

1 AN ACT relating to the fiscal reporting of local entities.

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

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

4 (1) For fiscal periods beginning on or after July 1, 2014, requirements relating to audits
5 and financial statements of special purpose governmental entities are as follows:

6 (a) Every special purpose governmental entity with the higher of annual receipts
7 from all sources or annual expenditures of less than **five hundred thousand**
8 **dollars (\$500,000)**~~one hundred thousand dollars (\$100,000)~~ shall:

- 9 1. Annually prepare a financial statement; and
- 10 2. Once every four (4) years, contract for the application of an attestation
11 engagement as determined by the DLG, as provided in subsection (2) of
12 this section;

13 (b) Every special purpose governmental entity with the higher of annual receipts
14 from all sources or annual expenditures equal to or greater than **five hundred**
15 **thousand dollars (\$500,000)**~~one hundred thousand dollars (\$100,000)~~ but
16 less than **one million dollars (\$1,000,000)**~~five hundred thousand dollars~~
17 ~~(\$500,000)~~ shall:

- 18 1. Annually prepare a financial statement; and
- 19 2. Once every four (4) years, contract for the provision of an independent
20 audit as provided in subsection (2) of this section; and

21 (c) **1.** Every special purpose governmental entity with the higher of annual
22 receipts from all sources or annual expenditures equal to or greater than
23 **one million dollars (\$1,000,000)**~~five hundred thousand dollars~~
24 ~~(\$500,000)~~ shall, **unless qualified for the reporting schedule under**
25 **subparagraph 2. of this paragraph:**

26 **a.**~~[1.]~~ Annually prepare a financial statement; and

27 **b.**~~[2.]~~ Be audited annually as provided in subsection (2) of this section.

1 2. a. If a special purpose government entity reporting under this
 2 paragraph conducts two (2) consecutive audits that include no
 3 opinions other than unqualified opinions, the special purpose
 4 governmental entity may choose to comply with the fiscal
 5 reporting schedule in paragraph (b) of this subsection. If the
 6 special purpose governmental entity subsequently conducts an
 7 audit and receives an opinion other than an unqualified opinion
 8 from the audit preparer, the special purpose governmental entity
 9 shall comply with the provisions of subparagraph 1.a. and b. of
 10 this paragraph until the special purpose governmental entity
 11 again conducts two (2) consecutive audits with no opinions other
 12 than unqualified opinions.

13 b. A special purpose governmental entity subject to this paragraph
 14 shall inform the DLG if it has chosen to comply with the fiscal
 15 reporting schedule as set out in paragraph (b) of this subsection.
 16 The department shall note on the department's website, and in
 17 any reports required under this chapter, the special purpose
 18 governmental entities subject to this paragraph and operating
 19 under the fiscal reporting schedule as set out in paragraph (b) of
 20 this subsection.

21 (2) (a) To provide for the performance of an audit or attestation engagement as
 22 provided in subsection (1)(a) to (c) of this section, the governing body of a
 23 special purpose governmental entity shall employ an independent certified
 24 public accountant or contract with the Auditor of Public Accounts to conduct
 25 the audit or attestation engagement unless the provisions of subsection (3) of
 26 this section apply.

27 (b) The audit or attestation engagement shall be completed no later than twelve

- 1 (12) months following the close of the fiscal year subject to the audit or the
2 attestation engagement.
- 3 (c) 1. The special purpose governmental entity shall submit for publication on
4 the registry the audit or attestation engagement, in the form and format
5 required by the DLG.
- 6 2. A federally regulated municipal utility may comply with the
7 requirements of this section for the public power component of its
8 operations by submitting an audit that conforms to the requirements
9 imposed by the federal agency with which it maintains a wholesale
10 power contract.
- 11 3. A public utility established pursuant to KRS 96.740 that is not a
12 federally regulated municipal utility may comply with the requirements
13 of this section for the public power component of its operations by
14 submitting a copy of its annual audit performed under KRS 96.840.
- 15 (d) 1. The audit or attestation engagement shall conform to:
- 16 a. Generally accepted governmental auditing or attestation standards,
17 which means those standards for audits or attestations of
18 governmental organizations, programs, activities, and functions
19 issued by the Comptroller General of the United States;
- 20 b. Generally accepted auditing or attestation standards, which means
21 those standards for all audits or attestations promulgated by the
22 American Institute of Certified Public Accountants; and
- 23 c. Additional procedures and reporting requirements as may be
24 required by the Auditor of Public Accounts.
- 25 2. Rather than meeting the standards established by subparagraph 1. of this
26 paragraph, the audit submitted by a federally regulated municipal utility
27 or a public utility established pursuant to KRS 96.740 that is not a

1 federally regulated municipal utility with regard to the public power
2 component of the utility's operations shall conform to KRS 96.840 and
3 the financial standards of the Federal Energy Regulatory Commission's
4 Uniform System of Accounts.

