

SERVICE

COLLABORATION

LEADERSHIP

TEAMWORK

DEDICATION

Celebrating
50 *Years*

SPGE Program and Website Overview

SPGE Reporting, Compliance & 2027 Changes

Today's Roadmap

A practical guide to KRS Chapter 65A

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Who is a SPGE?

2

Annual reporting

3

2027 law changes

4

Noncompliance

5

Common trouble spots

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Portal demo

Why KRS Chapter 65A Exists

Transparency and accountability were the starting point

1,200+ SPGEs

Nearly \$3B

- In 2012, the Auditor identified more than 1,200 Kentucky Special Purpose Governmental Entities (SPGEs) managing nearly \$3 billion with limited oversight.
- HB 1 (2013) created KRS Chapter 65A and centralized annual SPGE reporting through the Department for Local Government (DLG) online portal.
- DLG monitors compliance and applies the requirements in statute; legislative changes must come through the General Assembly.

What Makes an Entity a SPGE?

Provided in KRS 65A.010

1. Less than statewide jurisdiction

2. Provides one or a limited number of services

3. Separate policy-making governing body

4. Can generate, receive, or expend public funds

Also includes qualifying entities formed under KRS Chapter 273, interlocal agreements, or other KRS authority.

SPGE Service Types

Examples of services delivered through special districts

**Emergency
services**

**Water /
conservation**

Libraries

Public health

Airports / riverports

Sanitation / sewer

**Economic
development**

Parks & recreation

Roads / bridges

Mass transit

Pollution control

Extension services

What Is Not a SPGE?

Some entities are expressly excluded by KRS 65A.010(9)(d)

- Cities, counties, school districts, private entities, and chambers of commerce.
- Certain member-owned utility entities with elected governing bodies.
- Entities whose budget and financial reporting are fully integrated with the city/county.
- KRS Chapter 80 public housing authorities receiving no more than 20% total funding from nonfederal fees.
- KRS Chapter 75 fire protection / volunteer fire department districts under \$100,000 in annual receipts or expenditures, and Chapter 273 fire departments.

What must be filed, when it is due, and how the audit requirement is determined.

Required KRS 65A Portal Submissions

Recurring responsibilities

Submission Item	Statutory Due Date	Requirements & Details
Registration Form & Fee	Within 15 days after FY start	Annual fee determined by actual revenues from two fiscal years prior (\$25, \$250, or \$500).
Financial Estimates	Within 15 days after FY start	Initial budget and financial estimates submitted for the upcoming operational year.
Amended/Amendments	Last day of the fiscal year	Updated budget allocations reflecting mid-year adjustments or amendments.
Actuals/Year-End Actuals	Within 60 days of FY close	Final detailed accounting of all receipts, revenue sources, expenditures, and cash balances.
Audit / Attestation	Within 12 months of FY close	Independent financial review requirement determined by current annual revenue/expenditure totals.

Compliance Due Dates by Fiscal Cycle



Weekend and holiday adjustments may slightly change the exact date.

Annual Registration Fee

Based on annual revenues reported two fiscal years earlier

\$25	\$250	\$500
Less than \$100,000	\$100,000 to less than \$500K	\$500,000+

Current year fee amount based on the total revenues two years prior. The amount can change from year to year.

Current Audit Thresholds

These remain in effect until the 2027 changes apply

**Less than
\$100K**

Annual financial statement

Attestation every 4 years

**\$100K to less
than \$500K**

Annual financial statement

Independent audit every 4 years

\$500K+

Annual financial statement

Annual audit

Audit requirement is based on the higher of current-year receipts or expenditures for the current year. The threshold can change from year to year.

Effective July 1, 2027: new thresholds, an AUP option, and a reduced audit schedule.

Industrial Development Authorities

A new exclusion becomes effective July 1, 2027

Potentially Exempt

- Applies to a local industrial development authority established under KRS 154.50-301 to 154.50-346.
- The authority's funds must be included in and audited as part of the financial audit of the applicable establishing entity.

Not automatic: the entity must meet the statutory conditions.

