

1 AN ACT relating to special purpose government 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
5 audits and financial statements of special purpose governmental entities are as
6 follows:

7 (a) **Every special purpose governmental entity with the higher of annual**
8 **receipts from all sources or annual expenditures of less than twenty-five**
9 **thousand dollars (\$25,000) shall annually prepare a financial statement;**

10 (b) Every special purpose governmental entity with the higher of annual receipts
11 from all sources or annual expenditures **equal to or greater than twenty-five**
12 **thousand dollars (\$25,000) but**~~of~~ less than one hundred thousand dollars
13 (\$100,000) shall:

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

18 ~~(c)~~~~(b)~~ Every special purpose governmental entity with the higher of annual
19 receipts from all sources or annual expenditures equal to or greater than one
20 hundred thousand dollars (\$100,000) but less than five hundred thousand
21 dollars (\$500,000) shall:

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

25 ~~(d)~~~~(c)~~ Every special purpose governmental entity with the higher of annual
26 receipts from all sources or annual expenditures equal to or greater than five
27 hundred thousand dollars (\$500,000) shall:

- 1 1. Annually prepare a financial statement; and
- 2 2. Be audited annually as provided in subsection (2) of this section.
- 3 (2) (a) To provide for the performance of an audit or attestation engagement as
- 4 provided in subsection (1)(b) to (d)~~[(1)(a) to (e)]~~ of this section, the governing
- 5 body of a special purpose governmental entity shall employ an independent
- 6 certified public accountant or contract with the Auditor of Public Accounts to
- 7 conduct the audit or attestation engagement unless the provisions of
- 8 subsection (3) of this section apply.
- 9 (b) The audit or attestation engagement shall be completed no later than twelve
- 10 (12) months following the close of the fiscal year subject to the audit or the
- 11 attestation engagement.
- 12 (c) 1. The special purpose governmental entity shall submit for publication on
- 13 the registry the audit or attestation engagement, in the form and format
- 14 required by the DLG.
- 15 2. A federally regulated municipal utility may comply with the
- 16 requirements of this section for the public power component of its
- 17 operations by submitting an audit that conforms to the requirements
- 18 imposed by the federal agency with which it maintains a wholesale
- 19 power contract.
- 20 3. A public utility established pursuant to KRS 96.740 that is not a
- 21 federally regulated municipal utility may comply with the requirements
- 22 of this section for the public power component of its operations by
- 23 submitting a copy of its annual audit performed under KRS 96.840.
- 24 (d) 1. The audit or attestation engagement shall conform to:
- 25 a. Generally accepted governmental auditing or attestation standards,
- 26 which means those standards for audits or attestations of
- 27 governmental organizations, programs, activities, and functions

- 1 issued by the Comptroller General of the United States;
- 2 b. Generally accepted auditing or attestation standards, which means
- 3 those standards for all audits or attestations promulgated by the
- 4 American Institute of Certified Public Accountants; and
- 5 c. Additional procedures and reporting requirements as may be
- 6 required by the Auditor of Public Accounts.
- 7 2. Rather than meeting the standards established by subparagraph 1. of this
- 8 paragraph, the audit submitted by a federally regulated municipal utility
- 9 or a public utility established pursuant to KRS 96.740 that is not a
- 10 federally regulated municipal utility with regard to the public power
- 11 component of the utility's operations shall conform to KRS 96.840 and
- 12 the financial standards of the Federal Energy Regulatory Commission's
- 13 Uniform System of Accounts.
- 14 (e) Upon request, the Auditor of Public Accounts may review the final report and
- 15 all related work papers and documents of the independent certified public
- 16 accountant relating to the audit or attestation engagement.
- 17 (f) If a special purpose governmental entity is required by another provision of
- 18 law to audit its funds more frequently or more stringently than is required by
- 19 this section, the special purpose governmental entity shall comply with the
- 20 provisions of that law, and shall comply with the requirements of paragraph
- 21 (c) of this subsection.
- 22 (g) Notwithstanding any provision of the Kentucky Revised Statutes to the
- 23 contrary, a unit of government furnishing funds directly to a special purpose
- 24 governmental entity may require additional audits at the expense of the unit of
- 25 government furnishing the funds.
- 26 (h) All audit reports, attestation engagement reports, and financial statements of
- 27 special purpose governmental entities shall be public records.

