

**CHAPTER 114****(HB 448)**

AN ACT relating to special districts.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

Section 1. KRS 65.065 is amended to read as follows:

- (1) The governing body of each district shall annually prepare a budget and, as appropriate, shall classify budget units in the same fashion as county budgets are classified in accordance with KRS 68.240(2) to (5). The state local finance officer shall prepare standard budget forms for district use and shall furnish them to county clerks for distribution to district officers. No moneys shall be expended from any funds or any sources, except in accordance with the budget which has been filed with the fiscal court to be available for public inspection. No budget of a district shall become effective until filed with the fiscal court of the county in which the district is located for submission to the Department for Local Government. For those districts with multicounty jurisdictions, the district shall file a copy with each of the fiscal courts within the jurisdiction of the district for their review. If the budget is not filed with the fiscal court at least thirty (30) days prior to the start of the district fiscal year, the fiscal court shall immediately notify the county attorney. The county attorney shall then notify the governing board of the special district of the noncompliance and then proceed with any steps necessary to prevent the expenditure of funds by the special district until the district is in compliance.
- (2) The governing body of each district which for the year in question receives from all sources or expends for all purposes less than *seven hundred fifty thousand dollars (\$750,000)*~~four hundred thousand dollars (\$400,000)~~ shall annually prepare a financial statement, except that once every four (4) years the district's governing body shall provide for the performance of an audit as provided in subsection (4) of this section.
- (3) The governing body of each district which for the year in question receives from all sources or expends for all purposes *seven hundred fifty thousand dollars (\$750,000)*~~four hundred thousand dollars (\$400,000)~~ or more shall provide for the performance of an annual audit as provided in subsection (4) of this section.
- (4) To provide for the performance of an audit, the governing body of a district shall employ an independent certified public accountant or contract with the Auditor of Public Accounts to perform an audit of the funds in the district budget. The audit shall conform to:
  - (a) Generally-accepted governmental auditing standards, which means those standards for audits of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States; and
  - (b) Additional procedures and reporting requirements as may be required by the Auditor of Public Accounts. A unit of government furnishing funds directly to a district may require additional audits at its own expense. Upon request, the State Auditor of Public Accounts may review the final report and all related work papers and documents of the independent certified public accountant relating to the audit. If a district is required by law to audit its funds more often than is required by this section, it shall perform those audits and may submit them in lieu of the requirements of this section, if the audits meet the requirements of this subsection.
- (5) The provisions of subsection (2) of this section shall not apply to any district that is required by law to annually submit a financial report to an agency of state government. The districts shall annually submit a copy of their financial report to the county judge/executive and to the state local finance officer and once every four (4) years provide for the performance of an audit as provided in subsection (4) of this section.
- (6) Any resident of the district may bring an action in the Circuit Court to enforce the provisions of this section. The Circuit Court shall hear the action and, on a finding that the governing body of the district has violated the provisions of this section, shall order the district to comply with the provisions. The Circuit Court, in its discretion, may allow the prevailing party, other than the district, a reasonable attorney's fee and court costs, to be paid from the district's treasury.

Section 2. KRS 262.280 is amended to read as follows:

- (1) The board shall provide for the keeping of a full and accurate record of all its proceedings and of all resolutions, regulations and orders issued or adopted by it.

- (2) *An audit of the accounts of each district shall take place once every four (4) years unless the district receives or expends seven hundred fifty thousand dollars (\$750,000) or more in any year, in which case the district shall provide for the performance of an annual audit. The audit shall be conducted in accordance with audit standards and requirements stipulated in KRS 65.065(4)*~~[The board shall provide for an annual audit of the accounts of its receipts and disbursement of its funds].~~
- (3) Upon request of the commission, the board shall furnish the commission with copies of ordinances, regulations, orders, contracts, forms and other documents adopted or employed by the board and any other information requested by the commission concerning the board's activities.

Section 3. KRS 262.763 is amended to read as follows:

- (1) An audit of the accounts of each watershed conservancy district shall take place once every four (4) years unless the district receives or expends *seven hundred fifty thousand dollars (\$750,000)*~~[four hundred thousand dollars (\$400,000)]~~ or more in any year, in which case the district shall provide for the performance of an annual audit. *The audit shall be conducted in accordance with audit standards and requirements stipulated in KRS 65.065(4)*. The board of directors of each watershed conservancy district shall select to make the audit certified public accountants who have no personal interest in the financial affairs of the board of directors or in any of its officers or employees.
- (2) Immediately upon completion of each audit, the accountant shall prepare a report of his findings and recommendations. This report shall be to the board of directors and in such number of copies as specified by the board of directors. Immediately following receipt of the audit report, the board of directors shall cause a summary of the report or the text of the report to be advertised for the district by publication in a newspaper of general circulation in the area encompassed by the watershed conservancy district. The actual expense of any audit authorized under this section shall be borne by the watershed conservancy district.
- (3) The board of directors shall forward a copy of the newspaper in which the audit report appeared to the State Auditor of Public Accounts.

**Approved April 5, 2007.**