

**REPORT OF THE AUDIT OF THE  
KENTUCKY RIVER AUTHORITY**

**For The Fiscal Year Ended  
June 30, 2024**



**ALLISON BALL  
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ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

Jennie Wolfe, Executive Director  
Board of Directors  
Kentucky River Authority

Independent Auditor's Report

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the accompanying financial statements of the Kentucky River Authority (Authority), a discretely presented component unit of the Commonwealth of Kentucky as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in its financial position and its cash flows 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 (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis-of-Matter (Reporting Entity)***

As discussed in Note 1, the financial statements present only the Authority and are not intended to present fairly the financial position of the Commonwealth of Kentucky, or the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Jennie Wolfe, Executive Director  
Board of Directors  
Kentucky River Authority  
(Continued)

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

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

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

### ***Auditor's 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 auditor's 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 GAAS 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 GAAS, we

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

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


Jennie Wolfe, Executive Director  
Board of Directors  
Kentucky River Authority  
(Continued)

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 13, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Proportionate Share of the Net OPEB Liability and the related Schedule of Contributions for both Pensions and OPEB on pages 45 through 48 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024 on our consideration of the Authority's internal control over financial reporting and on our test 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully Submitted,  
  
Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

December 11, 2024





## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**KENTUCKY RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2024**

The following narrative and analysis are provided as an overview of the financial activities of the Kentucky River Authority (Authority), a discretely presented component unit of the Commonwealth of Kentucky, for the fiscal years ended June 30, 2024 and June 30, 2023, and to assist the reader in an assessment of the financial condition of the Authority in comparison with the prior year. Please assess this narrative and analysis in conjunction with the Authority's financial statements and the accompanying notes.

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year (FY) and, accordingly, the Authority reported an ending net position totaling \$59,784,957 of which \$15,524,880 is classified as restricted.
- Current year operating expenses totaled \$3,405,380, a decrease of \$912,090 from FY 2023.
- Current year fee income totaled \$7,655,885, an increase of \$294,227 from FY 2023.
- Current year state appropriations totaled \$321,300, an increase of \$13,400 from FY 2023.
- At June 30, 2024, balances remaining on commitments total approximately \$1,288,840 (see Note 9).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as total net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Authority's total liabilities equaled \$39,066,061 and included the net pension liability and net OPEB liability. The net pension liability represents the Authority's proportionate share of the Kentucky Employees Retirement System Non-Hazardous Plan's collective pension liability. The net pension liability and net OPEB liability represents the actuarial present value of projected payments for employee services rendered through June 30, 2024. This is a long-term liability which will be paid over the life of the retiree.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents the receipts and usage of cash and cash equivalents. Only transactions that affect the Authority's cash account typically are reported in the Statement of Cash Flows.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**KENTUCKY RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2024**  
**(Continued)**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$59,784,957 at the close of the most recent fiscal year. The table below presents the Authority's condensed Statement of Net Position as of June 30, 2024, and June 30, 2023, derived from the Statement of Net Position.

**Condensed Financial Information (in thousands)**  
**Statement of Net Position**  
**June 30**

	<b>2024</b>	<b>2023</b>	<b>Percent Change</b>
Current Assets	\$ 18,998	\$ 14,386	32.06%
Capital Assets, Net	80,424	76,221	5.51%
Non current assets	1,200	2,432	-50.66%
Total Assets	<u>100,622</u>	<u>93,039</u>	8.15%
Deferred outflow of resources	401	529	-24.20%
Current Liabilities	2,577	2,573	0.16%
Non Current Liabilities	36,489	42,582	-14.31%
Total Liabilities	<u>39,066</u>	<u>45,155</u>	-13.48%
Deferred inflow of resources	2,172	267	713.48%
Net investment in Capital Assets	44,639	36,638	21.84%
Restricted for capital projects	15,525	14,114	10.00%
Unrestricted	(379)	(1,606)	-76.40%
Net Position	<u>\$ 59,785</u>	<u>\$ 49,146</u>	21.65%

**KENTUCKY RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024  
(Continued)**

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)**

Current assets consist primarily of unrestricted cash and cash equivalents (deposits of Tier I fees), cash and cash equivalents restricted for capital projects (deposits of Tier II fees), and accounts receivable from charges for services and state appropriations.

During FY 2024, the Authority completed \$73,501 of construction in progress. Depreciation expense for FY 2024 totaled \$2,629,687.

Current liabilities consist primarily of general accounts payable and the current portion of the debt obligation. The current liabilities in the most recent fiscal year increased as a result of increased accounts payable, decreased current portion of compensated absences, and decreased accrued payroll.

Noncurrent liabilities represent the noncurrent portion of compensated absences, debt obligations, and the net pension liability. The noncurrent portion of the Authority's compensated absences liability at year-end is based on an allocation of the annual and compensated leave hours used to the total hours remaining as of year-end. The net pension liability represents the Authority's portion of the total pension liability based on the employer allocation percentage.

As of June 30, 2024, the Authority's net position is primarily net investment in capital assets in the amount of \$44,638,689 and restricted for capital projects in the amount of \$15,524,880. The remaining portion is unrestricted in the amount of (\$378,612). The unrestricted is shown as negative due to the net pension liability and net OPEB liability shown as a non-current liability to the Authority.

**KENTUCKY RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2024**  
**(Continued)**

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)**

**Condensed Financial Information (in thousands)**  
**Statement of Revenues, Expenses, And Changes In Net Position**  
**For the Fiscal Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
Operating Revenues:			
Fee Income	\$ 7,656	\$ 7,362	3.99%
Other Income	21	23	-8.70%
State Appropriations	321	308	4.22%
Total Operating Revenues	<u>7,998</u>	<u>7,693</u>	3.96%
Operating Expenses:			
Compensation and Benefits	519	438	18.49%
Pension Expense	(309)	381	-181.10%
OPEB expense	(81)	61	-232.79%
Rentals	25	25	0.00%
Professional Fees	38	80	-52.50%
Intergovernmental Grants	118	149	-20.81%
Other Grants	145	145	0.00%
Repairs and Engineering Services	269	470	-42.77%
Administrative and other expenses	52	56	-7.14%
Depreciation Expense	2,629	2,512	4.66%
Total Operating Expenses	<u>3,405</u>	<u>4,317</u>	-21.13%
Gain from operations	<u>4,593</u>	<u>3,376</u>	36.05%
Non operating revenues			
Income from investments	831	450	84.67%
Total non operating revenues	<u>831</u>	<u>450</u>	84.67%
Non operating expenses			
Interest Expense	(1,540)	(1,654)	-6.89%
Total non operating expense	<u>(1,540)</u>	<u>(1,654)</u>	-6.89%
Capital Contribution	6,755		100.00%
Change in net position	<u>\$ 10,639</u>	<u>\$ 2,172</u>	389.83%

**KENTUCKY RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2024**  
**(Continued)**

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)**

The Authority's net position increased \$10,638,721 during the current fiscal year. During FY 2023, the Authority's net position increased \$2,172,269.

