

1 AN ACT relating to local government.

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

3 ➔Section 1. KRS 42.455 is amended to read as follows:

- 4 (1) There is established within the Department for Local Government a Local  
5 Government Economic Assistance Program to consist of a system of grants to local  
6 governments to improve the environment for new industry and to improve the  
7 quality of life for the residents.
- 8 (2) Grants obtained under this program shall be used for priority expenditures. Thirty  
9 percent (30%) of all moneys in the fund shall be spent on the coal haul road system  
10 as described in subsection ~~(8)~~~~(7)~~ of this section. The remaining seventy percent  
11 (70%) of the fund shall be spent on priority categories limited to the following, but  
12 in no event shall grants obtained under this program be used for expenses related to  
13 administration of government:
- 14 (a) Public safety, including law enforcement, fire protection, ambulance service,  
15 and other related services;
  - 16 (b) Environmental protection, including sewage disposal, sanitation, solid waste,  
17 and other related programs;
  - 18 (c) Public transportation, including mass transit systems, streets, and roads;
  - 19 (d) Health;
  - 20 (e) Recreation;
  - 21 (f) Libraries and educational facilities;
  - 22 (g) Social services for the poor, the elderly, and individuals with disabilities;
  - 23 (h) Industrial and economic development;
  - 24 (i) Vocational education;
  - 25 (j) Workforce training; and
  - 26 (k) Secondary wood industry development.
- 27 (3) The use of entitlement funds for repayment of debt as related to long-term bond

1 issues is permissible as long as the revenue from the bond issues is expended on  
2 priority categories.

3 (4) Grants obtained under this program may be used as local portion to secure federal  
4 programs as long as program expenditures are in the priority category area. Interest  
5 earned on funds received by local units of government shall be considered available  
6 for use by the local unit of government in the priority expenditure categories.

7 (5) The Department for Local Government shall be responsible for the promulgation of  
8 rules and regulations necessary to implement the grants programs authorized by this  
9 section.

10 (6) ~~{The Department for Local Government shall assure that a public hearing is held on  
11 the expenditure of funds received under KRS 42.450 to 42.495. Advertisement of  
12 the public hearing shall be published at least once but may be published two (2) or  
13 more times, provided that one (1) publication occurs not less than seven (7) days  
14 nor more than twenty one (21) days before the scheduled date of the public hearing.~~

15 ~~{The Department for Local Government shall submit an annual report to the  
16 Governor indicating how the grants were used and an evaluation of the program's  
17 effectiveness in improving the economy of the units of government receiving  
18 assistance.~~

19 (7) **Prior to a local government's expenditure of any funds it receives under this**  
20 **section, the local government shall allow an opportunity for public input and**  
21 **comments regarding the expenditure of those funds. Before any unit of local**  
22 **government expends any funds it receives under this section, it shall:**

23 **(a) Provide an opportunity to the public to provide input in a public meeting**  
24 **with regard to the project;**

25 **(b) Include the topic as a specific item on the public meeting agenda and shall**  
26 **allow any person to speak with regard to any proposed project, any project**  
27 **which he or she feels should be built or done which has not been proposed,**

1 priorities for completion of projects, and any other matter related to  
 2 expenditure of any funds it receives under this section. The local  
 3 government shall not be bound by the comments and input provided at the  
 4 meeting but shall give due consideration to them; and

5 (c) Not begin construction on a project until the meeting as provided in this  
 6 section has been held.

7 This subsection shall not be construed to require a separate meeting for each  
 8 project. A single meeting encompassing the program, if all projects subsequently  
 9 undertaken have been identified at the meeting, shall meet the requirements of  
 10 this subsection.

