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GHOST GOVERNMENT

A Report on Special Districts in Kentucky

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**Ghost Government:
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November 14, 2012

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“It is almost impossible to obtain a complete and accurate list of all the special districts in Kentucky. No one knows exactly how many districts there are in the Commonwealth.”

“Special Districts in Kentucky”
Research Report No. 48
Legislative Research Commission
July, 1968

Context, Mission, Opportunity: An Introduction by Auditor of Public Accounts Adam H. Edelen

Turn the faucet, water flows. On a specific day, the garbage is collected. Firefighters ride to the rescue of a home in flames. While Kentuckians often assume these critical services are always provided by their local governments, they are not. In every county of Kentucky, some basic services are provided by “special districts” - unelected entities that have the ability to tax or charge fees to the public. These independent, special purpose districts are the most prevalent and least understood level of government in the Commonwealth. This report is an effort to bring common sense, transparency, and accountability to the billions of dollars these *Ghost Governments* collect, spend, and hold in reserves.

In the 236 years since Jefferson wrote in our founding document that governments derive “their just powers from the consent of the governed” there has existed a natural and constant tension over the power of government to tax the public.

This tension has been balanced by a bedrock belief that those who have the ability to take from the taxpayers ought to be accountable to them.

The challenge of Kentucky’s Byzantine system of special districts is that the current system undermines that bedrock principle.

The status quo is a muddled morass of more than 50 chapters of law and more than 1,000 individual statutes (some of which are a century old), bizarre classifications, uncertain responsibilities, confusing mandates and the absence of meaningful tools to compel compliance.

In an era in which accountability demands precision, any reluctance to embrace needed modernization of the governance of special districts is an insult not only to the taxpayers, but to those who are operating these critical public institutions honestly, effectively, and transparently.

It is a scandal that for generations no Kentuckian could answer basic questions as to the number of special districts, nor how much they tax, fee, spend, or hold in reserves. Not anything more than blind guesswork could estimate whether these districts were compliant with the existing reporting requirements of state law, as we have a near-toothless system that treats the law-abiding precisely the same way as those operating outside of it.

All of this is unacceptable.

On June 6, 2012, my office began the massive undertaking of answering key questions for the people of Kentucky.

This report outlines our best answers to those questions and explains how we got the answers. While representing the most ambitious effort to determine the size and scope of the issue, it is an imperfect document, as the system itself provides no opportunity for the kind of precision taxpayers demand and deserve.

Compounding generations of neglect in oversight have created a system of *Ghost Government*, one that despite its omnipresence, too little is known in the way of its operations when compared to traditional local government.

Special districts are a multi-billion dollar layer of government - rivaling county governments in sheer size - that operate outside any uniform system of accountability.

Special districts number more than 1,200. In 117 of our 120 counties, taxpayers collectively pay more to these special districts than they do to their elected county governments. They hold well north of a billion dollars in cash reserves - twice that of the contingency funds of all 174 public school districts. Except in a few cases, these districts operate outside the ethics code of the counties in which they operate.

To be sure, there is a difference between the districts themselves and the scandalous lack of system-wide oversight of them. Their work is critical to the communities they serve, their members put in considerable hours on a voluntary basis and the vast majority are honest stewards of the tax dollars. This report documents the best practices of some districts that are running precisely the right way. Any meaningful effort at reform must make it simpler to do the right thing rather than continue to complicate and confuse the efforts of those who wish to do so.

That being said, we all recognize the sociological truth that the awareness of being observed affects behavior. While most districts operate honestly, the status quo makes no meaningful distinction between this majority and the minority who engage in waste, fraud, and abuse.

In short, the system is broken and in need of big change. Incrementalism is not sufficient when the facts and the environment demand modernization and reform.

A reformed and modernized system will make these *Ghost Governments* more accountable to the public they serve.

John Adams wrote that “a people who mean to be their own governors must arm themselves with the power that knowledge gives.” This effort is transformative in that

Kentucky's citizens now have - at a keystroke - access to information that has eluded us for a century.

To the fullest extent possible, we've answered the questions of what these districts are, where they operate, how much they tax, fee, spend and hold in reserves. This knowledge empowers the public. Informed questioning of these districts will result in better government and, in the long run, renewed faith.

To this end, we've taken the information gleaned from our efforts to launch the *Citizen Auditor Initiative*, a website and database that lays the groundwork for implementing my office's recommendations and represents a huge leap forward in special district oversight and transparency. Policy makers can use this report and the online database to inform their decision making about reforming the system. Watchdogs now have a powerful tool for sharpening their surveillance. But as historically significant as the efforts of those who have produced these answers are, we must go farther. More must be done.

We recommend using technology to create accountability. Just as every Kentucky corporation is tracked annually by the Secretary of State's Office (with the results provided to the public online), every entity that has the ability to tax and fee us ought to annually register and report relevant financial information to an on-line centralized registry administered by the Department for Local Government.

In doing so, we'll simplify the system and address the legitimate complaints of those special district leaders who are frustrated by the shifting requirements and red tape of a patchwork regulatory system.

There must be real teeth to compel compliance with reporting requirements if we want to banish *Ghost Governments* and replace them with accountable governments having tangible form and substance. Training in governance, financial stewardship and ethics must be made available to those who are called to serve. The curriculum should be written by those who know what they're doing and available in the communities in which these public-spirited citizens serve.

Special districts do not currently have a universal requirement to conform to a code of ethics. At a minimum, every entity that has the ability to tax or fee ought to be governed by the ethics code of the county in which they operate.

This is an enormous opportunity in legacy building for a state that has often been marred by shortcomings in public integrity. We have a historic opportunity to make Kentucky a national leader in good government with modernization and reform of our system governing special districts.

In doing so, we also provide hope for addressing other great challenges.

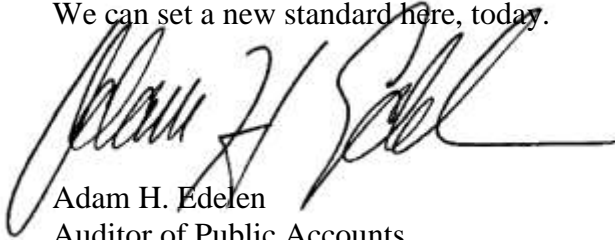
Resolute in the belief that Kentucky must cease to be a victim of its own history and that Frankfort is still a place where big problems can be solved, this effort reflects a broad

coalition of stakeholders, reflecting our Commonwealth's diversity of people, perspective and ideology.

Tired and shopworn differences about the size and scope of government were set-aside in the more unifying pursuit of good government.

Setting audacious goals, attacking old problems with energy and technology, and putting aside petty differences for the sake of collective progress, are the hallmarks of transformative reform.

We can set a new standard here, today.

A handwritten signature in black ink, appearing to read "Adam H. Edelen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Adam H. Edelen
Auditor of Public Accounts

Overview of Special Districts

Kentucky Revised Statutes (KRS) 65.005 defines special districts as “any agency, authority, or political subdivision of the state which exercises less than statewide jurisdiction and which is organized for the purpose of performing governmental or other prescribed functions within limited boundaries. It includes all political subdivisions of the state except a city, a county, or a school district.”

When special districts function as intended, they represent local government at its finest. Most special districts have the statutory authority to levy taxes or assess fees, enabling them to provide vital services to communities across the commonwealth. Water districts ensure our water is drinkable, ambulance districts and fire protection districts serve us in times of emergency, and library districts educate us.

In all, there may be as many as 53 types of special districts. Unfortunately, the number of special district types is not clear because, in many instances, the statutes are too ambiguous to make a definitive determination. The APA, the Department for Local Government (DLG), and the Legislative Research Commission (LRC) all had different numbers. Both KRS and DLG divide special districts into two categories:

Taxing districts, which are special districts with the statutory authority to levy their own ad valorem (property) taxes. We identified 27 of these types of districts; and

Non-taxing districts, which are special districts that have the statutory authority to assess fees or to receive earmarked taxes levied and collected by other taxing authorities. We identified 20 of these types of districts.

The number of statutes governing special districts is 1,017 according to the APA's count, and the earliest taxing district was mentioned in a Kentucky Court of Appeals case in 1868. Although called different things in different places, the equivalents of “special districts” in Kentucky exist in some capacity in all states. The U.S. Census Bureau refers to them generically as “special purpose governments” and attempts to count them every five years. Their prevalence also varies considerably from state to state.

The first definitive published study we were able to locate on special districts in Kentucky was conducted by the Legislative Research Commission in 1968. "Report No. 48 on Special Districts" made the case that special districts needed to be:

...more responsive to the public...by working more closely with general local governments.... One of the reasons that there have been very few studies of special districts is the sheer problem of defining these agencies. The core of the difficulty of definition is the necessity of differentiation among numerous dependent, semi-independent, and independent governmental agencies with similar structures.... No one can complete a study of special districts without being dismayed at the scarcity of available information on district activities. Until 1966, there was no provision for even a central recording of the creation of these units.

Additional studies on special districts were conducted by LRC in 1977, 1979, 1984, and 2006 (in the 2006 study, special districts were examined by the Task Force on Local Taxation as part of an overall review of local government taxes). Nevertheless, more than four decades since the definitive study, special districts continue to lack adequate levels of oversight and accountability.

Note: Considering the time required to undertake this process, we had to, effectively, finalize the data as of October 29, 2012. Since that time, we have received an additional 19 surveys, which will remain in a holding area until the information has been reviewed and processed. In order to provide policymakers and the public with the most comprehensive and accurate information on special districts possible, we have created a section on our Citizen Auditor website (explained in Chapter III) that shows all of the same graphs and tables found in the report but updated to include the most current information available. The next update is currently scheduled for December 4, 2012.

Answering the Basic Questions

On June 6, 2012, the Auditor of Public Accounts (APA) announced an initiative to determine:

1. How many special districts are in Kentucky?
2. Where are they located?
3. How much money flows through them?
4. Are they compliant with state law?