5 (e) Upon request, the Auditor of Public Accounts may review the final report and
6 all related work papers and documents of the independent certified public
7 accountant relating to the audit or attestation engagement.

8 (f) If a special purpose governmental entity is required by another provision of
9 law to audit its funds more frequently or more stringently than is required by
10 this section, the special purpose governmental entity shall comply with the
11 provisions of that law~~[1]~~ and shall comply with the requirements of paragraph
12 (c) of this subsection.

13 (g) Notwithstanding any provision of the Kentucky Revised Statutes to the
14 contrary, a unit of government furnishing funds directly to a special purpose
15 governmental entity may require additional audits at the expense of the unit of
16 government furnishing the funds.

17 (h) All audit reports, attestation engagement reports, and financial statements of
18 special purpose governmental entities shall be public records.

19 (3) (a) Any board, commission, or agency established by statute with regulatory
20 authority or oversight responsibilities for a category of special purpose
21 governmental entities may apply to the Auditor of Public Accounts to be
22 approved to provide an alternative financial review of the special purpose
23 governmental entities it regulates or oversees that are required by subsection
24 (1)(a) of this section to submit an attestation engagement. The application
25 shall be in the form and format determined by the Auditor of Public Accounts.

26 (b) The Auditor of Public Accounts shall review the application and if the auditor
27 determines that the board, commission, or agency has the resources and

- 1 capacity to conduct an acceptable alternative financial review, the auditor
2 shall notify the DLG that the board, commission, or agency is approved to
3 provide an alternative financial review of the special purpose governmental
4 entities it regulates or oversees that are required by subsection (1)(a) of this
5 section to submit an attestation engagement.
- 6 (c) The Auditor of Public Accounts shall advise the DLG and the board,
7 commission, or agency regarding modifications to the proposed alternative
8 financial review procedures necessary to obtain the Auditor of Public
9 Accounts' approval.
- 10 (d) Any board, commission, or agency approved to provide alternative financial
11 reviews shall reapply to the Auditor of Public Accounts for approval to
12 continue to provide alternative financial reviews at least every four (4) years.
13 The Auditor of Public Accounts may require more frequent approvals.
- 14 (e) The Auditor of Public Accounts or the DLG may withdraw any approval
15 granted under this subsection if the board, commission, or agency fails to
16 conduct alternative financial reviews using the procedures and including the
17 terms and components agreed to with the DLG.
- 18 (f) Any board, commission, or agency approved to provide alternative financial
19 reviews shall notify the Auditor of Public Accounts and the DLG if an
20 irregularity is found in the alternative financial review.
- 21 (g) Any special purpose governmental entity subject to regulation or oversight by
22 a board, commission, or agency that obtains approval to provide an alternative
23 financial review under this subsection shall have the option of having an
24 alternative financial review performed by the board, commission, or agency,
25 or may contract for the application of an attestation engagement as provided
26 in subsection (1)(a) of this section.
- 27 (4) (a) The *Auditor of Public Accounts*~~[DLG]~~ shall determine which procedures

1 conducted under attestation standards will apply to special purpose
2 governmental entities meeting the conditions established by subsection (1)(a)
3 of this section, and also the standards for an agreed-upon procedures
4 engagement in accordance with Section 2 of this Act.

5 (b) The Auditor of Public Accounts~~[DLG]~~ may determine that additional
6 procedures be conducted under attestation standards for specific categories of
7 special purpose governmental entities or for specific special purpose
8 governmental entities, as needed, to obtain the oversight and information
9 deemed necessary by the Auditor of Public Accounts~~[DLG]~~.

10 (5) Based on the information submitted by special purpose governmental entities under
11 KRS 65A.020 and 65A.090, the DLG shall determine when each special purpose
12 governmental entity was last audited~~[,]~~ and shall notify the special purpose
13 governmental entity of when each audit or attestation engagement is due under the
14 new standards and requirements of this section.

15 (6) (a) In determining the requirements relating to audits and financial statements of
16 special purpose governmental entities under subsection (1) of this section, the
17 DLG may exclude annual receipts received by the special purpose
18 governmental entity if:

19 1. The receipts constitute nonrecurring, nonoperating grants for the
20 purpose of capital asset acquisition, capital construction, disaster
21 recovery efforts, or other one (1) time purposes as determined by the
22 DLG; and

23 2. The special purpose governmental entity requests, in writing to the DLG
24 and for each fiscal year it receives the revenue in question, that the
25 revenues in question not be included in determining its annual revenues.

