

CHAPTER 91

(SB 192)

AN ACT relating to local entities and declaring an emergency.

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

➔Section 1. KRS 91A.020 is amended to read as follows:

- (1) Each city shall keep its accounting records and render financial reports in such a way as to:
 - (a) Determine compliance with statutory provisions;~~and~~
 - (b) Determine fairly and with full disclosure the financial operations of constituent funds and account groups of the city; *and*
 - (c) *Conform*~~in conformity~~ with generally accepted governmental accounting principles, *except cities receiving and expending, from all sources and for all purposes, less than fifteen million dollars (\$15,000,000) may choose to conform with the cash or the modified cash basis of accounting.*
- (2) Municipal accounting systems shall be organized and operated on a fund basis.

➔Section 2. KRS 91A.040 is amended to read as follows:

- (1) Except as provided in subsections (2) and (3) of this section *and Section 4 of this Act*, each city shall, after the close of each fiscal year, cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall be completed by March 1 immediately following the fiscal year being audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than April 1 immediately following the fiscal year being audited.
- (2) In lieu of the annual audit requirements in subsection (1) of this section, a city with a population equal to or less than three thousand (3,000) based upon the most recent federal decennial census may elect to have an audit performed every other fiscal year in the following manner:
 - (a) *For a city that is not performing an agreed-upon engagement procedure under Section 4 of this Act*, after the close of each odd-numbered fiscal year, the city shall for that odd-numbered year cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audits shall be completed by March 1 immediately following the fiscal year to be audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than April 1 immediately following the fiscal year being audited; and
 - (b) After the close of each even-numbered fiscal year, the city shall not be required to complete an annual audit but shall forward an electronic copy of its financial statement prepared in accordance with KRS 424.220 to the Department for Local Government by no later than October 1 immediately following the close of the even-numbered fiscal year.
- (3) Any city, which for any fiscal year receives and expends, from all sources and for all purposes, less than five hundred thousand dollars (\$500,000), and which has no long-term debt, whether general obligation or revenue debt, shall not be required to audit each fund of the city for that particular fiscal year. In addition, each city exempted in accordance with this subsection shall:
 - (a) Annually prepare a financial statement in accordance with KRS 424.220 and shall, not later than October 1 following the conclusion of the fiscal year, forward one (1) electronic copy to the Department for Local Government for information purposes; and
 - (b) If exempted under this subsection for more than four (4) consecutive fiscal years after July 1, 2022, have *performed an agreed-upon procedures*~~prepared an attestation~~ engagement covering the ~~fifth~~^{fourth} fiscal year in which the city qualified for an exemption under this subsection. An *agreed-upon procedures*~~attestation~~ engagement *required under this paragraph shall be completed in accordance with subsections (3) to (9) of Section 4 of this Act and any other requirements established by the Auditor of Public Accounts through the promulgation of administrative regulations in accordance with KRS Chapter 13A*~~completed pursuant to this subsection shall be:~~