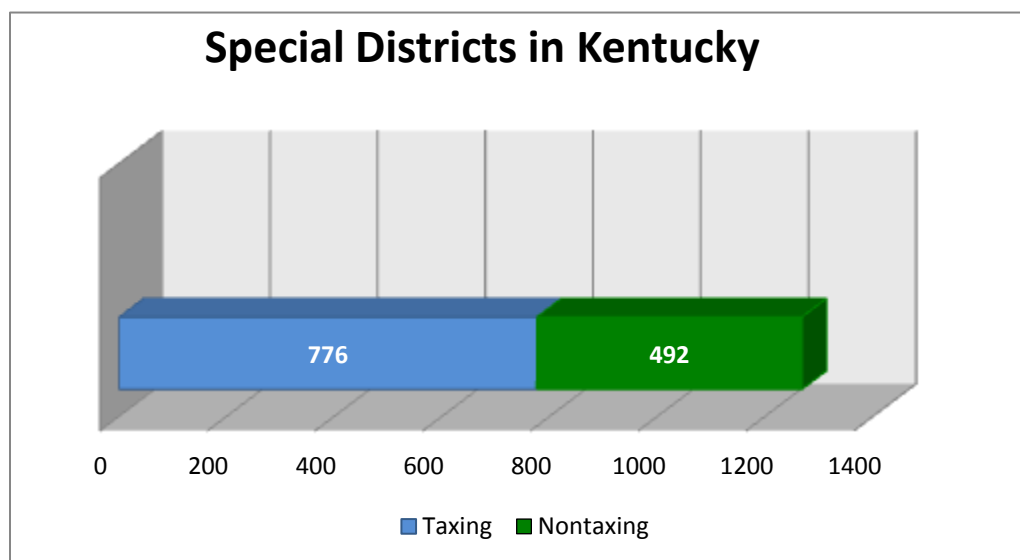
This report summarizes the APA's efforts to answer these questions. The answers are critical for policymakers because it is impossible to make informed policy decisions without accurate data. The answers are critical for the public because most of the money special districts spend is taxpayer money. Those who write the checks deserve to see the checkbook. Below are the summarized results of the APA's efforts to answer the questions that have eluded policymakers for decades.

1. How many special districts operate in Kentucky?

Short answer: 1,268 identified through October 29, 2012.

The Department for Local Government reported 1,123 special districts and the APA identified an additional 145 through surveys of elected officials and other means to determine, for the first time ever, how many special districts exist in the Commonwealth. No state agency or entity tracks all of them, and it is possible that there may be additional special districts operating in the Commonwealth that were not identified by DLG or the APA.

Overview, Figure 1



2. Where are they located?

Short answer: Every county in Kentucky.

There appears to be no correlation between the size of a county and the number of special districts in that county. Jefferson County, the Commonwealth's most populous county, has the most special districts (33). However, the second-largest county, Fayette, with approximately 300,000 residents, has just nine special districts, while Marshall County, with a population of approximately 31,000, has 23 special districts. Of the special districts in Marshall County, which encompasses 340 square miles, nine are fire districts. Those nine fire districts collected a total of \$1.4 million from taxpayers during the 2011 fiscal year, spent \$1.3 million and had \$1.15 million in reserves. By comparison, nearby Muhlenberg County, also with approximately 31,000 residents, has just 13 special districts.

Overview, Figure 2

Special Districts by County

Adair	9	Edmonson	8	Knox	10	Nicholas	8
Allen	8	Elliott	7	Larue	5	Ohio	9
Anderson	7	Estill	9	Laurel	14	Oldham	17
Ballard	8	Fayette	9	Lawrence	6	Owen	5
Barren	9	Fleming	10	Lee	5	Owsley	7
Bath	10	Floyd	24	Leslie	7	Pendleton	11
Bell	12	Franklin	9	Letcher	6	Perry	17
Boone	18	Fulton	13	Lewis	15	Pike	8
Bourbon	5	Gallatin	8	Lincoln	9	Powell	8
Boyd	20	Garrard	8	Livingston	12	Pulaski	9
Boyle	8	Grant	10	Logan	10	Robertson	5
Bracken	8	Graves	18	Lyon	12	Rockcastle	8
Breathitt	10	Grayson	13	Madison	14	Rowan	16
Breckinridge	7	Green	9	Magoffin	7	Russell	13
Bullitt	11	Greenup	17	Marion	7	Scott	6
Butler	7	Hancock	7	Marshall	23	Shelby	15
Caldwell	12	Hardin	7	Martin	9	Simpson	9
Calloway	13	Harlan	12	Mason	14	Spencer	10
Campbell	13	Harrison	8	McCracken	18	Taylor	11
Carlisle	10	Hart	8	McCreary	18	Todd	7
Carroll	8	Henderson	22	McLean	5	Trigg	13
Carter	7	Henry	6	Meade	12	Trimble	5
Casey	10	Hickman	10	Menifee	6	Union	16
Christian	19	Hopkins	12	Mercer	8	Warren	14
Clark	7	Jackson	6	Metcalfe	5	Washington	6
Clay	7	Jefferson	33	Monroe	8	Wayne	8
Clinton	7	Jessamine	9	Montgomery	13	Webster	11
Crittenden	11	Johnson	16	Morgan	8	Whitley	13
Cumberland	9	Kenton	18	Muhlenberg	13	Wolfe	7
Daviess	14	Knott	12	Nelson	7	Woodford	8

3. How much money flows through them?

Short answer: An estimated \$2.7 billion per fiscal year.

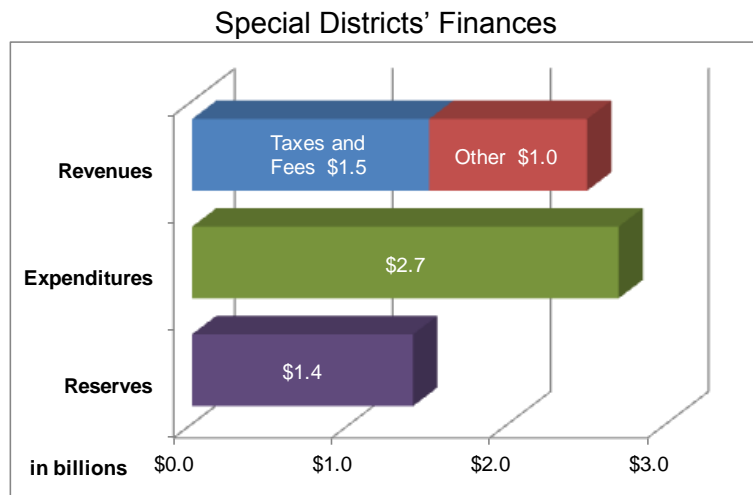
Special districts receive more than \$1.5 billion in taxes and fees from Kentuckians each year and receive almost \$1 billion from grants and public and private sector fundraising. Estimates of annual revenues received and expenditures made by special districts varied before this study, but even the highest estimate of \$1.5 billion understated the magnitude based on what we found. The data and

information we gathered indicate that Special districts annually spend more than \$2.7 billion, which equals approximately one-fourth of the total annual general fund state budget.

The surveys also revealed that special districts maintain a total of \$1.38 billion in reserves. There is no question that rainy day funds or reserves are important to ensure the solvency of an organization, and that it is sometimes necessary for an organization to accumulate capital for large purchases. We did not delve into the details of the reserve accounts, and the APA does not discuss or address in this report what the appropriate amount of reserves for each district should be. Rather, we leave that to taxpayers to decide.

A surprising discovery was that in 117 of 120 counties, taxpayers pay more in taxes and fees to special districts than they do to the county government in property taxes.

Overview, Figure 3



4. Are they compliant with state law relating to financial and organizational reporting?

Short answer: Some are, many are not.

The state laws that require special districts to comply with financial and organizational reporting requirements are a patchwork of provisions that include a great deal of overlap, and some glaring omissions. There are no reporting requirements that apply to all special districts uniformly. What we were able to ascertain, for those districts that are required to comply is as follows:

- State law requires some special districts to submit certain financial reports, including budgets and a Uniform Financial Information Report (UFIR) to their fiscal courts. In fiscal year 2011, 40% of special districts that were required to submit budgets did not, and 15% that were required to submit a UFIR did not, according to DLG.
- Special districts with annual revenues or expenditures of more than \$750,000 are required to have an audit performed each year, but just 55% did so, according to surveys. Those with revenues or expenditures of less than \$750,000 are required to have an audit performed every four years and according to survey results, 66% complied.

Chapter I

Findings and Recommendations

Introduction to Findings

As noted in the Overview of Special Districts, an analysis of the Kentucky Revised Statutes (KRS) pertaining specifically to special districts found over 1,000 individual statutes that address various aspects of special districts constituted throughout Kentucky. Most of the statutes authorize the creation of a specific type of special district and set forth the parameters for the creation and operation of the district including provisions relating to district formation, responsibilities, powers and duties, board composition, taxing authority, dissolution, and reporting requirements. Other statutes are more general and apply to a broader group of districts. These general statutes are where most provisions relating to financial and organizational reporting and oversight are found.

Though the number of statutes addressing special districts is extensive, they do not establish a comprehensive, uniform system for all special districts related to financial and organizational oversight, reporting, and accountability; and, at times, create confusion for those attempting to understand how and when the various statutory provisions apply. Special districts were originally authorized in the 1800s, with new or revised types of special districts being statutorily authorized at different times over many decades. As new types of special districts were authorized, those statutes were, in most cases, simply added to existing statutes, resulting in the complex, confusing, sometimes contradictory and vague patchwork of statutes that we have today.

Four central themes are found throughout these findings and recommendations:

- The need for statutory reform;
- Stronger safeguards or “teeth” in the laws and regulatory framework to compel compliance;
- Establishment of a centralized registry for special districts; and
- The need for education of stakeholders.

The need for statutory reform: Perhaps the most persistent problem identified in our findings is the confusion associated with trying to reconcile and understand the various statutes that apply to each type of special district. Policymakers must have clarity to govern effectively; however, clarity is precisely what is lacking in the statutes and regulations that govern special districts. Statutory reform, including a requirement that special districts comply with existing county ethics codes, is absolutely essential if Kentucky is to become a national leader in special district governance.

The need for safeguards or “teeth” to compel compliance: As is evidenced by the compliance rates noted in the introduction to this report, the current laws do not provide sufficient consequences for special districts that fail to comply with statutory reporting and oversight requirements. We recommend additional incentives for compliance and consequences for non-compliance.