26 (b) In determining the requirements relating to audits and financial statements
27 under subsection (1) of this section of special purpose governmental entities

1 that are public use airports operating under KRS 183.132 to 183.160, the DLG
 2 may exclude annual receipts received by those public use airports if the
 3 receipts constitute nonoperating or recurring grants for the purpose of capital
 4 asset acquisition, capital construction, disaster recovery efforts, or other one
 5 (1) time purposes as determined by the DLG.

6 (c) Any receipts excluded under paragraph (a) or (b) of this subsection shall still
 7 be reported as required under KRS 65A.020(2)(a)2.

8 (7) The DLG and the Auditor of Public Accounts may promulgate administrative
 9 regulations in accordance with~~[pursuant to]~~ KRS Chapter 13A to implement ~~the~~
 10 ~~provisions of~~ this section.

11 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 65A IS CREATED TO
 12 READ AS FOLLOWS:

13 (1) Effective for fiscal years beginning on or after July 1, 2027, a special purpose
 14 governmental entity required to complete an audit pursuant to Section 1 of this
 15 Act may elect, subject to disapproval by the DLG as provided in subsection (3) of
 16 this section, to instead have an agreed-upon procedures engagement with either
 17 the Auditor of Public Accounts or a certified public accountant in accordance
 18 with this section.

19 (2) In order for a special purpose governmental entity to proceed with an agreed-
 20 upon procedures engagement under this section for a particular fiscal year, the
 21 following conditions shall be met:

22 (a) The special purpose governmental entity shall have complied with any of
 23 the requirements applicable to it under Section 1 of this Act or this section
 24 in the immediately preceding fiscal year;

25 (b) The special purpose governmental entity has not been subject to a special
 26 examination by the Auditor of Public Accounts during the immediately
 27 preceding fiscal year or during the fiscal year to be reviewed under agreed-

1 upon procedures;

2 (c) For the fiscal year subject to an agreed-upon procedures engagement, the
3 special purpose governmental entity has received and expended, from all
4 sources and for all purposes, less than fifteen million dollars (\$15,000,000);

5 (d) The DLG does not object to the special purpose governmental entity's
6 election to use an agreed-upon procedures engagement under subsection (3)
7 of this section; and

8 (e) The special purpose governmental entity is not required by any other
9 provision of state or federal law to perform an audit or examination more
10 stringently than is required by this section.

11 (3) (a) In order to elect to use the alternative procedures provided by this section, a
12 special purpose governmental entity shall complete a written certification
13 sent to the DLG within thirty (30) days following the conclusion of the
14 special purpose governmental entity's fiscal year.

15 (b) The written certification shall affirm that the special purpose governmental
16 entity meets the qualifications of subsection (2)(a) to (e) of this section.

17 (c) Within thirty (30) days following the receipt of the written certification, the
18 DLG may for any reason in its discretion object to the use of the agreed-
19 upon procedures engagement by notifying the special purpose governmental
20 entity in writing the details of the objection.

21 (d) A special purpose governmental entity that receives a written objection from
22 the DLG shall be disqualified from using the agreed-upon procedures
23 engagement for that fiscal year.

24 (e) If the DLG does not provide a written objection to the special purpose
25 governmental entity within thirty (30) days, then the special purpose
26 governmental entity may proceed under this section.

27 (4) An agreed-upon procedures engagement entered into by a special purpose

1 governmental entity under this section shall be conducted and governed under
2 the American Institute of Certified Public Accountants professional standards,
3 and any additional standards and requirements established by the Auditor of
4 Public Accounts through the promulgation of administrative regulations in
5 accordance with KRS Chapter 13A. At a minimum, any agreed-upon procedures
6 engagement shall be required to examine and report on the following matters of
7 the special purpose governmental entity:

8 (a) Reconciliation of cash, including the recalculation of year-end bank
9 reconciliations, confirmation of beginning and ending balances, and
10 verification that reconciled bank balances agree to fund cash balances in
11 the accounting system and financial statement;

12 (b) Confirmation of cash balances directly with any external financial
13 institutions;

14 (c) Fund balances and transfers;

15 (d) Inspection of investment holdings for compliance with applicable state law
16 and any policies adopted by the special purpose governmental entity;

17 (e) A statement of receipts and disbursements, including payroll disbursements;

18 (f) Identification of outstanding debt to include confirmation of beginning and
19 ending balances, any new debt issuance or payments, amortization
20 schedules, and compliance with debt terms; and

21 (g) Verification that total expenditures do not exceed appropriations.