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- ~~1. Prepared by an independent certified public accountant or by the Auditor of Public Accounts pursuant to a contract with the city using generally accepted attestation standards as promulgated by the American Institute of Certified Public Accountants and any additional procedures established by the Department for Local Government through administrative regulation;~~
 - ~~2. Completed by no later than March 1 immediately following the conclusion of the fiscal year in which in the attestation engagement is required;~~
 - ~~3. Submitted to the Department for Local Government as one (1) electronic copy no later than April 1 after its completion;~~
 - ~~4. Advertised to the public within thirty (30) days of its completion by causing the publication of a legal display advertisement of not less than six (6) column inches in a newspaper qualified under KRS 424.120 stating that the attestation has been prepared and copies have been provided to each local newspaper of general circulation, each news service, and each local radio and television station which has on file with the city a written request to receive copies of financial statements under KRS 424.220. Any city advertising under this subparagraph shall be exempt from publishing its financial statement under KRS 424.220(6)(b) for any year in which it is required to have an attestation engagement completed; and~~
 - ~~5. Provided to the Auditor of Public Accounts upon request for review of the final report and all related work papers and documents regarding the attestation engagement}.~~
- (4) If a city is required by another provision of law to audit its funds more frequently or more stringently than is required by this section, the city shall also comply with the provisions of that law.
 - (5) The Department for Local Government shall, upon request, make available electronic copies of the audit reports and financial statements received by it under subsections (1) to (3) of this section to the Legislative Research Commission to be used for the purposes of KRS 6.955 to 6.975 or to the Auditor of Public Accounts.
 - (6) Each city required ~~{by this section}~~ to conduct an ~~{annual or biennial}~~ audit ***under subsection (1) or (2) of this section*** shall enter into a written contract with an auditor, who shall be a certified public accountant or the Auditor of Public Accounts. The contract shall set forth all terms and conditions of the agreement which shall include but not be limited to requirements that:
 - (a) The auditor be employed to examine the basic financial statements, which shall include the ***financial statements prepared in accordance with the basis of accounting used by the city*** ~~{government wide and fund financial statements}~~;
 - (b) The auditor shall include in the ~~{annual or biennial}~~ city audit report an examination of local government economic assistance funds granted to the city under KRS 42.450 to 42.495. The auditor shall include a certification with the ~~{annual or biennial}~~ audit report that the funds were expended for the purpose intended;
 - (c) All audit information be prepared in accordance with generally accepted governmental auditing standards which include tests of the accounting records and auditing procedures considered necessary in the circumstances. Where the audit is to cover the use of state or federal funds, appropriate state or federal guidelines shall be utilized;
 - (d) The auditor shall prepare a ~~{typewritten or}~~ printed report embodying:
 1. The basic financial statements and accompanying supplemental and required supplemental information;
 2. The auditor's opinion on the basic financial statements or reasons why an opinion cannot be expressed; and
 3. Findings required to be reported as a result of the audit;
 - (e) The completed audit and all accompanying documentation shall be presented to the city legislative body at a regular or special meeting; and
 - (f) Any contract with a certified public accountant for an audit shall ***provide that*** ~~{require the accountant to forward a copy of the audit report and management letters to the Auditor of Public Accounts upon request of the city or the Auditor of Public Accounts, and}~~ the Auditor of Public Accounts shall have the right to review the certified public accountant's work papers upon request.

- (7) A copy of an audit report which meets the requirements of this section shall be considered satisfactory and final in meeting any official request to a city for financial data, except for statutory or judicial requirements, or requirements of the Legislative Research Commission necessary to carry out the purposes of KRS 6.955 to 6.975.
- (8) Each city shall, within thirty (30) days after the presentation of an audit to the city legislative body, publish an advertisement in accordance with KRS Chapter 424 containing:
- (a) The auditor's opinion letter;
 - (b) *A budget-to-actual comparison schedule for the general fund*~~{The "Budgetary Comparison Schedules-Major Funds," which shall include the general fund and all major funds};~~
 - (c) A statement that a copy of the complete audit report, including financial statements and supplemental information, is on file at city hall and is available for public inspection during normal business hours;
 - (d) A statement that any citizen may obtain from city hall a copy of the complete audit report, including financial statements and supplemental information, for his or her personal use; *and*
 - (e) A statement which notifies citizens requesting a personal copy of the city audit report that they will be charged for duplication costs at a rate that shall not exceed twenty-five cents (\$0.25) per page~~[- and~~
 - ~~(f) A statement that copies of the financial statement prepared in accordance with KRS 424.220, when a financial statement is required by KRS 424.220, are available to the public at no cost at the business address of the officer responsible for preparation of the statement}.~~
- (9) Any resident of the city or owner of real property within the city may bring an action in the Circuit Court to enforce the provisions of this section. Any person who violates any provision of this section shall be fined not less than fifty dollars (\$50) nor more than five hundred dollars (\$500). In addition, any officer who fails to comply with any of the provisions of this section shall, for each failure, be subject to a forfeiture of not less than fifty dollars (\$50) nor more than five hundred dollars (\$500), in the discretion of the court, which may be recovered only once in a civil action brought by any resident of the city or owner of real property within the city. The costs of all proceedings, including a reasonable fee for the attorney of the resident or property owner bringing the action, shall be assessed against the unsuccessful party.
- (10) In the event of extenuating circumstances that prevent a city from completing and submitting a required audit or financial statement in compliance with the applicable deadlines in subsections (1) to (3) of this section, the city may submit a written request for an extension of time to the Department for Local Government on a form prescribed by the Department for Local Government. The Department for Local Government shall approve the request if, in the judgment of the Department for Local Government, the request is warranted by extenuating circumstances beyond the control of the city or other factors that justify the city's noncompliance with the required deadlines. The Department for Local Government may consider any evidence it deems appropriate, including but not limited to proof of the city's progress towards compliance. Extensions granted under this subsection shall not exceed eighteen (18) months from the original due date of the audit or financial statement. If the Department for Local Government approves an extension for a city and the city fails to complete and submit the required audit or financial statement in compliance with that extended deadline, then the provisions of subsection (11) of this section shall apply.
- (11) If a city fails to complete an audit or financial statement and submit it to the Department for Local Government as required in subsections (1) to (3) and (10) of this section, the Department for Local Government shall notify the Finance and Administration Cabinet that the city has failed to comply with the audit requirements of this section~~[-]~~ and that any funds in the possession of any agency, entity, or branch of state government shall be withheld from the city until further notice. The Department for Local Government shall immediately notify the Finance and Administration Cabinet when the city complies with the requirements of subsections (1) to (3) and (10) of this section for all prior fiscal years it has failed to comply with the audit requirements of this section, and the Finance and Administration Cabinet shall direct the reinstatement of payments to the city, including any funds that were withheld due to the noncompliance. This subsection shall not be interpreted or construed to permit the state to withhold any nondiscretionary payments to a city that are due the city for the provision of services by the city to the state or any of its agencies, including for the use of city utilities.
- (12) Within a reasonable time after the completion of a special audit or examination conducted pursuant to KRS 43.050, the Auditor shall bill the city for the actual expense of the audit or examination conducted. The actual