The need for a centralized registry: The citizen auditor website and database, created as a result of and based on data and information gathered for this report, is thoroughly discussed in Chapter II. The website and database provide an unprecedented snapshot of the financial and organizational details of special districts operating in Kentucky. This information, however, is only a snapshot. Creation of the website and database represents significant progress in disclosing special district information; however, additional reforms are necessary to ensure true and continuing accountability, transparency and oversight of special districts. It is essential that statutory changes be made to require a centralized registry that serves as a one-stop shop for everyone with an interest in special districts, including taxpayers, policymakers, local elected officials, special district representatives, and the state and regional umbrella associations that oversee special districts and share best practices.

The need for educational training of stakeholders: Not all special districts that fail to comply with state law do so intentionally. Many of them, possibly the majority, are genuinely unaware of their statutory obligations. This is particularly true of small special districts having all-volunteer staff and small budgets. Not only do special districts lack necessary information, but local elected officials that are required to oversee the special districts also have inadequate information available to them. As a result, the need for education at all levels is another recurring theme found throughout our recommendations.

Finding 1: Special districts’ statutory requirement to certify their existence with the county clerk has no enforcement mechanism for a failure to comply.

Essentially, there are three “sets” of statutory reporting requirements for special districts. The first and most extensive requirement is found in KRS 65.005, which broadly requires each and every special district to certify its legal existence by giving written notice to the county clerk. “Special district” is defined in KRS 65.005 as follows:

(1)(a) “Special district” means any agency, authority, or political subdivision of the state which exercises less than statewide jurisdiction and which is organized for the purpose of performing governmental or other prescribed functions within limited boundaries. It includes all political subdivisions of the state except a city, a county, or a school district.

This definition establishes that all special districts as defined in the statute must file a notice with the county clerk that the special district exists. Under this broad definition, it would seem that all of the entities identified in this report as special districts are covered and would be required to comply. The problem is that this statute does not include any enforcement provisions or other language to require compliance, nor does it make any oversight entity responsible for addressing noncompliance.

Finding 2: Special districts’ statutory requirements to timely complete and file annual budgets, financial statements and audits, and to annually file, submit and publish updated district data are not effectively enforced.

Of the broad group of special districts required to file the notice of establishment under KRS 65.005, a second set of statutory requirements apply to 43 types of special districts, which are required to file budgets, prepare financial statements, prepare and file descriptive statements, and receive and submit audits. These special districts are listed in KRS 65.060, and perform a wide variety of governmental functions, providing water, rescue services, waste management, and fire protection, to name a few.

Specifically, KRS 65.065(1) requires each identified district to “annually prepare a budget and . . . shall classify budget units in the same fashion as county budgets are classified.” This statute also requires the State Local Finance Officer (SLFO) in DLG “to prepare standard budget forms for district use” and provide these budget forms to the county clerks for distribution to district officers. The statute further states:

No [district] moneys shall be expended from any funds or any sources, except in accordance with the budget which has been filed with the fiscal court to be available for public inspection. No budget of a district shall become effective until filed with the fiscal court of the county in which the district is located for submission to the Department for Local Government. . . . If the budget is not filed with the fiscal court at least thirty (30) days prior to the start of the district fiscal year, the fiscal court shall immediately notify the county attorney. The county attorney shall then notify the governing board of the special district of the noncompliance and then proceed with any steps necessary to prevent the expenditure of funds by the special district until the district is in compliance.

Though this statute provides a process and controls for a budget to be prepared and properly filed, the language is confusing, cumbersome and establishes an overly-complicated process to ensure a district's budget is prepared, filed, and made available to the public within the required time. The statute provides that the budget is not effective until filed with the fiscal court, which means funds cannot be expended until the budget is filed. If the preparation and filing is not completed as required, the fiscal court is to notify the county attorney, who is then required to "proceed with any steps necessary" to prevent the district from spending any of its funds until it has prepared and filed its budget with the fiscal court.

Furthermore, the current process is impractical in that enforcement under the statute contemplates a county attorney notifying the district they are prohibited by statute from expending funds until its budget is filed with the fiscal court. If district officials ignore the county attorney, a lawsuit would have to be filed against the district to keep it from expending funds until the budget is properly completed and filed. This process is expensive, time-consuming, and burdensome, and in practice, simply does not work.

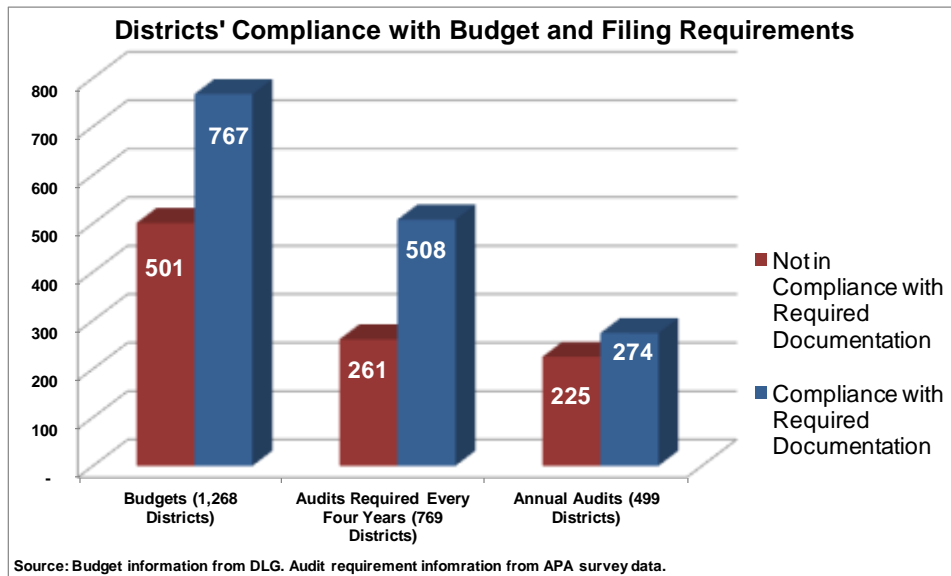
It is also significant to note that Section 157b of the Kentucky Constitution requires the adoption of budgets by taxing districts. Section 157b states:

Prior to each fiscal year, the legislative body of each city, county, and taxing district shall adopt a budget showing total expected revenues and expenditures for the fiscal year. No city, county, or taxing district shall expend any funds in any fiscal year in excess of the revenues for that fiscal year. A city, county, or taxing district may amend its budget for a fiscal year, but the revised expenditures may not exceed the revised revenues. As used in this section, revenues shall mean all income from every source, including unencumbered reserves carried over from the previous fiscal year, and expenditures shall mean all funds to be paid out for expenses of the city, county, or taxing district during the fiscal year, including amounts necessary to pay the principal and interest due during the fiscal year on any debt.

KRS 65.065(1) and (2) establish the audit requirements governing each district. For any year in which a district received or expended from all sources less than \$750,000 the district is required to only prepare a financial statement; however, once every four years the district must have an audit of its funds. A district that receives or expends from all sources \$750,000 or more is required to have an annual audit of funds performed.

Chapter 1, Figure 1 illustrates the number of districts listed in KRS 65.060 that did not comply with filing annual budgets and required audits. Of the 1,268 districts, identified from DLG documentation that should have filed a completed budget, only 767 or 60% complied with the requirement and 40% did not. According to the completed district surveys returned to the APA, 508 or 66% of the 769 districts complied with being audited once every four years. Further, only 55% or 274 of the 499 districts complied with the requirement to have an annual audit. The data identifies that over 33% of the districts did not meet the once in four years audit requirement, while over 45% of the districts did not meet annual audit requirements.

Chapter 1, Figure 1



Whereas KRS 65.065(1) addresses budget requirements of districts, KRS 65.065(2) through (5) specifies the financial statement and audit requirements of districts. Subsection (6) of this statute provides an additional means of enforcement to ensure compliance with budget, financial statement, and audit requirements by allowing any resident of the district to bring a legal action in Circuit Court to

enforce the provisions of the statute if the district is not in compliance. Although this particular provision does empower citizens to take action, based on the information available to this office, it appears a citizen's legal action has rarely, if ever, been used to attempt to enforce any non-compliance with KRS 65.065.

As noted previously, statutory provisions requiring special districts to prepare and file budgets, and financial statements, and to receive and submit audits do not apply to all special districts. However, among those special districts that are required to report this information, we found that many special districts did not consistently submit the required documents. This may be due to inadequate oversight, the lack of consequences for not filing this information or both. Whatever the reason, the results speak for themselves and it is apparent that the existing statutory framework is ineffective in ensuring that all special districts required to do so complete and file the required documents in a timely manner.

Note: We do not address in this Report whether or to what extent the financial information reporting and publishing requirements of KRS 424.220 are applicable to officers of special districts. Officers of special districts who have the custody; control, or disbursement of public funds, however, should be aware of the provisions of this statute.

In addition to statutory requirements for filing budgets, financial statements, and audits, each of the 43 types of special districts listed in KRS 65.060 is also required in KRS 65.070, subsection (1)(a), to file, within 60 days following the close of the district's fiscal year, a certification with the county clerk of each county in the district any of the following information that has changed since the last filing by the district:

- (1) any changes to the name of the district;
- (2) a map or general description of the district's service area;
- (3) the statutory authority under which the district was created; and
- (4) the names, addresses, and the date of expiration of the terms of office of the members of the district's governing body and chief executive officer.

This statute, in subsection (1)(b), further requires each of these districts, within 60 days following the close of the district's fiscal year, to submit to the fiscal court of each county in the district, a summary district financial statement.

Subsection (1)(c) of this statute also requires each of these districts, within 60 days following the close of the district's fiscal year, to publish the names and addresses of the members of its governing body

and chief executive office, and either (a) a summary financial statement, which includes the location of supporting documents, or (b) the location of district financial records which may be examined by the public.

Further, KRS 65.070(2) similarly requires a copy of the district's annual audit to be submitted to the fiscal court of each county in the district within 30 days of the district's receipt of the completed audit. The statute requires DLG to prepare and furnish to the county clerks, rather than directly to the districts, standard reporting forms, which districts may use to comply with the provisions of the statute.

Finally, KRS 65.070(4) provides for a resident of the district to bring an action in Circuit Court to enforce the provisions of KRS 65.070 if the district did not comply with filing the required district information. Again, though this empowers a citizen to take action, it is not known to have ever been used and appears to not be an effective safeguard to ensure compliance with the requirements of KRS 65.070.

