

1 AN ACT relating to local financial reporting.

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

3 ➔Section 1. KRS 91A.040 is amended to read as follows:

4 (1) Except as provided in subsections (2) to (4)~~and (3)~~ of this section, each city shall,
5 after the close of each fiscal year, cause each fund of the city to be audited by the
6 Auditor of Public Accounts or a certified public accountant. The audit~~audits~~ shall
7 be completed by February 1 immediately following the fiscal year being audited.
8 ~~[Within ten (10) days of the completion of the audit and its presentation to the city~~
9 ~~legislative body in accordance with subsection (6)(e) of this section, each]~~***The*** city
10 shall forward an electronic copy of the audit report to the Department for Local
11 Government for information purposes ***by no later than March 1 immediately***
12 ***following the fiscal year being audited.***

13 (2) ***In lieu of the annual audit requirements in subsection (1) of this section,*** a city
14 with a population equal to or~~of~~ less than one thousand (1,000)~~two thousand~~
15 ~~(2,000)]~~ based upon the most recent federal decennial census may~~shall,~~ ***elect to***
16 ***have an audit performed every other fiscal year in the following manner:***

17 (a) After the close of each odd-numbered fiscal year, ***the city shall for that odd-***
18 ***numbered year*** cause each fund of the city to be audited by the Auditor of
19 Public Accounts or a certified public accountant. ~~[The audit shall include both~~
20 ~~fiscal years since the prior audit.]~~The audits shall be completed by February 1
21 immediately following the fiscal year to be audited. ~~[Within ten (10) days of~~
22 ~~the completion of the audit and its presentation to the city legislative body in~~
23 ~~accordance with subsection (6)(e) of this section,]~~The city shall forward an
24 electronic copy of the audit report to the Department for Local Government
25 for information purposes ***by no later than March 1 immediately following***
26 ***the fiscal year being audited; and***~~]~~

27 (b) After the close of each even-numbered fiscal year, ***the city shall not be***

1 required to complete an annual audit but shall forward an electronic copy
 2 of its~~each city subject to the provisions of this subsection shall prepare a~~
 3 financial statement prepared in accordance with KRS 424.220 ~~and shall, not~~
 4 ~~later than October 1, forward one (1) electronic copy]~~to the Department for
 5 Local Government by no later than October 1 immediately following the
 6 close of the even-numbered fiscal year.

7 (3) In lieu of the annual audit requirements in subsection (1) of this section, a city
 8 with a population of more than one thousand (1,000) but less than two thousand
 9 (2,000) based upon the most recent federal decennial census may elect to have an
 10 audit performed every other fiscal year to cover the two (2) fiscal years occurring
 11 since the prior audit in the following manner:

12 (a) After the close of each odd-numbered fiscal year, the city shall cause each
 13 fund of the city to be audited by the Auditor of Public Accounts or a
 14 certified public accountant. The audit shall include both fiscal years since
 15 the prior audit and shall be completed by February 1 immediately following
 16 the fiscal years to be audited. The city shall forward an electronic copy of
 17 the audit report to the Department for Local Government for information
 18 purposes by no later than March 1 immediately following the fiscal years
 19 being audited; and

20 (b) After the close of each even-numbered fiscal year, the city shall not be
 21 required to complete an annual audit but shall forward an electronic copy
 22 of its financial statement prepared in accordance with Section 2 of this Act
 23 to the Department for Local Government by no later than October 1
 24 immediately following the close of the even-numbered fiscal year.

25 (4) Any city, which for any fiscal year receives and expends, from all sources and for
 26 all purposes, less than seventy-five thousand dollars (\$75,000), and which has no
 27 long-term debt, whether general obligation or revenue debt, shall not be required to

1 audit each fund of the city for that particular fiscal year. Each city exempted in
2 accordance with this subsection shall annually prepare a financial statement in
3 accordance with KRS 424.220 and shall, not later than October 1 following the
4 conclusion of the fiscal year, forward one (1) electronic copy to the Department for
5 Local Government for information purposes.

6 ~~(5)~~~~(4)~~ If a city is required by another provision of law to audit its funds more
7 frequently or more stringently than is required by this section, the city shall also
8 comply with the provisions of that law.