22 (5) An agreed-upon procedures engagement performed under this section shall be
23 completed no later than twelve (12) months immediately following the conclusion
24 of the fiscal year being examined. A copy of the agreed-upon procedures report
25 shall be forwarded to the DLG in accordance with subsection (2)(c)1. of Section 1
26 of this Act.

27 (6) Any special purpose governmental entity proceeding under this section to

1 perform an agreed-upon procedures engagement in lieu of an audit shall enter
 2 into a contract with the Auditor of Public Accounts or a certified public
 3 accountant. The contract shall set out all terms and conditions of the agreement
 4 which shall include but not be limited to requirements that:

5 (a) The Auditor of Public Accounts completes an agreed-upon procedures
 6 report in compliance with subsection (4) of this section; and

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

10 (7) An agreed-upon procedures report completed under this section shall be deemed
 11 to satisfy any state law or administrative regulation that requires the submission
 12 or completion of an audit.

13 (8) A special purpose governmental entity shall forward a copy of any agreed-upon
 14 procedures report completed under this section to the Auditor of Public Accounts
 15 upon request from that office.

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

17 (1) An area planning commission created under the provisions of KRS 147.610 to
 18 147.705 shall, not later than two (2) months prior to the first day of its fiscal year,
 19 submit a proposed budget detailing anticipated revenues and expenditures, and a
 20 proposed tax rate, to the area council for its approval on or before the first day of
 21 each such fiscal year.

22 (2) The area council shall contract with an independent, reputable certified public
 23 accountant to perform an audit of the records, books, and accounts of the area
 24 planning commission in compliance with Section 1 of this Act~~for each fiscal~~
 25 ~~year~~.

26 (3) The area planning commission and area council shall comply with the provisions of
 27 KRS 65A.010 to 65A.090.

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

- 2 (1) The powers of the board of directors shall be limited to the construction,
3 maintenance, and operation of such works as are necessary to carry out the purposes
4 of the district in improvement of sanitation, as set forth in KRS 220.030. The board
5 shall not permit house and users' connections at the cost of the district, and every
6 connection shall be made under the supervision of the district. No house or users'
7 connection shall be made unless and until the house or user is provided with an
8 adequate water supply.
- 9 (2) In order to effect the proper collection and disposal of sewage and other liquid
10 wastes produced within the district, to promote the public health, comfort,
11 convenience and welfare, and to accomplish all other purposes of the district, the
12 board may clean out, straighten, alter, deepen, or otherwise improve any stream,
13 watercourse, or body of water receiving sewage or other liquid wastes and located
14 in or out of the district; fill up any abandoned or altered stream, watercourse, or
15 body of water located in or out of the district; construct and maintain laterals, trunk
16 sewers, intercepting sewers, siphons, pumping stations, treatment and disposal
17 works, and improvements deemed necessary to accomplish the purposes of the
18 district and construct, preserve, operate, or maintain such works in or out of the
19 district; construct connections to the works of the district for the delivery thereto of
20 sewage and other liquid wastes; incorporate with the works of the district or
21 otherwise utilize any public sewers, drains, or other sewerage improvements either
22 without modifications or with repairs, modifications, or changes deemed necessary;
23 construct any and all of the works and improvements across or through any public
24 or private property in or out of the district; hold, encumber, control, acquire by
25 donation, purchase, or condemnation, and construct, own, lease, use and sell, any
26 real or personal property, or any easement necessary for rights-of-way or locations
27 for the works and improvements of the district, or for any necessary purpose, or for

1 obtaining or storing material to be used in constructing and maintaining the works
2 and improvements.

3 (3) KRS 220.010 to 220.540 shall not limit or interfere with the right of public
4 corporations to install, maintain, and operate sewerage systems as otherwise
5 permitted by law, but the board of directors shall have full power and authority in
6 the construction and maintenance of improvements for the purposes of the district
7 to serve the area included within the district, and the board of directors may require
8 the use of the improvements of the district by persons and public corporations
9 included within the district and for which the improvements were installed.

10 (4) The board of directors shall have an ~~annual~~ audit made by a certified public
11 accountant ***in compliance with Section 1 of this Act***, copies of which shall be filed
12 with the Secretary of State and with the county judge/executive of the county or
13 counties in which the sanitation district is located.