Finding 3: Special taxing districts' UFIR filing requirement fails to be effective or adequately enforced, and non-taxing districts are not required to file a UFIR.

The third set of statutory requirements applies only to those special districts empowered to levy their own ad valorem taxes. KRS 65.905(1) requires each special district with ad valorem taxing powers, including, but not limited to, the 20 types of special taxing districts listed in KRS 65.900(3), to complete and submit to DLG, by May 1 of each year, a Uniform Financial Information Report (UFIR). The UFIR, as required by KRS 65.910(1), shall include, "information relating to demographics, debt service, lease-purchase agreements, tax rates and revenues, licenses, permits, fees, utilities, intergovernmental revenues, miscellaneous revenues and expenses, charges for services, and all expenditures." A review of the results of surveys distributed by the APA and information maintained by DLG found approximately 85% of taxing districts complied in fiscal year 2011 with the statutory requirement to file a UFIR timely. The UFIR provides information essential for public transparency and accountability of the financial activity of the district.

Enhancing the transparency of special district information by making the financial information captured in UFIRs accessible online will empower the public to be citizen auditors who can assist in encouraging more district transparency and accountability. See case study of Garrett Fire District in Appendix 1.

Many of the completed and returned surveys distributed by the APA appear to question or resist placing special district financial information online. Examples of a few of the survey statements received are:

- "This contains information the public is not entitled to know."
- "Don't think should be shared publicly."
- "Too many crackpots in the world."
- "I believe that the Districts have been running fine over the past 80+ years."
- "If it's not the law I don't think it is necessary."
- "Would rather the public contact us directly to gain information so we know who is asking."
- "I don't think they should have access."
- "I just don't think all this information needs to be public."
- "If someone wants the information they can come to a meeting or send an open records request."

Any special taxing district covered by KRS 65.920(2) that fails to timely submit a properly completed UFIR can be penalized by DLG's State Local Finance Officer (SLFO), at his or her discretion, by

notifying state agencies making payments to the noncompliant district to cease making the payments. According to the statute, “those agencies shall immediately suspend delivery of all payments to the [district].” Further, any special taxing district that fails to submit the report “shall be ineligible to receive county or municipal road aid moneys.” The problem with this penalty is most districts do not receive these types of moneys so this is an empty enforcement provision.

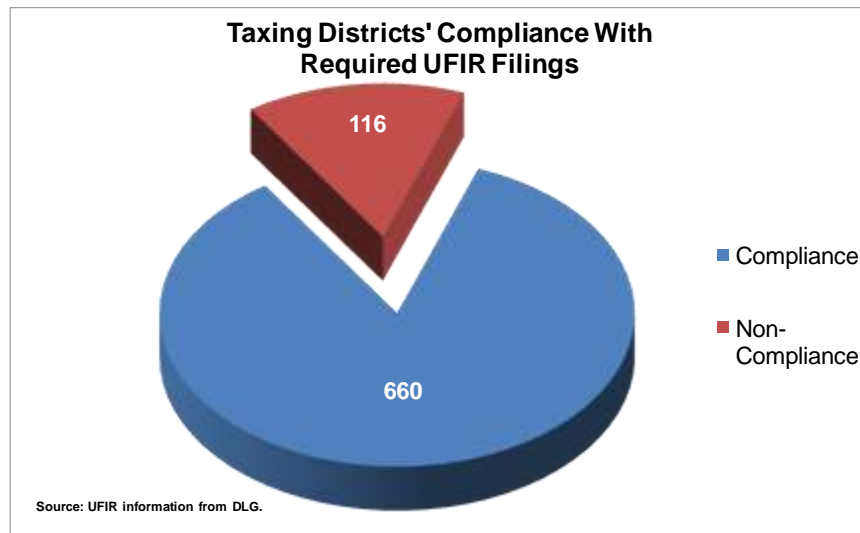
Several problems exist that weaken the successful enforcement of the statute. The first problem is the SLFO may not be able to identify which state agencies, if any, make payments to a non-compliant district. The lack of such information makes notification difficult, if not impossible, and undermines the effectiveness of this process established to encourage compliance.

The second problem with the existing enforcement process is evident in that the SLFO is given the discretion whether or not to enforce compliance. By failing to require the SLFO to notify agencies providing payments to noncompliant districts, the enforcement process is lax, arbitrary, and may be subject to question.

Finally, a third problem exists in that UFIRs are currently only required to be submitted by those districts with ad valorem taxing powers. Filing a UFIR is not required for over 20 types of special non-taxing districts that are not authorized by statute to levy ad valorem taxes. Similar to taxing districts, these non-taxing districts are public entities performing governmental services that receive and spend public dollars to perform public functions. It enhances public transparency for these districts, just as taxing districts are, to be accountable for the receipt and use of public funds by annually preparing and submitting the financial information required in the UFIRs.

Chapter 1, Figure 2 below demonstrates the number of KRS 65.900 special taxing districts which did and did not comply with the requirement to file a UFIR. According to DLG documentation, 776 taxing districts were required to complete and submit a UFIR. Of that total, 116 or 15% of these districts did not file a UFIR, while 660 or 85% of the districts met the filing requirement.

Chapter 1, Figure 2



Recommendations for Findings 1 through 3

Implement an online central registry and establish uniform reporting requirements for special districts

We recommend current technology be used to significantly simplify both the special districts' notification of existence requirement and the budget preparation and filing process by requiring all special districts to annually access, at least 60 days before the beginning of the district's fiscal year, the DLG's-approved budget forms directly from an online central registry to be established by DLG.

We also recommend districts be required to use the online central registry to submit all mandated filings including budgets, financial statements, UFIRs, audits, and other information. In addition, we recommend the forms be completed and submitted using this online registry at least 15 days prior to the beginning of the district's fiscal year. The process allows the completed forms to be immediately accessible to any individual or entity wanting to review the reports, including the fiscal court, DLG, and the public. The use of technology to simplify and expedite this process also provides transparency and accountability that does not currently exist. Either the existing DLG or state's Open Door websites could be used to access the newly-created central registry that will be maintained by DLG.

Enhance compliance by involving the APA in situations where notifications or documents are not timely filed by a special district after timely notice from DLG.

We recommend a district that fails to either annually certify its existence or timely complete and file its budget or other financial documents electronically, as previously recommended, receive written notification from DLG that its failure to comply within an additional 15 days will result in the APA being notified, and will further result in DLG notifying state agencies, in accordance with KRS 65.920, to suspend delivery of all public funds to the special districts until the district complies. We recommend the APA provide written notice to the district that if it does not comply within 30 days of the date of the written notice, the district could be subject to audit at the district's expense by the APA or a firm contracted by the APA.

Reduce the threshold amount for requiring an annual special district audit, and revise audit requirements for special districts requiring the district's auditor to file online with a central registry a certification and summary of their audited financials.

In addition, we recommend amending KRS 65.065(2) and (3) to reduce the threshold amount of \$750,000 that now initiates the frequency of a district's audit to \$500,000. We also recommend the district's auditor be required to electronically file on the online central registry a certification and summary of the district's most recent audited financial statements within 30 days from completion of the district's most recent audit.

Establish special audit procedures for special districts not meeting the requirements for an annual audit.

We recommend various audit engagement requirements be considered depending on the amount of the district's budget and its compliance with filing requirements. For example, a district with a budget of \$100,000 or less could contract with the APA or a Certified Public Accountant (CPA) firm to perform an "agreed upon procedures" engagement. If this district is compliant with statutory requirements, the district would be allowed to request an exemption allowing audit procedures to be performed bi-annually. This type of engagement can address specific financial activity at a cost less than that of a full financial statement audit. We also recommend that districts with budgets over \$100,000 and less than \$500,000 be allowed to receive bi-annual financial statement audits if the district is in compliance with statutory requirements.

We recommend the private right of action granted by KRS 65.070(4) be retained as a deterrent to a district's failure to certify its compliance with the filing, submission, and publication requirements of the statute.

Require special districts to annually certify compliance with statutory filing requirements using an online central registry.

We recommend KRS 65.070(1) through (3) be amended to require each special district, annually, within 60 days following the close of the fiscal year, to certify both its continuing existence and its statutory compliance with all required reporting requirements by accessing the DLG-approved reporting forms directly from an online central registry and completing the forms online. The completed forms should be immediately accessible by the fiscal court, DLG, the public, and others. We recommend a district which fails to timely complete and file its certification be subject to the same process set forth above with DLG withholding funds and notifying the APA, and the APA contacting the special district. A special district's failure to annually recertify using the online central registry, as previously recommended, will result in the APA being notified and DLG withholding all state and local public funds from the district until the district complies. We recommend the APA provide written notice to the district that if it does not comply within 30 days of the date of the written notice, the district will be subject to an audit at the district's expense by the APA or a firm contracted by the APA.

Require UFIR financial information to be filed electronically using an online central registry.

We recommend a special district's responsibility to compile and report the financial information now required to be included in a UFIR be simplified and streamlined by eliminating the requirement that a district file a UFIR with DLG. Instead, we recommend a district electronically file required information using the online central registry.

We further recommend if a special district fails to comply with filing its budget-to-actual financial information with DLG by a certain date, then DLG will follow the same process previously recommended to enforce district filing requirements.

Finding 4: Local codes of ethics do not apply to board members, officers, or employees of special districts.

Special districts are not governed by local or other codes of ethics and are not required by statute to adopt or implement any code of ethics. Each Kentucky city and county is required by KRS 65.003 to adopt, by ordinance, a code of ethics that applies to all elected and appointed officials and employees of the city or county. The statute requires each local code of ethics adopted to include:

- (a) standards of conduct for elected and appointed officials and employees;
- (b) requirements for the creation and annual filing of financial disclosure statements by certain of these parties;
- (c) a policy on the employment of members of the families of officials or employees; and
- (d) the designation of a person or group responsible for enforcing the code of ethics, issuance of ethics opinions, investigation of possible ethics violations, and imposition of penalties for such violations.

According to Kentucky Attorney General Opinion 94-71, KRS 65.003 does not impose local ethics codes on special districts or their governing boards, officials, or employees. It is evident from the current plain language of the statute that board members, officials, and employees of special districts are not covered by these codes of ethics.

Several examinations performed by the APA identified potential conflicts of interests involving board members, employees, and contractors that personally benefited from their association with a special district. Many of the conflicts identified involved questionable activities regarding the procurement of services that resulted from personal or business relationships.

