

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2026 Regular Session**

Part I: Measure Information

Bill Request #:	1095	Bill #:	SB 133/SCS 1
Document ID #:	7664	Sponsor:	Sen. Matt Nunn
Bill Title:	AN ACT relating to the fiscal reporting of local entities.		

Unit of Government: City County Urban-County
 Charter County Consolidated Local Unified Local

Office(s) Impacted: County Clerks; Fiscal Court; Sheriffs

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

Other Fiscal Statement(s) that may exist: Actuarial Analysis Corrections Impact
 Health Benefit Mandate State Employee Health Plan

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

Section 1 of SB 133/SCS 1 would amend KRS 65A.030 to establish new annual receipts thresholds for special purpose governmental entities, while generally retaining the existing reporting requirements associated with each tier. Special purpose governmental entities with annual receipts under \$500,000 would continue to be required to annually prepare a financial statement and, once every four years, contract for an attestation engagement as determined by the Department for Local Government, as provided in KRS 65A.030(2). Special purpose governmental entities with annual receipts of at least \$500,000 but not more than \$1,000,000 would continue to be required to annually prepare a financial statement and, once every four years, contract for the provision of an independent audit under KRS 65A.030(2). Special purpose governmental entities with annual receipts exceeding \$1,000,000 would be required to obtain an annual audit.

For entities subject to the annual audit requirement due to receiving more than \$1,000,000 in annual receipts, the section would create a new exception allowing the entity to revert to the audit schedule in KRS 65A.030(2)(b), which requires an independent audit once every four years, after completing two consecutive audits with no opinions other than unqualified opinions. If the entity subsequently receives an opinion other than unqualified, it would be required to resume annual audits until it again completes two consecutive unqualified audits. An entity electing to follow the less

frequent audit schedule would be required to notify the Department for Local Government, and the department would be required to identify those entities on its website and in reports required under KRS Chapter 65A.

The section would give the Auditor of Public Accounts, rather than the Department for Local Government, the authority to require that additional procedures be conducted under attestation standards for specific categories of special purpose governmental entities or for individual entities as needed to obtain the oversight and information the Auditor deems necessary. The section would also authorize the Auditor to promulgate administrative regulations, in addition to the existing authority of DLG to promulgate administrative regulations.

Section 2 of SB 133/SCS 1 would create a new section of KRS Chapter 65A to allow certain special purpose governmental entities that are otherwise required to complete an audit to elect to instead obtain an agreed-upon procedures engagement, subject to approval by the Department for Local Government, and would establish the conditions and procedures governing that option.

Section 3 would amend KRS 147.635 to align the audit and financial reporting requirements for area planning commissions with the thresholds and audit provisions established in Section 1.

Section 4 of SB 133/SCS 1 would amend KRS 220.280 to align the audit and financial reporting requirements for sanitation districts with the thresholds and audit provisions established in Section 1.

Section 5 of SB 133/SCS 1 would amend KRS 43.070 to include, as part of the Auditor of Public Accounts' annual audit, receipts collected by county clerks from motor vehicle and motorboat registration fees, licenses, and other related receipts under KRS Chapters 186, 186A, and 235, the motor vehicle usage tax under KRS 138.460, and the ad valorem tax on motor vehicles and motorboats under KRS 134.800. County clerks would be required to transmit a copy of the portion of the audit relating to these receipts to the Department of Revenue and the Kentucky Transportation Cabinet. The Transportation Cabinet would bear the costs of the portion of the audit of receipts from motor vehicles and motorboats regardless of whether the Auditor prepared the audit or the county made other arrangements for the audit.

Section 6 of SB 133/SCS 1 would amend KRS 186.240 to allow a certified public accountant to conduct the required audit of each county clerk's collection of motor vehicle and motorboat fees and taxes on behalf of the Auditor of Public Accounts. The section would require the Kentucky Transportation Cabinet to pay the portion of the audit costs attributable to motor vehicle and motorboat receipts.

Section 7 of SB 133/SCS 1 would amend KRS 64.830 to require the final settlement of accounts and transfer of all property held by virtue of a county office to be completed within 60 days of the expiration of the term of office or the date a vacancy is otherwise

created. If a vacancy does not coincide with the end of the calendar year or the end of the official's term, the outgoing county official would be required to remit any remaining funds to the fiscal court as excess fees as determined by the final settlement. The fiscal court would be required, as soon as practicable, to provide an amount equal to the excess fees remitted to the outgoing official's successor for official use.

Section 8 of SB 133/SCS 1 would amend KRS 65A.010 to remove local industrial development authority if the funds of the authority are audited as 2 part of the budget of the applicable establishing entity establishing the 3 authority from the definition of "special purpose governmental entity."

Section 9 would repeal KRS 43.071, which currently requires the Auditor of Public Accounts to conduct an annual audit of county clerk's motor vehicle and motorboat tax receipts.

The fiscal impact of SB 133/SCS 1 on local governments is likely minimal and positive.

SB 133/SCS 1 would eliminate the separate annual audit of county clerks' motor vehicle and motorboat tax receipts required under KRS 43.071 and instead include those receipts within the Auditor of Public Accounts' annual audit of the clerk's office. This change would not create a new audit requirement but would consolidate existing audit responsibilities. Under KRS 186.240, the Kentucky Transportation Cabinet is responsible for the costs attributable to auditing motor vehicle and motorboat receipts, and SB 133/SCS 1 would retain that responsibility.

By consolidating audit work into a single annual audit, the bill may result in a small reduction in administrative effort for county clerks and sheriffs related to audit preparation and coordination. SB 133/SCS 1 would not impose new fiscal obligations on county clerks, fiscal courts, or sheriffs related to audit costs.

SB 133/SCS 1 would also impose timing requirements for final settlements when a county office becomes vacant. While this may require additional administrative effort, particularly if the vacancy does not coincide with the end of the calendar year or the end of the official's term, any associated costs are expected to be minimal. The remittance and subsequent reallocation of excess fees between an outgoing official, the fiscal court, and the successor would not result in a net fiscal gain or loss to the county but would involve the temporary transfer of existing funds to ensure continuity of office operations.

Data Source(s): LRC Staff

Preparer: AS **Reviewer:** BW (MDA) **Date:** 3/9/26