11 (8) On or before August 15, 1980, and each year thereafter, the Transportation Cabinet  
 12 shall publish and furnish to the Department for Local Government a directory,  
 13 including supporting maps and other documents, designating the official state coal  
 14 road system in coal-impact and coal-producing counties which shall include all  
 15 public highways, roads, and streets over which quantities of coal, sufficient to  
 16 significantly affect the condition and state of repair of highways, roads, and streets,  
 17 have been transported in the immediately preceding fiscal year. The cabinet shall  
 18 further publish the total county mileage of the official state coal road system and  
 19 the total ton/miles within each coal-impact and coal-producing county for said  
 20 preceding fiscal year.

21 (9)~~(8)~~ Every person shipping or transporting coal, and every carrier for hire or  
 22 common carrier hauling coal over the public highways, roads, and streets shall file  
 23 with the Transportation Cabinet such information and at intervals as the cabinet  
 24 shall designate by regulation duly adopted for the purpose of identifying those  
 25 highways, roads, and streets comprising the coal haul road system and the  
 26 quantities of coal transported thereon, in order that the cabinet can accurately  
 27 calculate total ton/miles within each coal-impact and coal-producing county.

1 ~~(10)~~<sup>(9)</sup> The Department of Revenue shall make available to the Transportation  
 2 Cabinet coal severance and processing tax data for use in verifying and  
 3 supplementing the information furnished under the provisions of subsection ~~(9)~~<sup>(8)</sup>  
 4 of this section. The information shall be furnished in such a manner as to conceal  
 5 the identity of individual taxpayers; if the data cannot be furnished without  
 6 revealing the identity of individual taxpayers, it shall be withheld.

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

8 (1) Except as provided in subsections (2) to (4) of this section, each city shall, after the  
 9 close of each fiscal year, cause each fund of the city to be audited by the Auditor of  
 10 Public Accounts or a certified public accountant. The audit shall be completed by  
 11 ~~February~~<sup>March</sup> 1 immediately following the fiscal year being audited. The city  
 12 shall forward an electronic copy of the audit report to the Department for Local  
 13 Government for information purposes by no later than ~~March~~<sup>April</sup> 1 immediately  
 14 following the fiscal year being audited.

15 (2) In lieu of the annual audit requirements in subsection (1) of this section, a city with  
 16 a population equal to or less than one thousand (1,000) based upon the most recent  
 17 federal decennial census may elect to have an audit performed every other fiscal  
 18 year in the following manner:

19 (a) After the close of each odd-numbered fiscal year, the city shall for that odd-  
 20 numbered year cause each fund of the city to be audited by the Auditor of  
 21 Public Accounts or a certified public accountant. The audits shall be  
 22 completed by ~~February~~<sup>March</sup> 1 immediately following the fiscal year to be  
 23 audited. The city shall forward an electronic copy of the audit report to the  
 24 Department for Local Government for information purposes by no later than  
 25 ~~March~~<sup>April</sup> 1 immediately following the fiscal year being audited; and

26 (b) After the close of each even-numbered fiscal year, the city shall not be  
 27 required to complete an annual audit but shall forward an electronic copy of

1 its financial statement prepared in accordance with KRS 424.220 to the  
2 Department for Local Government by no later than October 1 immediately  
3 following the close of the even-numbered fiscal year.

4 (3) In lieu of the annual audit requirements in subsection (1) of this section, a city with  
5 a population of more than one thousand (1,000) but less than two thousand (2,000)  
6 based upon the most recent federal decennial census may elect to have an audit  
7 performed every other fiscal year to cover the two (2) fiscal years occurring since  
8 the prior audit in the following manner:

9 (a) After the close of each odd-numbered fiscal year, the city shall cause each  
10 fund of the city to be audited by the Auditor of Public Accounts or a certified  
11 public accountant. The audit shall include both fiscal years since the prior  
12 audit and shall be completed by March~~February~~ 1 immediately following  
13 the fiscal years to be audited. The city shall forward an electronic copy of the  
14 audit report to the Department for Local Government for information  
15 purposes by no later than April~~March~~ 1 immediately following the fiscal  
16 years being audited; and

17 (b) After the close of each even-numbered fiscal year, the city shall not be  
18 required to complete an annual audit but shall forward an electronic copy of  
19 its financial statement prepared in accordance with KRS 424.220 to the  
20 Department for Local Government by no later than October 1 immediately  
21 following the close of the even-numbered fiscal year.