Statutory changes should be made to ensure that special districts are governed by a comprehensive code of ethics that establish high ethical standards of conduct. Board members as well as those employed by special districts should be accountable to the public for their actions and should be required to comply with enforceable, written standards of ethical conduct that assist in providing direction and accountability.

Recommendations for Finding 4

Include special district board members under state ethics laws

We recommend KRS 65.003 be amended to include board members, officers, and employees of special districts among those persons covered by the code of ethics of the county or city in which the special district exist.

Provide educational training relating to ethical responsibilities online.

We recommend DLG, in association with Area Development Districts, establish an educational training program for board members, officers, and employees of special districts regarding information relevant to special districts, including code of ethics and the various statutes governing the districts. We recommend a methodology be developed to making this training available electronically to provide more opportunities for training and to reduce costs.

Finding 5: There is no comprehensive list of all special districts operating in Kentucky, and no way to easily identify all special districts under the current statutory framework.

The existing statutory framework relating to special districts, discussed extensively in findings 1 through 3, does not include an enforceable requirement resulting in a comprehensive, centrally maintained list of all special districts authorized and operating in the Commonwealth. Based on a simple reading of the statutory language, it would seem that compliance with KRS 65.005 would result in a comprehensive list being available through DLG. In this regard, KRS 65.005(2) provides:

No special district shall be legally created without sending notification of its existence in writing to the clerk of the county within the jurisdiction of which its principal office shall be located. This requirement for notification is in addition to all other provisions of existing law providing for the creation of special districts. The notification shall contain the names and addresses of the members of the governing body of the district, the name and address of its chief executive officer, a specific reference to the statute or statutes under which it was created, and a brief description of its service area and activities. The clerk shall record the original and forward a copy of the notification to the state local finance officer and the state local debt officer, Department for Local Government. The clerk shall be paid a fee of two dollars (\$2) by the district for recording and mailing the notification.

At first blush, this language appears to be very strong. The statute clearly states that the very legal existence of a special district is dependent on the district filing the notice of existence. Presumably then, any special district that does not comply with the provisions of KRS 65.005 is not a legal entity. The problem is that the statute, as we pointed out in finding 1, does not include an enforcement mechanism, or vest any agency or entity with oversight responsibility to ensure that all districts comply. It would seem, therefore, that to enforce the provisions of this statute, someone with legal standing would have to file a lawsuit challenging the legal existence of a special district that failed to comply with the filing requirement. Filing a lawsuit requires time and money, and it is, therefore, highly unlikely that such a challenge would occur. Thus, the provisions of KRS 65.005 have not served their intended purpose of establishing a central location where basic information about all special districts operating in

Kentucky can be obtained. Without this basic information, it is impossible to know whether all special districts required to report are doing so. It took APA staff over six months to gather sufficient information to estimate how many special districts there are and where they operate, and even now, the APA cannot be sure that all districts have been identified.

Another significant issue with the various definitions of special districts included in the statutes relates to possible over-inclusion rather than under-inclusion. KRS 65.060 includes in the definition of “district,” “any board, commission or special district” formed by an Interlocal Cooperation Agreement pursuant to Kentucky’s Interlocal Cooperation Act (ICA), (KRS 65.210 - 65.300).

The ICA authorizes and permits public agencies, which are defined to include state agencies, cities, counties, school districts, and even federal agencies and political subdivisions of other states, to enter into agreements with one another “for joint or cooperative action” pursuant to the provisions of the ICA. By definition, this could mean, for example, the Kentucky State Police entering into an ICA agreement with the Federal Bureau of Investigation (FBI), may result in a “district” being created which must comply with budget and audit requirements of KRS 65.065, and reporting and publishing requirements of KRS 65.070. It seems apparent the General Assembly did not intend to require such interstate and intergovernmental ICA agreements to comply with these statutes; however, a literal reading of KRS 65.060 does not exclude them.

The ICA, at KRS 65.260, requires any ICA “agreements between cities, counties, charter counties, urban-county governments, and sheriffs upon approval of the fiscal court,” to be approved by DLG, and requires all other ICA agreements to be approved by Kentucky’s Attorney General. DLG posted on its website 192 ICA agreements between cities and counties that were approved from 2000 through 2012. These ICA agreements include, but are not limited to, Law Enforcement/Drug Task Forces, Emergency 911-E911 Dispatches, Local Ethics Boards, and Infrastructure/Cable Boards. Though these 192 ICA entities are “districts,” as defined by KRS 65.060, DLG does not include these entities in its list of special districts.

Finding 6: Many special districts are not aware of their legal, financial, and organizational reporting obligations.

Responses to surveys distributed by the APA to district representatives and others, as well as personal discussions with many involved in these districts, found individuals expressing confusion, frustration, and anger over special district laws and regulations and the inability to determine districts’ legal and financial reporting obligations. These individuals cited muddled, redundant, or obscure legal and financial statutes with complicated and arcane filing and reporting requirements. A review of these and other issues also identified the lack of training opportunities for individuals to learn of the various types of special districts’ legal and financial responsibilities. A central online registry providing a comprehensive source of information on special districts, as well as a simplified process for filing and reporting financial information and other data would significantly benefit a district’s ability to access and file information.

DLG does provide online resources to special districts such as “Special District Manual” and “Filing Calendar for Special Districts in Kentucky.” See appendices 9 and 10. These resources are valuable tools to assist special districts and continued efforts should be made to make the districts aware of these resources.

Some well-funded districts with a large number of employees, as well as many smaller districts that struggle financially and find it difficult to fill volunteer board vacancies or have few employees with little or no accounting experience, expressed difficulty in understanding the various statutory requirements and the documentation and forms required to be filed. In addition, it can be difficult for district representatives or the public to determine whether the district is considered a taxing or non-taxing

district. This lack of understanding and confusion increases the difficulty in determining what type of district an entity was when initially established and which laws govern the district.

According to district representatives, another common frustration concerns the multiple and often redundant financial and informational filings various oversight agencies require. For example, one state agency with oversight of a particular type of district requires submission of either the same or similar information that another state agency also requires to be submitted on a separate form or at a different time. These concerns demonstrate the need to simplify, streamline, and create a uniform process for districts to submit to a central repository the financial and other information required by law.

Along these same lines, we also found, both anecdotally and via our surveys, that many elected officials are also confused regarding their statutory obligations. The tables below illustrate the inconsistency with which elected officials perform the duties prescribed to them in KRS Chapter 65.

Percentage of Fiscal Courts reporting they perform the duty	Duties listed in KRS Chapter 65
64% (77 of 120)	Receive a petition for the creation of a special district, conduct a hearing on the creation of a special district, and vote to approve an ordinance or resolution that creates a special district.
35% (42 of 120)	Submit to the voters, the approval of a taxing district within the jurisdiction of a consolidated local government and counties containing a city of the first class, or a fire protection district in a county that does not contain a city of the first class.
93% (112 of 120)	Appoint members to a special district's board of directors.
71% (85 of 120)	Serve as an ex-officio member of certain special districts' board of directors.
62% (74 of 120)	Remove members from a special district's board of directors.
48% (57 of 120)	Combine, dissolve, or abolish special districts.
95% (114 of 120)	Receive annual budgets.
85% (102 of 120)	Submit all annual budgets received to the Department for Local Government.
56% (67 of 120)	Notify the county attorney if an annual budget is not received.
< 1% (1 of 120)	Other

Percentage of County Clerks reporting they perform the duty	Duties listed in KRS Chapter 65
36% (43 of 120)	Receive and record notifications from newly-created special districts, and forward a copy of this notice to the Department for Local Government
77% (92 of 120)	Distribute standardized budget forms to every special district in your county
31% (37 of 120)	Receive and file with the fiscal court in your county, any petition for the dissolution of a special district
10% (12 of 120)	Other

Finding 7: Statutes are inconsistent or silent regarding the process to dissolve districts.

A study of the law relating to Kentucky special districts revealed that over 53 types of districts are authorized in the statutes. Some districts are taxing districts while others are classified as non-taxing. Some can assess fees or charge for services, while others cannot. Almost all districts exist to perform a specific government function, such as ambulance service, flood control, area development, fire protection, or the provision of water. Of the 53 types of districts authorized by statute, however, it appears, based on the results of the APA's special district surveys, that only 36 of these types of districts currently exist. See Appendix 12 for the complete list of those special district types that we know exist and those that do not appear to exist.

Though a need may exist for a district to be formed for a period of time, public needs and situations may change over time, resulting in the service provided by a specific district to no longer be necessary. Statutes identify the process to create various types of districts. Current law, however, is inconsistent or silent regarding the legal process to dissolve many different types of districts. A study of current law raises several questions such as:

- Does a district formed by a referendum need a referendum to be dissolved?
- Does a district formed by a fiscal court need the fiscal court to act to dissolve the district?
- Does a district have the authority to dissolve by a vote of the district board?
- Does a district continue to exist after it ceases to function or operate?
- Does a process exist for the winding up, satisfaction of liabilities, and distribution of assets of a dissolved district?

These and many other questions cannot be conclusively answered because current law is vague or does not exist in many instances. In addition, there is no clear statutory process to administratively dissolve a district for consistently failing to comply with state laws or for ceasing to meet or function.

Currently, many types of districts may continue to exist because there is not a process for them to be dissolved. Existing Kentucky statutes, KRS 65.166 to 65.176, do provide for various methods to alter or dissolve special districts, but only for 10 of the 53 types of special districts that exist. See the matrix in Appendix 11 for a list of these. Thus, Kentucky law needs to be modified to establish a process to dissolve all types of special districts when they are no longer necessary or fail to operate in compliance with existing law. The process should be efficient, consistent, and clearly defined so that appropriate action can be taken to dissolve a special district when needed.

Recommendations for Findings 5-7

Create new definition incorporating all districts under one new name.

We recommend creating a new, more expansive statutory definition of a "special district," giving the entity a new name. The new entity would: (a) be governed by a body that is independent of a city and a county; (b) have the authority to either generate public funds by assessing taxes, rates, or fees, or expend public funds, or both; (c) perform governmental functions or provide services commonly recognized as being for public purposes; and (d) exist for a specific purpose or to perform specific public services, or both.

