

65A.030 Audits, financial statements, and attestation engagements for fiscal periods beginning on or after July 1, 2014 -- Alternative financial review -- Exclusion of some annual receipts. (Effective July 1, 2027)

- (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) 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) but less than one million dollars (\$1,000,000) 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) shall, unless qualified for the reporting schedule under subparagraph 2. of this paragraph:
 - a. Annually prepare a financial statement; and
 - b. Be audited annually as provided in subsection (2) of this section.
 2.
 - a. If a special purpose governmental 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.
- (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 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 KRS 65A.032.
- (b) The Auditor of Public Accounts 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.
- (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 KRS Chapter 13A to implement this section.

Effective: July 1, 2027

History: Amended 2026 Ky. Acts ch. 199, sec. 1, effective July 1, 2027. -- Amended 2020 Ky. Acts ch. 27, sec. 2, effective July 15, 2020. -- Amended 2015 Ky. Acts ch. 17, sec. 3, effective June 24, 2015. -- Amended 2014 Ky. Acts ch. 7, sec. 3, effective March 19, 2014. -- Created 2013 Ky. Acts ch. 40, sec. 3, effective March 21, 2013.

Legislative Research Commission Note (3/19/2014). 2014 Ky. Acts ch. 7, sec. 11 provides that the amendments to this statute made in 2014 Ky. Acts ch. 7, sec. 3, shall apply retroactively beginning January 1, 2014.