

1 AN ACT relating to conservation district audits.

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

3 ➔Section 1. KRS 65A.010 is amended to read as follows:

4 As used in this chapter:

5 (1) "County" means any county, consolidated local government, urban-county
6 government, unified local government, or charter county;

7 (2) "DLG" means the Department for Local Government established by KRS
8 147A.002;

9 (3) "Establishing entity" means the city or county, or any combination of cities and
10 counties, that established a special purpose governmental entity and that has not
11 subsequently withdrawn its affiliation with the special purpose governmental entity
12 by ordinance or other official action;

13 (4) "Federally regulated municipal utility" means a municipal utility governed by the
14 provisions of KRS 96.550 to 96.901, that maintains a wholesale power contract
15 with a federal agency that also serves as its regulatory authority;

16 (5) (a) "Fee" means any user charge, levy, assessment, fee, schedule of rates, or tax,
17 other than an ad valorem tax, imposed by a special purpose governmental
18 entity.

19 (b) "Fee" shall not include the following charges imposed by special purpose
20 governmental entities that provide utility services:

- 21 1. Any fuel cost adjustment that is:
 - 22 a. Made pursuant to an agreement with a power supplier;
 - 23 b. Amended by the power supplier based on the variable cost of fuel;
 - 24 and
 - 25 c. Passed through to the consumer by the utility pursuant to the
 - 26 agreement between the utility and the power supplier;

27 2. Any power or energy cost adjustment implemented pursuant to a duly

- 1 adopted base rate that provides for the periodic adjustment of a
2 component of the rate, including any fuel costs or transmission costs, in
3 accordance with the formula or conditions set forth in the base rate; or
- 4 3. Any environmental control cost adjustments or surcharges implemented
5 pursuant to a duly adopted base rate that provides for the periodic
6 adjustment of a component of the rate in accordance with a formula or
7 conditions set forth in the base rate;
- 8 (6) (a) "Private entity" means any entity whose sole source of public funds is from
9 payments pursuant to a contract with a city, county, or special purpose
10 governmental entity, including funds received as a grant or as a result of a
11 competitively bid procurement process.
- 12 (b) "Private entity" does not include any entity:
- 13 1. Created, wholly or in part, by a city, county, or combination of cities
14 and counties to perform one (1) or more of the types of public services
15 listed in subsection (9)(c) of this section; or
- 16 2. Governed by a board, council, commission, committee, authority, or
17 corporation with any member or members who are appointed by the
18 chief executive or governing body of a city, county, or combination of
19 cities and counties, or whose voting membership includes governmental
20 officials who serve in an ex officio capacity;
- 21 (7) "Public funds" means any funds derived from the levy of a tax, fee, assessment, or
22 charge, or the issuance of bonds by the state or a city, county, or special purpose
23 governmental entity;
- 24 (8) "Registry" means the online central registry and reporting portal established
25 pursuant to KRS 65A.020; and
- 26 (9) (a) "Special purpose governmental entity" or "entity" means any agency,
27 authority, or entity created or authorized by statute which:

- 1 1. Exercises less than statewide jurisdiction;
- 2 2. Exists for the purpose of providing one (1) or a limited number of
- 3 services or functions;
- 4 3. Is governed by a board, council, commission, committee, authority, or
- 5 corporation with policy-making authority that is separate from the state
- 6 and the governing body of the city, county, or cities and counties in
- 7 which it operates; and
- 8 4. a. Has the independent authority to generate public funds; or
- 9 b. May receive and expend public funds, grants, awards, or
- 10 appropriations from the state, from any agency, or authority of the
- 11 state, from a city or county, or from any other special purpose
- 12 governmental entity.
- 13 (b) "Special purpose governmental entity" shall include entities meeting the
- 14 requirements established by paragraph (a) of this subsection, whether the
- 15 entity is formed as a nonprofit corporation under KRS Chapter 273, pursuant
- 16 to an interlocal cooperation agreement under KRS 65.210 to 65.300, or
- 17 pursuant to any other provision of the Kentucky Revised Statutes.
- 18 (c) Examples of the types of public services that may be provided by special
- 19 purpose governmental entities include but are not limited to the following:
- 20 1. Ambulance, emergency, and fire protection services;
- 21 2. Flood control, drainage, levee, water, and water conservation services,
- 22 and services provided by watershed conservancy districts~~[,]~~ and soil
- 23 and water conservation districts~~[services]~~;
- 24 3. Area planning, management, community improvement, and community
- 25 development services;
- 26 4. Library services;
- 27 5. Public health, public mental health, and public hospital services;