Establish an online registry for special districts to certify continued operations.

We further recommend establishing an online registry, similar to the corporation registry in the Kentucky Secretary of State's office, with which each special district entity, on an annual basis, after paying a filing fee to DLG, must register and certify its continuing existence, listing the

members of its governing body, its officers, its principal office, the statutory scheme under which it operates, and the governmental functions it performs or public services it provides. This registry would provide transparency for taxpayers, provide a streamlined, efficient process, and make information for all interested parties easily accessible.

Establish whether interlocal agreements are special districts.

In addition, we recommend the General Assembly clarify precisely which, if any, of the cooperative governmental entities formed pursuant to the Interlocal Cooperation Act, KRS 65.210 to 65.300, are to be included within the expanded definition of the new entity recommended above.

Establish a process for all types of districts to be dissolved.

We recommend various processes be authorized to dissolve a district through legislation including:

- The district board voting, by two-thirds majority, to dissolve a district after advertised public hearings, if applicable, are held. After approval, the board should complete and submit the necessary forms electronically on the newly-developed central registry to finalize the dissolution.*
- A process whereby special districts not in compliance with the registry's annual reporting requirements be subject to automatically being dissolved. We recommend this process be similar to the current process whereby businesses incorporated in Kentucky failing to file required annual reports are at risk of being automatically dissolved. We further recommend this process include provision for the winding up, satisfaction of liabilities, and distribution of assets of a dissolved district.*
- Establishing a provision that allows for the dissolution of a special district on a two-thirds majority vote of the fiscal court in which the district resides with the approval of DLG.*

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Chapter II

Citizen Auditor Initiative: Special Districts

They say if you can't measure something, you can't manage it. Nowhere is this more true than with special districts, the most prevalent form of government in the state. In historically difficult economic times, like the one we are currently in, the public is increasingly demanding transparency from government. The wealth of information the APA has gathered on special districts, since we launched this effort in June 2012, makes it ideally suited as a foundation for Auditor Edelen's *Citizen Auditor Initiative*, an ongoing effort to make as much information as possible on government spending available and easily accessible to the public.

Nearly all of the information collected by the APA will be available to the public through a user-friendly interface that will enable the public and policymakers to see far more information on special districts than has ever been available. Located at www.citizenauditor.ky.gov, the website will connect users to the special districts database created and housed by the APA as a means to manage what otherwise would have been an overwhelming amount of information.

Functionality

Specifically, the website will enable users to:

- Find all known special districts in Kentucky by name and location.
- See a list of all special districts operating in their county.
- View the financial information of all known special districts.
- See which special districts are compliant with state budget, UFIR, and audit requirements.
- See the difference between special districts' budgeted expenses and actual expenses.

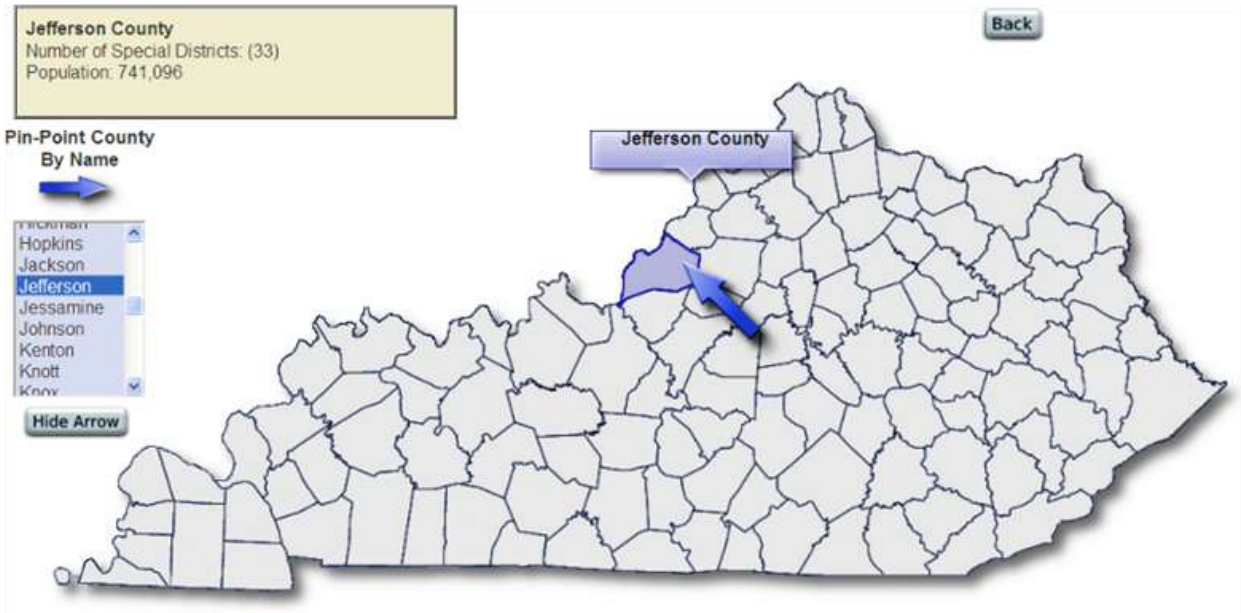
The functions listed above represent just a portion of what is possible on the *Citizen Auditor Initiative* website. Thanks to the advanced tools incorporated into the site, the types of customized reports one can generate are virtually endless. The examples below offer a sense of the possibilities. Users can generate a summary report on:

- How much special districts in a given county hold in reserves.
- How much money library districts cumulatively spend in the commonwealth.
- How many special districts have never been audited.
- Which counties have the most special districts per capita.
- Which statutes apply to specific types of special districts.
- How many special districts complied with the Auditor's survey.
- What the average number of fire districts is per county.

The Interface

The website was designed to be as user-friendly as possible. Creating an interface where users could quickly find what they are looking for was challenging given the massive amount of information contained in the database. "Usability testing" was conducted with focus groups that helped us design an interface that is intuitive regardless of the user.

- For visually-oriented users: The website has an easy-to-use statewide map with all counties. Simply click on a county and the user is directed to a list of all special districts in that county. From there, a user simply needs to click on the name of one of the special districts to see detailed information about the district's finances. If a user knows the name of the county, but does not recognize where it is on the map, there is a dropdown with all counties that will point to the county's location.



- For non-visually oriented users: For users who know what they are looking for but think linearly rather than visually, there are drop-down menus to find special districts by name, county, or type (e.g., libraries, fire districts, etc...).

Name	Type	County	Budgeted Revenues	Actual Revenues	Budgeted Receipts	Actual Receipts	Budgeted Appropriations	Actual Expenditures
Adair County Airport	Local Air Boards	Adair	0	0	0	0	0	0
Adair County Ambulance District	Emergency Service Boards	Adair	1,270,065.00	1,135,543.00	1,270,065.00	2,031,885.00	1,270,065.00	
Adair County Cooperative Extension District	Coop. Extension Service	Adair	233,666.00	263,157.00	203,153.00	261,157.00	203,153.00	
Adair County Hospital District--Westlake Regional Hospital	Hospital Districts	Adair	25,631,023.00	43,516,764.00	26,093,001.00	22,196,766.00	9,753,367.00	
Adair County Industrial Foundation	Industrial Development Authorities	Adair	40,000.00	39,137.00	96,314.00	133,451.00	38,690.00	
Adair County Library	Library Districts	Adair	363,000.00	364,314.00	363,000.00	364,314.00	363,000.00	
Adair County Public Health	Public Health Districts	Adair	178,154.00	176,362.05	374,225.00	386,051.64	167,354.00	
Totals			\$1,766,463,199.99	\$2,861,555,937.74	\$2,289,101,720.03	\$2,486,372,330.89	\$2,349,317,268.14	\$2,318,111,111.11

- For serious number crunchers: Those who feel at home in spreadsheets will be pleased to find a link prominently displayed on the homepage entitled “Interactive Data.” This tool gives users the ability to sort through the data in tables and “slice and dice” it in countless ways.



- For those who prefer paper: Many people have trouble reading from computer monitors or just prefer to digest information the old-fashioned way. For these users, we designed the site to be as print-friendly as possible. Nearly all pages are printable with the simple click of a button.



In addition to creating a site that meets the individual habits and preferences of a variety of users, we have also designed an interface enabling all these user-types to find their preferred tool as quickly as possible. After making a few tweaks to the homepage after our usability testing, the tools mentioned above - the map, drop-downs, spreadsheet and print options - are now virtually impossible to miss.

Sharing the data

In the age of social media, we wanted to make sure not only that the data we collected was easily accessible but also easily sharable. While we recognize the odds of special district information “going viral,” the point is to provide users the ability to easily share what they find in the manner that so many have grown increasingly accustomed. An entire generation of young individuals - and increasingly even those not so young - have now come to expect Facebook and Twitter buttons that allow them to share whatever they are viewing.

Why the *Citizen Auditor Initiative* website is so important

The *Citizen Auditor Initiative* website is the culmination of more than a half year’s efforts from the APA to inventory all special districts in the commonwealth and present as much information as we could find. While it does not entirely solve the problem of *‘if you can’t measure it, you can’t manage it,’* it nevertheless represents an enormous leap forward by empowering the public and policymakers with the ability to size up the scale and scope of a layer of government that has previously operated as a ghost government.

It also represents the critical first step toward creating a permanent, comprehensive centralized registry. In fact, the database and website were both created with this in mind. They were designed to showcase everything we currently know about special districts, as well as to serve as a framework for a future comprehensive registry. In other words, if the legislature mandates the creation of a centralized registry housed with DLG, the APA will be able to provide them with the database, the web interface, and all the underlying code (over 100,000 lines of code). This way, DLG will not have to duplicate the APA’s efforts and expenses associated with the development of the registry can be kept to a minimum.

Finally, the website is important because it provides a level of transparency and accountability that has never before existed with respect to special districts. As noted earlier in this report, people behave differently when they know they are being observed. For those running special districts who have always complied with state law and who run their organizations honestly and effectively (which we believe is the overwhelming majority), the added oversight should be a welcome improvement to the current system because they will no longer be lumped in with the dishonest ones.

What's next for the *Citizen Auditor Initiative*?