expense shall include the hours of work performed on the audit or examination as well as reasonable associated costs, including but not limited to travel costs. The bill submitted to the city shall include a statement of the hourly rate, total hours, and total costs for the entire audit or examination.

(13) A city shall provide a copy of any audit report completed pursuant to this section to the Auditor of Public Accounts upon request.

➔Section 3. KRS 424.220 is amended to read as follows:

- (1) Excepting officers who are exempted under subsection (8) of this section, every public officer of any city, county, or district less than a county, or of any board, commission, or other authority of a city, county, or district whose duty it is to collect, receive, have the custody, control, or disbursement of any funds collected from the public in any form shall, at the expiration of each fiscal year, prepare an itemized, sworn statement of the funds collected, received, held, or disbursed by him or her during the fiscal year just closed, unless he or she has complied with KRS 424.230.
- (2) The statement shall show:
 - (a) The total amount of funds collected and received during the fiscal year from each individual source; and
 - (b) The total amount of funds disbursed during the fiscal year to each individual payee. The list shall include only aggregate amounts to vendors exceeding one thousand dollars (\$1,000).
- (3) Only the totals of amounts paid to each individual as salary or commission and public utility bills shall be shown. The amount of salaries paid to all nonelected county employees shall be shown as lump-sum expenditures by category, including but not limited to road department, jails, solid waste, public safety, and administrative personnel.
- (4) The financial reporting and publishing requirements for a school district are provided in KRS 160.463.
- (5) The officer shall procure and include in or attach to the financial statement, as a part thereof, a certificate from the cashier or other proper officer of the banks in which the funds are or have been deposited during the past year, showing the balance, if any, of funds to the credit of the officer making the statement.
- (6) To provide notice to the public that the city's financial statement has been completed as required by this section, ~~the~~
 - ~~(a) The appropriate officer of a city that has performed an audit under KRS 91A.040 for the fiscal year or years, including the appropriate officer of any municipally owned electric, gas, or water system, shall publish the audit report in accordance with KRS 91A.040(8); and~~
 - ~~(b) the appropriate officer of a city that has not conducted an annual audit for the fiscal year under one (1) of the exceptions provided in KRS 91A.040(2) or (3) shall publish a legal display advertisement of not less than six (6) column inches in a newspaper qualified under KRS 424.120 that the statement required by subsection (1) of this section has been prepared and that copies have been provided to each local newspaper of general circulation, each news service, and each local radio and television station which has on file with the city a written request to be provided a statement. The advertisement shall be published within **thirty (30)**~~ninety (90)~~ days after the **submission of the financial statement to the Department for Local Government under subsection (2)(b) or (3)(a) of Section 2 of this Act**~~close of the fiscal year~~.~~
- (7) To provide notice to the public that the county's financial statement has been completed as required by this section, the appropriate officer of a county shall publish the county's audit, prepared in accordance with KRS 43.070 or 64.810, in the same manner that city audits are published in accordance with KRS 91A.040(8).
- (8) The provisions of this section shall not apply to officers of:
 - (a) A city of the first class;
 - (b) A county containing a city of the first class;
 - (c) A consolidated local government;
 - (d) An urban-county government;
 - (e) A city with a population equal to or greater than twenty thousand (20,000) based upon the most recent federal decennial census;
 - (f) **A city that has completed an audit pursuant to the provisions of subsection (1) or (2)(a) of Section 2 of this Act;**

- (g) *A city that has completed an agreed-upon procedures engagement in accordance with Section 4 of this Act;*
- (h) A public agency or joint public agency of a:
 1. City of the first class;
 2. Consolidated local government; or
 3. County containing a city of the first class; or
- ~~(i)(g)~~ A school district of a:
 1. City of the first class;
 2. Consolidated local government; or
 3. County containing a city of the first class.