- 1 (3) (a) Any board, commission, or agency established by statute with regulatory
2 authority or oversight responsibilities for a category of special purpose
3 governmental entities may apply to the Auditor of Public Accounts to be
4 approved to provide an alternative financial review of the special purpose
5 governmental entities it regulates or oversees that are required by subsection
6 ~~(1)(b)~~~~[(1)(a)]~~ of this section to submit an attestation engagement. The
7 application shall be in the form and format determined by the Auditor of
8 Public Accounts.
- 9 (b) The Auditor of Public Accounts shall review the application and if the auditor
10 determines that the board, commission, or agency has the resources and
11 capacity to conduct an acceptable alternative financial review, the auditor
12 shall notify the DLG that the board, commission, or agency is approved to
13 provide an alternative financial review of the special purpose governmental
14 entities it regulates or oversees that are required by subsection ~~(1)(b)~~~~[(1)(a)]~~
15 of this section to submit an attestation engagement.
- 16 (c) The Auditor of Public Accounts shall advise the DLG and the board,
17 commission, or agency regarding modifications to the proposed alternative
18 financial review procedures necessary to obtain the Auditor of Public
19 Accounts' approval.
- 20 (d) Any board, commission, or agency approved to provide alternative financial
21 reviews shall reapply to the Auditor of Public Accounts for approval to
22 continue to provide alternative financial reviews at least every four (4) years.
23 The Auditor of Public Accounts may require more frequent approvals.
- 24 (e) The Auditor of Public Accounts or the DLG may withdraw any approval
25 granted under this subsection if the board, commission, or agency fails to
26 conduct alternative financial reviews using the procedures and including the
27 terms and components agreed to with the DLG.

- 1 (f) Any board, commission, or agency approved to provide alternative financial
2 reviews shall notify the Auditor of Public Accounts and the DLG if an
3 irregularity is found in the alternative financial review.
- 4 (g) Any special purpose governmental entity subject to regulation or oversight by
5 a board, commission, or agency that obtains approval to provide an alternative
6 financial review under this subsection shall have the option of having an
7 alternative financial review performed by the board, commission, or agency,
8 or may contract for the application of an attestation engagement as provided
9 in subsection (1)(b)~~[(1)(a)]~~ of this section.
- 10 (4) The DLG shall determine which procedures conducted under attestation standards
11 will apply to special purpose governmental entities meeting the conditions
12 established by subsection (1)(b)~~[(1)(a)]~~ of this section. The DLG may determine
13 that additional procedures be conducted under attestation standards for specific
14 categories of special purpose governmental entities or for specific special purpose
15 governmental entities, as needed, to obtain the oversight and information deemed
16 necessary by the DLG.
- 17 (5) Based on the information submitted by special purpose governmental entities under
18 KRS 65A.020 and 65A.090, the DLG shall determine when each special purpose
19 governmental entity was last audited, and shall notify the special purpose
20 governmental entity of when each audit or attestation engagement is due under the
21 new standards and requirements of this section.
- 22 (6) (a) In determining the requirements relating to audits and financial statements of
23 special purpose governmental entities under subsection (1) of this section, the
24 DLG may exclude annual receipts received by the special purpose
25 governmental entity if:
- 26 1. The receipts constitute nonrecurring, nonoperating grants for the
27 purpose of capital asset acquisition, capital construction, disaster

- 1 recovery efforts, or other one (1) time purposes as determined by the
2 DLG; and
- 3 2. The special purpose governmental entity requests, in writing to the DLG
4 and for each fiscal year it receives the revenue in question, that the
5 revenues in question not be included in determining its annual revenues.
- 6 (b) In determining the requirements relating to audits and financial statements
7 under subsection (1) of this section of special purpose governmental entities
8 that are public use airports operating under KRS 183.132 to 183.160, the DLG
9 may exclude annual receipts received by those public use airports if the
10 receipts constitute nonoperating or recurring grants for the purpose of capital
11 asset acquisition, capital construction, disaster recovery efforts, or other one
12 (1) time purposes as determined by the DLG.
- 13 (c) Any receipts excluded under paragraph (a) or (b) of this subsection shall still
14 be reported as required under KRS 65A.020(2)(a)2.
- 15 (7) The DLG may promulgate administrative regulations pursuant to KRS Chapter 13A
16 to implement the provisions of this section.