port services, rentals and other fees	684,199
Payments to suppliers and contractors	(740,169)
Payments for improvements to real estate held-for-sale	(1,252,054)
Payments to employees for salaries and benefits	(347,228)
Net cash provided by operating activities	1,787,078
Cash flows from investing activities	
Cash paid for investments	(4,905,634)
Proceeds from sale and maturities of investments	3,150,000
Interest on investments	55,387
Net cash used in investing activities	(1,700,247)
Net increase in cash and cash equivalents	86,831
Cash and cash equivalents, beginning of year	1,849,826
Cash and cash equivalents, end of year	$ 1,936,657
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 678,590
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	435,734
Net pension and OPEB liabilities, deferred outflows and deferred inflows	(115,874)
Increase (decrease) in cash due to changes in operating assets and liabilities	
Accounts receivable	261,823
Real estate held-for-sale	818,946
Accounts payable and accrued expenses related to operations	(292,141)
Net cash provided by operating activities	$ 1,787,078

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Louisville and Jefferson County Riverport Authority (the "Authority"), was created by joint action of the City of Louisville (the "City") and Jefferson County Fiscal Court (the "County"), under Chapter 65 of the Kentucky Revised Statutes, to establish a riverport industrial complex. On January 6, 2003, the City and County merged to form the Louisville/Jefferson County Metro Government ("Metro Government"). Since the Authority's inception, its activity has consisted of acquiring land, developing and marketing a portion of the land for industrial sites, establishing a foreign trade zone, constructing a river port complex with rail and truck-served dock facilities, and engaging and overseeing a contract operator of the complex.

These consolidated financial statements include the accounts of the Authority and two subsidiary non-profit corporations, Metro Louisville Properties I, Inc. ("MLPI") and Metro Louisville Properties II, Inc. ("MLPII"). The purpose of MLPI and MLPII is to acquire, by merger or acquisition, a portion of properties owned by the former City and the former County, respectively, as well as other commercial or industrial properties determined in the future. MLPI and MLPII have had no significant activity. Significant intercompany accounts and transactions have been eliminated for financial statement presentation. In fiscal year 2003, the Authority also registered the assumed name "Louisville Metro Properties" for future use.

The Authority is governed by a Board of Directors appointed by the Mayor of Metro Government. Each of the six Board Members serves a three-year term. Contributed capital has been provided through discretionary contributions from the former County Government, the Commonwealth of Kentucky and the private sector. Although the Authority is an independent agency, it is considered a discretely presented component unit of Metro Government. The Authority's consolidated financial statements are included in Metro Government's Comprehensive Annual Financial Report.

Basic Financial Statements: The basic consolidated financial statements report information on all the Authority's activities. The activities of the Authority are reported as an enterprise fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: Since the Authority reports its activities in an enterprise fund, which is a proprietary fund type, the basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. An enterprise fund is used to report an activity for which a fee is charged to external users for goods or services.

Statement of Net Position: The Statement of Net Position reports assets acquired, and deferred outflows of resources and liabilities incurred and deferred inflows of resources by the Authority. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources as reported on the statement of net position is considered "net position" and is categorized into two classifications: Net investment in capital assets and Unrestricted. The Authority's policy is to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net assets are available.

Statement of Revenues, Expenses and Change in Net Position: The Statement of Revenues, Expenses and Change in Net Position reports sources of operating revenue for the Authority as well as operating expenses incurred during the year. Non-operating revenues and expenses are reported separately on this statement. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are land sales, fees and charges for services. Operating expenses for the Authority includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: The Statement of Cash Flows reports the flow of cash and cash equivalents for the year. Only transactions that affect the Authority's cash accounts are reported in the statement of cash flows. The Statement of Cash Flows is classified into four categories: operating activities, non-capital financing activities, capital and related financing activities and investing activities. Operating activities include all cash flows related to operating income or loss. Non-capital financing activities include borrowing and repayments of debt not clearly attributable to capital purposes. Capital and related financing activities include the acquisition of capital assets, proceeds from issuance of long-term debt and payments of principal and interest. Investing activities include cash inflows of interest, loan collections, proceeds from sale of investments and changes in fair value of investments subject to fair value reporting and cash outflows for loans made to others and the purchase of investments.

Cash and Cash Equivalents: The Authority considers demand deposits and investments with original maturities of three months or less to be cash equivalents.

Investments: The Authority's investments include certificates of deposit and U.S. Treasury Bills. The Authority reports its investments at fair value based on quoted market prices.

