



2024 GLIC

ADD – CSD Partnership
August 7, 2024



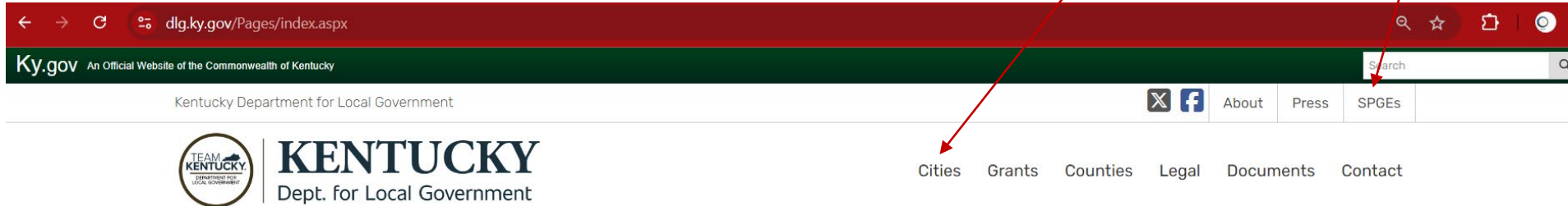
DEPARTMENT FOR
LOCAL GOVERNMENT
Cities and Special Districts Branch



Partnership - Area Development Districts' PAS

- Welcome
- Staff Introduction
 - Tammy Vernon – Cities and Special District Branch Manager
 - Rebecca Morton – LGA – SPGE Administrator
 - Keeaira Lail – LGA – City Administrator

DLG's New Website <https://dlg.ky.gov/>





City History

KRS 91A.040: The Framework for Financial Accountability

KRS 91A.040 established a robust financial oversight system for Kentucky cities. Before FY 2018, many cities' financial reporting and auditing standards needed consistency, leading to more transparency and accountability in public funds management. This environment made it challenging for taxpayers and state and local officials to assess municipalities' financial health and performance.

Recognizing the need for improved financial management practices, the state implemented more stringent requirements in FY2018. These changes aimed to enhance transparency, accountability, and public trust in city government. By imposing stricter auditing standards, requiring timely financial reporting, and increasing public access to financial information, KRS 91A.040 provided a clearer picture of city finances. This strengthened oversight has significantly empowered taxpayers, stakeholders, and elected officials, enabling them to make informed decisions about resource allocation and public policy.

Ultimately, KRS 91A.040 aims to ensure that city funds are managed responsibly and efficiently. By establishing a standardized framework for financial reporting and auditing, the statute promotes good governance and protects taxpayer interests.



City Noncompliance KRS 91A.040

If a city fails to comply with the requirements of KRS 91A.040, several serious consequences can occur:

Withholding of All Funds:

The Department for Local Government (DLG) **shall** notify the Finance and Administration Cabinet of the city's noncompliance.

All funds in the possession of any state agency, entity, or branch **shall** be withheld until the city becomes compliant.

Financial Strain:

Withheld funds can place a significant strain on the city's budget, directly affecting its ability to provide essential services and meet financial obligations.

Reputational Damage:

Noncompliance may damage the city's reputation, leading to a loss of public trust and potential difficulties in securing future funding or support.

Mandatory Compliance:

Regaining compliance is crucial. To initiate the process, the city **shall** complete all overdue audits and financial statements. The DLG will notify the Finance and Administration Cabinet once the city meets all requirements, resulting in the reinstatement of withheld funds.


Reporting Requirements Under KRS 83A.085

Due by January 31 Each Year, Report the Following to the Department for Local Government:

City Information:
City Name
Mailing Address for City Hall
Telephone Number of City Hall

Contact Information for Key Roles: -- Continued
<u>Appointed Officials or Employees: -- Continued</u>
Police Chief
Fire Chief
Public Works Director
Risk Manager
Information Technology Manager
Public Relations or Communications Officer
Planning and Zoning Administrator
<u>Designated Contact Person:</u>
Name
Telephone Number
Available During Normal Business Hours (8 a.m. to 4:30 p.m.)

