

CHAPTER 199

(SB 133)

AN ACT relating to the fiscal reporting of local entities.

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

➔Section 1. KRS 65A.030 is amended to read as follows:

- (1) For fiscal periods beginning on or after July 1, 2014, requirements relating to audits and financial statements of special purpose governmental entities are as follows:
- (a) Every special purpose governmental entity with the higher of annual receipts from all sources or annual expenditures of less than *five hundred thousand dollars (\$500,000)*~~{one hundred thousand dollars (\$100,000)}~~ shall:
1. Annually prepare a financial statement; and
 2. Once every four (4) years, contract for the application of an attestation engagement as determined by the DLG, as provided in subsection (2) of this section;
- (b) Every special purpose governmental entity with the higher of annual receipts from all sources or annual expenditures equal to or greater than *five hundred thousand dollars (\$500,000)*~~{one hundred thousand dollars (\$100,000)}~~ but less than *one million dollars (\$1,000,000)*~~{five hundred thousand dollars (\$500,000)}~~ shall:
1. Annually prepare a financial statement; and
 2. Once every four (4) years, contract for the provision of an independent audit as provided in subsection (2) of this section; and
- (c) *1.* Every special purpose governmental entity with the higher of annual receipts from all sources or annual expenditures equal to or greater than *one million dollars (\$1,000,000)*~~{five hundred thousand dollars (\$500,000)}~~ shall, ***unless qualified for the reporting schedule under subparagraph 2. of this paragraph:***
- ~~a.~~~~1.~~ Annually prepare a financial statement; and
 - ~~b.~~~~2.~~ Be audited annually as provided in subsection (2) of this section.
2. *a.* ***If a special purpose government entity reporting under this paragraph conducts two (2) consecutive audits that include no opinions other than unqualified opinions, the special purpose governmental entity may choose to comply with the fiscal reporting schedule in paragraph (b) of this subsection. If the special purpose governmental entity subsequently conducts an audit and receives an opinion other than an unqualified opinion from the audit preparer, the special purpose governmental entity shall comply with the provisions of subparagraph 1.a. and b. of this paragraph until the special purpose governmental entity again conducts two (2) consecutive audits with no opinions other than unqualified opinions.***
 - b.* ***A special purpose governmental entity subject to this paragraph shall inform the DLG if it has chosen to comply with the fiscal reporting schedule as set out in paragraph (b) of this subsection. The department shall note on the department's website, and in any reports required under this chapter, the special purpose governmental entities subject to this paragraph and operating under the fiscal reporting schedule as set out in paragraph (b) of this subsection.***
- (2) (a) To provide for the performance of an audit or attestation engagement as provided in subsection (1)(a) to (c) of this section, the governing body of a special purpose governmental entity shall employ an independent certified public accountant or contract with the Auditor of Public Accounts to conduct the audit or attestation engagement unless the provisions of subsection (3) of this section apply.
- (b) The audit or attestation engagement shall be completed no later than twelve (12) months following the close of the fiscal year subject to the audit or the attestation engagement.

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- (c) 1. The special purpose governmental entity shall submit for publication on the registry the audit or attestation engagement, in the form and format required by the DLG.
- 2. A federally regulated municipal utility may comply with the requirements of this section for the public power component of its operations by submitting an audit that conforms to the requirements imposed by the federal agency with which it maintains a wholesale power contract.
- 3. A public utility established pursuant to KRS 96.740 that is not a federally regulated municipal utility may comply with the requirements of this section for the public power component of its operations by submitting a copy of its annual audit performed under KRS 96.840.
- (d) 1. The audit or attestation engagement shall conform to:
 - a. Generally accepted governmental auditing or attestation standards, which means those standards for audits or attestations of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States;
 - b. Generally accepted auditing or attestation standards, which means those standards for all audits or attestations promulgated by the American Institute of Certified Public Accountants; and
 - c. Additional procedures and reporting requirements as may be required by the Auditor of Public Accounts.
- 2. Rather than meeting the standards established by subparagraph 1. of this paragraph, the audit submitted by a federally regulated municipal utility or a public utility established pursuant to KRS 96.740 that is not a federally regulated municipal utility with regard to the public power component of the utility's operations shall conform to KRS 96.840 and the financial standards of the Federal Energy Regulatory Commission's Uniform System of Accounts.
- (e) Upon request, the 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 or attestation engagement.
- (f) If a special purpose governmental entity is required by another provision of law to audit its funds more frequently or more stringently than is required by this section, the special purpose governmental entity shall comply with the provisions of that law~~§~~ and shall comply with the requirements of paragraph (c) of this subsection.
- (g) Notwithstanding any provision of the Kentucky Revised Statutes to the contrary, a unit of government furnishing funds directly to a special purpose governmental entity may require additional audits at the expense of the unit of government furnishing the funds.
- (h) All audit reports, attestation engagement reports, and financial statements of special purpose governmental entities shall be public records.
- (3) (a) Any board, commission, or agency established by statute with regulatory authority or oversight responsibilities for a category of special purpose governmental entities may apply to the Auditor of Public Accounts to be approved to provide an alternative financial review of the special purpose governmental entities it regulates or oversees that are required by subsection (1)(a) of this section to submit an attestation engagement. The application shall be in the form and format determined by the Auditor of Public Accounts.
- (b) The Auditor of Public Accounts shall review the application and if the auditor determines that the board, commission, or agency has the resources and capacity to conduct an acceptable alternative financial review, the auditor shall notify the DLG that the board, commission, or agency is approved to provide an alternative financial review of the special purpose governmental entities it regulates or oversees that are required by subsection (1)(a) of this section to submit an attestation engagement.
- (c) The Auditor of Public Accounts shall advise the DLG and the board, commission, or agency regarding modifications to the proposed alternative financial review procedures necessary to obtain the Auditor of Public Accounts' approval.
- (d) Any board, commission, or agency approved to provide alternative financial reviews shall reapply to the Auditor of Public Accounts for approval to continue to provide alternative financial reviews at least every four (4) years. The Auditor of Public Accounts may require more frequent approvals.