In addition to the *Citizen Auditor Initiative* website serving as a framework for the online centralized registry, it also makes a great framework for making additional government financial information open to public scrutiny. Special districts are certainly not the only layer of government that remains more opaque than it should. The Auditor’s perspective on transparency is simple - those who write the checks have a right to see the checkbook. In other words, Kentucky’s taxpayers are entitled to see where and how their tax dollars are being spent. Along these lines, the APA under Auditor Edelen’s administration will continue to make more government financial information available online.

Chapter III

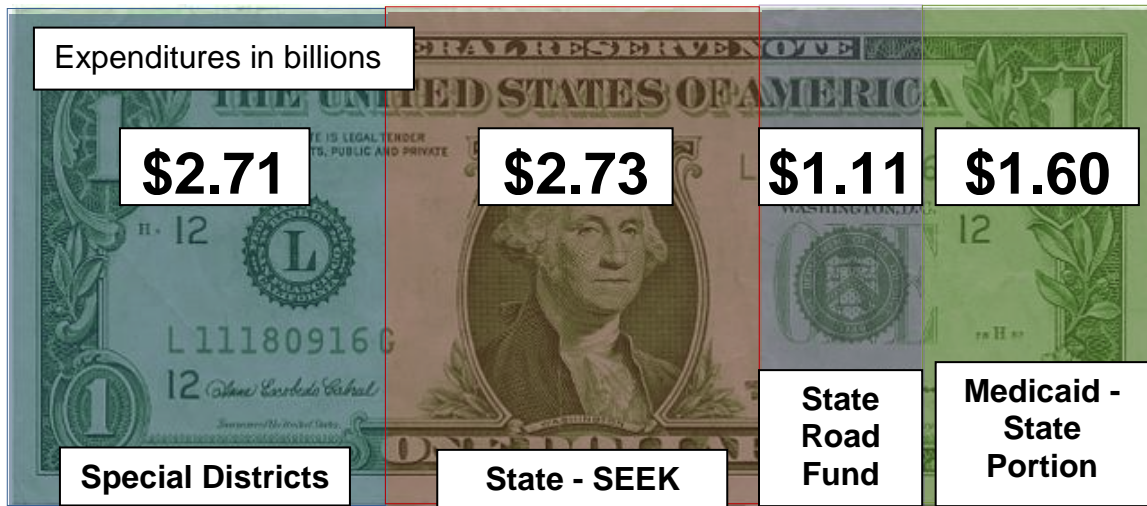
Detailed Survey Results

The purpose of this chapter is to put forth some of the most interesting data points gleaned from the surveys. In most cases, the visual representations of the data are self-explanatory. In instances where more information is needed, we have provided it. Note all of the financial information used in this chapter are estimated totals (based on reported totals) from fiscal year 2011. This chapter is divided into three sections containing financial information, compliance rates, and additional information from the surveys.

Financial Information

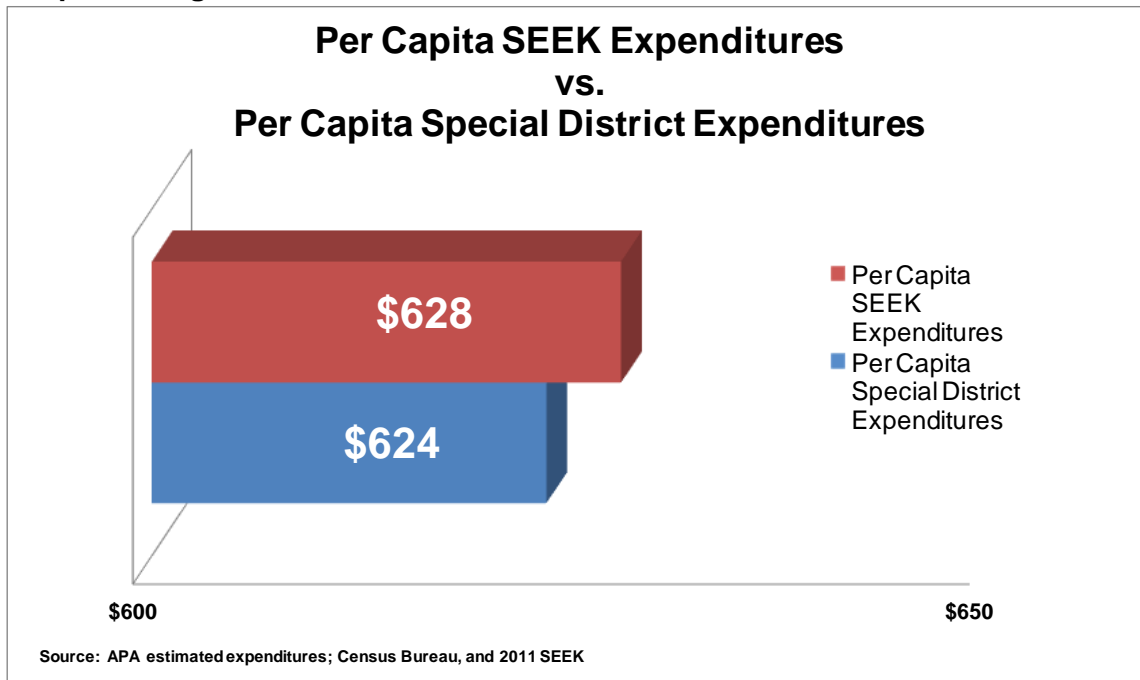
Chapter III, Figure 1a

Support Education Excellence in Kentucky (SEEK) expenditures versus special district expenditures. SEEK is the state's education funding to local school districts, and the funding is equalized for school districts through a calculation by the Kentucky Department of Education. These graphs compare special district expenditures to SEEK expenditures in total and on a per household basis for the Commonwealth as a whole, and may not equate to the actual SEEK distribution at the local school district level. Estimated special district expenditures versus the state's (excludes federal) expenditures on education, roads, and Medicaid.



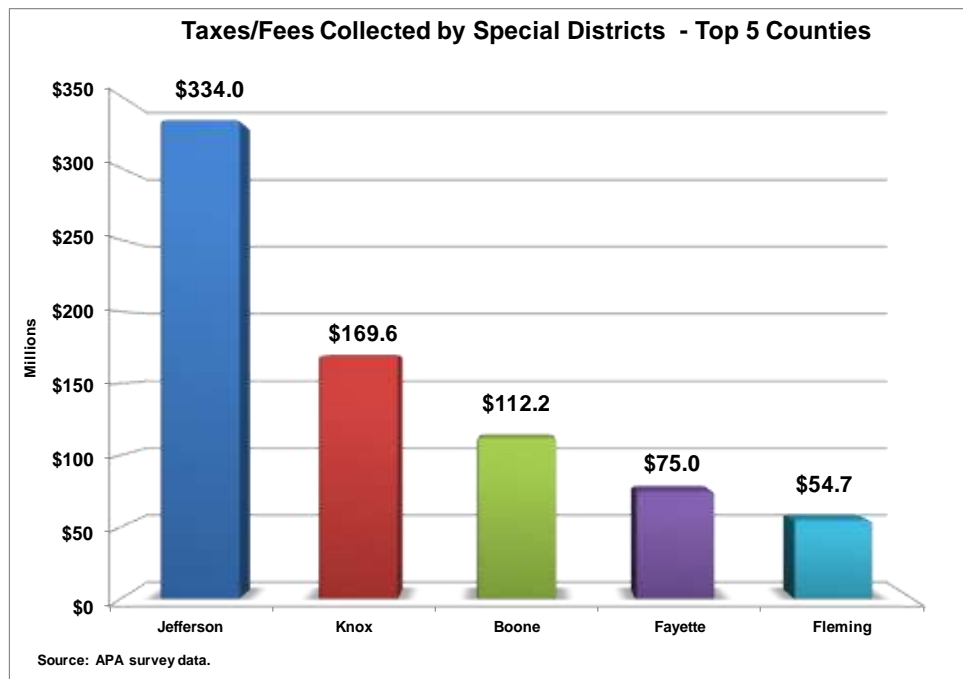
In this graph, special district expenditures are compared to the state funded portion of large state programs to provide perspective to the size of special district operations. The federal portion of these state programs were excluded in order to illustrate only the activity with direct impact on the Commonwealth.

Chapter III, Figure 1b



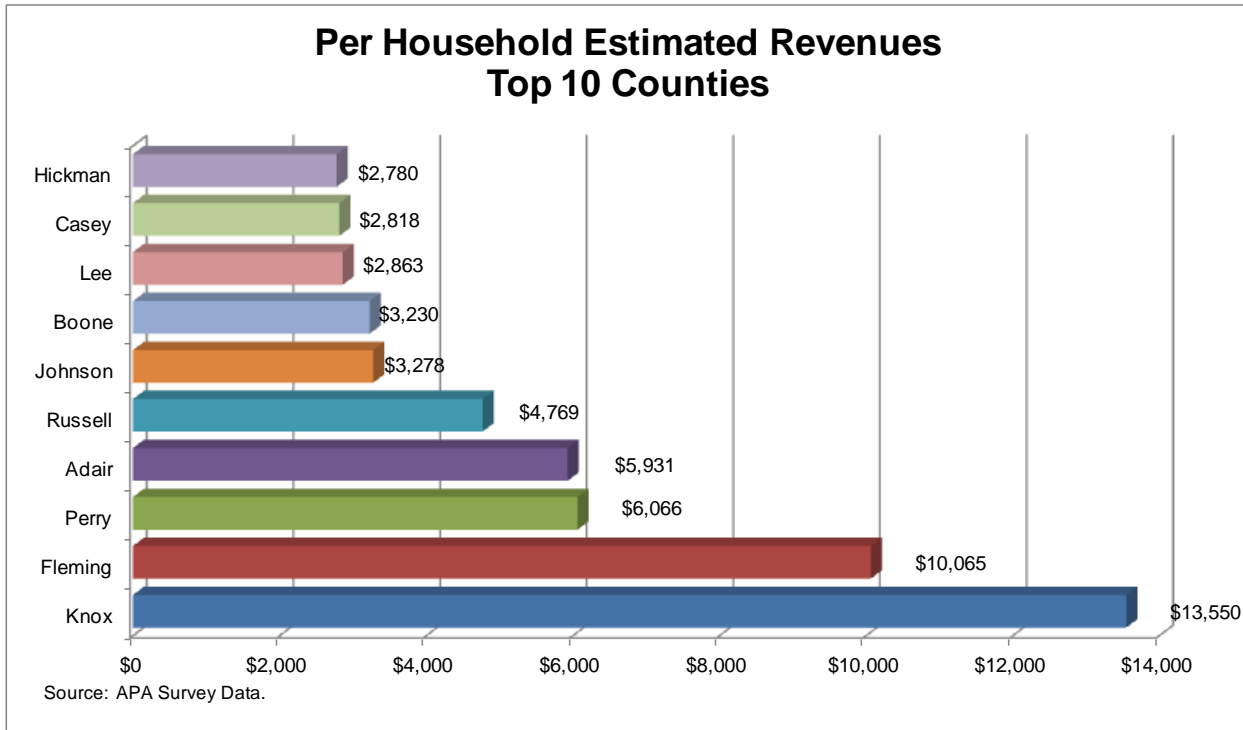
Chapter III, Figure 2

This figure depicts the five counties in which special districts cumulatively collected the most in taxes and fees. It is not surprising that Kentucky's largest county by population, Jefferson, ranks first in this category. Kentucky's second most populous county, however, ranked fourth. According to the 2010 U.S. Census data, Knox, Boone, and Fleming rank 32nd, 4th, and 77th in population, respectively.