State appropriations increased \$13,400 during the current fiscal year from FY 2023.

**Condensed Financial Information (in thousands)**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
Net cash provided by (used in)			
Operating Activities	\$ 6,633	\$ 5,868	13.04%
Capital and related financing activities	(5,758)	(5,183)	11.09%
Investing Activities	<u>3,691</u>	<u>(3,207)</u>	-215.09%
Net change in cash and cash equivalents	4,566	(2,522)	-281.05%
Cash and cash equivalents, beginning of year	<u>5,570</u>	<u>8,092</u>	-31.17%
Cash and cash equivalents, end of year	<u>\$ 10,136</u>	<u>\$ 5,570</u>	81.97%

**KENTUCKY RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024  
(Continued)**

**CAPITAL ASSETS ADMINISTRATION**

The following table summarizes the changes in capital assets between FY 2024 and 2023.

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
<b>Capital Assets not being depreciated</b>			
Land	\$ 796,493	\$ 546,493	45.75%
Construction in Progress:			
Locks 2 & 3	1,534,524	1,524,799	0.64%
Dam 7 spillway	63,776	-	100.00%
<b>Capital Assets being depreciated</b>			
Locks and Dams	105,683,698	99,683,698	6.02%
Lock and Dam Buildings	875,215	370,600	136.16%
Equipment	208,772	212,511	-1.76%
Office Equipment	18,695	21,644	-13.63%
Vehicles	99,606	99,606	0.00%
Accumulated Depreciation	<u>(28,856,365)</u>	<u>(26,238,365)</u>	9.98%
Capital Assets, net	<u>\$ 80,424,414</u>	<u>\$ 76,220,986</u>	5.51%

Additional information on the Authority's capital assets can be found in Note 3.

During FY 2024 Tier I and Tier II rate of fees charged on water use were at 2.9 cents per 1,000 gallons and 22 cents per 1,000 gallons of water withdrawn, respectively. There are some variations in water use due to weather conditions and general business trends. Tier I water use was 0.88% higher in FY 2024 compared to the prior year. Tier II water use was 4.30% higher in FY 2024 compared to the prior year.

There are 14 lock and dam structures on the Kentucky River, for which the Authority is responsible for maintenance. The Authority has title to all 14 lock and dam structures and adjoining real estate. The transfer of Locks and Dams 1 – 4 was finalized on February 6, 2024, in a Quitclaim Deed signed by the Secretary of the Finance and Administration Cabinet and the Secretary of the Army.



**KENTUCKY RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024  
(Continued)**

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

Current and future activities of the Authority include:

The Authority is in their ninth season of operating Kentucky River Locks 1 through 4 since rehabbing all four lock structures. Boaters utilize these locks to travel the 82-mile stretch of the Kentucky River from the Ohio River as far as Lock and Dam 5 and vice-versa. Since their reopening 47,984 people on 13,339 boats have used the Kentucky River Locks.

The design of the repair project for the Lock 2 and Lock 3 guide walls started in the fall of 2021. The purpose of the project is to stabilize the upstream guide walls. In recent years, the walls have shown riverward movement and need to be stabilized not only for boaters but also to secure the riverbank. The construction phase of the project was bid unsuccessfully in 2023. The project is anticipated to be rebid in the spring of 2025.

The design of the repair of the Dam 7 Spillway was awarded in April 2024. The purpose of the project is to repair a defect in the dam, in order to extend the life of the current structure and minimize the likelihood of a dam failure. Pool 7, on the Kentucky River, holds the water supply for the City of Harrodsburg. Once the design phase is complete, the project will be bid for construction. The construction is anticipated to begin in the summer of 2025.

The Kentucky River Authority Board of Directors voted in the February 2024 board meeting to move forward with the design phase of re-opening Lock 5. The lock has been closed since the early 2000's and has a concrete cutoff wall in the lock chamber. Re-opening Lock 5 will add an additional 14 miles of navigation on the Kentucky River. The design phase will continue through fiscal year 2025.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances for all of those with an interest. If you have any questions concerning the information provided in this report or need additional financial information, contact the Kentucky River Authority, 403 Wapping Street, Suite 105, Frankfort, Kentucky, 40601.

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## **FINANCIAL STATEMENTS**



**KENTUCKY RIVER AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2024**

Assets	
Current Assets:	
Cash and Cash Equivalents	
Unrestricted	\$ 648,061
Restricted	9,487,741
Accounts Receivable	1,929,510
Prepayments	1,727,948
Investments	
Unrestricted	362,801
Restricted	4,841,875
Total Current Assets	<u>18,997,936</u>
Non Current Assets:	
Capital Assets, Net	80,424,414
Investments	
Unrestricted	4,454
Restricted	1,195,264
Total Non Current Assets	<u>81,624,132</u>
Total Assets	<u>100,622,068</u>
Deferred outflows of resources	<u>401,072</u>
Liabilities	
Current Liabilities:	
Accounts Payable	90,551
Accrued Payroll	28,716
Compensated Absences	42,833
Debt Obligation	2,415,000
Total Current Liabilities	<u>2,577,100</u>
Non Current Liabilities:	
Net Pension Liability	2,912,024
Net OPEB Liability	177,584
Compensated Absences	28,628
Debt Obligation	33,370,725
Total Non Current Liabilities	<u>36,488,961</u>
Total Liabilities	<u>39,066,061</u>
Deferred inflows of resources	<u>2,172,122</u>
Net Position	
Net Investment in Capital Assets	44,638,689
Restricted for Capital Project	15,524,880
Unrestricted	(378,612)
Total Net Position	<u>\$ 59,784,957</u>

The accompanying notes are an integral part of the financial statements.