Audit Thresholds Effective July 1, 2027

**Less than
\$500K**

Attestation every 4 years

AUP not optional

**\$500K – less
than \$1M**

Audit every 4 years

AUP may be optional

\$1M+

Annual audit

**Reduced audit schedule and AUP
may be optional**

**Reduced audit schedule subject to statutory conditions in KRS 65A.030.
AUP subject to statutory conditions in KRS 65A.032.**

Reduced Audit Schedule

Effective July 1, 2027 – KRS 65A.030(1)(c)

**Year 1
Audit**

**Year 2
Audit**

**2 clean
opinions**

**Then: audit once
every 4 years**

- Applies to SPGEs at or above \$1 million in annual receipts or expenditures.
- May choose to conduct an audits once every four years after two consecutive audits with unqualified opinions.
- The SPGE must inform DLG that it chooses the reduced reporting schedule.

“Unqualified” = a clean audit opinion.

When Can a SPGE Use an AUP?

AUP = Agreed-Upon Procedures engagement – KRS 65A.032

✓ **Compliant in prior fiscal year**

✓ **No recent APA special examination**

✓ **Receipts and expenditures under \$15 million**

✓ **DLG does not object within 30 days**

✓ **No other law requires a more stringent audit**

The SPGE contracts with the Auditor of Public Accounts or a CPA.

What Does an AUP Examine?

Minimum matters identified in KRS 65A.032(4)

Cash reconciliation

Confirmation of cash balances

Fund balances & transfers

**Inspection of investment holdings for compliance
with state law and adopted policies**

Statement of receipts & disbursements / payroll

Identification of outstanding debt

**Verification that expenditures do not exceed
appropriations**

Due within 12 months after the fiscal year being examined.

How DLG Plans to Implement the Changes

What SPGEs should expect next

IDA exemption process

- Qualifying IDAs can submit an exemption form and supporting documentation to DLG.
- Approved exemptions begin with fiscal year 2028.

Portal updates

- New audit thresholds, reduced audit schedule elections, and AUP options will be implemented in the SPGE portal.

Watch for DLG guidance on affected fiscal years and the submission process.

Noncompliance: What triggers it, what happens next, and why timely reporting matters.

What Triggers Noncompliance?

KRS 65A.040

**Late or missing
required submissions**

**Unpaid registration or
newspaper fees**

**Submissions that do
not meet requirements**

Examples: all-zero estimates/actuals or submitting the wrong audit requirement.

Consequences of Noncompliance

KRS 65A.040 and KRS 65A.050

State funds withheld

Finance and grant-issuing agencies notified.

Newspaper publication

Noncompliance details published at the SPGE's expense.

APA notification

APA may conduct an audit or special examination at the SPGE's expense.

Possible dissolution

Two consecutive years of missing filings may trigger KRS 65A.050.



Common questions, common misconceptions, and practical reminders.

Newfound & Newly Created SPGEs

If it meets the definition but is not reporting, start here

- Complete the Newfound and Newly Created SPGE form.
- Include creation documents such as an ordinance, articles of incorporation, or interlocal agreement.
- The form is available through the SPGE website Help Center.
- Email the completed form and supporting documents to dlg-csd@ky.gov.

Goal: get the entity properly identified and added to the SPGE website.

Who Decides SPGE Status?

A common source of confusion

- An entity listed on the SPGE Portal is treated as a SPGE.
- If the entity disputes that status, submit the Newfound SPGE form and creation documents for review.
- If DLG determines it is not a SPGE, reporting ends; if confirmed, reporting continues.

Dissolving or Merging? Reporting Continues.

Legal status controls the reporting obligation, not inactivity

Continue filing

**Provide legal
documentation**

DLG updates status

- Required filings continue through the effective date of dissolution or merger.
- DLG needs documentation confirming the legal action before the portal status changes.
- Inactivity by itself does not dissolve an entity.

Dissolution Documentation

What DLG may need to close out the entity – KRS 65A.050

Notice of dissolution

Formal dissolution resolution

Formal dissolution ordinance: required when dissolution is approved by an affirmative vote of 2/3 of the governing body of the SPGE, establishing entity, or county in which the SPGE provides services or operates

Dissolution plan if services, liabilities, or assets remain

A dissolution plan should address continuation of services, satisfaction of liabilities, and distribution of assets.

Merger Documentation

What DLG may need to help establish the legal transition

Resolution / ordinance approving merger, if applicable

Documentation addressing transfer/assumption of assets and liabilities

Merger agreement or plan

Documentation identifying the surviving SPGE

Audit Requirement: Myth vs. Fact

Misconceptions we hear often

MYTH

No financial activity means no audit/attestation requirement.