Accounts Receivable: The Authority, in the normal course of business, provides credit to customers for payment of port services, rentals and other fees in the form of accounts receivable. Management determines when accounts are past due based on the contractual terms of the arrangement or from payment history on the account. Based upon review of outstanding receivables, historical collection information, and existing economic conditions, the Authority has not recorded an allowance for doubtful accounts. The Authority does not charge interest on past due accounts and generally does not have collateral requirements.

Real Estate Held-for-Sale: Real estate held-for-sale is stated at cost, which does not exceed its fair value. The costs include land costs, improvement costs and other capitalizable costs associated with the development of the real estate held-for-sale.

Capital Assets: Capital assets, which include land and improvements, buildings and facilities and other capital assets, are stated at cost. Capital assets are defined as assets with an individual cost of more than $5,000. Land improvements include major improvements made to land and certain other capitalizable costs associated with the development of the port operating facilities. Other capital assets include vehicles and furniture and fixtures.

Capital assets, excluding land, are depreciated using the straight-line method over their estimated useful lives with the following life expectancies:

Assets	Years
Land and improvements	Not depreciable
Buildings and facilities	5 - 50
Other capital assets	5 - 50

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets: Management of the Authority reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that there is a significant, unexpected decline in the service utility of an asset. An impairment loss would be recognized in the event the magnitude of the decline in service utility is significant and unexpected. There were no impairments of long-lived assets reported by management during 2020.

Unearned Revenue: The Authority reports unearned revenue for payments made to the Authority to reserve the option to purchase real estate. If the option holder purchases the real estate, the amount paid for the option is applied towards the purchase and recognized as operating revenue. If the option to purchase is not exercised, this amount is recognized as other income in the year the option expires. The Authority also reports unearned revenue for grants received from state governments to fund future construction and capital asset-improvement projects. These funds will be recognized as revenues in the year in which they are expended.

Net Pension Liability: The Authority 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 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 County Employees' Retirement System plan and additions to/deductions from the County Employees' Retirement System plan fiduciary net position have been determined on the same basis as they are reported by the County Employees' Retirement System plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	Beginning Balance	Net Change	Ending Balance
At June 30, 2020:			
Net pension liability	$ 332,896	$ 57,438	$ 390,334

Net OPEB Liability: The Authority has recorded a net other postemployment benefits ("OPEB") liability reflecting the difference between the total OPEB liability and the fiduciary net positions of the County Employees Retirement System plan. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System plan and additions to deductions from the County Employees Retirement System plan fiduciary net position have been determined on the same basis as they are reported by the County Employees Retirement System plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	Beginning Balance	Net Change	Ending Balance
At June 30, 2020:			
Net OPEB liability	$ 97,048	$ (3,716)	$ 93,332

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position of the Authority is classified into two categories, which include investment in capital assets and unrestricted net assets. Investment in capital assets is any acquisition, construction or improvement of capital assets of the Authority less any debt, which includes the outstanding balances of any bonds, mortgages, notes or other borrowings directly related to the capital asset. Unrestricted net assets are the portion that is neither restricted nor net investment in capital assets.

Deferred Inflows of Resources and Deferred Outflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period. Deferred inflows of resources represent an acquisition of net position that applies to a future period. These amounts will not be recognized as expense or revenue until the applicable period. The Authority's activities are related to recognition of changes in its defined benefit plan's net pension liability and net OPEB liability that will be amortized in future periods.

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.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority is required, pursuant to Kentucky Revised Statutes 65.065, to prepare an annual budget. According to the policy adopted by the Authority, the budget must be prepared and submitted for approval by the Board in sufficient time to meet requirements of all funding sources. This has historically been during March of each year. Requests for additional operating funds, if necessary, are subject to the same approval process. Budgetary reallocation of funds (i.e. changes in category of expense, but not in total expense) requires approval of the Board of Directors if the reallocation exceeds $1,500.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Deposits: Although no formal policy exists to control custodial risk of deposits and bank balances, including certificates of deposit, at June 30, 2020, deposits were either insured by the Federal Deposit Insurance Corporation (up to $250,000) or collateralized by U.S. Government Securities held by a designee financial institution in the Authority's name. Cash bank balances at June 30, 2020 were $1,942,734. The non-negotiable certificates of deposit balance at June 30, 2020 was $2,905,129.

Investments: The Authority's investment policies comply with the requirements of the Kentucky Revised Statutes, which allow investments in direct obligations of the U.S. Government or obligations guaranteed by the U.S. Government, a U.S. Government agency or any corporation of the U.S. Government.

(Continued)

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

The Authority's investments in U.S. treasuries are recorded at fair value and totaled $250,505 at June 30, 2020. The investments in U.S. treasuries mature in July 2020, bear interest at a rate of 2.625%, and have a rating of Aaa.