**KENTUCKY RIVER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**For The Year Ended June 30, 2024**

Operating Revenues:	
Fee Income	\$ 7,655,885
Other Income	21,613
State Appropriation	321,300
Total Operating Revenue	<u>7,998,798</u>
Operating Expenses:	
Compensation and benefits	518,870
Pension expense	(309,384)
OPEB expense	(81,181)
Rentals	25,245
Professional fees	38,015
Intergovernmental grants	118,310
Other grants	144,951
Repairs and engineering services	269,087
Administrative and other expenses	51,780
Depreciation expense	2,629,687
Total Operating Expenses	<u>3,405,380</u>
Income from Operations:	<u>4,593,418</u>
Non-Operating Revenues (Expenses)	
Investments income	831,001
Interest expense	(1,540,313)
Total Non-Operating Revenues:	<u>(709,312)</u>
Contributed Capital	<u>6,754,615</u>
Change in net position	10,638,721
Net Position at July 1, 2023	49,146,236
Net Position at June 30, 2024	<u>\$ 59,784,957</u>

The accompanying notes are an integral part of the financial statements.

**KENTUCKY RIVER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended June 30, 2024**

Cash flows from operating activities:	
Cash received from customers	\$ 7,731,840
Cash payments for personnel expenses	(830,448)
Cash payments for goods and services	(533,637)
Cash payments from other sources	321,300
Cash payments to other sources	(56,376)
Net cash used by operating activities:	<u>6,632,679</u>
Cash flows from capital and related financing activities:	
Construction related to capital assets	(9,725)
Principal paid on debt service	(2,442,500)
Interest paid on debt service	(1,577,952)
Prepaid debt expense	(1,727,948)
Net cash used for financing activities:	<u>(5,758,125)</u>
Cash flows from investing activities:	
Sale of Investments	2,860,271
Income from investments	831,001
Net cash used by investing activities	<u>3,691,272</u>
Net change in cash and cash equivalents	4,565,826
Cash and cash equivalents at July 1, 2023	<u>5,569,976</u>
Cash and cash equivalents at June 30, 2024	<u>\$ 10,135,802</u>
Reconciliation of income from operations to net cash flows from operating activities:	
Gain from operations	\$ 4,593,418
Depreciation	2,629,687
(Increase) Decrease in operating assets:	
Accounts Receivable	54,342
Purchase of asset	(4,999)
Deferred outflows of resources	127,883
Increase (decrease) in operating liabilities:	
Accounts payable not capital	24,358
Accounts payable payroll	(2,437)
Compensated absences	(18,820)
Pension liabilities	(918,655)
OPEB liabilities	(439,838)
Deferred inflows of resources	<u>587,740</u>
Net cash used by operating activities:	<u>\$ 6,632,679</u>

The accompanying notes are an integral part of the financial statements.

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## **NOTES TO THE FINANCIAL STATEMENTS**



**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2024**

**Note 1 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Kentucky River Authority (Authority) is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Authority was created by an Act of the 1986 General Assembly of the Commonwealth of Kentucky (Commonwealth). That Act, together with subsequent amendments, is codified as KRS 151.700 through 151.730. These statutes empower the Authority, among other things, to collect water use fees on water withdrawn and used within the geographic boundaries of the Kentucky River Basin. Additional definitions, exemptions, and collection methods of these fees are contained in Kentucky Administrative Regulations, 420 KAR 1:010 through 1:050. The regulations separate water use fees into Tier I and Tier II fees. Tier I fees are collected on water use from all sources within the Kentucky River Basin and are applied to the operating expenses of the Authority, and such purposes as directed by the Authority Board. Tier II fees, which are collected in addition to Tier I fees on the water withdrawn and used from the main stem of the Kentucky River, are to be applied to capital projects enhancing the water supply of the main stem of the Kentucky River, as well as other capital improvements to the Kentucky River lock and dam system. The rate of water use fees may be adjusted each year of the biennium, as necessary, to carry out the functions, projects, and expenses authorized by the General Assembly in the Authority's biennial budget.

Reporting Entity

The Authority is a component unit of the Commonwealth, and its financial statements are included in the Commonwealth's Annual Comprehensive Financial Report as a discretely presented component unit. The Governor appoints the Authority's Board members. The Authority is attached for administrative purposes to the Commonwealth's Finance and Administration Cabinet.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements prevail. The Authority has further elected not to apply FASB pronouncements issued after November 30, 1989, in accordance with GASB Statement No. 62.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

As required by GASB Statement No. 34, “*Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments,*” the financial statements include a Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Measurement Focus and Basis of Accounting

The financial statements of the Authority have been presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, revenues are recognized when they are earned and become measurable, and expenses are recognized at the time liabilities are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Authority considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of revenues earned as of year-end, but not yet received. The direct write-off method is used for uncollectible fee accounts. This method is not in accordance with generally accepted accounting principles, but the departure does not have a material effect on the financial statements.

Capital Assets

All capital assets are valued at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Lock and dam structures acquired through donation are valued at estimated fair value at the date of donation. Engineering expenses on major renovations that extend the life of the facility are recorded as capital improvements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense. The Authority's capitalization threshold is \$500. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of capital asset is as follows:

Major Renovations of the Locks and Dams	50 years
Lock and Dams	20 years
Vehicles	5 years
Equipment	3 - 10 years

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Compensated Absences

Compensated absences represent the liability to employees for unused annual and compensatory leave. The liability is recorded at the employees' current rate of pay. The liability also includes employer payroll taxes (FICA) and employee benefits such as retirement. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. See Note 4 for additional information on compensated absences.

Financial Statements

The Statement of Net Position presents the Authority's non-fiduciary assets and liabilities with the difference between the two shown as total net position. Net position is reported in three categories:

- a. **Net Investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted for capital projects** - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted** - All other net assets that do not meet the definition of "net investment in capital assets " or "restricted."

It is the Authority's policy to first use restricted assets when an expense is incurred for purpose for which both restricted and unrestricted assets are available.

Revenues

Fee income represents the amounts due from users who withdraw water from within the geographic boundaries of the Kentucky River Basin.

State appropriations represent the amounts allocated to the Authority by the Commonwealth from its general fund. These appropriations lapse at year-end as the unobligated amounts revert back to the Commonwealth.