9 ~~(6)~~~~(5)~~ The Department for Local Government shall, upon request, make available
10 electronic copies of the audit reports and financial statements received by it under
11 subsections (1) to ~~(4)~~~~(3)~~ of this section to the Legislative Research Commission to
12 be used for the purposes of KRS 6.955 to 6.975 or to the Auditor of Public
13 Accounts.

14 ~~(7)~~~~(6)~~ Each city required by this section to conduct an annual or biennial audit shall
15 enter into a written contract with the selected auditor. The contract shall set forth all
16 terms and conditions of the agreement which shall include but not be limited to
17 requirements that:

18 (a) The auditor be employed to examine the basic financial statements, which
19 shall include the government-wide and fund financial statements;

20 (b) The auditor shall include in the annual or biennial city audit report an
21 examination of local government economic assistance funds granted to the
22 city under KRS 42.450 to 42.495. The auditor shall include a certification
23 with the annual or biennial audit report that the funds were expended for the
24 purpose intended;

25 (c) All audit information be prepared in accordance with generally accepted
26 governmental auditing standards which include tests of the accounting records
27 and auditing procedures considered necessary in the circumstances. Where the

1 audit is to cover the use of state or federal funds, appropriate state or federal
2 guidelines shall be utilized;

3 (d) The auditor shall prepare a typewritten or printed report embodying:

4 1. The basic financial statements and accompanying supplemental and
5 required supplemental information;

6 2. The auditor's opinion on the basic financial statements or reasons why
7 an opinion cannot be expressed; and

8 3. Findings required to be reported as a result of the audit;

9 (e) The completed audit and all accompanying documentation shall be presented
10 to the city legislative body at a regular or special meeting; and

11 (f) Any contract with a certified public accountant for an audit shall require the
12 accountant to forward a copy of the audit report and management letters to the
13 Auditor of Public Accounts upon request of the city or the Auditor of Public
14 Accounts, and the Auditor of Public Accounts shall have the right to review
15 the certified public accountant's work papers upon request.

16 ~~(8)~~~~(7)~~ A copy of an audit report which meets the requirements of this section shall be
17 considered satisfactory and final in meeting any official request to a city for
18 financial data, except for statutory or judicial requirements, or requirements of the
19 Legislative Research Commission necessary to carry out the purposes of KRS 6.955
20 to 6.975.

21 ~~(9)~~~~(8)~~ Each city shall, within thirty (30) days after the presentation of an audit to the
22 city legislative body, publish an advertisement in accordance with KRS Chapter 424
23 containing:

24 (a) The auditor's opinion letter;

25 (b) The "Budgetary Comparison Schedules-Major Funds," which shall include the
26 general fund and all major funds;

27 (c) A statement that a copy of the complete audit report, including financial

1 statements and supplemental information, is on file at city hall and is available
2 for public inspection during normal business hours;

3 (d) A statement that any citizen may obtain from city hall a copy of the complete
4 audit report, including financial statements and supplemental information, for
5 his personal use;

6 (e) A statement which notifies citizens requesting a personal copy of the city
7 audit report that they will be charged for duplication costs at a rate that shall
8 not exceed twenty-five cents (\$0.25) per page; and

9 (f) A statement that copies of the financial statement prepared in accordance with
10 KRS 424.220, when a financial statement is required by KRS 424.220, are
11 available to the public at no cost at the business address of the officer
12 responsible for preparation of the statement.

13 ~~(10)~~⁽⁹⁾ Any resident of the city or owner of real property within the city may bring an
14 action in the Circuit Court to enforce the provisions of this section. Any person who
15 violates any provision of this section shall be fined not less than fifty dollars (\$50)
16 nor more than five hundred dollars (\$500). In addition, any officer who fails to
17 comply with any of the provisions of this section shall, for each failure, be subject
18 to a forfeiture of not less than fifty dollars (\$50) nor more than five hundred dollars
19 (\$500), in the discretion of the court, which may be recovered only once in a civil
20 action brought by any resident of the city or owner of real property within the city.
21 The costs of all proceedings, including a reasonable fee for the attorney of the
22 resident or property owner bringing the action, shall be assessed against the
23 unsuccessful party.