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

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

- 19 1. The funds contained in each county's budget;~~and~~
- 20 2. The books, accounts, and papers of all county clerks and sheriffs, ***which***
21 ***includes receipts paid to county clerks from the collection of:***
22 ***a. Motor vehicle and motorboat registration fees, motor vehicle and***
23 ***motorboat licenses, and other receipts due the clerk pertaining to***
24 ***motor vehicles and motorboats as provided in KRS Chapters 186,***
25 ***186A, and 235;***
26 ***b. The motor vehicle usage tax as provided in KRS 138.460; and***
27 ***c. The ad valorem tax on motor vehicles and motorboats as***

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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

- 1 subsection for that year subject to the audit.
- 2 3. At a minimum, the county clerk or sheriff shall meet the following
- 3 criteria in order to be eligible to have the county clerk's or sheriff's
- 4 annual audit in any particular year conducted using agreed-upon
- 5 procedures:
- 6 a. The county clerk or sheriff applies to the Auditor to have an
- 7 agreed-upon procedures engagement for the year subject to the
- 8 audit on a form provided by the Auditor and by the application
- 9 deadline established by the Auditor;
- 10 b. The county clerk's or sheriff's office did not have any reported
- 11 audit comment or finding in its most recent audit report;
- 12 c. The county clerk or sheriff and the Auditor agree to specific
- 13 procedures for the agreed-upon procedures engagement; and
- 14 d. Any additional criteria that may be determined by the Auditor.
- 15 4. The publication requirements related to an agreed-upon procedures
- 16 engagement shall be the same as those required for audits of the county
- 17 clerks and sheriffs performed under paragraph (a)2. of this subsection,
- 18 except that the Auditor may provide a summary of the agreed-upon
- 19 procedures engagement report, and publication of the summary shall
- 20 satisfy the statutory requirements to publish the audit report, opinion
- 21 letter, and transmittal letter.
- 22 5. The billing and expense provisions of subsection (3) of this section shall
- 23 apply to any agreed-upon procedures engagement performed under this
- 24 section.
- 25 6. The Auditor may promulgate administrative regulations that set forth
- 26 additional criteria to qualify for agreed-upon procedures engagements,
- 27 the application procedures, and the standards, procedures, guidelines,

1 and reporting requirements for agreed-upon procedures engagements
2 under this section.

3 7. In exercising discretion regarding whether a county clerk or sheriff who
4 otherwise meets the minimum requirements may have an agreed-upon
5 procedures engagement in lieu of an audit for any particular year subject
6 to an engagement, and in exercising discretion regarding the proposed
7 procedures for the agreed-upon procedures engagement for any
8 particular year subject to an audit, the Auditor may consider factors
9 including but not limited to past audit comments or agreed-upon
10 procedures engagement findings, assessment of risks, complaints,
11 financial statements, the number of consecutive agreed-upon procedures
12 engagements performed of the county clerk or sheriff, and other factors
13 relevant to oversight of the county clerk's or sheriff's office.

14 (2) The Auditor may audit:

15 (a) The books, accounts and papers of all county judges/executive, county
16 attorneys, coroners and constables; and

17 (b) The books, accounts, papers, and performance of all special purpose
18 governmental entities as defined in KRS 65A.010. The expense of any audit
19 or examination performed pursuant to this paragraph shall be borne by the
20 entity audited or examined.

21 (3) (a) The county shall bear one-half (1/2) of the actual expense of the audit
22 conducted pursuant to subsection (1)(a)1. of this section and shall bear the
23 total actual expense of the audit conducted pursuant to subsections (1)(a)2.
24 and (2)(a) of this section. No county shall be required to bear the expense for
25 more than one (1) audit of the same fund or office annually pursuant to
26 subsection (1)(a)1. or 2. of this section, except as provided in KRS 64.810(4).

27 **(b) The Kentucky Transportation Cabinet shall bear the cost of the portion of**

1 *the audit of receipts from motor vehicles and motorboats required in*
2 *subsection (1)(a)2. of this section, regardless of whether the Auditor*
3 *prepared the audit required under this section or the county made other*
4 *arrangements for the audit under subsection (1)(b) of this section and KRS*
5 *64.810.*