➔SECTION 4. A NEW SECTION OF KRS CHAPTER 91A IS CREATED TO READ AS FOLLOWS:

- (1) *Beginning with fiscal years on and after July 1, 2027, a city required to complete an audit pursuant to the provisions of Section 2 of this Act may elect to instead have an agreed-upon procedures engagement with either the Auditor of Public Accounts or a certified public accountant under the provisions of this section.*
- (2) *A city shall meet the following conditions in order to proceed with an agreed-upon procedures engagement under this section for a particular fiscal year:*
 - (a) *Unless proceeding under subsection (9) of this section, the city shall have complied with any of the applicable requirements under Section 2 of this Act or this section in the immediately preceding fiscal year;*
 - (b) *The city has not been subject to a special examination from the Auditor of Public Accounts during the immediately preceding fiscal year or during the fiscal year to be audited;*
 - (c) *For the fiscal year subject to be audited, the city received and expended from all sources and for all purposes less than fifteen million dollars (\$15,000,000);*
 - (d) *The city is not required by any other provision of state or federal law to perform an audit or examination more stringent than is required by this section; and*
 - (e) *The city shall meet any other standards and requirements not in conflict with this subsection that may be established by the Auditor of Public Accounts through the promulgation of administrative regulations in accordance with KRS Chapter 13A.*
- (3) *An agreed-upon procedures engagement entered into by a city under this section shall be conducted and governed under the American Institute of Certified Public Accountants (AICPA) professional standards and any additional standards and requirements established by administrative regulation promulgated in accordance with KRS Chapter 13A by the Auditor of Public Accounts. Any agreed-upon procedures engagement conducted for a city shall, at a minimum, examine and report on:*
 - (a) *Reconciliation of cash, including the recalculation of year-end bank reconciliations, confirmation of beginning and ending balances, and verification that reconciled bank balances agree to fund cash balances in the accounting system and financial statement;*
 - (b) *Confirmation of cash balances directly with any external financial institutions;*
 - (c) *Fund balances and transfers;*
 - (d) *Inspection of investment holdings for compliance with applicable state law and any policies adopted by the city;*
 - (e) *A statement of receipts and disbursements, including payroll disbursements;*
 - (f) *Identification of outstanding debt, including confirmation of beginning and ending balances, any new debt issuance or payments, amortization schedules, and compliance with debt terms;*
 - (g) *Verification that total expenditures do not exceed appropriations; and*