MYTH

A review or other report can replace the audit or attestation engagement.

FACT

**SPGEs must submit an audit or attestation requirement based on the applicable threshold.
Under KRS 65A, only an audit or attestation engagement satisfies the reporting requirements. Effective July 1, 2027, AUPs acceptable based on applicable criteria.**

There is no general exemption based solely on low or zero financial activity.

Not Accepted in Lieu of a Required Audit or Attestation Engagement

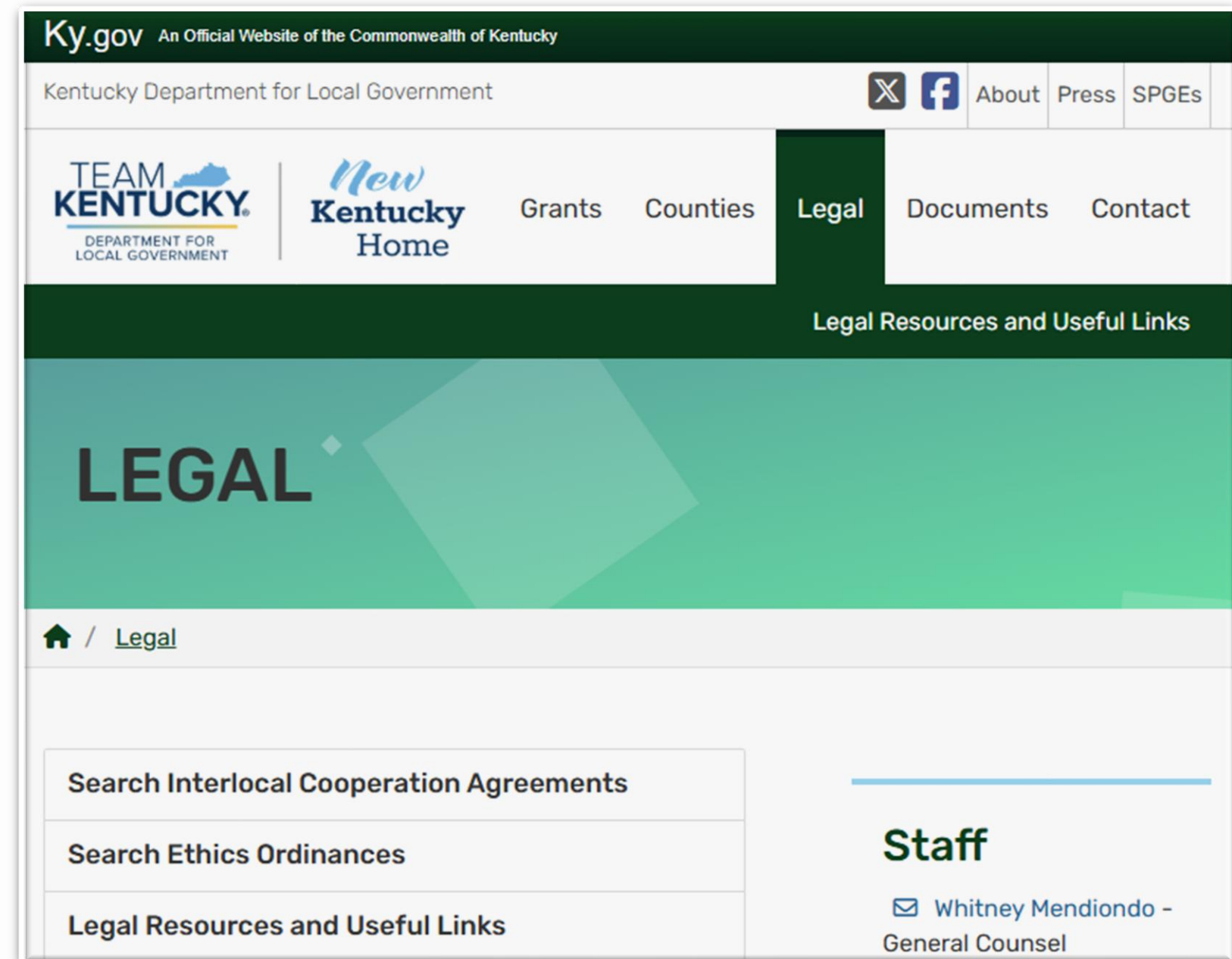
- X Compilation
- X Review
- X Prepared financial statements
- X Internal financial or treasurer's report
- X Tax return / Form 990
- X Grant- or program-specific audit that does not satisfy KRS 65A
- X Other CPA/accounting reports that do not meet the required auditing or attestation standards

SPGEs must submit the required audit or attestation engagement. Other financial or accounting reports cannot be used as substitutes.