22 (4) Any city, which for any fiscal year receives and expends, from all sources and for  
23 all purposes, less than one hundred fifty thousand dollars (\$150,000)~~seventy-five~~  
24 ~~thousand dollars (\$75,000)~~, and which has no long-term debt, whether general  
25 obligation or revenue debt, shall not be required to audit each fund of the city for  
26 that particular fiscal year. In addition, each city exempted in accordance with this  
27 subsection shall:

1        (a) Annually prepare a financial statement in accordance with KRS 424.220 and  
2        shall, not later than October 1 following the conclusion of the fiscal year,  
3        forward one (1) electronic copy to the Department for Local Government for  
4        information purposes[-]; and

5        (b) If exempted under this subsection for more than four (4) consecutive fiscal  
6        years after July 1, 2022, have prepared an attestation engagement covering  
7        the fourth fiscal year in which the city qualified for an exemption under this  
8        subsection. An attestation engagement completed pursuant to this  
9        subsection shall be:

10        1. Prepared by an independent certified public accountant or by the  
11        Auditor of Public Accounts pursuant to a contract with the city using  
12        generally accepted attestation standards as promulgated by the  
13        American Institute of Certified Public Accountants and any additional  
14        procedures established by the Department for Local Government  
15        through administrative regulation;

16        2. Completed by no later than March 1 immediately following the  
17        conclusion of the fiscal year in which in the attestation engagement is  
18        required;

19        3. Submitted to the Department for Local Government as one (1)  
20        electronic copy no later than April 1 after its completion;

21        4. Advertised to the public within (30) days of its completion by causing  
22        the publication of a legal display advertisement of not less than six (6)  
23        column inches in a newspaper qualified under KRS 424.120 stating  
24        that the attestation has been prepared and copies have been provided  
25        to each local newspaper of general circulation, each news service, and  
26        each local radio and television station which has on file with the city a  
27        written request to receive copies of financial statements under KRS

1                   424.220. Any city advertising under this subparagraph shall be exempt  
 2                   from publishing its financial statement under KRS 424.220(6)(b) for  
 3                   any year in which it is required to have an attestation engagement  
 4                   completed; and

5                   5. Provided to the Auditor of Public Accounts upon request for review of  
 6                   the final report and all related work papers and documents regarding  
 7                   the attestation engagement.

8           (5) If a city is required by another provision of law to audit its funds more frequently or  
 9           more stringently than is required by this section, the city shall also comply with the  
 10          provisions of that law.

11          (6) The Department for Local Government shall, upon request, make available  
 12          electronic copies of the audit reports and financial statements received by it under  
 13          subsections (1) to (4) of this section to the Legislative Research Commission to be  
 14          used for the purposes of KRS 6.955 to 6.975 or to the Auditor of Public Accounts.

15          (7) Each city required by this section to conduct an annual or biennial audit shall enter  
 16          into a written contract with the selected auditor. The contract shall set forth all  
 17          terms and conditions of the agreement which shall include but not be limited to  
 18          requirements that:

19                  (a) The auditor be employed to examine the basic financial statements, which  
 20                  shall include the government-wide and fund financial statements;

21                  (b) The auditor shall include in the annual or biennial city audit report an  
 22                  examination of local government economic assistance funds granted to the  
 23                  city under KRS 42.450 to 42.495. The auditor shall include a certification  
 24                  with the annual or biennial audit report that the funds were expended for the  
 25                  purpose intended;

26                  (c) All audit information be prepared in accordance with generally accepted  
 27                  governmental auditing standards which include tests of the accounting records