- 1 6. Riverport and airport services;
 - 2 7. Sanitation, sewer, waste management, and solid waste services;
 - 3 8. Industrial and economic development;
 - 4 9. Parks and recreation services;
 - 5 10. Construction, maintenance, or operation of roads and bridges;
 - 6 11. Mass transit services;
 - 7 12. Pollution control;
 - 8 13. Construction or provision of public housing, except as set out in
 - 9 paragraph (d)8. of this subsection;
 - 10 14. Tourism and convention services; and
 - 11 15. Agricultural extension services.
- 12 (d) "Special purpose governmental entity" shall not include:
- 13 1. Cities;
 - 14 2. Counties;
 - 15 3. School districts;
 - 16 4. Private entities;
 - 17 5. Chambers of commerce;
 - 18 6. Any incorporated entity that:
 - 19 a. Provides utility services;
 - 20 b. Is member-owned; and
 - 21 c. Has a governing body whose voting members are all elected by the
 - 22 membership of the entity;
 - 23 7. Any entity whose budget, finances, and financial information are fully
 - 24 integrated with and included as a part of the budget, finances, and
 - 25 financial reporting of the city, county, or cities and counties in which it
 - 26 operates;
 - 27 8. Federally regulated public housing authorities established pursuant to

1 KRS Chapter 80 that receive no more than twenty percent (20%) of their
 2 total funding for any fiscal year from nonfederal fees, not including
 3 rental income; or

4 9. a. Any fire protection district or volunteer fire department district
 5 operating under KRS Chapter 75 with the higher of annual receipts
 6 from all sources or annual expenditures of less than one hundred
 7 thousand dollars (\$100,000); or

8 b. Any fire department incorporated under KRS Chapter 273.

9 ➔Section 2. KRS 262.097 is amended to read as follows:

10 (1) The supervisors of the respective soil and water conservation districts shall submit
 11 to the commission such statements, estimates, budgets, and other information at
 12 such time and in such manner as the commission requires.

13 (2) The supervisors of the soil and water conservation districts shall comply with the
 14 provisions of KRS 65A.010 to 65A.090, except that KRS 65A.030 shall not apply
 15 to soil and water conservation districts.

16 ➔Section 3. KRS 262.280 is amended to read as follows:

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

19 (2) Notwithstanding KRS 65A.030~~[For fiscal periods ending prior to July 1, 2014],~~ an
 20 audit of the accounts of each soil and water conservation district shall take place
 21 once every four (4) years unless the soil and water conservation district receives or
 22 expends one million dollars (\$1,000,000)~~[seven hundred fifty thousand dollars~~
 23 ~~(\$750,000)]~~ or more in any year, in which case the soil and water conservation
 24 district shall provide for the performance of an annual audit. The audit shall be
 25 conducted in accordance with audit standards and requirements stipulated in KRS
 26 65.065(5).~~[For fiscal periods beginning on and after July 1, 2014, the provisions of~~
 27 ~~KRS 65A.030 shall apply to audits of the accounts of each district.]~~

1 (3) Upon request of the commission, the board shall furnish the commission with
2 copies of ordinances, regulations, orders, contracts, forms, and other documents
3 adopted or employed by the board and any other information requested by the
4 commission concerning the board's activities.

5 ➔Section 4. KRS 262.763 is amended to read as follows:

6 (1) ~~[(a)]~~ **Notwithstanding KRS 65A.030** ~~[For fiscal periods ending prior to July 1,~~
7 ~~2014],~~ an audit of the accounts of each watershed conservancy district shall take
8 place once every four (4) years unless the **watershed conservancy** district receives
9 or expends **one million dollars (\$1,000,000)** ~~[seven hundred fifty thousand dollars~~
10 ~~(\$750,000)]~~ or more in any year, in which case the **watershed conservancy** district
11 shall provide for the performance of an annual audit. The audit shall be conducted
12 in accordance with audit standards and requirements stipulated in KRS 65.065(5).
13 The board of directors of each watershed conservancy district shall select to make
14 the audit certified public accountants who have no personal interest in the financial
15 affairs of the board of directors or in any of its officers or employees.}]

16 ~~(b) For fiscal periods beginning on and after July 1, 2015, the provisions of KRS~~
17 ~~65A.030 shall apply to the audit of accounts of each watershed conservancy~~
18 ~~district.]~~

19 (2) Immediately upon completion of each audit, the accountant shall prepare a report of
20 his **or her** findings and recommendations. This report shall be to the board of
21 directors and in such number of copies as specified by the board of directors. The
22 actual expense of any audit authorized under this section shall be borne by the
23 watershed conservancy district.

24 (3) The board of directors shall comply with the provisions of KRS 65A.010 to
25 65A.090, **except that KRS 65A.030 shall not apply to watershed conservancy**
26 **districts.**