- (h) *If applicable, an examination of local government economic assistance funds granted to the city under KRS 42.450 to 42.495 to ensure the funds were expended for the purposes intended.*
- (4) *An agreed-upon procedures engagement performed under this section shall be completed by March 1 immediately following the fiscal year being examined. A copy of the agreed-upon procedures report shall be forwarded to the Department for Local Government for informational purposes no later than April 1 immediately following the fiscal year being examined. The Department for Local Government shall, upon request, make available electronic copies of reports submitted to it under this section to the Legislative Research Commission to be used for the purposes of KRS 6.955 to 6.975 and to the Auditor of Public Accounts if the Auditor is not a party to the agreed-upon procedures engagement.*
- (5) *Any city proceeding under this section to perform an agreed-upon procedures engagement in lieu of an audit shall enter into a contract with the Auditor of Public Accounts or a certified public accountant for the performance of that agreed-upon procedures engagement. The contract's terms and conditions shall include but not be limited to:*
- (a) *The Auditor of Public Accounts or the certified public accountant complete an agreed-upon procedures report in compliance with subsection (3) of this section;*
- (b) *The completed agreed-upon procedures report shall be presented to the city legislative body at a regular or special meeting; and*
- (c) *If the agreed-upon procedures engagement is completed by a certified public accountant, that the Auditor of Public Accounts shall be allowed to review the certified public accountant's work papers upon request.*
- (6) *A copy of an agreed-upon procedures engagement report which meets the requirements of this section shall be considered satisfactory and final in meeting any official request to a city for financial data, except as may be required by the Kentucky Revised Statutes, including those under KRS 6.955 to 6.975, and any judicial requirements.*
- (7) *An agreed-upon procedures engagement report completed under this section shall be deemed sufficient to meet any state law or administrative regulation that requires the submission or completion of an audit.*
- (8) *Not later than thirty (30) days after the date on which the presentation of the agreed-upon procedures engagement report has been made to the city, the city shall publish an advertisement in accordance with KRS Chapter 424 that the agreed-upon procedures engagement report has been completed for the city and that:*
- (a) *The complete report, along with supplemental information, is available for inspection at city hall during normal business hours; and*
- (b) *Any citizen may obtain from city hall a copy of the completed agreed-upon procedures engagement report for personal use at a duplication cost not exceeding twenty-five cents (\$0.25) per page.*
- (9) *A city that is two (2) or more fiscal years behind in completing or reporting under Section 2 or 3 of this Act may make an application to the Department for Local Government to proceed under this section with a single agreed-upon procedures engagement to bring the city into compliance for those fiscal years. The Department for Local Government shall prescribe any requirements, conditions, and other terms for using the process authorized under this subsection by administrative regulation promulgated in accordance with KRS Chapter 13A. Once completed, the Department for Local Government shall treat the city as compliant with the requirements it had previously failed to meet under Section 2 or 3 of this Act.*
- (10) *A city shall forward a copy of any agreed-upon procedures engagement report completed pursuant to this section to the Auditor of Public Accounts upon request.*

➔Section 5. KRS 75.031 is amended to read as follows:

- (1) (a) *I.* Upon creation of a fire protection district or a volunteer fire department district as provided in KRS 75.010, the affairs of the district shall be conducted by the board of trustees consisting of seven (7) members, four (4) to be elected by the members of the district as hereinafter set out and three (3) to be appointed by the county judge/executive or *the* mayor in a consolidated local government pursuant to the provisions of KRS 67C.139.

2. Two (2) members of the board of trustees shall be elected by the members of the firefighters of the district and shall be *full-time paid employees of the district or* members of the district *who personally reside in the district.*
 3. Two (2) members of the board of trustees shall be property owners who own real or personal property which is subject to the fire protection tax pursuant to KRS 75.040, who personally reside in the district, and who are not active firefighters and shall be elected by the property owners of the district. Property owners voting to select representatives to the board of trustees shall have attained the age of eighteen (18).
 4. The county judge/executive of the county in which the greater part of the district is located shall, with the approval of the fiscal court, appoint three (3) members of the board of trustees *who personally reside in the district.* In counties containing a city of the first class, trustees appointed by the county judge/executive to serve in volunteer fire prevention districts shall reside within the boundaries of that county. In counties governed by a consolidated local government, trustees appointed by the mayor to serve in volunteer fire prevention districts shall reside within the boundaries of the consolidated local government.
 5. At the first election held after the district is formed, one (1) firefighter shall be elected to serve on the board of trustees for a period of one (1) year and one (1) for a period of three (3) years, and one (1) nonfirefighter property owner shall be elected to serve on the board of trustees for a period of two (2) years and one (1) for a period of four (4) years. On the expiration of the respective terms, the successor to each shall have the same qualifications as his or her predecessor and shall be elected for a term of four (4) years. The original appointed members of the board of trustees shall be appointed for terms of one (1), two (2), and three (3) years respectively. On the expiration of the respective terms, the successors to each shall be appointed for a term of three (3) years.
 6. Upon the establishment of a consolidated local government, incumbent members shall continue to serve until the expiration of their current term of office.
 7. In the event of a vacancy in the term of an appointed or elected trustee, the county judge/executive shall appoint with the approval of the fiscal court a trustee for the remainder of the term, except in a county containing a consolidated local government. In a county containing a consolidated local government, the mayor pursuant to the provisions of KRS 67C.139 shall appoint a trustee for the remainder of the term.
- (b) An appointed trustee may be removed from office as provided by KRS 65.007.
- (c)
 1. No person shall be an elected trustee who *is not a resident of the district, except as provided in subsection (1)(a)2. of this section, and who*, at the time of his or her election, is not a citizen of Kentucky and has not attained the age of twenty-one (21).
 2. *Except for trustees elected under subsection (1)(a)2. of this section, a vacancy shall be declared to exist if an elected trustee no longer resides within the boundaries of the district at any time during his or her term of office.*
- (d) Unless otherwise provided by law, an elected firefighter trustee may be removed from office by the mayor of a consolidated local government, or in a county not containing a consolidated local government, by the county judge/executive of the county in which the greater part of the district is located. An elected firefighter trustee may be removed after a hearing with notice as required by KRS Chapter 424, for inefficiency, neglect of duty, malfeasance, or conflict of interest. The hearing shall be initiated and chaired by the county judge/executive of a county or the mayor of a consolidated local government, who shall prepare a written statement setting forth the reasons for removal. The trustee to be removed shall be notified of his or her proposed removal and the reasons for the proposed removal by registered mail sent to his or her last known address at least ten (10) days prior to the hearing. The person proposed to be removed may employ counsel to represent him or her. A record of the hearing shall be made by the county judge/executive or mayor respectively.
- (e) The removal of an elected firefighter trustee of a fire protection district shall be subject to the approval of the fiscal court of the county in which the greater part of the district is located in those counties not containing a consolidated local government or the legislative council in a county containing a consolidated local government.