- 1           and auditing procedures considered necessary in the circumstances. Where the  
2           audit is to cover the use of state or federal funds, appropriate state or federal  
3           guidelines shall be utilized;
- 4           (d) The auditor shall prepare a typewritten or printed report embodying:
- 5                 1. The basic financial statements and accompanying supplemental and  
6                 required supplemental information;
- 7                 2. The auditor's opinion on the basic financial statements or reasons why  
8                 an opinion cannot be expressed; and
- 9                 3. Findings required to be reported as a result of the audit;
- 10          (e) The completed audit and all accompanying documentation shall be presented  
11          to the city legislative body at a regular or special meeting; and
- 12          (f) Any contract with a certified public accountant for an audit shall require the  
13          accountant to forward a copy of the audit report and management letters to the  
14          Auditor of Public Accounts upon request of the city or the Auditor of Public  
15          Accounts, and the Auditor of Public Accounts shall have the right to review  
16          the certified public accountant's work papers upon request.
- 17          (8) A copy of an audit report which meets the requirements of this section shall be  
18          considered satisfactory and final in meeting any official request to a city for  
19          financial data, except for statutory or judicial requirements, or requirements of the  
20          Legislative Research Commission necessary to carry out the purposes of KRS  
21          6.955 to 6.975.
- 22          (9) Each city shall, within thirty (30) days after the presentation of an audit to the city  
23          legislative body, publish an advertisement in accordance with KRS Chapter 424  
24          containing:
- 25                 (a) The auditor's opinion letter;
- 26                 (b) The "Budgetary Comparison Schedules-Major Funds," which shall include  
27                 the general fund and all major funds;



- 1 (c) A statement that a copy of the complete audit report, including financial  
2 statements and supplemental information, is on file at city hall and is  
3 available for public inspection during normal business hours;
- 4 (d) A statement that any citizen may obtain from city hall a copy of the complete  
5 audit report, including financial statements and supplemental information, for  
6 his or her personal use;
- 7 (e) A statement which notifies citizens requesting a personal copy of the city  
8 audit report that they will be charged for duplication costs at a rate that shall  
9 not exceed twenty-five cents (\$0.25) per page; and
- 10 (f) A statement that copies of the financial statement prepared in accordance with  
11 KRS 424.220, when a financial statement is required by KRS 424.220, are  
12 available to the public at no cost at the business address of the officer  
13 responsible for preparation of the statement.
- 14 (10) Any resident of the city or owner of real property within the city may bring an  
15 action in the Circuit Court to enforce the provisions of this section. Any person who  
16 violates any provision of this section shall be fined not less than fifty dollars (\$50)  
17 nor more than five hundred dollars (\$500). In addition, any officer who fails to  
18 comply with any of the provisions of this section shall, for each failure, be subject  
19 to a forfeiture of not less than fifty dollars (\$50) nor more than five hundred dollars  
20 (\$500), in the discretion of the court, which may be recovered only once in a civil  
21 action brought by any resident of the city or owner of real property within the city.  
22 The costs of all proceedings, including a reasonable fee for the attorney of the  
23 resident or property owner bringing the action, shall be assessed against the  
24 unsuccessful party.
- 25 (11) In the event of extenuating circumstances that prevent a city from completing and  
26 submitting a required audit or financial statement in compliance with the applicable  
27 deadlines in subsections (1) to (4) of this section, the city may submit a written

1 request for an extension of time to the Department for Local Government on a form  
2 prescribed by the Department for Local Government. The Department for Local  
3 Government shall approve the request if it is submitted on or before the applicable  
4 deadline and, in the judgment of the Department for Local Government, the request  
5 is warranted by extenuating circumstances beyond the control of the city.  
6 Extensions granted under this subsection shall not exceed nine (9) months from the  
7 original due date of the audit or financial statement. If the Department for Local  
8 Government approves an extension for a city and the city fails to complete and  
9 submit the required audit or financial statement in compliance with that extended  
10 deadline, then the provisions of subsection (12) of this section shall apply.