Expenses

The Authority reports expenses relating to the use of economic resources. Expenses are classified by natural or object classification in the statement of revenues, expenses, and changes in net position.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Engineering Services

Engineering service expenses for minor repairs or inspections are shown as operating expenses. Engineering expenses on major renovations that extend the life of the facility are recorded as capital improvements. The level of design may vary from year to year and may contribute to a net loss for operational activities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Retirement System (KRS) and additions to/deductions from KRS' fiduciary net position have been determined on the same basis as they are reported by KRS. 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.

Post-employment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary positions of the KRS and additions to/deductions from the KRS' fiduciary net positions have been determined on the same basis as they are reported by KRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2 - Cash and Cash Equivalents**

The Authority participates in the Commonwealth's cash and investment pool, which is available for use by all funds and component units under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. Therefore, it follows the Commonwealth's policies for all pooled cash and investments. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Annual Comprehensive Financial Report. As of June 30, 2024, the carrying value of the Authority's pooled cash and cash equivalents totaled \$9,446,494 and the fair value of the Authority's investments was \$6,404,394. Please refer to the Commonwealth's ACFR for information and disclosure.

Additionally, the Authority maintains a debt Stabilization Fund, held by the Trustee on behalf of the Authority, as provided in the Series 2008 Resolution. Any funds on deposit in the Stabilization Fund may be withdrawn by the Authority for any lawful purpose. At June 30, 2024, the Stabilization Fund had a balance of \$689,308, which is reported as restricted cash and cash equivalents on the face of the financial statements.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 3 - Capital Assets**

Capital asset activity for the year ended June 30, 2024, is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2024</b>
Capital Assets Not Being Depreciated:				
Land	\$ 546,493	\$ 250,000	\$	\$ 796,493
Construction in Progress:				
Locks 2 and 3 Guide Wall Repair	1,524,799	9,725		1,534,524
Dam 7 Spillway Repair		63,776		63,776
Total Capital Assets Not Being Depreciated:	<u>\$ 2,071,292</u>	<u>\$ 323,501</u>	<u>\$</u>	<u>\$ 2,394,793</u>
Other Capital Assets:				
Lock and Dams 5, 7-9, 11-14	12,000,000	6,000,000		18,000,000
Dam 3	16,134,038			16,134,038
Locks 3 & 4	4,379,055			4,379,055
Lock and Dam 6	1,500,000			1,500,000
Dam 9	16,423,312			16,423,312
Lock and Dam 10	29,786,682			29,786,682
Lock and Dam Buildings	370,600	504,615		875,215
Locks 1 & 2	4,408,732			4,408,732
Dam 8	15,051,879			15,051,879
Vehicles	99,606			99,606
Equipment	234,155	4,999	(11,687)	227,467
Total Other Capital Assets	<u>100,388,059</u>	<u>6,509,614</u>	<u>(11,687)</u>	<u>106,885,986</u>
Total Capital assets	<u>102,459,351</u>	<u>6,833,115</u>	<u>(11,687)</u>	<u>109,280,779</u>
Accumulated Depreciation	(26,238,365)	(2,629,687)	11,687	(28,856,365)
Capital Assets, Net	<u>\$ 76,220,986</u>	<u>\$ 4,203,428</u>	<u>\$</u>	<u>\$ 80,424,414</u>

In February 2024, Locks and Dams 1 through 4 became property of the Authority through a Quitclaim Deed executed by the Secretary of the Army and the Commonwealth of Kentucky. The four lock and dam structures, 46 acres, and 15 buildings were added as donated assets to the Authority's Capital Assets. The Authority also purchased a bush hog and disposed of equipment that was no longer in working order.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 4 - Compensated Absences**

It is the Authority's policy to permit employees to accumulate earned but unused annual leave, compensatory leave, and sick pay benefits. The policy of the Commonwealth is to only record the cost of annual and compensatory leave.

Annual and Compensatory Leave

Annual leave is accumulated at amounts ranging from 7.50 to 16.00 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees. At June 30, 2024, the Authority's estimated liability for accrued annual and compensatory leave was \$71,461.

The estimated liability and change in the estimated liability for compensated absences for the Authority as of June 30, 2024, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Due</u> <u>Thereafter</u>
Compensated Absences:	\$ 90,281	\$ 29,325	\$ 48,145	\$ 71,461	\$ 42,833	\$ 28,628

Sick Leave

It is the policy of the Authority to record the cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits as of year-end.

**Note 5 - Intergovernmental Activity**

The Authority office space is billed on a quarterly basis from the Commonwealth's Finance and Administration Cabinet. Expenses during fiscal year 2024 totaled \$25,245.

**Note 6 - Retirement Plans**

Plan Description

All full-time employees of the Authority who work more than 100 hours per month participate in a multiple-employer cost-sharing defined benefit pension plan. The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). The plan provides retirement, health, disability, and death benefits to plan participants. Cost-of-living adjustments are provided at the discretion of the State Legislature. Employees contribute 5% of creditable compensation. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system as required by Kentucky Revised Statutes 61.565 and 61.702. The employer contribution is subject to approval by the Kentucky General Assembly through the adoption of the Biennial Executive Branch Budget.



**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 6 - Retirement Plans (Continued)**

During FY 2024, the actuarially determined contribution was 59.02% of covered payroll. The Commonwealth's actual contribution was 59.02% of the actuarially required employer covered payroll. At June 30, 2024, the Authority reported a liability of \$2,912,024 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2022, (and was carried forward to the current measurement date of June 30, 2023, using standard roll forward procedures). The total pension liability was determined by an actuarial valuation as of the same date. The Authority's proportionate share is .023639% at June 30, 2023. This percentage is based on the long-term share of contributions of the Authority to the total of all contributions from employers of qualifying participants.

Kentucky Revised Statutes 61.510 through 61.705 establishes and governs the plan. KERS issues a publicly available financial report that can be obtained at [kyret.ky.gov](http://kyret.ky.gov).