- (e) The Auditor of Public Accounts or the DLG may withdraw any approval granted under this subsection if the board, commission, or agency fails to conduct alternative financial reviews using the procedures and including the terms and components agreed to with the DLG.
 - (f) Any board, commission, or agency approved to provide alternative financial reviews shall notify the Auditor of Public Accounts and the DLG if an irregularity is found in the alternative financial review.
 - (g) Any special purpose governmental entity subject to regulation or oversight by a board, commission, or agency that obtains approval to provide an alternative financial review under this subsection shall have the option of having an alternative financial review performed by the board, commission, or agency, or may contract for the application of an attestation engagement as provided in subsection (1)(a) of this section.
- (4) (a) The **Auditor of Public Accounts**~~[DLG]~~ shall determine which procedures conducted under attestation standards will apply to special purpose governmental entities meeting the conditions established by subsection (1)(a) of this section, **and also the standards for an agreed-upon procedures engagement in accordance with Section 2 of this Act.**
- (b) The **Auditor of Public Accounts**~~[DLG]~~ may determine that additional procedures be conducted under attestation standards for specific categories of special purpose governmental entities or for specific special purpose governmental entities, as needed, to obtain the oversight and information deemed necessary by the **Auditor of Public Accounts**~~[DLG]~~.
- (5) Based on the information submitted by special purpose governmental entities under KRS 65A.020 and 65A.090, the DLG shall determine when each special purpose governmental entity was last audited~~[,]~~ and shall notify the special purpose governmental entity of when each audit or attestation engagement is due under the new standards and requirements of this section.
- (6) (a) In determining the requirements relating to audits and financial statements of special purpose governmental entities under subsection (1) of this section, the DLG may exclude annual receipts received by the special purpose governmental entity if:
1. The receipts constitute nonrecurring, nonoperating grants for the purpose of capital asset acquisition, capital construction, disaster recovery efforts, or other one (1) time purposes as determined by the DLG; and
 2. The special purpose governmental entity requests, in writing to the DLG and for each fiscal year it receives the revenue in question, that the revenues in question not be included in determining its annual revenues.
- (b) In determining the requirements relating to audits and financial statements under subsection (1) of this section of special purpose governmental entities that are public use airports operating under KRS 183.132 to 183.160, the DLG may exclude annual receipts received by those public use airports if the receipts constitute nonoperating or recurring grants for the purpose of capital asset acquisition, capital construction, disaster recovery efforts, or other one (1) time purposes as determined by the DLG.
- (c) Any receipts excluded under paragraph (a) or (b) of this subsection shall still be reported as required under KRS 65A.020(2)(a)2.
- (7) The DLG **and the Auditor of Public Accounts** may promulgate administrative regulations **in accordance with**~~[pursuant to]~~ KRS Chapter 13A to implement ~~[the provisions of]~~ this section.
- ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 65A IS CREATED TO READ AS FOLLOWS:
- (1) **Effective for fiscal years beginning on or after July 1, 2027, a special purpose governmental entity required to complete an audit pursuant to Section 1 of this Act may elect, subject to disapproval by the DLG as provided in subsection (3) of this section, to instead have an agreed-upon procedures engagement with either the Auditor of Public Accounts or a certified public accountant in accordance with this section.**
- (2) **In order for a special purpose governmental entity to proceed with an agreed-upon procedures engagement under this section for a particular fiscal year, the following conditions shall be met:**
- (a) **The special purpose governmental entity shall have complied with any of the requirements applicable to it under Section 1 of this Act or this section in the immediately preceding fiscal year;**