Updated:
Email only



Contact Information for Key Roles:
<u>Mayor:</u>
Name
Telephone Number
Email Address
<u>Legislative Body Members:</u>
Names
Telephone Numbers
Email Addresses
<u>Appointed Officials or Employees:</u>
City Clerk
City Treasurer or Chief Financial Officer
City Manager or Administrator
City Attorney
Human Resources Director

Legislative Body - Commission or Council

Used to Determine Audit Requirement
Previous FY's Unaudited Revenues
Previous FY's Unaudited Expenditures
Does your city have long-term debt? Yes or No




City

KRS 91A.040 **Statute Changes**

by Fiscal Year


From 2016 to 2024



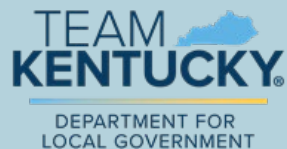
Statute Changes
Requirements:
July 15, 2016, to
July 13, 2018

➤ **Per KRS 91A.040:**

- A city with a **population of less than one thousand (1,000)** in the 2010 federal decennial census **shall**, after the close of each odd-numbered fiscal year, cause each city fund to be audited by the Auditor of Public Accounts or a certified public accountant. The audits shall be completed by February 1, immediately following the fiscal year to be audited
- Any city with **revenues and expenditures less than \$75,000 and no long-term debt, whether general obligation or revenue debt, shall** not be required to audit each city fund for that fiscal year. Each city exempted in accordance with this subsection shall annually prepare a financial statement in accordance with KRS 424.220



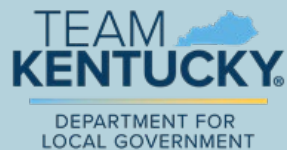
Statute Changes
Requirements:
July 14, 2018, to
June 26, 2019



➤ **Per KRS 91A.040:**

- Any city with a **population of less than 2,000** in the 2010 federal decennial census **shall**, after the close of each odd-numbered fiscal year, cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall include both fiscal years since the prior audit
- Any city with revenues and expenditures less than \$75,000 and with no long-term debt, whether general obligation or revenue debt, **shall** not be required to audit each city fund for that particular fiscal year. Each city exempted in accordance with this subsection shall annually prepare a financial statement in accordance with KRS 424.220
- If a city is required by another provision of law to audit its funds more frequently or more stringently than is required by this section, the city **shall** also comply with the provisions of that law

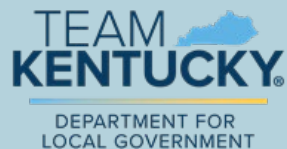
Statute Changes
Requirements:
June 27, 2019, to
July 13, 2022



➤ Per KRS 91A.040:

- Any city with a **population of less than 1,000** in the 2010 federal decennial census **shall**, after the close of each odd-numbered fiscal year, the city shall for that odd-numbered year cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant
- Any city with a **population of more than 1,000 but less than 2,000** in the 2010 federal decennial census **shall**, after the close of each odd-numbered fiscal year, the city shall for that odd-numbered year cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant
- Any city with **revenues and expenditures less than \$75,000** and no long-term debt **shall** complete a Financial Statement annually.
- Any city that meets the criteria can elect to submit an annual Audit in place of a Financial Statement or 2-year Audit
- All other cities **shall** complete an Audit annually. If the city expends \$750,000 or more in federal grant awards in a year, an Annual Comprehensive Financial Report (ACFR) is required.