The net pension liability and deferred outflows/inflows of resources related to pensions, and pension expenses, have been determined on the same basis as they are reported by the Kentucky Retirement Systems. 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.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 6 - Retirement Plans (Continued)**

**Plan Description (Continued)**

**Kentucky Employees' Retirement System**  
**Governance KRS 61.510 through KRS 61.705**  
**Cost Sharing Multiple Employer Defined Benefit Plan**  
**Non-Hazardous**

	<b>Tier 1</b> Participation Prior to 9/1/2008	<b>Tier 2</b> Participation 9/1/2008 through 12/31/2013	<b>Tier 3</b> Participation on or after 1/1/2014
<b>Covered Employees:</b>	Substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
<b>Benefit Formula:</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation:</b>	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
<b>Benefit Factor:</b>	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
<b>Reduced Retirement Benefit:</b>	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than 57, whichever is smaller.	No reduced retirement benefit.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 6 - Retirement Plans (Continued)**

Actuarial Valuation

State Contribution	59.02%
Member Contribution	5.00%
Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Investment Rate of Return	5.25%
Inflation Rate	2.30%
Payroll Growth	0.00%
Project Salary Increases	3.30% to 15.30%, varies by service for KERS non-hazardous
Mortality Tables	System-specific mortality table based on mortality experience from 2013- 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Experience Study	This period July 1, 2018 - June 30, 2022.

Investment Return - 5.25% for KERS Non Hazardous

Inflation - 2.30% for all plans

Salary Increases - 3.30% to 15.30% for KERS Non Hazardous and varies by service

Payroll Growth - 0% for KERS Non Hazardous

Mortality - System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Kentucky Retirement Systems. The most recent analysis, performed for the period through June 30, 2022, is outlined in a report dated June 5, 2023. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 6 - Retirement Plans (Continued)**

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Nominal Rate of Return</b>
Public Equity	32.50%	5.90%
Core Fixed Income	20.50%	2.45%
Specialty Credit	15.00%	3.65%
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
Private Equity	7.00%	11.73%
Cash	5.00%	1.39%
Total	100%	

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period, as of June 30, 2023, of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on the actuarial value of assets over the first four years of the projection period.

The actuarial valuation date is June 30, 2023, upon which the total pension liability is based. The pension liability was determined using standard roll forward techniques. The roll forward calculation adds the annual normal cost, subtracts the actual benefit payments, and refunds for the plan year, and then applies the expected investment rate of return for the year. The discount rate is defined as the single rate of return that when applied to all projected payments results in an actuarial value of projected benefits payments. The pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of current plan members. A municipal bond rate was not used. For projected future benefits, see prior year data.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 6 - Retirement Plans (Continued)**

The following presents the net pension liability of the Authority, calculated using the discount rate of 5.25%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%):

	1% Decrease <b>(4.25)</b>	Current Discount Rate <b>(5.25)</b>	1% Increase <b>(6.25)</b>
KRA Proportionate Share of the NPL	\$ 3,347,068	\$ 2,912,024	\$ 2,551,504

**Deferred Inflows/Outflows of Resources**

For the year ended June 30, 2024, the Authority recognized pension expenses of \$(309,384) and deferred outflows and deferred inflows related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,003	\$ 35
Changes in assumptions		80,016
Net difference between projected and actual earnings on investments	49,196	46,235
Change in proportionate share		341,156
Contributions subsequent to the measurement date	230,681	
	<u>\$ 315,880</u>	<u>\$ 467,442</u>

The \$230,681 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expenses as follows:

**Amortization of Deferred  
Inflows/Deferred Outflows**

2025	\$ (387,522)
2026	\$ (5,408)
2027	\$ 13,028
2028	\$ (2,341)
2029	

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 6 - Retirement Plans (Continued)**

KERS Non-Hazardous Membership

	<b>2023 KERS</b>
	<b>Non-</b>
	<b>Hazardous</b>
	<hr/>
KERS Non-Hazardous Membership	
Retirees and beneficiaries receiving benefits	44,975
Inactive plan members	51,001
Active plan members	30,854
	<hr/>
	<u>126,830</u>

**Pension Plan Fiduciary Net Position**

The Authority's fiduciary net position has been determined on the same basis used by KRS. KRS' combined financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. See Note D of KRS' annual financial report previously referenced for further discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year.

**Note 7 - Other Postemployment Benefits**

**Plan Description and Covered Employees**

The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). It is a cost-sharing OPEB plan. Contribution rates for employers and employees are established by Kentucky Statutes. Members participating prior to September 2008 do not contribute to the OPEB plan directly. Instead, assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocation of investment returns. Members participating on or after September 2008 contribute

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 7 - Other Postemployment Benefits (Continued)**

**Plan Description and Covered Employees (Continued)**

1% of their official salary. Employer contribution rates are actuarially determined and established in the Budget Bill. At June 30, 2024, the Authority reported a liability of \$177,584 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 (and was carried forward to the current measurement date of June 30, 2023, using standard roll forward procedures). The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, with the total OPEB liability being rolled-forward from the valuation date to June 30, 2023, using generally accepted actuarial principles. The Authority's proportionate share is .022634% at June 30, 2023. This percentage is based on the long-term share of contributions of the Authority to the total of all contributions from employers of qualifying participants.

**Kentucky Retirement Systems OPEB Plan**  
**Governance KRS 61.701 to 61.705**  
**Cost Sharing Multi-Employer Defined Benefit**  
**Kentucky Employee Retirement System Non-Hazardous**

**Plan Administrator:** The plan is administered by Kentucky Retirement Systems (KRS).

**Covered Employees:** Members of KRS currently receiving benefits.

<b>Benefit Factor:</b>	Participation prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
	<48	0%	Greater than or equal to 120	\$10 per month for each year of service without regard to a maximum dollar amount, adjusted by 1.5% annually	Greater than or equal to 180	\$10 per month for each year of service without regard to a maximum dollar amount, adjusted by 1.5% annually
	48 to 119 inclusive	25%				
	120 to 179 inclusive	50%				
	180 to 239 inclusive	75%				
	240 or more	100%				

There has been no change in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). House Bill 185 was enacted during the 2018 General Assembly Regular Session, which updated the benefits provisions for active members who die in the line of duty.

<b>Contribution Rate:</b>	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. Member contribution of 1% of salary.
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**Cost of Living Adjustment (COLA):** Members participating after 2008 receive 1.5% increase annually.