- (b) *The special purpose governmental entity has not been subject to a special examination by the Auditor of Public Accounts during the immediately preceding fiscal year or during the fiscal year to be reviewed under agreed-upon procedures;*
 - (c) *For the fiscal year subject to an agreed-upon procedures engagement, the special purpose governmental entity has received and expended, from all sources and for all purposes, less than fifteen million dollars (\$15,000,000);*
 - (d) *The DLG does not object to the special purpose governmental entity's election to use an agreed-upon procedures engagement under subsection (3) of this section; and*
 - (e) *The special purpose governmental entity is not required by any other provision of state or federal law to perform an audit or examination more stringently than is required by this section.*
- (3) (a) *In order to elect to use the alternative procedures provided by this section, a special purpose governmental entity shall complete a written certification sent to the DLG within thirty (30) days following the conclusion of the special purpose governmental entity's fiscal year.*
- (b) *The written certification shall affirm that the special purpose governmental entity meets the qualifications of subsection (2)(a) to (e) of this section.*
 - (c) *Within thirty (30) days following the receipt of the written certification, the DLG may for any reason in its discretion object to the use of the agreed-upon procedures engagement by notifying the special purpose governmental entity in writing the details of the objection.*
 - (d) *A special purpose governmental entity that receives a written objection from the DLG shall be disqualified from using the agreed-upon procedures engagement for that fiscal year.*
 - (e) *If the DLG does not provide a written objection to the special purpose governmental entity within thirty (30) days, then the special purpose governmental entity may proceed under this section.*
- (4) *An agreed-upon procedures engagement entered into by a special purpose governmental entity under this section shall be conducted and governed under the American Institute of Certified Public Accountants professional standards, and any additional standards and requirements established by the Auditor of Public Accounts through the promulgation of administrative regulations in accordance with KRS Chapter 13A. At a minimum, any agreed-upon procedures engagement shall be required to examine and report on the following matters of the special purpose governmental entity:*
- (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 special purpose governmental entity;*
 - (e) *A statement of receipts and disbursements, including payroll disbursements;*
 - (f) *Identification of outstanding debt to include confirmation of beginning and ending balances, any new debt issuance or payments, amortization schedules, and compliance with debt terms; and*
 - (g) *Verification that total expenditures do not exceed appropriations.*
- (5) *An agreed-upon procedures engagement performed under this section shall be completed no later than twelve (12) months immediately following the conclusion of the fiscal year being examined. A copy of the agreed-upon procedures report shall be forwarded to the DLG in accordance with subsection (2)(c)1. of Section 1 of this Act.*
- (6) *Any special purpose governmental entity 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. The contract shall set out all terms and conditions of the agreement which shall include but not be limited to requirements that:*
- (a) *The Auditor of Public Accounts completes an agreed-upon procedures report in compliance with subsection (4) of this section; and*

(b) *The certified public accountant completing an agreed-upon procedures engagement under this section allows the Auditor of Public Accounts to review the certified public accountant's work papers upon request.*

- (7) *An agreed-upon procedures report completed under this section shall be deemed to satisfy any state law or administrative regulation that requires the submission or completion of an audit.*
- (8) *A special purpose governmental entity shall forward a copy of any agreed-upon procedures report completed under this section to the Auditor of Public Accounts upon request from that office.*

➔Section 3. KRS 147.635 is amended to read as follows:

- (1) An area planning commission created under the provisions of KRS 147.610 to 147.705 shall, not later than two (2) months prior to the first day of its fiscal year, submit a proposed budget detailing anticipated revenues and expenditures, and a proposed tax rate, to the area council for its approval on or before the first day of each such fiscal year.
- (2) The area council shall contract with an independent, reputable certified public accountant to perform an audit of the records, books, and accounts of the area planning commission ***in compliance with Section 1 of this Act***~~for each fiscal year~~.
- (3) The area planning commission and area council shall comply with the provisions of KRS 65A.010 to 65A.090.

➔Section 4. KRS 220.280 is amended to read as follows:

- (1) The powers of the board of directors shall be limited to the construction, maintenance, and operation of such works as are necessary to carry out the purposes of the district in improvement of sanitation, as set forth in KRS 220.030. The board shall not permit house and users' connections at the cost of the district, and every connection shall be made under the supervision of the district. No house or users' connection shall be made unless and until the house or user is provided with an adequate water supply.
- (2) In order to effect the proper collection and disposal of sewage and other liquid wastes produced within the district, to promote the public health, comfort, convenience and welfare, and to accomplish all other purposes of the district, the board may clean out, straighten, alter, deepen, or otherwise improve any stream, watercourse, or body of water receiving sewage or other liquid wastes and located in or out of the district; fill up any abandoned or altered stream, watercourse, or body of water located in or out of the district; construct and maintain laterals, trunk sewers, intercepting sewers, siphons, pumping stations, treatment and disposal works, and improvements deemed necessary to accomplish the purposes of the district and construct, preserve, operate, or maintain such works in or out of the district; construct connections to the works of the district for the delivery thereto of sewage and other liquid wastes; incorporate with the works of the district or otherwise utilize any public sewers, drains, or other sewerage improvements either without modifications or with repairs, modifications, or changes deemed necessary; construct any and all of the works and improvements across or through any public or private property in or out of the district; hold, encumber, control, acquire by donation, purchase, or condemnation, and construct, own, lease, use and sell, any real or personal property, or any easement necessary for rights-of-way or locations for the works and improvements of the district, or for any necessary purpose, or for obtaining or storing material to be used in constructing and maintaining the works and improvements.
- (3) KRS 220.010 to 220.540 shall not limit or interfere with the right of public corporations to install, maintain, and operate sewerage systems as otherwise permitted by law, but the board of directors shall have full power and authority in the construction and maintenance of improvements for the purposes of the district to serve the area included within the district, and the board of directors may require the use of the improvements of the district by persons and public corporations included within the district and for which the improvements were installed.
- (4) The board of directors shall have an ~~annual~~ audit made by a certified public accountant ***in compliance with Section 1 of this Act***, copies of which shall be filed with the Secretary of State and with the county judge/executive of the county or counties in which the sanitation district is located.