Statute Changes Requirements as of July 14, 2022



➤ Per KRS 91A.040:

- Any city with a **population of less than 1,000** in the 2010 federal decennial census **shall** complete a Financial Statement every even year and an Audit every odd year
- Any city with a **population of more than 1,000 but less than 2,000** in the 2010 federal decennial census **shall** complete a Financial Statement every even year and a 2-year Audit every odd year
- Before July 1, 2022, Any city with **revenues and expenditures less than \$75,000** and no long-term debt **shall** complete a Financial Statement annually
- Beginning July 1, 2022, any city with **revenues and expenditures** less than \$150,000 for more than four consecutive years and no long-term debt **shall** submit an attestation engagement covering the fourth fiscal year in which the city qualified. A financial statement will be required annually
- Any city that meets the criteria can elect to submit an annual Audit in place of a Financial Statement or 2-year Audit
- All other cities **shall** complete an Audit annually and an Annual Comprehensive Financial Report (ACFR) if the municipality expends \$750,000 or more in federal grant awards in a year



SPGE History

KRS 65A: The Framework for Financial Accountability

KRS 65A was enacted to establish a comprehensive legal framework for fiscal management of Kentucky's Special Purpose Government Entities (SPGEs). Before its implementation, SPGEs operated under a patchwork of statutes and regulations, leading to inconsistencies in financial practices and a need for uniformity in financial reporting. This fragmented approach hindered effective financial oversight and increased the risk of fiscal mismanagement.

KRS 65A was designed to address these challenges and provide a standardized set of rules and procedures for SPGE budgeting, accounting, and reporting. The statute aims to improve financial transparency, accountability, and efficiency by establishing clear guidelines. Additionally, KRS 65A empowers SPGEs to make informed financial decisions by providing a structured approach to fiscal planning and management.

Ultimately, KRS 65A aims to strengthen the financial position of Kentucky's SPGEs and protect taxpayer interests. By promoting sound financial practices and increasing public accountability, the statute contributes to the Commonwealth's overall fiscal health and ensures that taxpayer funds are managed responsibly.



Financial Disclosure Calendar

- Beginning Budget –
 - No later than 15 days after the start of the fiscal year
- Amendments and Line-Item Transfers –
 - No later than the last day of the fiscal year
- Year-End Actuals -
 - No later than 60 days after the close of the fiscal year
- Audit Requirement
 - Determined based on Annual Revenues and Expenditures
 - Due: Beginning FY 2015 - no later than 12 months after the close of the Fiscal Year



SPGE Noncompliance with KRS 65A.040

KRS 65A.040 is the section of Kentucky law that outlines the specific requirements and consequences for Special Purpose Governmental Entities (SPGEs) that fail to comply with financial reporting obligations. This statute provides a framework for addressing non-compliance, including penalties, audits, and withholding of state funds. By establishing clear guidelines for handling non-adherence to financial reporting standards, KRS 65A.040 promotes accountability and transparency in managing public resources.



What Is Noncompliance?

- Under KRS 65A.040, SPGEs are considered noncompliant if they:
 - Fail to submit any required information in a timely manner
 - Ex. Registration Form, Financial Disclosure Report, or Audit/Attestation Engagement
 - Fail to pay the required registration fee and any unpaid newspaper fees
 - SPGEs cannot submit any information until DLG receives payment
 - Submit information that does not comply with the current Statute
 - Ex: entering all zeros when submitting the Estimates and Actuals

Noncompliance Penalties

- Under KRS 65A.040, the following penalties **shall** apply when a SPGE fails to submit information or submits noncompliant information:
 - State Funds Withheld
 - DLG **shall** notify the Finance and Administration Cabinet that the SPGE has failed to comply with the reporting requirements of KRS 65A.010 to 65A.090 and that any funds in the possession of any agency, entity, or branch of state government **shall** be withheld until further notice.
 - DLG **shall** notify State Agencies that administer grants and other funds to SPGEs.
 - Newspaper Publication of Noncompliance
 - SPGE **shall** be published in the largest circulating newspaper in every county the SPGE serves.
 - The publication **shall** include the name of the SPGE's contact person, the SPGE's address and phone number, the names of all current Board Members, and a list of all non-compliant information.
 - The SPGE **shall** be responsible for paying any publication fees.
 - The Auditor of Public Accounts (APA) is informed of the SPGE's noncompliance
 - The APA may initiate an audit or special examination of the SPGE at the SPGE's expense.
- Under KRS 65A.050, the SPGE may be administratively dissolved by DLG if the SPGE fails to file the information required by KRS 65A.020 for two or more consecutive years.