Publicly available financial reports for the Kentucky Retirement Systems can be accessed at <https://kyret.ky.gov>.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 7 - Other Postemployment Benefits (Continued)**

Employer Contribution	7.15%
Member Contribution	Participation prior to 9/1/2008 make no contribution. Participation on or after 9/1/2008 make a 1% contribution.
Contributions made in thousands	34
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Valuation Date	June 30, 2021
Inflation	2.30%
Salary Increases	3.30% to 15.30%, varies by service
Payroll Growth	0.00%
Assumed Investment return	6.25%
Health cost trend rates	Underlying assumptions: 1). A short run period-this is a period for which anticipated health care trend rates are manually set based on local information as well as plan-specific and carrier information. 2). Long term real GDP Growth- 1.75%. 3). Long term rate of inflation- 2.3%. 4). Long term nominal GDP growth- 4.05%. 5). Year that excess rate converges to 0-2036. Health Care Cost Trends are thus the manually set rates for the short run period and rates which decline to an ultimate trend rate which equals the assumed nominal long term GDP growth rate.
Actuarial Cost Method	Entry age normal, Level percentage of pay.
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Mortality Tables	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates:	<p>Pre 65 Initial Trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.</p> <p>Post 65 Initial Trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.</p>

The assumptions and methods used in the June 30, 2022, valuation are based on the most recent actuarial experience study for the period ending June 30, 2022, submitted and adopted by the Board June 5, 2023.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis was dated June 5, 2023. The long-term expected rate of return was determined using a building block method in which the 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. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Rate of Return</u>
Public Equity	43.50%	5.90%
Special Credit	15.00%	3.65%
Core Fixed Income	10.00%	2.45%
Private Equity	10.00%	11.73%
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
Cash	1.50%	1.39%
Total	<u>100.00%</u>	



**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 7 - Other Postemployment Benefits (Continued)**

The discount used to measure the total OPEB liability was 5.94%. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86% as reported in Fidelity Index's "20-Year Municipal Go AA Index" as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate. The employer contribution will be made at the actuarially determined contribution rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of 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 the subsidy will not be paid out of the System's trust. The following table presents the net OPEB liability calculated using a discount as well as what the liability would be if it was using a discount rate that is 1% point lower (4.94%) or 1% point higher (6.94%) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	4.94%	5.94%	6.94%
Net OPEB Liability	\$ 238,836	\$ 177,584	\$ 126,077

The following table presents the net OPEB liability of the KRS OPEB Plan calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 130,182	\$ 177,584	\$ 234,967

**Health Care Trend Rates:**

Pre-65 - Initial trend starting at 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Post-65 - Initial trend starting at 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 7 - Other Postemployment Benefits (Continued)**

**Deferred Inflows/Outflows of Resources**

For the year ended June 30, 2024, the Authority recognized OPEB expenses of \$(81,181). Deferred outflows and deferred inflows related to OPEB are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 241,501
Changes in assumptions	17,376	19,604
Net difference between projected and actual earnings on investments	26,635	26,603
Change in Proportionate share	7,150	99,611
Contributions subsequent to the measurement date	34,031	
Total	<u>\$ 85,192</u>	<u>\$ 387,319</u>

The \$34,031 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expenses as follows:

<b>Amortization of Deferred Inflows/Deferred Outflows</b>		
2025	\$	(146,946)
2026	\$	(142,004)
2027	\$	(45,124)
2028	\$	(2,084)
2029		

**Membership Information**

	<u>2023 KERS Non Hazardous</u>
Membership information	
Retirees and beneficiaries receiving benefits	29,976
Inactive members	17,030
Active plan members	29,391
Total	<u>76,397</u>

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 8 - Economic Dependency**

The Authority collects fees from water users in the Kentucky River Drainage Basin. These fees are the primary funding source of the Authority's activities. For the year ended June 30, 2024, six customers accounted for approximately 83.0% of the Tier II fees earned during the year. One of these six customers accounted for approximately 42.1%.

**Note 9 - Commitments**

Prior to year-end, the Authority had an ongoing project at Lock 2 and Lock 3 to design the repair to the guide walls. The balance remaining on this commitment as of year-end totaled approximately \$152,616.

Also, prior to year-end, the Authority awarded a project for the design of the repair needed to the Dam 7 spillway. The balance on the commitment as of year-end totaled \$1,136,224.

**Note 10 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and errors and omissions. The Authority has purchased commercial insurance for public officials' liability coverage, which covers the litigation costs relative to errors and omissions as they pertain to the Authority's Board members. Additionally, the Authority's exposure under negligent claims filed against it is limited through the Kentucky Board of Claims. The Authority also has purchased commercial insurance for liability and collision loss on Authority owned vehicles. Loss to buildings and equipment are self-insured through the Commonwealth's Fire and Tornado Fund.

**Note 11 - Long-Term Obligations**

On March 10, 2016, the State Property and Buildings Commission (SPBC) adopted a resolution authorizing the refunding of Series 2008 Agency Fund Revenue Bonds (Project No. 91) in the amount of \$10,555,000 and the issuance of \$10,850,000 in Series 2016 Agency Fund Revenue Bonds (Project No. 113). The bonds were issued at a premium on May 12, 2016, in the amount of \$843,293. The bonds have a delivery date of June 2, 2016, with interest payable April 1 and October 1 each year, commencing October 1, 2016, with final maturity April 1, 2029. Interest rates range from 2.0% to 5.0%.

On April 12, 2018, the SPBC adopted a resolution authorizing the issuance of \$28,945,000 in Series 2018 Agency Fund Revenue Bonds (Project No. 118). The bonds were issued on May 10, 2018, at a premium in the amount of \$605,469. The bonds have a delivery date of May 24, 2018, with interest payable April 1 and October 1 each year, commencing October 1, 2018, with final maturity April 1, 2038. Interest rates range from 3.0% to 5.0%. With the issuance of the Series 2018 Bonds, Build America Mutual Insurance Company will issue its Municipal Bond Insurance Policy for the Series 2018 Bonds.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 11 - Long-Term Obligations (Continued)**

On December 8, 2023, the SPBC adopted a resolution authorizing the refunding of Series 2013 Agency Fund Revenue Bonds (Project No. 105) in the amount of \$11,930,000 and the issuance of \$10,575,000 in Series 2024 Agency Fund Revenue Bonds (Project No. 129). The bonds were issued at a premium on March 26, 2024, in the amount of \$1,397,166. The bonds have a delivery date of March 26, 2024, with interest payable April 1 and October 1 each year, commencing October 1, 2024, with final maturity April 1, 2033. Interest rates range from 3.0% to 4.75%.

The Series 2018 Agency Fund Revenue Bonds (Project No. 118) and the Series 2024 Agency Fund Revenue Bonds (Project No. 129) have a debt service reserve fund of \$4,101,775 and that cash will be used towards the principal balance in 2037 and 2038.