➔Section 5. KRS 43.070 is amended to read as follows:

- (1) (a) To determine whether any unauthorized, illegal, irregular, or unsafe handling or expenditure of revenue or other improper practice of financial administration has occurred and to assure that all proper items have been duly charged, taxed, and reported, the Auditor shall audit annually:

1. The funds contained in each county's budget;~~and~~
2. The books, accounts, and papers of all county clerks and sheriffs, *which includes receipts paid to county clerks from the collection of:*
 - a. *Motor vehicle and motorboat registration fees, motor vehicle and motorboat licenses, and other receipts due the clerk pertaining to motor vehicles and motorboats as provided in KRS Chapters 186, 186A, and 235;*
 - b. *The motor vehicle usage tax as provided in KRS 138.460; and*
 - c. *The ad valorem tax on motor vehicles and motorboats as provided in KRS 134.800;*

County clerks shall transmit a copy of the portion of the audit relating to the receipts set out in subparagraph 2.a. to c. of this paragraph to the Department of Revenue and the Kentucky Transportation Cabinet.

- (b) The Auditor shall not conduct an audit pursuant to this subsection if the fiscal court or the elected official notifies the Auditor that a certified public accountant has been employed to audit the books, accounts, and papers of the county or the fee office, in accordance with KRS 64.810.
- (c)
 1. If any county clerk or sheriff meets the criteria established in this subsection and any additional criteria established in administrative regulations promulgated by the Auditor, that county clerk's or sheriff's audit required by this section may, in the discretion of the Auditor, be conducted by an agreed-upon procedures engagement performed by the Auditor. If, in the discretion of the Auditor, an agreed-upon procedures engagement in progress will not provide sufficient oversight of the county clerk's or sheriff's office, the Auditor may at any time convert the engagement to an audit performed under paragraph (a)2. of this subsection. A county clerk or sheriff shall not be eligible for the agreed-upon procedures engagement as allowed in this paragraph for the first audit period after election if the county clerk or sheriff is serving in office for the first time, or is assuming the office after experiencing a break in sequential service in that position.
 2. The Auditor and the county clerk or sheriff shall establish specific procedures for any agreed-upon procedures engagement. If the Auditor and the county clerk or sheriff cannot agree to the specific procedures for an agreed-upon procedures engagement, the audit of the county clerk's or sheriff's office shall be conducted under paragraph (a)2. of this subsection for that year subject to the audit.
 3. At a minimum, the county clerk or sheriff shall meet the following criteria in order to be eligible to have the county clerk's or sheriff's annual audit in any particular year conducted using agreed-upon procedures:
 - a. The county clerk or sheriff applies to the Auditor to have an agreed-upon procedures engagement for the year subject to the audit on a form provided by the Auditor and by the application deadline established by the Auditor;
 - b. The county clerk's or sheriff's office did not have any reported audit comment or finding in its most recent audit report;
 - c. The county clerk or sheriff and the Auditor agree to specific procedures for the agreed-upon procedures engagement; and
 - d. Any additional criteria that may be determined by the Auditor.
 4. The publication requirements related to an agreed-upon procedures engagement shall be the same as those required for audits of the county clerks and sheriffs performed under paragraph (a)2. of this subsection, except that the Auditor may provide a summary of the agreed-upon procedures engagement report, and publication of the summary shall satisfy the statutory requirements to publish the audit report, opinion letter, and transmittal letter.
 5. The billing and expense provisions of subsection (3) of this section shall apply to any agreed-upon procedures engagement performed under this section.
 6. The Auditor may promulgate administrative regulations that set forth additional criteria to qualify for agreed-upon procedures engagements, the application procedures, and the standards, procedures, guidelines, and reporting requirements for agreed-upon procedures engagements under this section.

7. In exercising discretion regarding whether a county clerk or sheriff who otherwise meets the minimum requirements may have an agreed-upon procedures engagement in lieu of an audit for any particular year subject to an engagement, and in exercising discretion regarding the proposed procedures for the agreed-upon procedures engagement for any particular year subject to an audit, the Auditor may consider factors including but not limited to past audit comments or agreed-upon procedures engagement findings, assessment of risks, complaints, financial statements, the number of consecutive agreed-upon procedures engagements performed of the county clerk or sheriff, and other factors relevant to oversight of the county clerk's or sheriff's office.
- (2) The Auditor may audit:
- (a) The books, accounts and papers of all county judges/executive, county attorneys, coroners and constables; and
 - (b) The books, accounts, papers, and performance of all special purpose governmental entities as defined in KRS 65A.010. The expense of any audit or examination performed pursuant to this paragraph shall be borne by the entity audited or examined.
- (3) (a) The county shall bear one-half (1/2) of the actual expense of the audit conducted pursuant to subsection (1)(a)1. of this section and shall bear the total actual expense of the audit conducted pursuant to subsections (1)(a)2. and (2)(a) of this section. No county shall be required to bear the expense for more than one (1) audit of the same fund or office annually pursuant to subsection (1)(a)1. or 2. of this section, except as provided in KRS 64.810(4).
- (b) ***The Kentucky Transportation Cabinet shall bear the cost of the portion of the audit of receipts from motor vehicles and motorboats required in subsection (1)(a)2. of this section, regardless of whether the Auditor prepared the audit required under this section or the county made other arrangements for the audit under subsection (1)(b) of this section and KRS 64.810.***
- (4) Within a reasonable time after the completion and distribution of the audit reports authorized by subsection (1) of this section, the Auditor of Public Accounts shall bill the county for the expenses incurred pursuant to subsection (3) of this section. A copy of this bill shall be forwarded to the secretary of the Finance and Administration Cabinet. Should the fiscal court within sixty (60) days following receipt of said bill determine the charge to be excessive or otherwise improper it shall submit its objection to the secretary of the Finance and Administration Cabinet and to the State Treasurer for resolution of the controversy in accordance with subsection (5) of this section. If the amount billed has not been paid within sixty (60) days from date of billing, and no objection has been filed, the Auditor shall notify the secretary of the Finance and Administration Cabinet and the secretary of revenue who shall cause said amount to be deducted from the next payment or return of moneys provided by KRS 47.110 by the state to the county or counties. Deductions shall continue until the total amount due the Auditor's office has been paid. All moneys received pursuant to this section shall be credited to the trust and agency account of the Auditor of Public Accounts. When an objection to the bill has been filed with the secretary of the Finance and Administration Cabinet and the State Treasurer in accordance with subsection (5) of this section the amount found to be equitable and just shall become payable immediately upon the entry of the final decision.
- (5) Any controversy over the amount of the bill for the actual expenses incurred shall be submitted by the fiscal court to the secretary of the Finance and Administration Cabinet and the State Treasurer for a decision as to the proper amount. In the event that these two (2) arbitrators fail to agree, then the controversy shall be submitted to the Attorney General, whose decision shall be final.