6 (4) Within a reasonable time after the completion and distribution of the audit reports
7 authorized by subsection (1) of this section, the Auditor of Public Accounts shall
8 bill the county for the expenses incurred pursuant to subsection (3) of this section.
9 A copy of this bill shall be forwarded to the secretary of the Finance and
10 Administration Cabinet. Should the fiscal court within sixty (60) days following
11 receipt of said bill determine the charge to be excessive or otherwise improper it
12 shall submit its objection to the secretary of the Finance and Administration Cabinet
13 and to the State Treasurer for resolution of the controversy in accordance with
14 subsection (5) of this section. If the amount billed has not been paid within sixty
15 (60) days from date of billing, and no objection has been filed, the Auditor shall
16 notify the secretary of the Finance and Administration Cabinet and the secretary of
17 revenue who shall cause said amount to be deducted from the next payment or
18 return of moneys provided by KRS 47.110 by the state to the county or counties.
19 Deductions shall continue until the total amount due the Auditor's office has been
20 paid. All moneys received pursuant to this section shall be credited to the trust and
21 agency account of the Auditor of Public Accounts. When an objection to the bill
22 has been filed with the secretary of the Finance and Administration Cabinet and the
23 State Treasurer in accordance with subsection (5) of this section the amount found
24 to be equitable and just shall become payable immediately upon the entry of the
25 final decision.

26 (5) Any controversy over the amount of the bill for the actual expenses incurred shall
27 be submitted by the fiscal court to the secretary of the Finance and Administration

1 Cabinet and the State Treasurer for a decision as to the proper amount. In the event
2 that these two (2) arbitrators fail to agree, then the controversy shall be submitted to
3 the Attorney General, whose decision shall be final.

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

- 5 (1) It shall be the duty of the cabinet to carry out the provisions of KRS 186.005 to
6 186.260, and:
- 7 (a) Provide to the clerk in each county access to all forms provided for in KRS
8 186.005 to 186.260;
 - 9 (b) Keep a numerical record of all registration numbers issued in the state and
10 also keep a record of motor or vehicle identification numbers required by
11 KRS 186.160;
 - 12 (c) Furnish to each clerk, originally each year upon estimate, and thereafter upon
13 requisition at all times, a sufficient supply of standard, noncommercial plates
14 and the supplies necessary to provide evidence of registration for all classes of
15 vehicles required to be registered; and
 - 16 (d) Prescribe a standard plate of practical form and size for police identification
17 purposes that shall contain:
 - 18 1. The registration identifier;
 - 19 2. An indication that Kentucky is the issuing jurisdiction;
 - 20 3. At the discretion of the cabinet, any combination of the following
21 phrases:
 - 22 a. "Bluegrass State"; or
 - 23 b. "United We Stand, Divided We Fall";
 - 24 4. For standard plates for noncommercial vehicles:
 - 25 a. The county in which the plate is issued; and
 - 26 b. At the discretion of the person to whom the vehicle is registered,
27 the phrase "In God We Trust"; and

- 1 5. For plates for commercial vehicles, the year the license expires and
2 words or information the Department of Vehicle Regulation may
3 prescribe by administrative regulation in accordance with~~[, pursuant to]~~
4 KRS Chapter 13A.
- 5 (2) Except as provided in KRS 186A.127, license plates issued pursuant to this chapter
6 shall conform to the provisions of subsection (1)(c) and (d) of this section. The
7 Transportation Cabinet shall provide for the issuance of reflectorized plates for all
8 motor vehicles, and shall collect a fee, in addition to the fee set out in KRS Chapter
9 186 and KRS 281.631, of fifty cents (\$0.50). The fifty cents (\$0.50) fee to
10 reflectorize license plates shall be used by the cabinet as provided in subsection (3)
11 of this section.
- 12 (3) The reflectorized license plate program fund is established in the state road fund
13 and appropriated on a continual basis to the cabinet to administer the moneys as
14 provided in this subsection. The fifty cents (\$0.50) fee collected by the cabinet to
15 reflectorize license plates shall be deposited into the program fund and used to issue
16 reflectorized license plates. If at the end of a fiscal year, money remains in the
17 program fund, it shall be retained in the fund and shall not revert to the state road
18 fund. The interest and income earned on money in the program fund shall also be
19 retained in the program fund to carry out the provisions of this subsection. The
20 Transportation Cabinet shall issue reflectorized license plates under the provisions
21 of this subsection on a schedule to be determined at the discretion of the cabinet.
- 22 (4) Except as directed under subsection (3) of this section, the Transportation Cabinet
23 shall receive all moneys forwarded by the clerk in each county and turn it over to
24 the State Treasurer for the benefit of the state road fund.
- 25 (5) The Transportation Cabinet shall require an accounting by the clerk in each county
26 for any moneys received by him or her under the provisions of this chapter, after the
27 deduction of his or her fees under this chapter, and for all receipts, forms, plates,