DLGs Responsibility per KRS 65A

Create and maintain:

- Online central registry
- Online reporting portal
- Online public access portal

Monitor compliance:

- Track status changes when notified (Newfound, Dissolution, and Merged SPGEs)
- Prepare statutorily required reports
- Activate noncompliance procedures



How ADDs Can Help

■ **Training and Education:**

- Partner with DLG-CSD to provide training sessions for Cities and SPGEs.
 - Such as workshops on audit preparation, financial statement submission, and deadlines.

■ **Technical Support:**

- Offer technical assistance to cities and SPGEs in understanding submission requirements.
- Partner with DLG-CSD in administering compliance for Cities and SPGE issues.
- Assist Cities and SPGEs in Tax Rate Calculations.



How ADDs Can Help

- **Reporting Assistance:**

- Help cities compile and submit audit reports and financial statements electronically to DLG-CSD.
- Ensure completeness and accuracy of submissions to meet statutory deadlines.

- **Compliance Monitoring:**

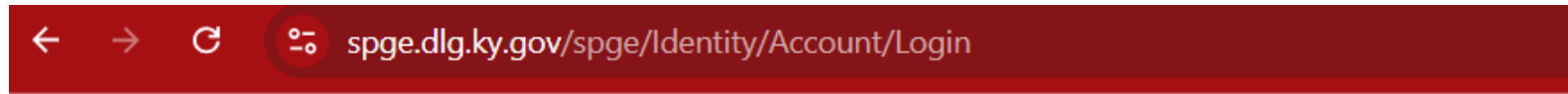
- Collaborate with cities to monitor compliance status and identify potential issues.
- Conduct periodic reviews to ensure adherence to audit and reporting requirements.

- **Legislative Updates and Guidance:**

- Partner with DLG-CSD to inform cities and SPGEs of legislative changes.
- Provide guidance on best practices and strategies to enhance fiscal transparency and accountability.

SPGE Website

<https://spge.dlg.ky.gov/spge>



SPGE

Log in

Email

The Email field is required.

Password

The Password field is required.

Log in

Continue to Public Portal as a Guest

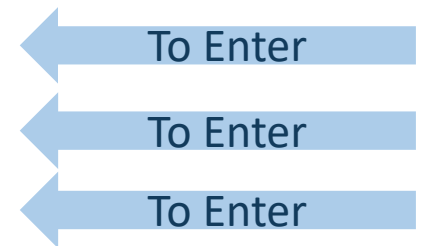
[Forgot your password?](#)

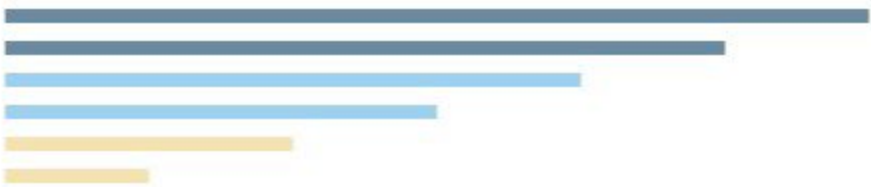
[Guide to using the SPGE Public Portal](#)

[Resend email confirmation](#)

[Public Portal Help Center](#)

[Legacy SPGE Site](#)





Department for Local Government
Cities & Special Districts Branch
100 Airport Road, 3rd Floor
Frankfort, KY 40601

Please send emails to dlg-csd@ky.gov.

Call and leave a voice message at 502-892-3490.

DLG website: <https://dlg.ky.gov>

SPGE website: <https://spge.dlg.ky.gov/spge>



Questions