➔Section 6. KRS 186.240 is amended to read as follows:

- (1) It shall be the duty of the cabinet to carry out the provisions of KRS 186.005 to 186.260, and:
- (a) Provide to the clerk in each county access to all forms provided for in KRS 186.005 to 186.260;
 - (b) Keep a numerical record of all registration numbers issued in the state and also keep a record of motor or vehicle identification numbers required by KRS 186.160;
 - (c) Furnish to each clerk, originally each year upon estimate, and thereafter upon requisition at all times, a sufficient supply of standard, noncommercial plates and the supplies necessary to provide evidence of registration for all classes of vehicles required to be registered; and

- (d) Prescribe a standard plate of practical form and size for police identification purposes that shall contain:
1. The registration identifier;
 2. An indication that Kentucky is the issuing jurisdiction;
 3. At the discretion of the cabinet, any combination of the following phrases:
 - a. "Bluegrass State"; or
 - b. "United We Stand, Divided We Fall";
 4. For standard plates for noncommercial vehicles:
 - a. The county in which the plate is issued; and
 - b. At the discretion of the person to whom the vehicle is registered, the phrase "In God We Trust"; and
 5. For plates for commercial vehicles, the year the license expires and words or information the Department of Vehicle Regulation may prescribe by administrative regulation *in accordance with* ~~the~~ ~~pursuant to~~ KRS Chapter 13A.
- (2) Except as provided in KRS 186A.127, license plates issued pursuant to this chapter shall conform to the provisions of subsection (1)(c) and (d) of this section. The Transportation Cabinet shall provide for the issuance of reflectorized plates for all motor vehicles, and shall collect a fee, in addition to the fee set out in KRS Chapter 186 and KRS 281.631, of fifty cents (\$0.50). The fifty cents (\$0.50) fee to reflectorize license plates shall be used by the cabinet as provided in subsection (3) of this section.
- (3) The reflectorized license plate program fund is established in the state road fund and appropriated on a continual basis to the cabinet to administer the moneys as provided in this subsection. The fifty cents (\$0.50) fee collected by the cabinet to reflectorize license plates shall be deposited into the program fund and used to issue reflectorized license plates. If at the end of a fiscal year, money remains in the program fund, it shall be retained in the fund and shall not revert to the state road fund. The interest and income earned on money in the program fund shall also be retained in the program fund to carry out the provisions of this subsection. The Transportation Cabinet shall issue reflectorized license plates under the provisions of this subsection on a schedule to be determined at the discretion of the cabinet.
- (4) Except as directed under subsection (3) of this section, the Transportation Cabinet shall receive all moneys forwarded by the clerk in each county and turn it over to the State Treasurer for the benefit of the state road fund.
- (5) The Transportation Cabinet shall require an accounting by the clerk in each county for any moneys received by him or her under the provisions of this chapter, after the deduction of his or her fees under this chapter, and for all receipts, forms, plates, and insignia consigned to him or her. The Auditor of Public Accounts, pursuant to *Section 5 of this Act* ~~[KRS 43.071]~~, *or a certified public accountant acting on behalf of the county pursuant to subsection (1)(b) of Section 5 of this Act*, shall annually audit each county clerk concerning his or her responsibilities for the collection of various fees and taxes associated with motor vehicles. The secretary of the Transportation Cabinet, with the advice, consultation, and approval of the Auditor, shall develop and implement an inventory and accounting system which shall insure that the audits mandated in *Section 5 of this Act* ~~[KRS 43.071]~~ are performed in accordance with generally accepted auditing standards. The Transportation Cabinet shall pay for the *portion of the audit mandated by subsection (1)(a)2. of Section 5 of this Act* ~~[audits mandated by KRS 43.071]~~.
- (6) When applied for under KRS 186.060 or 186.061, motor or vehicle numbers assigned shall be distinctive to show that they were designated by the cabinet.