1 and insignia consigned to him or her. The Auditor of Public Accounts, pursuant to
 2 Section 5 of this Act~~[KRS 43.071]~~, or a certified public accountant acting on
 3 behalf of the county pursuant to subsection (1)(b) of Section 5 of this Act, shall
 4 annually audit each county clerk concerning his or her responsibilities for the
 5 collection of various fees and taxes associated with motor vehicles. The secretary of
 6 the Transportation Cabinet, with the advice, consultation, and approval of the
 7 Auditor, shall develop and implement an inventory and accounting system which
 8 shall insure that the audits mandated in Section 5 of this Act~~[KRS 43.071]~~ are
 9 performed in accordance with generally accepted auditing standards. The
 10 Transportation Cabinet shall pay for the portion of the audit mandated by
 11 subsection (1)(a)2. of Section 5 of this Act~~[audits mandated by KRS 43.071]~~.

12 (6) When applied for under KRS 186.060 or 186.061, motor or vehicle numbers
 13 assigned shall be distinctive to show that they were designated by the cabinet.

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

15 (1) An outgoing county official, as soon as his or her successor has been qualified and
 16 inducted into office and his or her official bond approved, shall immediately vacate
 17 his or her office, deliver to his or her successor all books, papers, records, and
 18 other property held by virtue of his or her office, and make a complete settlement
 19 of his or her accounts as county official, except as otherwise provided in this
 20 section.

21 (2) (a) Each outgoing county official shall make a final settlement with the fiscal
 22 court of his or her county within sixty (60) days~~[by March 15]~~ immediately
 23 following the expiration of his or her term of office, or the date a vacancy is
 24 otherwise created, for all money received by him or her as county official and
 25 to obtain his or her quietus, and immediately thereafter he or she shall deliver
 26 these records to the incumbent county official.

27 (b) If an official's vacancy does not coincide with the end of the calendar year

1 or end of the official's term, the outgoing county official shall remit any
 2 remaining funds to the fiscal court as excess fees as determined by the final
 3 settlement pursuant to paragraph (a) of this subsection. The fiscal court
 4 shall, as soon as practicable, provide an amount equal to the excess fees
 5 remitted by the outgoing official to the outgoing county official's successor
 6 for official use.

7 (3) The outgoing county official and his or her bondsmen or sureties shall be relieved
 8 in securing his or her quietus and in the final settlement of his or her accounts of
 9 all responsibility for collecting and accounting for the amounts covered by the
 10 receipt and the incoming county official shall be charged with full responsibility for
 11 collecting and accounting for these amounts as otherwise provided by law for the
 12 collection and accounting of taxes.

13 (4) The outgoing county official shall be allowed and paid by the fiscal court the
 14 reasonable expenses actually incurred in preparing the receipt required under this
 15 section. Reasonable expenses actually incurred may include his or her office
 16 expenses and salary, and salaries of deputies and employees paid in accordance
 17 with the schedule of the previous year or the amount paid an auditor necessary in
 18 determining and verifying the final settlement to the fiscal court.

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

20 As used in this chapter:

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

23 (2) "DLG" means the Department for Local Government established by KRS
 24 147A.002;

25 (3) "Establishing entity" means the city or county, or any combination of cities and
 26 counties, that established a special purpose governmental entity and that has not
 27 subsequently withdrawn its affiliation with the special purpose governmental entity

1 by ordinance or other official action;

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

5 (5) ~~[(a)]~~ "Fee":

6 (a) Means any user charge, levy, assessment, fee, schedule of rates, or tax, other
7 than an ad valorem tax, imposed by a special purpose governmental entity;
8 and ~~[-]~~

9 (b) Does ~~["Fee" shall]~~ not include the following charges imposed by special
10 purpose governmental entities that provide utility services:

11 1. Any fuel cost adjustment that is:

12 a. Made pursuant to an agreement with a power supplier;

13 b. Amended by the power supplier based on the variable cost of fuel;
14 and

15 c. Passed through to the consumer by the utility pursuant to the
16 agreement between the utility and the power supplier;

17 2. Any power or energy cost adjustment implemented pursuant to a duly
18 adopted base rate that provides for the periodic adjustment of a
19 component of the rate, including any fuel costs or transmission costs, in
20 accordance with the formula or conditions set forth in the base rate; or

21 3. Any environmental control cost adjustments or surcharges implemented
22 pursuant to a duly adopted base rate that provides for the periodic
23 adjustment of a component of the rate in accordance with a formula or
24 conditions set forth in the base rate;

25 (6) ~~[(a)]~~ "Private entity":

26 (a) Means any entity whose sole source of public funds is from payments
27 pursuant to a contract with a city, county, or special purpose governmental