Code of Ethics

KRS 65A.070

- SPGEs are subject to the establishing entity's Code of Ethics, unless they adopt more stringent provisions.
- Newly adopted or amended ethics ordinances must be sent to DLG and the establishing entity within 21 days.
- Send the PDF to dlg-csd@ky.gov.
- Documents are available on DLG's website under the Legal tab.



Notice of Intent to Finance

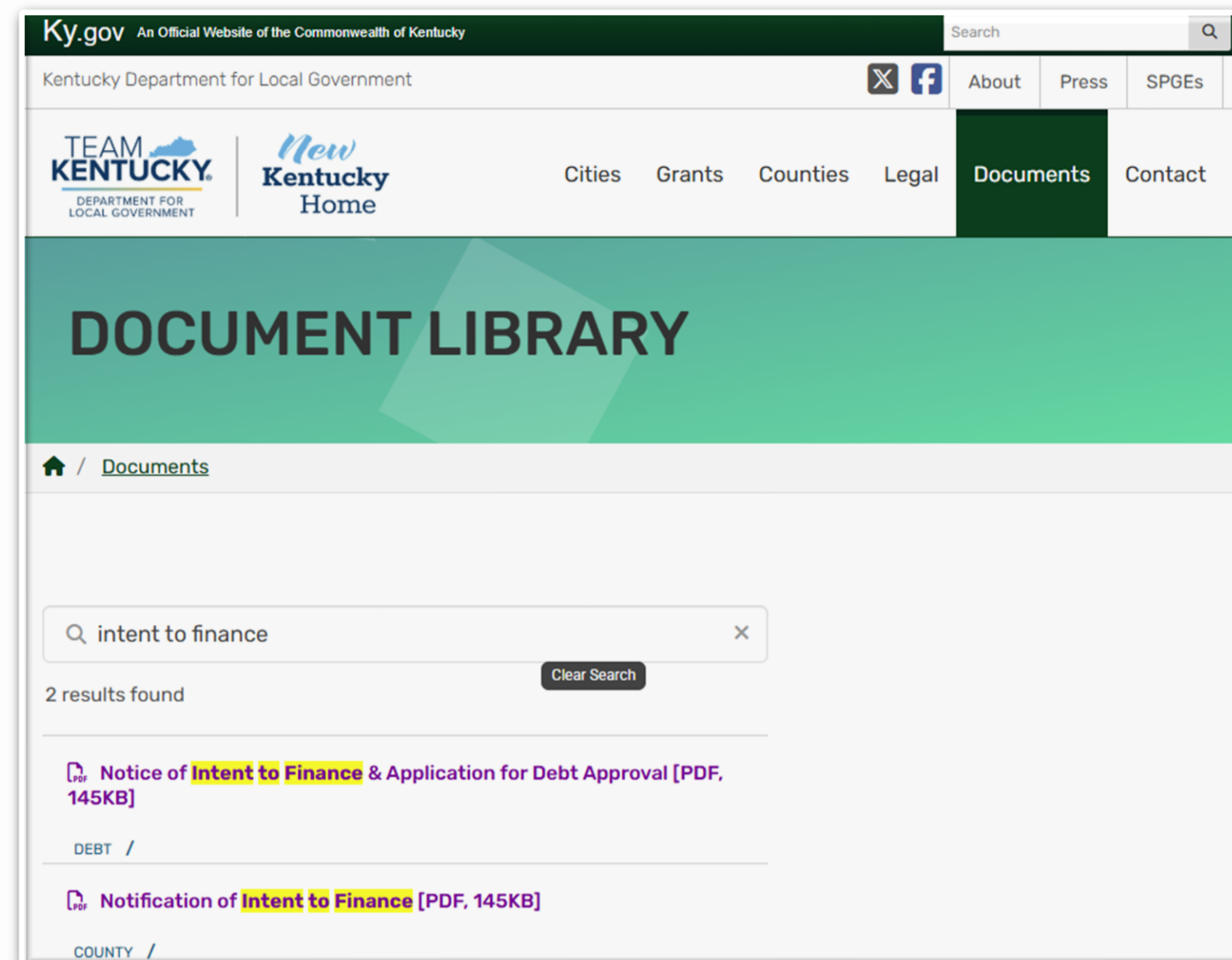
Notification comes before certain long-term obligations