➔Section 7. KRS 64.830 is amended to read as follows:

- (1) An outgoing county official, as soon as his *or her* successor has been qualified and inducted into office and his *or her* official bond approved, shall immediately vacate his *or her* office, deliver to his *or her* successor all books, papers, records, and other property held by virtue of his *or her* office, and make a complete settlement of his *or her* accounts as county official, except as otherwise provided in this section.
- (2) (a) Each outgoing county official shall make a final settlement with the fiscal court of his *or her* county *within sixty (60) days* ~~[by March 15]~~ immediately following the expiration of his *or her* term of office, *or the date a vacancy is otherwise created*, for all money received by him *or her* as county official and

to obtain his *or her* quietus, and immediately thereafter he *or she* shall deliver these records to the incumbent county official.

(b) If an official's vacancy does not coincide with the end of the calendar year or end of the official's term, the outgoing county official shall remit any remaining funds to the fiscal court as excess fees as determined by the final settlement pursuant to paragraph (a) of this subsection. The fiscal court shall, as soon as practicable, provide an amount equal to the excess fees remitted by the outgoing official to the outgoing county official's successor for official use.

- (3) The outgoing county official and his *or her* bondsmen or sureties shall be relieved in securing his *or her* quietus and in the final settlement of his *or her* accounts of all responsibility for collecting and accounting for the amounts covered by the receipt and the incoming county official shall be charged with full responsibility for collecting and accounting for these amounts as otherwise provided by law for the collection and accounting of taxes.
- (4) The outgoing county official shall be allowed and paid by the fiscal court the reasonable expenses actually incurred in preparing the receipt required under this section. Reasonable expenses actually incurred may include his *or her* office expenses and salary, and salaries of deputies and employees paid in accordance with the schedule of the previous year or the amount paid an auditor necessary in determining and verifying the final settlement to the fiscal court.

➔Section 8. KRS 65A.010 is amended to read as follows:

As used in this chapter:

- (1) "County" means any county, consolidated local government, urban-county government, unified local government, or charter county;
- (2) "DLG" means the Department for Local Government established by KRS 147A.002;
- (3) "Establishing entity" means the city or county, or any combination of cities and counties, that established a special purpose governmental entity and that has not subsequently withdrawn its affiliation with the special purpose governmental entity by ordinance or other official action;
- (4) "Federally regulated municipal utility" means a municipal utility governed by the provisions of KRS 96.550 to 96.901, that maintains a wholesale power contract with a federal agency that also serves as its regulatory authority;
- (5) ~~{(a)}~~"Fee":
 - (a) Means any user charge, levy, assessment, fee, schedule of rates, or tax, other than an ad valorem tax, imposed by a special purpose governmental entity; ~~and~~
 - (b) ~~Does~~~~"Fee" shall~~ not include the following charges imposed by special purpose governmental entities that provide utility services:
 1. Any fuel cost adjustment that is:
 - a. Made pursuant to an agreement with a power supplier;
 - b. Amended by the power supplier based on the variable cost of fuel; and
 - c. Passed through to the consumer by the utility pursuant to the agreement between the utility and the power supplier;
 2. Any power or energy cost adjustment implemented pursuant to a duly adopted base rate that provides for the periodic adjustment of a component of the rate, including any fuel costs or transmission costs, in accordance with the formula or conditions set forth in the base rate; or
 3. Any environmental control cost adjustments or surcharges implemented pursuant to a duly adopted base rate that provides for the periodic adjustment of a component of the rate in accordance with a formula or conditions set forth in the base rate;
- (6) ~~{(a)}~~"Private entity":
 - (a) Means any entity whose sole source of public funds is from payments pursuant to a contract with a city, county, or special purpose governmental entity, including funds received as a grant or as a result of a competitively bid procurement process; ~~and~~

- (b) ~~["Private entity"]~~ Does not include any entity:
1. Created, wholly or in part, by a city, county, or combination of cities and counties to perform one (1) or more of the types of public services listed in subsection (9)(c) of this section; or
 2. Governed by a board, council, commission, committee, authority, or corporation with any member or members who are appointed by the chief executive or governing body of a city, county, or combination of cities and counties, or whose voting membership includes governmental officials who serve in an ex officio capacity;
- (7) "Public funds" means any funds derived from the levy of a tax, fee, assessment, or charge, or the issuance of bonds by the state or a city, county, or special purpose governmental entity;
- (8) "Registry" means the online central registry and reporting portal established pursuant to KRS 65A.020; and
- (9) (a) "Special purpose governmental entity" or "entity" means any agency, authority, or entity created or authorized by statute which:
1. Exercises less than statewide jurisdiction;
 2. Exists for the purpose of providing one (1) or a limited number of services or functions;
 3. Is governed by a board, council, commission, committee, authority, or corporation with policy-making authority that is separate from the state and the governing body of the city, county, or cities and counties in which it operates; and
 4.
 - a. Has the independent authority to generate public funds; or
 - b. May receive and expend public funds, grants, awards, or appropriations from the state, from any agency, or authority of the state, from a city or county, or from any other special purpose governmental entity.
- (b) "Special purpose governmental entity" **includes**~~shall include~~ entities meeting the requirements established by paragraph (a) of this subsection, whether the entity is formed as a nonprofit corporation under KRS Chapter 273, pursuant to an interlocal cooperation agreement under KRS 65.210 to 65.300, or pursuant to any other provision of the Kentucky Revised Statutes.
- (c) Examples of the types of public services that may be provided by special purpose governmental entities include but are not limited to the following:
1. Ambulance, emergency, and fire protection services;
 2. Flood control, drainage, levee, water, and water conservation services, and services provided by watershed conservancy districts and soil and water conservation districts;
 3. Area planning, management, community improvement, and community development services;
 4. Library services;
 5. Public health, public mental health, and public hospital services;
 6. Riverport and airport services;
 7. Sanitation, sewer, waste management, and solid waste services;
 8. Industrial and economic development;
 9. Parks and recreation services;
 10. Construction, maintenance, or operation of roads and bridges;
 11. Mass transit services;
 12. Pollution control;
 13. Construction or provision of public housing, except as set out in paragraph (d)8. of this subsection;
 14. Tourism and convention services; and
 15. Agricultural extension services.
- (d) "Special purpose governmental entity" **does**~~shall~~ not include:

1. Cities;
2. Counties;
3. School districts;
4. Private entities;
5. Chambers of commerce;
6. Any incorporated entity that:
 - a. Provides utility services;
 - b. Is member-owned; and
 - c. Has a governing body whose voting members are all elected by the membership of the entity;
7. Any entity whose budget, finances, and financial information are fully integrated with and included as a part of the budget, finances, and financial reporting of the city, county, or cities and counties in which it operates;
8. Federally regulated public housing authorities established pursuant to KRS Chapter 80 that receive no more than twenty percent (20%) of their total funding for any fiscal year from nonfederal fees, not including rental income;~~{or}~~
9.
 - a. Any fire protection district or volunteer fire department district operating under KRS Chapter 75 with the higher of annual receipts from all sources or annual expenditures of less than one hundred thousand dollars (\$100,000); or
 - b. Any fire department incorporated under KRS Chapter 273; *or*
10. *A local industrial development authority established under KRS 154.50-301 to 154.50-346 if the funds of the authority are audited as part of the budget of the applicable establishing entity establishing the authority.*

➔Section 9. KRS 64.012 is amended to read as follows:

- (1) The county clerk shall receive for the following services the following fees:
 - (a) 1. Recording and indexing of a:
 - a. Deed of trust or assignment for the benefit of creditors;
 - b. Deed;
 - c. Deed of assignment;
 - d. File-stamped copy of documents set forth in KRS 14A.2-040(1) or (2) that have been filed first with the Secretary of State;
 - e. Real estate option;
 - f. Power of attorney;
 - g. Revocation of power of attorney;
 - h. Lease which is recordable by law;
 - i. Deed of release of a mortgage or lien under KRS 382.360;
 - j. United States lien;
 - k. Release of a United States lien;
 - l. Release of any recorded encumbrance other than state liens;
 - m. Lis pendens notice concerning proceedings in bankruptcy;
 - n. Lis pendens notice;
 - o. Mechanic's and artisan's lien under KRS Chapter 376;

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- p. Assumed name;
- q. Notice of lien issued by the Internal Revenue Service;
- r. Notice of lien discharge issued by the Internal Revenue Service;
- s. Original, assignment, amendment, or continuation financing statement;
- t. Making a record for the establishment of a city, recording the plan or plat thereof, and all other service incident;
- u. Survey of a city, or any part thereof, or any addition to or extensions of the boundary of a city;
- v. Recording with statutory authority for which no specific fee is set, except a military discharge;
- w. Will or other probate document pursuant to KRS Chapter 392 or 394;
- x. Court ordered name change pursuant to KRS Chapter 401;
- y. Land use restriction according to KRS 100.3681; and
- z. Filing with statutory authority for which no specific fee is set.

For all items in this subsection if the entire thereof does not exceed
 five (5) pages\$33.00

And, for all items in this subsection exceeding five (5) pages,
 for each additional page\$3.00

And, for all items in this subsection for each additional reference
 relating to same instrument\$4.00

- 2. The thirty-three dollar (\$33) fee imposed by this subsection shall be divided as follows:
 - a. Twenty-seven dollars (\$27) shall be retained by the county clerk; and
 - b. Six dollars (\$6) shall be paid to the affordable housing trust fund established in KRS 198A.710 and shall be remitted by the county clerk within ten (10) days following the end of the quarter in which the fee was received. Each remittance to the affordable housing trust fund shall be accompanied by a summary report on a form prescribed by the Kentucky Housing Corporation.
- (b) For noting a security interest on a certificate of title pursuant to
 KRS Chapter 186A\$12.00
- (c) For filing the release of collateral under a financing statement
 and noting same upon the face of the title pursuant to KRS Chapter
 186 or 186A \$5.00
- (d) Filing or recording state tax or other state liens\$5.00
- (e) Filing release of a state tax or other state lien\$5.00
- (f) Acknowledging or notarizing any deed, mortgage, power of attorney,
 or other written instrument required by law for recording and certifying
 same\$5.00
- (g) Recording plats, maps, and surveys, not exceeding 24 inches by
 36 inches, per page\$40.00
- (h) Recording a bond, for each bond\$10.00
- (i) Each bond required to be taken or prepared by the clerk\$4.00

