

1 AN ACT relating to property owner associations.

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

3 ➔Section 1. KRS 381.794 is amended to read as follows:

- 4 (1) An association shall keep financial records sufficiently detailed to enable the
5 association to prepare financial statements in accordance with generally accepted
6 accounting principles.
- 7 (2) No later than one hundred eighty (180) days after the end of the fiscal year, or
8 annually on a date provided in the declaration or bylaws, the association shall have
9 a financial report prepared for the preceding fiscal year. No later than thirty (30)
10 days after the financial report is prepared and received by the board, the association
11 shall make the financial report available electronically at no charge or provide a
12 paper copy with payment of a reasonable fee to a lot owner.
- 13 (3) The financial report shall be prepared in accordance with the following standards:
- 14 (a) An association with total annual revenues of less than one hundred twenty-
15 five thousand dollars (\$125,000) shall prepare a statement of cash receipts and
16 disbursements that discloses all sources of income and expenses by account
17 and classification;
- 18 (b) An association with total annual revenues of at least one hundred twenty-five
19 thousand dollars (\$125,000) but less than three hundred thousand dollars
20 (\$300,000) shall prepare a financial report under the standards of a
21 compilation by an accounting professional;
- 22 (c) An association with total annual revenues of at least three hundred thousand
23 dollars (\$300,000) but less than one million dollars (\$1,000,000) shall prepare
24 a financial report under the standards of review, to be prepared by a certified
25 public accountant; and
- 26 (d) An association with total annual revenues of one million dollars (\$1,000,000)
27 or greater shall have prepared a financial report under the standards of an

1 audit prepared by a certified public accountant.

2 An association may elect to have the financial report required under this subsection
3 prepared in accordance with a higher standard than required for the association's
4 annual revenue level.

5 **(4) Subsections (1) to (3) of this section shall not apply to an association for a**
6 **planned community containing fourteen (14) or fewer lots, but an association for**
7 **a planned community containing fourteen (14) or fewer lots may voluntarily elect**
8 **to adopt the standards set out in subsections (1) to (3) of this section in its**
9 **governing documents.**

10 ➔Section 2. KRS 381.9197 is amended to read as follows:

11 (1) The association shall keep financial records sufficiently detailed to enable the
12 association to comply with KRS 381.9203 and, except for the statement of cash
13 receipts and disbursements which shall be kept on a cash basis, all financial
14 statements shall be prepared in accordance with generally accepted accounting
15 principles. All financial and other records shall be made reasonably available for
16 examination by any unit owner and his or her authorized agents.

17 (2) Not later than one hundred fifty (150) days after the end of the fiscal year, or
18 annually on a date provided in the declaration or bylaws, the association shall cause
19 to be prepared by an independent accountant or certified public accountant a
20 financial report for the preceding fiscal year. No later than thirty (30) days after the
21 financial report is prepared and received by the executive board, the association
22 shall make it available for examination by any unit owner and, upon request and
23 payment of a reasonable fee, shall provide a unit owner with a copy of the financial
24 report.

25 (3) The type of financial report the association shall have prepared under this section
26 shall be determined as follows:

27 (a) An association with total annual revenues of less than one hundred thousand

1 dollars (\$100,000) shall have prepared a financial statement of cash receipts
2 and disbursements that disclose all sources of income and expenses by
3 account and classification;

4 (b) An association with total annual revenues of at least one hundred thousand
5 dollars (\$100,000) but less than two hundred fifty thousand dollars (\$250,000)
6 shall have prepared a financial report under the standards of a compilation by
7 a certified public accountant;

8 (c) An association with total annual revenues of at least two hundred fifty
9 thousand dollars (\$250,000) but less than five hundred thousand dollars
10 (\$500,000) shall have prepared a financial report under the standards of a
11 review by a certified public accountant; and

12 (d) An association with total annual revenues of five hundred thousand dollars
13 (\$500,000) or greater shall have prepared a financial report under the
14 standards of an audit by a certified public accountant.

15 The executive board of an association, in its sole discretion, may elect to have the
16 financial report required by this subsection prepared in accordance with a higher
17 standard of care than required for that association's annual revenue level.

18 **(4) Subsections (1) to (3) of this section shall not apply to an association for a**
19 **condominium containing fourteen (14) or fewer units, but an association for a**
20 **condominium containing fourteen (14) or fewer units may voluntarily elect to**
21 **adopt the standards set out in subsections (1) to (3) of this section in its governing**
22 **documents.**