GASB Statement No. 72, *Fair Value Measurement and Application* requires the Authority to disclose how fair value investments and the underlying valuation techniques are measured. The Authority's U.S. treasuries securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for these securities or repurchase agreements.

Interest Rate Risk: The Authority's investment policy generally limits investments to one year with slightly longer maturities acceptable if funds are not likely to be needed within one year.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of investments or collateral securities that are in the possession of the custodian. All investments currently held are invested in or collateralized by U.S. treasuries.

Concentration of Credit Risk: The Authority's investment policy limits other investments, such as uncollateralized or uninsured certificates of deposit, bankers' acceptances, and commercial paper, to 20% of the Authority's total investments and must be investment grade quality.

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land and improvements	$ 7,704,698	$ -	$ -	$ 7,704,698
Capital assets being depreciated:				
Building and facilities	29,771,477	-	-	29,771,477
Other capital assets	169,771	-	-	169,771
Total capital assets being depreciated	29,941,248	-	-	29,941,248
Less accumulated depreciation:				
Building and facilities	(21,733,305)	-	(435,734)	(22,169,039)
Other capital assets	(169,771)	-	-	(169,771)
Total accumulated depreciation	(21,903,076)	-	(435,734)	(22,338,810)
Total capital assets being depreciated, net	8,038,172	-	(435,734)	7,602,438
Capital assets, net	$ 15,742,870	$ -	$ (435,734)	$ 15,307,136

(Continued)

NOTE 5 – REAL ESTATE HELD-FOR-SALE

Real estate held-for-sale activity for the fiscal year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Real estate held-for-sale	$ 10,568,930	$ 1,252,054	$ (2,071,000)	$ 9,749,984

NOTE 6 – PORT FACILITY OPERATING AGREEMENT

During the year, the Authority had an agreement for operation of its port facilities. The port operator is to make payments to the Authority based upon the greater of port throughput or annual minimum guarantees, which are approximated at $200,000.

NOTE 7 – OPERATING LEASE COMMITMENTS

Effective April 1, 2018, the Authority extended their existing lease for office space for an additional five years through March 31, 2023, with base lease payments of approximately $3,300 per month through March 31, 2020 and $3,400 per month thereafter. Rent expense under this lease was $48,240 for the year ended June 30, 2020. Future minimum annual lease payments due for fiscal year ended June 30 are as follows: $41,124 in 2021; $41,124 in 2022; and $30,843 in 2023.

NOTE 8 – 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 the Authority participate in County Employee Retirement System ("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.

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 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.

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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

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

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS-Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

***Members whose participation began before 8/1/2004*:**

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

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) 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 (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) 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 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.

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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 (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (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 the System, 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 the System's 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 the System 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 8 – 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: The system 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: The system 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: The Authority 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, 2020, participating employers contributed 24.06% (19.30% allocated to pension and 4.76% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous 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.

The Authority has met 100% of the contribution funding requirement for the fiscal years ended June 30, 2020 and 2019. Total current year contributions recognized by the Plan were $34,756 ($27,880 related to pension and $6,876 related to OPEB) for the year ended June 30, 2020. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $2,004.

Members whose participation began before 9/1/2008:

Non-hazardous 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.

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

Non-hazardous 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.

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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

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

PENSION INFORMATION

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

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

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

Discount rate assumptions:

(a) **Discount Rate**: The discount rate used to measure the TPL was 6.25%.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(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.

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

(d) **Municipal Bond Rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of Projected Benefit Payments**: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the TPL.

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

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

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

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Authority's net position liability - Non-hazardous	$ 488,197	$ 390,334	$ 308,766

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Employer's Portion of the Collective Net Pension Liability: The Authority's proportionate share of the NPL, as indicated in the prior table, is $390,334, or approximately 0.004%. The NPL was distributed based on 2019 actual employer contributions to the plan. The Authority's prior year proportionate share of the net pension liability was $332,896, or approximately 0.004%.

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

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

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

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

Pension Expense: The Authority was allocated pension expense of $70,038 related to the CERS for the year ending June 30, 2020.

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

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,966	$ 1,649
Change of assumptions	39,506	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	3,852	164,476
Differences between expected and actual investment earnings on plan investments	-	6,292
	53,324	172,417
Contributions subsequent to the measurement date	27,880	-
Total	$ 81,204	$ 172,417

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $27,880 will be recognized as a reduction of NPL in the year ending June 30, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

Year ending June 30:	
2021	$ (90,787)
2022	(33,346)
2023	4,594
2024	446
	$ (119,093)

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

OPEB INFORMATION

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

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

Healthcare trend rates:

Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

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

Discount rate assumptions:

(a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.68%, which decreased from the 5.85% discount rate used in the prior year.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.