- (j) Copy of any bond when ordered\$3.00
- (k) Administering an oath and certificate thereof\$5.00
- (l) Issuing a license for which no other fee is fixed by law\$8.00
- (m) Issuing a solicitor's license\$15.00
- (n) Marriage license, indexing, recording, and issuing certificate thereof\$26.50
- (o) Every order concerning the establishment, changing, closing, or discontinuing of roads, to be paid out of the county levy when the road is established, changed, closed, or discontinued, and by the applicant when it is not\$3.00
- (p) Registration of licenses for professional persons required to register with the county clerk\$10.00
- (q) Certified copy of any record\$5.00
Plus fifty cents (\$.50) per page after three (3) pages
- (r) Filing certification required by KRS 65.070(2)(a)\$5.00
- (s) Filing notification and declaration and petition of candidates for Commonwealth's attorney\$200.00
- (t) Filing notification and declaration and petition of candidates for county and independent boards of education\$20.00
- (u) Filing notification and declaration and petition of candidates for boards of soil and water conservation districts\$20.00
- (v) Filing notification and declaration and petition of candidates for other office\$50.00
- (w) Filing declaration of intent to be a write-in candidate for office\$50.00
- (x) Filing petitions for elections, other than nominating petitions\$50.00
- (y) Notarizing any signature, per signature\$2.00
- (z) Filing bond for receiving bodies under KRS 311.310\$10.00
- (aa) Noting the assignment of a certificate of delinquency and recording and indexing the encumbrance under KRS 134.126 or 134.127\$27.00
- (ab) Filing a going-out-of-business permit under KRS 365.445\$50.00
- (ac) Filing a renewal of a going-out-of-business permit under KRS 365.445\$50.00
- (ad) Filing and processing a transient merchant permit under KRS 365.680\$25.00
- (ae) Recording and indexing a real estate mortgage:
 - 1. For a mortgage that does not exceed thirty (30) pages\$63.00
 - 2. And, for a mortgage that exceeds thirty (30) pages, for each additional page\$3.00
- (af) Filing or recording a lien or release of lien by a consolidated local government, urban-county government, unified local government, or city of any class\$20.00

(2) The sixty-three dollar (\$63) fee imposed by subsection (1)(ae) of this section shall be divided as follows:

- (a) Fifty-seven dollars (\$57) shall be retained by the county clerk; and
 - (b) Six dollars (\$6) shall be paid to the affordable housing trust fund established in KRS 198A.710 and shall be remitted by the county clerk within ten (10) days following the end of the quarter in which the fee was received. Each remittance to the affordable housing trust fund shall be accompanied by a summary report on a form prescribed by the Kentucky Housing Corporation.
- (3) (a) For services related to the permanent storage of records listed in paragraphs (a), (g), (n), and (ae) of subsection (1) of this section, the clerk shall be entitled to receive a reimbursement of ten dollars (\$10).
- (b) In counties or a county containing an urban-county government, charter county government, or unified local government:
- 1. This fee shall:
 - a. Not be paid annually to the fiscal court under KRS 64.152;
 - b. Not be paid to the Finance and Administration Cabinet under KRS 64.345;
 - c. Be accumulated and transferred to the fiscal court or the legislative body of an urban-county government on a monthly basis within ten (10) days following the end of the month;
 - d. Be maintained by the fiscal court or the legislative body of an urban-county government in a separate bank account and accounted for in a separate fund; and
 - e. Not lapse to the general fund of the county or urban-county government.
 - 2. The moneys accumulated from this fee shall be held in perpetuity by the fiscal court or the legislative body of an urban-county government for the county clerk's exclusive use for:
 - a. Equipment related to the permanent storage of and access to records, including deed books, binders, shelves, microfilm equipment, and fireproof equipment;
 - b. Hardware for the permanent storage of and access to records, including computers, servers, and scanners;
 - c. Software for the permanent storage of and access to records, including vendor services and consumer subscription fees;
 - d. Personnel costs for the permanent storage of and access to records, including overtime costs for personnel involved in the digitization of records; and
 - e. Cloud storage and cybersecurity services for the permanent storage of and access to records.
 - 3. Notwithstanding KRS 68.275, claims by a county clerk that are for the approved expenditures in subparagraph 2. of this paragraph shall be paid by the county judge/executive or the chief executive officer of an urban-county government by a warrant drawn on the fund and co-signed by the treasurer of the county or urban-county government.
 - 4. No later than ~~August~~~~July~~ 1 of each year, each county fiscal court or legislative body of an urban-county government shall submit a report to the Legislative Research Commission detailing the receipts, expenditures, and any amounts remaining in the fund.
- (c) In a county containing a consolidated local government:
- 1. The fee shall not:
 - a. Be paid to the Finance and Administration Cabinet under KRS 64.345; or
 - b. Lapse to the general fund of the consolidated local government.
 - 2. The moneys accumulated from this fee shall be held in perpetuity by the county clerk in a separate fund to be used exclusively for:
 - a. Equipment related to the permanent storage of and access to records, including deed books, binders, shelves, microfilm equipment, and fireproof equipment;
 - b. Hardware for the permanent storage of and access to records, including computers, servers, and scanners;

- c. Software for the permanent storage of and access to records, including vendor services and consumer subscription fees;
 - d. Personnel costs for the permanent storage of and access to records, including overtime costs for personnel involved in the digitization of records; and
 - e. Cloud storage and cybersecurity services for the permanent storage of and access to records.
3. No later than ~~August~~^{July} 1 of each year, the county clerk shall submit a report to the consolidated local government and the Legislative Research Commission detailing the receipts, expenditures, and any amounts remaining in the fund.

➔Section 10. The following KRS section is repealed:

43.071 Annual audit of county clerk's motor vehicle and motorboat tax receipts.

➔Section 11. Sections 1, 2, 3, 4 and 8 of this Act take effect July 1, 2027.

Signed by Governor April 27, 2026.