Enters into a lease costing more than \$200,000

Issues bonds under KRS Chapter 66

Takes on any other type of long-term debt

- Provide written notification to the State Local Debt Officer before entering the obligation.
- State Local Debt Officer approval is not required unless another law requires it.
- Completed forms may be emailed to Roger.Smith@ky.gov.



Procurement: Start With Your Authority

KRS Chapter 45A may apply for different reasons

Enabling statute requires it

**Administrative tie to
city/county**

Board formally adopts it

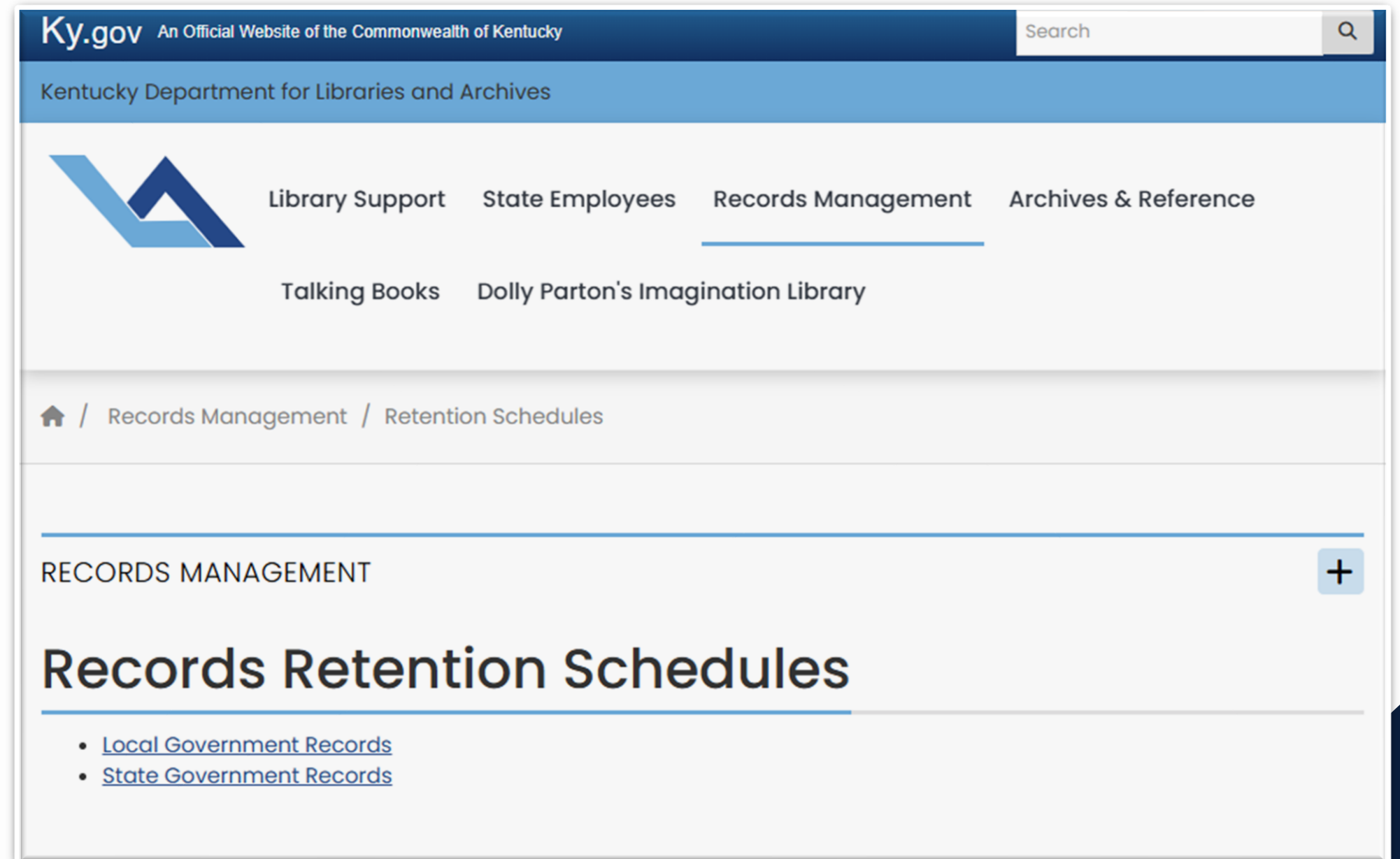
- Review enabling statutes, local policies, interlocal agreements, bylaws, and approved procedures.
- Some SPGEs have rules that are more specific or more stringent than the Model Procurement Code.