A rate stabilization fund of \$689,308 is maintained by the Trustee. These funds are not pledged to the payment of principal or interest on any bonds. Upon written instruction from the Authority, the Trustee may withdraw moneys and transfer to the Authority for any lawful purpose of the Authority.

At the completion of the Dam 10 renovation project, the cash balance in the construction fund was \$2,647,132. The cash was transferred to the SPBC Project 118 debt service fund to be used toward the debt service payments. During FY 2024, \$919,184, of the remaining construction fund cash was used towards debt service. The remaining \$1,727,948, will be used towards debt service on SPBC Project 118 in FY 2025.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due Thereafter</u>
Debt Obligation						
Payable Total	\$ 39,583,225	\$ 10,575,000	\$ 14,372,500	\$ 35,785,725	\$ 2,415,000	\$ 33,370,725

Subject to change dependent on reinvestment of debt service fund or debt service reserve. Payments are made quarterly in equal installments.

**KENTUCKY RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**  
**(Continued)**

**Note 11 - Long-Term Obligations (Continued)**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest Payment</b>	<b>Total Payment</b>
<b>Ending</b>	<b>Payment</b>		
2025	\$ 2,415,000	\$ 1,551,845	\$ 3,966,845
2026	2,520,000	1,450,913	3,970,913
2027	2,633,750	1,340,511	3,974,261
2028	2,731,250	1,239,816	3,971,066
2029	2,833,750	1,137,419	3,971,169
2030	2,936,250	1,034,956	3,971,206
2031	3,063,750	908,342	3,972,092
2032	3,200,000	774,597	3,974,597
2033	3,182,500	633,738	3,816,238
2034	2,838,750	500,748	3,339,498
2035	2,935,000	404,941	3,339,941
2036	3,036,250	304,944	3,341,194
2037	1,459,475	208,417	1,667,892
2038		77,938	77,938
	<u>\$ 35,785,725</u>	<u>\$ 11,569,125</u>	<u>\$ 47,354,850</u>

**Note 12 - Net Position Restricted For Capital Projects**

The Authority has a Net Position Restricted for Capital Projects of \$15,524,880. This amount consists of restricted cash and investments. The restricted cash and investments consist of accounts restricted for the maintenance and construction of capital assets.

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**REQUIRED SUPPLEMENTARY INFORMATION**





**KENTUCKY RIVER AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2024**

**Schedule of Proportionate Share of the Net Pension Liability**

	2024-a	2023-b	2022-c	2021-d	2020-e	2019-f	2018-g	2017-h	2016-i	2015-j
Proportion of the net pension liability (asset)	0.023639%	0.028873%	0.0293110%	0.026635%	0.021939%	0.022799%	0.023517%	0.023063%	0.024015%	0.026914%
Proportionate share of the net pension liability	\$ 2,912,024	\$ 3,830,680	\$ 3,903,345	\$ 3,772,755	\$ 3,098,445	\$ 3,101,525	\$ 3,148,535	\$ 2,629,039	\$ 2,409,173	\$ 2,414,676
Covered-employee payroll	\$ 389,645	\$ 413,739	\$ 422,470	\$ 393,174	\$ 325,982	\$ 344,255	\$ 376,835	\$ 376,160	\$ 370,848	\$ 424,567
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	747.35%	925.87%	923.93%	959.56%	950.50%	900.94%	835.52%	698.91%	649.64%	568.74%
Plan fiduciary net position as a percentage of the total pension liability	22.32%	18.51%	18.48%	14.01%	13.66%	12.84%	13.2%	14.8%	33.78%	22.32%

**Schedule of Contributions**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 246,306	\$ 259,153	\$ 293,716	\$ 279,391	\$ 268,938	\$ 243,083	\$ 146,702	\$ 146,540	\$ 118,237	\$ 125,106
Contribution in Relation to Actuarial Contribution	(230,681)	(248,212)	(279,556)	(279,706)	(269,744)	(227,068)	(142,970)	(144,346)	(118,332)	(125,284)
Contribution Deficiency (Excess)	\$ 15,625	\$ 10,941	\$ 14,159	\$ (315)	\$ (806)	\$ 16,015	\$ 3,732	\$ 2,194	\$ (95)	\$ (178)
Covered-employee Payroll	\$ 417,327	\$ 371,279	\$ 394,938	\$ 381,265	\$ 378,626	\$ 342,225	\$ 352,623	\$ 364,165	\$ 376,160	\$ 370,848
Contribution as a Percentage of Covered-employee Payroll	59.02%	69.80%	74.37%	73.28%	71.03%	71.03%	41.60%	40.24%	31.43%	33.74%

a- This column is based on the measurement date of June 30, 2023

b- This column is based on the measurement date of June 30, 2022

c- This column is based on the measurement date of June 30, 2021

d- This column is based on the measurement date of June 30, 2020

e- This column is based on the measurement date of June 30, 2019

f- This column is based on the measurement date of June 30, 2018

g- This column is based on the measurement date of June 30, 2017

h- This column is based on the measurement date of June 30, 2016

i- This column is based on the measurement date of June 30, 2015

j- This column is based on the measurement date of June 30, 2014

**KENTUCKY RIVER AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2024**  
**(Continued)**

**Notes to RSI Pension Contributions**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014
<b>Methods and Assumptions used to determine contributions:</b>										
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed	Level percentage of payroll closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	Five-year smoothed market
Investment Return	5.25%	5.25%	5.25%	5.25%	5.25%	7.50%	7.50%	6.75%	7.50%	7.75%
Inflation	2.30%	2.30%	2.30%	2.30%	2.30%	3.25%	3.25%	3.25%	3.25%	3.50%
Projected Salary increase	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%, average	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	4.5% per annum
Mortality for 2021	System specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.									
Mortality prior to 2021	RP-2000 Combined Mortality Table, projected to 2013 with scale BB (set back one year for females)									