- (f) An elected firefighter trustee removed pursuant to paragraphs (d) and (e) of this subsection may appeal, within ten (10) days of the rendering of the decision of the fiscal court or legislative council, respectively, to the Circuit Court of the county in which the greater part of the district is located. The scope of the appeal shall be limited to whether the county judge/executive, mayor, legislative council, or the fiscal court respectively, abused their discretion in removing the trustee.
- (2) The elective offices of members of the board of trustees shall be filled by an election to be held once each year on the fourth Saturday of June between the hours of 11:00 a.m. and 2:00 p.m. The polls shall be located at the principal fire house in the district. The date, time, and place of the election shall be advertised in accordance with KRS 424.120. This notice shall be advertised at least thirty (30) days prior to the election date and shall include the names and addresses of the candidates to be voted on for each position of trustee. In lieu of the published notice for the election of the firefighter trustees, written notice containing the information required to be advertised may be sent by first-class mail to each member of the firefighters of the fire protection district or volunteer fire department district, addressed to the firefighter at his or her residence, at least thirty (30) days prior to the election date. The nominations for candidates for trustees both representing the firefighters and the property owners residing in the district shall be made in accordance with the bylaws of the department. The terms of the three (3) trustees appointed by the county judge/executive or mayor shall start at the same time as the terms of the elected trustees. On or before the beginning of the second fiscal or calendar year, depending on which basis the fire protection or volunteer fire department district is being operated, after June 16, 1966, all departments organized prior to June 16, 1966, shall increase their boards of trustees from three (3) to seven (7) members and elect the elective members in the manner set forth herein.
- (3) The trustees shall elect from their number a chairman, a secretary, and a treasurer, the latter of whom shall give bond in an amount as shall be determined by the county judge/executive of the county in which the greater part of the fire protection district is located or the mayor in a consolidated local government, conditioned upon the faithful discharge of the duties of his or her office, and the faithful accounting for all funds which may come into his or her possession as treasurer. The premiums on the bonds shall be paid out of the funds of the district.

➔Section 6. KRS 273.207 is amended to read as follows:

- (1) The affairs of a corporation shall be managed by a board of directors. ***Except as provided in subsection (2) of this section***, directors need not be residents of this state or members of the corporation unless the articles of incorporation or the bylaws so require. The articles of incorporation or the bylaws may prescribe other qualifications for directors.
- (2) ***The members of the board of directors of a fire department organized under this chapter shall be residents of the geographic area served by the corporation. A vacancy shall be declared to exist if a member no longer resides within the geographic area served by the corporation at any time during his or her term of office.***

➔Section 7. On the effective date of this section of this Act:

(1) A vacancy shall be declared to exist in the office of any board of trustees member serving under Section 5 of this Act who does not qualify under subsection (1)(a)2. of Section 5 of this Act, and the vacancy shall be filled in accordance with Section 5 of this Act; and

(2) A vacancy shall be declared to exist in the office of any board of director member serving under Section 6 of this Act who does not personally reside in the geographic area served by the corporation, and the vacancy shall be filled in accordance with KRS 273.213.

➔Section 8. Whereas it is critical to ensure the representation of residents served by fire protection entities, an emergency is declared to exist, and Sections 5, 6, and 7 of this Act take effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Signed by Governor April 10, 2026.