Best practice: identify the legal authority before choosing the procurement method.

Records Retention

Keep records according to the applicable schedule

- SPGEs generally follow the Kentucky State Records Commission retention schedule, aligned with 701 KAR 2:020.
- Retention periods vary by the type of financial, administrative, or operational record.
- Use the official schedule to confirm the required retention period for your records.



One size does not fit all records.

Affidavits for Missing Records

KRS 65.037 provides a path when a required record is lost, damaged, or destroyed

- Eligible SPGEs may submit an affidavit in lieu of the missing required record.
- Follow DLG's affidavit instructions and email completed affidavits to dlg-csd@ky.gov.
- DLG reviews each affidavit to determine whether it can be accepted.
- Accepted affidavits can be viewed on the SPGE and Public Portal.

*SPGE RESOLUTION FOR LOST, DAMAGED, OR DESTROYED RECORDS PURSUANT TO
KRS 65.037 (22 RS HB 351)*

RESOLUTION NO. (Provide Resolution Number)

A RESOLUTION OF (PROVIDE SPGE NAME) PROVIDING
AN AFFIDAVIT IN LIEU OF RECORD(S)

WHEREAS, KRS 65.037 (the "Act") allows an affidavit in lieu of record(s) required to be produced by a local government;

WHEREAS, the (Provide SPGE Name) desires to present an affidavit in lieu of record(s) required to be produced by the (Provide SPGE Name);

WHEREAS, the (Provide SPGE Name) desires to present the affidavit to a government entity and finds that it is in substantial compliance with the Act;

WHEREAS, the (Provide SPGE Name) desires the affidavit to be sufficient to consider the local government as effectively having transmitted the record(s), and a penalty for noncompliance to not be assessed;

NOW, THEREFORE, be it resolved on this (Provide Date) day of (Provide Month and Year), the (Provide SPGE Name) authorizes the following affidavit to be submitted on behalf of the (Provide SPGE Name) by (Provide Name of Affiant), (Provide Affiant's Official Title) of (Provide SPGE Name) and same is hereby adopted by the (Provide SPGE Name).

AFFIDAVIT

I, (Name of Affiant), holding the position of (Provide Affiant's Official Title) of (Provide SPGE Name), having been duly sworn, states as follows:

1. At the request of the Commonwealth of Kentucky, Department for Local Government, the (Provide SPGE Name) has made a diligent, good-faith effort to locate all necessary documents in order to allow the appropriate government entity to conduct a complete review and/or audit of the (Provide SPGE Name) books and records for fiscal year (Provide Fiscal Year).
2. After a complete and thorough search of the records available to staff, we are unable to provide the necessary documentation to complete the (Provide Document Type) for the fiscal year (Provide Fiscal Year). In the event that any documentation is located or becomes available, the (Provide SPGE Name) will notify the proper government entity.
3. Pursuant to the Act, a good-faith effort at replacing or recreating the lost record(s) was made, which included bona fide attempts at:
 - o Contacting the individual or entity in charge of producing or storing the record for replacement;
 - o Reproducing the data that constituted the record and recreating the record; and
 - o Contacting an individual or entity that possesses a copy or an additional original of the record to acquire a copy for replacement.

Cities use a separate affidavit process.

Public Portal Demo

Questions & Support

For assistance and questions regarding KRS Chapter 65A:

Department for Local Government

Cities & Special Districts Branch

100 Airport Road, 3rd Floor, Frankfort, KY 40601

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