**KENTUCKY RIVER AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2024**  
**(Continued)**

**Schedule of Proportionate Share of the Net OPEB Liability**

	<u>2024-a</u>	<u>2023-b</u>	<u>2022-c</u>	<u>2021-d</u>	<u>2020-e</u>	<u>2019-f</u>	<u>2018-g</u>
Proportionate share of the net OPEB liability (asset)	0.022634%	0.027911%	0.0291510%	0.026635%	0.021939%	0.022779%	0.023517%
Proportionate share of the collective net OPEB liability (asset)	\$ 177,584	\$ 617,422	\$ 664,447	\$ 676,238	\$ 487,681	\$ 540,070	\$ 596,382
Covered-employee payroll	\$ 374,251	\$ 401,118	\$ 423,373	\$ 394,845	\$ 332,585	\$ 358,518	\$ 374,649
Proportionate share of the Net OPEB liability (asset) as a percentage of its covered-employee payroll	47.45%	153.93%	156.94%	171.27%	146.63%	150.64%	159.20%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	66.14%	38.15%	38.38%	29.47%	30.92%	27.32%	24.40%

**Schedule of Employer's Contributions OPEB**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Required Contribution	\$ 27,946	\$ 29,160	\$ 36,094	\$ 42,559	\$ 47,090	\$ 39,791	\$ 29,283
Contribution in Relation to Actuarial Contribution	27,946	29,160	36,094	42,559	47,090	39,791	29,283
Contribution Deficiency (Excess)	\$	\$	\$	\$	\$	\$	\$
Covered Payroll	\$ 390,852	\$ 355,605	\$ 375,906	\$ 381,695	\$ 379,760	\$ 320,899	\$ 348,197
Contribution as a Percentage of Covered Employee Payroll	7.15%	8.20%	9.60%	11.15%	12.40%	12.40%	8.41%

This is a 10-year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

2024-a This icolumn is baed on the measurement date of June 30, 2023.

2023-b This icolumn is baed on the measurement date of June 30, 2022.

2022-c This icolumn is baed on the measurement date of June 30, 2021.

2021-d This icolumn is baed on the measurement date of June 30, 2020.

2020-e This icolumn is baed on the measurement date of June 30, 2019.

2019-f This icolumn is baed on the measurement date of June 30, 2018.

2018-g This icolumn is baed on the measurement date of June 30, 2017.

**KENTUCKY RIVER AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2024**  
**(Continued)**

**Notes to RSI OPEB Contributions**

	2024	2023	2022	2021	2020	2019	2018
Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2016
<b>Methods and Assumptions used to determine OPEB contributions:</b>							
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay
Amortization Period	30 year, closed	30 year, closed	30 year, closed	26 year, closed	26 year, closed	27 year, closed	28 year, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Inflation	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Salary Increase	3.30% to 15.30%, varies by service	3.30% to 15.30%, varies by service	3.30% to 15.30%, varies by service	3.55% to 15.55%, varies by service	3.55% to 15.55%, varies by service	3.05%	4.0% average
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.						
<b>Healthcare Trend Rates</b>							
(Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.						
(Post-65)	Initial trend starting at 6.30%, January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.						

**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***





ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

Independent Auditor's Report

Jennie Wolfe, Executive Director  
Board of Directors  
Kentucky River Authority

We have audited, 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, the financial statements of the Kentucky River Authority (Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Kentucky River Authority's basic financial statements, and have issued our report thereon dated December 11, 2024.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2024-KRA-01 that we consider to be a material weakness.



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*  
(Continued)

***Report on Compliance and Other Matters***

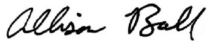
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

***The Authority's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of this Report***

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

Respectfully Submitted,  
  
Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

December 11, 2024



## **Schedule of Findings**



**KENTUCKY RIVER AUTHORITY**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2024**

**2024-KRA-01: The Kentucky River Authority Failed To Ensure The Financial Statements Were Materially Complete And Accurate**

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**Condition**

During fiscal year 2024, the Kentucky River Authority (Authority) failed to prevent and detect material misstatements during the initial compilation of their financial statements. The Authority failed to research and evaluate the proper accounting treatment and reporting of activity related to a debt refunding in accordance with standards established by the Governmental Accounting Standards Board (GASB). The following exceptions were noted:

- The Authority transferred \$2,647,133 to the Commonwealth of Kentucky's Debt Service Fund; however, this activity was not properly recorded or accounted for on the Authority's financial statements. Following auditor inquiry, the Authority elected to reclassify this activity which included reporting prepaid expenses in the amount of \$1,727,948.
- The Authority improperly recognized \$1,355,000 related to a debt refunding as "Other Revenue" within the Non-Operating section of the income statement. In accordance with GASB, this activity should have been recognized as a deferred inflow of resources and a component of interest expense.

**Cause**

The Authority's fiscal year 2024 debt activity contained unique circumstances not normally encountered during the financial statement compilation process. The Authority was unaware of the applicable GASB financial reporting requirements pertaining to these unique scenarios and internal controls failed to ensure the financial statements were materially complete and accurate.

**Effect**

Failure to accurately report and account for financial information led to substantial misstatements on the Authority's financial statements. Without detection during the audit, material misstatements in both amount and presentation would have occurred. Inaccuracies in the measurement, recognition, presentation, and disclosure could negatively impact users of the financial statements or management decisions.

**Criteria**

Concepts Statement No.1 of the Accounting Standards Board, Objectives of Financial Reporting (GASBCS 1, paragraph 64, states, "Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive." A sufficient and detailed review and approval of the financial statements by a qualified individual to identify potential material misstatements is a basic control necessary to ensure the accuracy and reliability of financial reports.

**KENTUCKY RIVER AUTHORITY**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2024**  
**(Continued)**

**2024-KRA-01: The Kentucky River Authority Failed To Ensure The Financial Statements Were Materially Complete And Accurate (Continued)**

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**Criteria (Continued)**

GASB Codification D20- Debt Extinguishments and Troubled Debt Restructuring, states:

.111 For current refundings and advance refundings resulting in defeasance of debt reported by proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. [GASBS 23, ¶4, as amended by GASBS 34, ¶15 and ¶91 and GASBS 65, ¶6; GASBS 65, ¶6]

**Recommendation**

We recommend Authority strengthen internal controls to ensure the financial statements are complete, accurate, and reported in accordance with GASB requirements. The Authority should conduct sufficient research on reporting requirements when appropriate. In new or unfamiliar territory, the Authority could also consult with the Commonwealth's Finance and Administration Cabinet for additional assistance.

**Management's Response and Planned Corrective Action**

*We agree with the auditor's assessment. The misstatement has since been corrected and moved to the appropriate classification. We will more closely review transactions that are out of the ordinary when preparing the financial statements to be sure items are classified correctly.*