24 ~~(11)~~⁽¹⁰⁾ In the event of extenuating circumstances that prevent a city from completing
25 and submitting a required audit or financial statement in compliance with the
26 applicable deadlines in subsections (1) to ~~(4)~~⁽³⁾ of this section, the city may
27 submit a written request for an extension of time to the Department for Local

1 Government on a form prescribed by the Department for Local Government. The
2 Department for Local Government shall approve the request if it is submitted on or
3 before the applicable deadline and, in the judgment of the Department for Local
4 Government, the request is warranted by extenuating circumstances beyond the
5 control of the city. Extensions granted under this subsection shall not exceed nine
6 (9) months from the original due date of the audit or financial statement. If the
7 Department for Local Government approves an extension for a city and the city fails
8 to complete and submit the required audit or financial statement in compliance with
9 that extended deadline, then the provisions of subsection ~~(12)~~ of this section
10 shall apply.

11 ~~(12)~~ If a city fails to complete an audit or financial statement and submit it to the
12 Department for Local Government as required in subsections (1) to ~~(4)~~ and
13 ~~(11)~~ of this section, the Department for Local Government shall notify the
14 Finance and Administration Cabinet that the city has failed to comply with the audit
15 requirements of this section, and that any funds in the possession of any agency,
16 entity, or branch of state government shall be withheld from the city until further
17 notice. The Department for Local Government shall immediately notify the Finance
18 and Administration Cabinet when the city complies with the requirements of
19 subsections (1) to ~~(4)~~ and ~~(11)~~ of this section for all prior fiscal years it
20 has failed to comply with the audit requirements of this section, and the Finance and
21 Administration Cabinet shall direct the reinstatement of payments to the city,
22 including any funds that were withheld due to the noncompliance.

23 ~~(13)~~ Within a reasonable time after the completion of a special audit or
24 examination conducted pursuant to KRS 43.050, the Auditor shall bill the city for
25 the actual expense of the audit or examination conducted. The actual expense shall
26 include the hours of work performed on the audit or examination as well as
27 reasonable associated costs, including but not limited to travel costs. The bill

1 submitted to the city shall include a statement of the hourly rate, total hours, and
 2 total costs for the entire audit or examination.

3 ➔Section 2. KRS 424.220 is amended to read as follows:

- 4 (1) Excepting officers **who are exempted under subsection (8) of this section**~~[of a city~~
 5 ~~of the first class or a consolidated local government, a county containing such a city~~
 6 ~~or consolidated local government, a public agency of such a city, consolidated local~~
 7 ~~government, or county, or a joint agency of such a city, consolidated local~~
 8 ~~government, and county, or of a school district of such a city, consolidated local~~
 9 ~~government, or county, and excepting officers of a city with a population equal to or~~
 10 ~~greater than twenty thousand (20,000) based upon the most recent federal decennial~~
 11 ~~census or an urban county government], every public officer of any school district,~~
 12 ~~city, [consolidated local government,]county, [or subdivision,]or district less than~~
 13 ~~a county, **or of any board, commission, or other authority of a city, county, or**~~
 14 ~~**district** whose duty it is to collect, receive, have the custody, control, or~~
 15 ~~disbursement of **any**~~[public] funds **collected from the public in any form**, and~~
 16 ~~every officer of any board or commission of a city, consolidated local government,~~
 17 ~~county, or district whose duty it is to collect, receive, have the custody, control, or~~
 18 ~~disbursement of funds collected from the public in the form of rates, charges, or~~
 19 ~~assessments for services or benefits,] shall, at the expiration of each fiscal year,~~
 20 ~~prepare an itemized, sworn statement of the funds collected, received, held, or~~
 21 ~~disbursed by him **or her** during the fiscal year just closed, unless he **or she** has~~
 22 ~~complied with KRS 424.230.~~~~

- 23 (2) The statement shall show:

- 24 (a) The total amount of funds collected and received during the fiscal year from
 25 each individual source; and
 26 (b) The total amount of funds disbursed during the fiscal year to each individual
 27 payee. The list shall include only aggregate amounts to vendors exceeding one

1 thousand dollars (\$1,000).

2 (3) Only the totals of amounts paid to each individual as salary or commission and
 3 public utility bills shall be shown. The amount of salaries paid to all nonelected
 4 county employees shall be shown as lump-sum expenditures by category, including
 5 but not limited to road department, jails, solid waste, public safety, and
 6 administrative personnel.

7 (4) The financial reporting and publishing requirements for a school district are
 8 provided in KRS 160.463.