(c) **Long-Term Expected Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal Bond Rate**: The discount rate determination used a municipal bond rate of 3.13% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 28, 2019.

(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.

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

(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
Growth:		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity:		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

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

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

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

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Net OPEB liability	$ 125,026	$ 93,332	$ 67,218

(Continued)

NOTE 8 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING - CERS (Continued)

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 69,411	$ 93,332	$ 122,338

Employer's Portion of the Collective OPEB Liability: The Authority's proportionate share of the net OPEB liability, as indicated in the prior table, is $93,332, or approximately 0.006%. The net OPEB liability was distributed based on 2019 actual employer contributions to the plan. The Authority's prior year proportionate share of the net OPEB liability was $97,048, or approximately 0.005%.

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

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

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

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: The Authority was allocated OPEB benefit of $8,250 related to the CERS for the year ending June 30, 2020.

(Continued)

NOTE 8 – 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 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	$ -	$ 28,160
Change of assumptions	27,618	185
Changes in proportion and differences between employer contributions and proportionate shares of contributions	900	80,116
Differences between expected and actual investment earnings on plan investments	-	4,145
	28,518	112,606
Contributions subsequent to the measurement date	8,880	-
Total	$ 37,398	$ 112,606

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $8,880, which includes the implicit subsidy reported of $2,004, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021 . The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2021	$ (19,181)
2022	(19,181)
2023	(17,863)
2024	(20,344)
2025	(7,241)
Thereafter	(278)
	$ (84,088)

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
June 30, 2020

	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.004%	0.004%	0.012%	0.016%	0.016%	0.016%
Authority's proportionate share of the net pension liability	$ 390,334	$ 332,896	$ 727,098	$ 797,024	$ 670,116	$ 517,000
Authority's covered payroll	$ 140,000	$ 161,103	$ 300,436	$ 375,494	$ 363,639	$ 368,668
Authority's proportion of the net pension liability as a percentage of its covered payroll	278.810%	206.636%	243.706%	212.260%	184.281%	140.235%
Plan fiduciary net position as a percentage of the total pension liability	49.428%	52.401%	53.325%	55.503%	59.968%	66.801%

The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.

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

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

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

<u>Changes in Assumptions and Benefit Terms from 2017 to 2018:</u> 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.

<u>Changes in Assumptions and Benefit Terms from 2015 to 2016:</u> 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 (setback 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.

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2020

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 27,880	$ 22,130	$ 20,767	$ 44,496	$ 47,387	$ 46,363
Contributions in relation to the statutorily required contribution	$ (27,880)	$ (22,130)	$ (20,767)	$ (44,496)	$ (47,387)	$ (46,363)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.00%	100.000%	100.000%	100.000%	100.000%	100.000%
Authority's covered payroll	$ 120,625	$ 140,000	$ 161,103	$ 300,436	$ 375,494	$ 363,639
Contributions as a percentage of its covered payroll	23.113%	15.807%	12.891%	14.810%	12.740%	12.750%

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

SCHEDULE OF AUTHORITY'S PROPORTINATE SCHEDULE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2020

	2020	2019	2018
Authority's proportion of the net OPEB liability	0.006%	0.005%	0.012%
Authority's proportionate share of the net OPEB liability	$ 93,332	$ 97,048	$ 249,725
Authority's covered payroll	$ 140,000	$ 161,103	$ 300,436
Authority's proportion of the net OPEB liability as a percentage of its covered payroll	66.666%	60.240%	83.121%
Plan fiduciary net position as a percentage of the total OPEB liability	61.753%	59.757%	54.524%

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

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

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

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

LOUISVILLE AND JEFFERSON COUNTY RIVERPORT AUTHORITY
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
June 30, 2020

	2020	2019	2018
Statutorily required contribution	$ 8,880	$ 8,743	$ 9,793
Contributions in relation to the statutorily required contribution	(8,880)	(8,743)	(9,793)
Annual contribution deficiency (excess)	$ -	$ -	$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.000%	100.000%	100.000%
Authority's covered payroll	$ 120,625	$ 140,000	$ 161,103
Contributions as a percentage of its covered payroll	7.362%	6.245%	6.079%

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

Crowe LLP
Independent Member Crowe Global

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

Honorable Greg Fischer, Mayor,
Members of the Louisville Metro Council and
Board of Directors
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 consolidated financial statements of the Louisville and Jefferson County Riverport Authority, a component of Louisville/Jefferson County Metro Government (the "Authority") as of and for the year ended June 30, 2020, and the related notes to the consolidated financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Louisville, Kentucky
November 19, 2020