1 entity, including funds received as a grant or as a result of a competitively bid
2 procurement process; and[-]

3 (b) [~~"Private entity"~~] Does not include any entity:

4 1. Created, wholly or in part, by a city, county, or combination of cities
5 and counties to perform one (1) or more of the types of public services
6 listed in subsection (9)(c) of this section; or

7 2. Governed by a board, council, commission, committee, authority, or
8 corporation with any member or members who are appointed by the
9 chief executive or governing body of a city, county, or combination of
10 cities and counties, or whose voting membership includes governmental
11 officials who serve in an ex officio capacity;

12 (7) "Public funds" means any funds derived from the levy of a tax, fee, assessment, or
13 charge, or the issuance of bonds by the state or a city, county, or special purpose
14 governmental entity;

15 (8) "Registry" means the online central registry and reporting portal established
16 pursuant to KRS 65A.020; and

17 (9) (a) "Special purpose governmental entity" or "entity" means any agency,
18 authority, or entity created or authorized by statute which:

19 1. Exercises less than statewide jurisdiction;

20 2. Exists for the purpose of providing one (1) or a limited number of
21 services or functions;

22 3. Is governed by a board, council, commission, committee, authority, or
23 corporation with policy-making authority that is separate from the state
24 and the governing body of the city, county, or cities and counties in
25 which it operates; and

26 4. a. Has the independent authority to generate public funds; or

27 b. May receive and expend public funds, grants, awards, or

1 appropriations from the state, from any agency, or authority of the
2 state, from a city or county, or from any other special purpose
3 governmental entity.

4 (b) "Special purpose governmental entity" includes~~[shall include]~~ entities
5 meeting the requirements established by paragraph (a) of this subsection,
6 whether the entity is formed as a nonprofit corporation under KRS Chapter
7 273, pursuant to an interlocal cooperation agreement under KRS 65.210 to
8 65.300, or pursuant to any other provision of the Kentucky Revised Statutes.

9 (c) Examples of the types of public services that may be provided by special
10 purpose governmental entities include but are not limited to the following:

- 11 1. Ambulance, emergency, and fire protection services;
- 12 2. Flood control, drainage, levee, water, and water conservation services,
13 and services provided by watershed conservancy districts and soil and
14 water conservation districts;
- 15 3. Area planning, management, community improvement, and community
16 development services;
- 17 4. Library services;
- 18 5. Public health, public mental health, and public hospital services;
- 19 6. Riverport and airport services;
- 20 7. Sanitation, sewer, waste management, and solid waste services;
- 21 8. Industrial and economic development;
- 22 9. Parks and recreation services;
- 23 10. Construction, maintenance, or operation of roads and bridges;
- 24 11. Mass transit services;
- 25 12. Pollution control;
- 26 13. Construction or provision of public housing, except as set out in
27 paragraph (d)8. of this subsection;

- 1 14. Tourism and convention services; and
- 2 15. Agricultural extension services.
- 3 (d) "Special purpose governmental entity" ~~does~~^{shall} not include:
- 4 1. Cities;
- 5 2. Counties;
- 6 3. School districts;
- 7 4. Private entities;
- 8 5. Chambers of commerce;
- 9 6. Any incorporated entity that:
- 10 a. Provides utility services;
- 11 b. Is member-owned; and
- 12 c. Has a governing body whose voting members are all elected by the
- 13 membership of the entity;
- 14 7. Any entity whose budget, finances, and financial information are fully
- 15 integrated with and included as a part of the budget, finances, and
- 16 financial reporting of the city, county, or cities and counties in which it
- 17 operates;
- 18 8. Federally regulated public housing authorities established pursuant to
- 19 KRS Chapter 80 that receive no more than twenty percent (20%) of their
- 20 total funding for any fiscal year from nonfederal fees, not including
- 21 rental income;~~or~~
- 22 9. a. Any fire protection district or volunteer fire department district
- 23 operating under KRS Chapter 75 with the higher of annual receipts
- 24 from all sources or annual expenditures of less than one hundred
- 25 thousand dollars (\$100,000); or
- 26 b. Any fire department incorporated under KRS Chapter 273;or
- 27 **10. A local industrial development authority established under KRS**

1 *154.50-301 to 154.50-346 if the funds of the authority are audited as*
2 *part of the budget of the applicable establishing entity establishing the*
3 *authority.*

4 ➔Section 9. The following KRS section is repealed:

5 43.071 Annual audit of county clerk's motor vehicle and motorboat tax receipts.

6 ➔Section 10. Sections 1, 2, 3, 4 and 8 of this Act take effect July 1, 2027.