9 (5) The officer shall procure and include in or attach to the financial statement, as a part
 10 thereof, a certificate from the cashier or other proper officer of the banks in which
 11 the funds are or have been deposited during the past year, showing the balance, if
 12 any, of funds to the credit of the officer making the statement.

13 (6) To provide notice to the public that the city's financial statement has been
 14 completed as required by~~[Except as provided in subsection (7) of this section, the~~
 15 ~~officer shall within sixty (60) days after the close of the fiscal year cause the~~
 16 ~~financial statement to be published in full in a newspaper qualified under KRS~~
 17 ~~424.120 to publish advertisements for the city, county, or district, as the case may~~
 18 ~~be. Promptly after the publication is made, the officer shall file a written or printed~~
 19 ~~copy of the advertisement with proof of publication, in the office of the county clerk~~
 20 ~~of the county and with the Auditor of Public Accounts.~~

21 ~~(7) In lieu of the publication requirements of subsection (6) of] this section:~~

22 (a) The appropriate officer of a city that has performed~~[required to perform]~~ an
 23 audit under KRS 91A.040 for the fiscal year or years, including the
 24 appropriate officer of any municipally owned electric, gas, or water system,
 25 shall publish the~~[, may elect to satisfy the requirements of subsection (6) of~~
 26 ~~this section by:~~

27 1. ~~Publishing an] audit report in accordance with KRS 91A.040(9)[(8)].~~

1 **(b) The appropriate officer of a city that has not conducted an annual**
 2 **audit for the fiscal year under one (1) of the exceptions provided in**
 3 **subsection (2), (3), or (4) of Section 1 of this Act shall publish**~~;~~ and
 4 ~~2. Publishing~~ a legal display advertisement of not less than six (6) column
 5 inches in a newspaper qualified under KRS 424.120 that the statement
 6 required by subsection (1) of this section has been prepared and that
 7 copies have been provided to each local newspaper of general
 8 circulation, each news service, and each local radio and television
 9 station which has on file with the city a written request to be provided a
 10 statement. The advertisement shall be published within ninety (90) days
 11 after the close of the fiscal year.~~;~~ and

12 ~~(b) The appropriate officer of a city that has not conducted an annual audit under~~
 13 ~~the exceptions provided under KRS 91A.040(2) and (3) may publish the legal~~
 14 ~~display advertisement meeting the requirements of paragraph (a)2. of this~~
 15 ~~subsection.]~~

16 ~~(7)~~~~(8)~~ **To provide notice to the public that the county's financial statement has**
 17 **been completed as required by this section,** the appropriate officer of a county shall
 18 **publish**~~[satisfy the requirements of subsection (6) of this section by publishing]~~ the
 19 county's audit, prepared in accordance with KRS 43.070 or 64.810, in the same
 20 manner that city audits are published in accordance with KRS 91A.040~~(6)~~~~(8)~~**(9)**.

21 **(8) The provisions of this section shall not apply to officers of:**

22 **(a) A city of the first class;**

23 **(b) A county containing a city of the first class;**

24 **(c) A consolidated local government;**

25 **(d) An urban-county government;**

26 **(e) A city with a population equal to or greater than twenty thousand (20,000)**

27 **based upon the most recent federal decennial census;**

1 **(f) A public agency or joint public agency of a:**

2 **1. City of the first class;**

3 **2. Consolidated local government; or**

4 **3. County containing a city of the first class; or**

5 **(g) A school district of a:**

6 **1. City of the first class;**

7 **2. Consolidated local government; or**

8 **3. County containing a city of the first class.**

9 ➔ Section 3. KRS 42.460 is amended to read as follows:

10 Except as provided in KRS 91A.040(7)~~(6)~~(b), any assistance granted under KRS 42.450
11 to 42.495 shall include an agreement that an independent annual audit shall be conducted
12 and that the audit report shall include a certification that the funds were expended for the
13 purpose intended. A copy of the audit and certification of compliance shall be forwarded
14 to the Department for Local Government, in the case of assistance granted from the local
15 government economic assistance fund or the local government economic development
16 fund as allocated in KRS 42.4592(1)(a) and (b), or to the Cabinet for Economic
17 Development and the Kentucky Economic Development Finance Authority, in the case of
18 assistance granted from the local government economic development fund, within
19 eighteen (18) months after the end of the fiscal year.