11 (12) If a city fails to complete an audit or financial statement and submit it to the  
12 Department for Local Government as required in subsections (1) to (4) and (11) of  
13 this section, the Department for Local Government shall notify the Finance and  
14 Administration Cabinet that the city has failed to comply with the audit  
15 requirements of this section, and that any funds in the possession of any agency,  
16 entity, or branch of state government shall be withheld from the city until further  
17 notice. The Department for Local Government shall immediately notify the Finance  
18 and Administration Cabinet when the city complies with the requirements of  
19 subsections (1) to (4) and (11) of this section for all prior fiscal years it has failed to  
20 comply with the audit requirements of this section, and the Finance and  
21 Administration Cabinet shall direct the reinstatement of payments to the city,  
22 including any funds that were withheld due to the noncompliance.

23 (13) Within a reasonable time after the completion of a special audit or examination  
24 conducted pursuant to KRS 43.050, the Auditor shall bill the city for the actual  
25 expense of the audit or examination conducted. The actual expense shall include the  
26 hours of work performed on the audit or examination as well as reasonable  
27 associated costs, including but not limited to travel costs. The bill submitted to the

1 city shall include a statement of the hourly rate, total hours, and total costs for the  
2 entire audit or examination.

3 ➔Section 3. KRS 174.100 is amended to read as follows:

4 Before any unit of local government expends state-derived tax revenues on a state rural,  
5 secondary, county road or municipal highway, road, street, or county or municipal  
6 bridge, it shall ~~hold a hearing in accordance with the provisions of this section~~ **provide**  
7 **an opportunity to the public to provide input in a public meeting** ~~to take the sense of the~~  
8 ~~public~~ with regard to the project and to priorities for use of tax moneys for road and  
9 bridge purposes.

10 (1) Prior to the contemplated date of expenditure of state-derived tax revenues on a  
11 road or bridge by a unit of local government, that unit of government shall **include**  
12 **the topic as a specific item on the public meeting agenda and shall allow**  ~~hold a~~  
13 ~~public hearing to take the sense of the public with regard to road and bridge matters~~  
14 ~~within the unit of local government. Notice of the hearing shall be given not less~~  
15 ~~than seven (7) days nor more than twenty one (21) days before the scheduled date~~  
16 ~~of the public hearing and before beginning work on any project covered by this~~  
17 ~~section.~~

18 ~~(2) At the hearing, any person to may~~ speak with regard to any proposed project, any  
19 project which he **or she** feels should be built or done which has not been proposed,  
20 priorities for completion of projects, and any other matter related to road or bridge  
21 projects.

22 ~~(2)~~~~(3)~~ The unit of local government ~~holding the hearing~~ shall not be bound by the  
23 **comments and input provided at the meeting** ~~testimony heard at the hearing~~ but  
24 shall give due consideration to **them** ~~it~~.

25 ~~(3)~~~~(4)~~ No unit of local government shall begin construction on a road or bridge  
26 project in which state-derived tax revenues are involved until the **meeting** ~~hearing~~  
27 as provided in this section has been held.

1 ~~(4)~~~~(5)~~ This section shall not be construed to require a separate meeting~~hearing~~ for  
2 each project. A single meeting~~hearing~~ encompassing the entire road and bridge  
3 program, if all projects subsequently undertaken have been identified at the  
4 meeting~~hearing~~, shall meet the requirements of this section.

5 ~~(5)~~~~(6)~~ The provisions of this section shall not apply to emergency repair or  
6 replacement of roads or bridges necessitated by natural or man-caused disasters nor  
7 to street cleaning or snow removal operations.

8 ~~[(7) The provisions of this section shall not apply to projects which were under~~  
9 ~~construction as of July 15, 1980, unless construction was suspended after that date~~  
10 ~~and the unit of local government desires to reactivate the project].~~