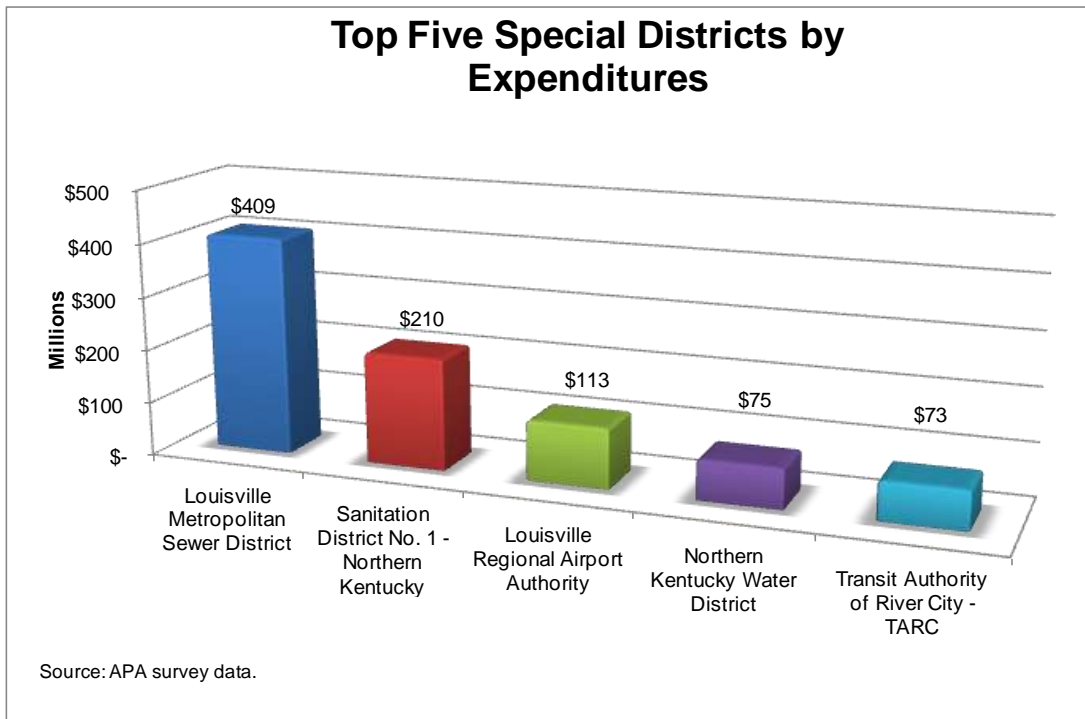
Chapter III, Figure 3

The top 10 counties in per household special district estimated revenues.



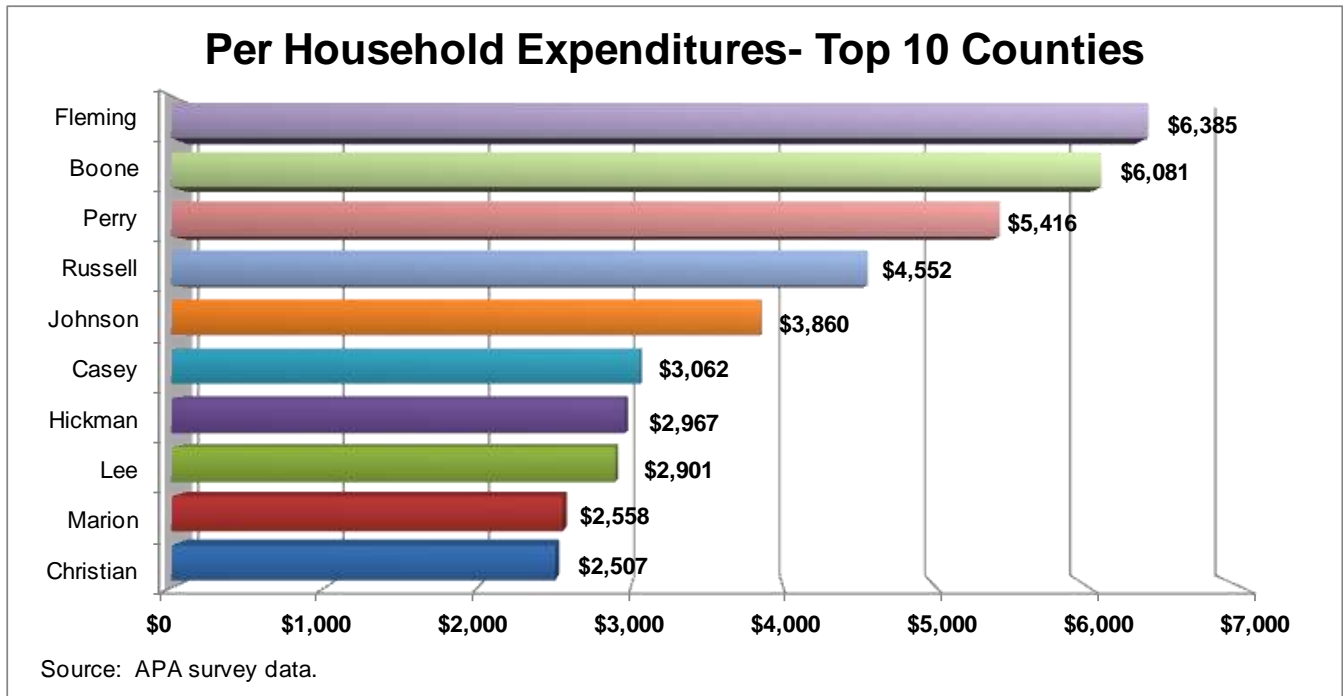
Chapter III, Figure 4

The five special districts with the highest estimated expenditures.



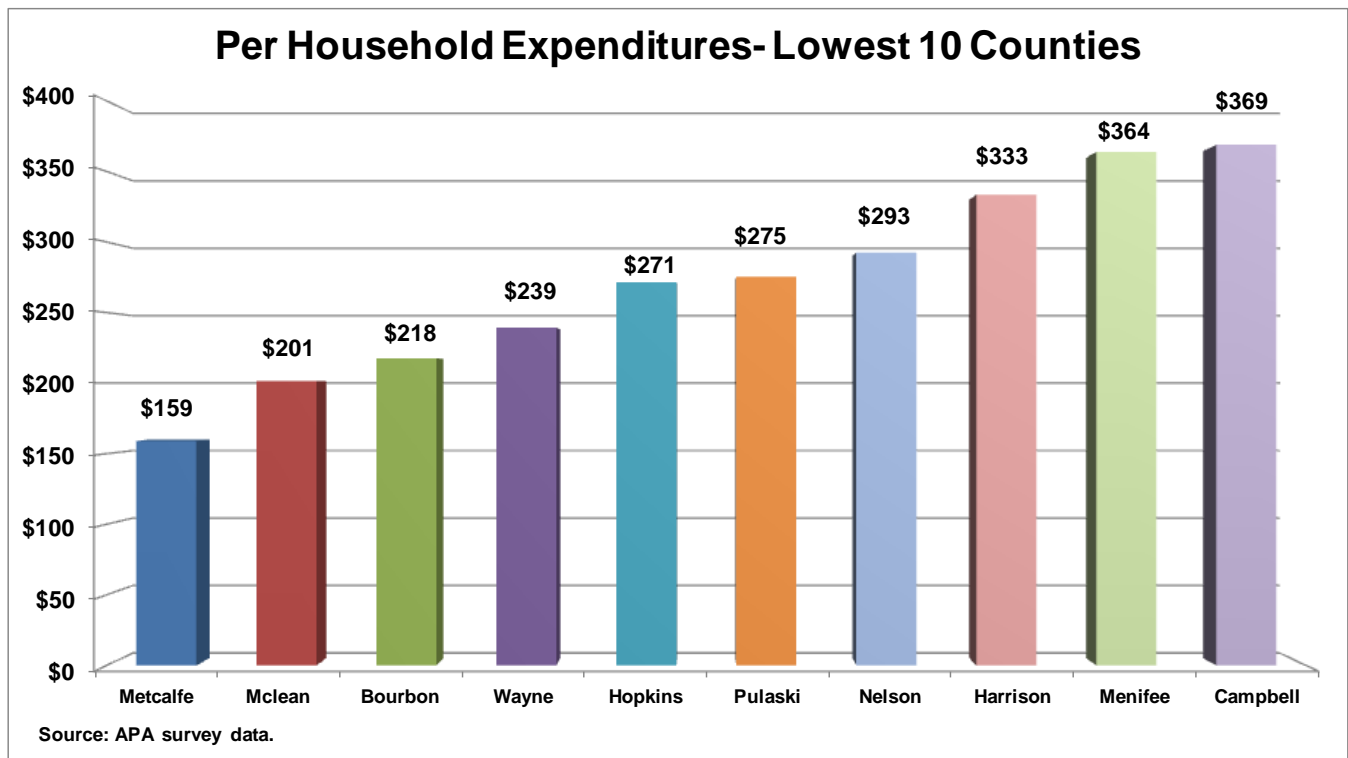
Chapter III, Figure 5

The ten counties with the highest special district estimated expenditures per household.



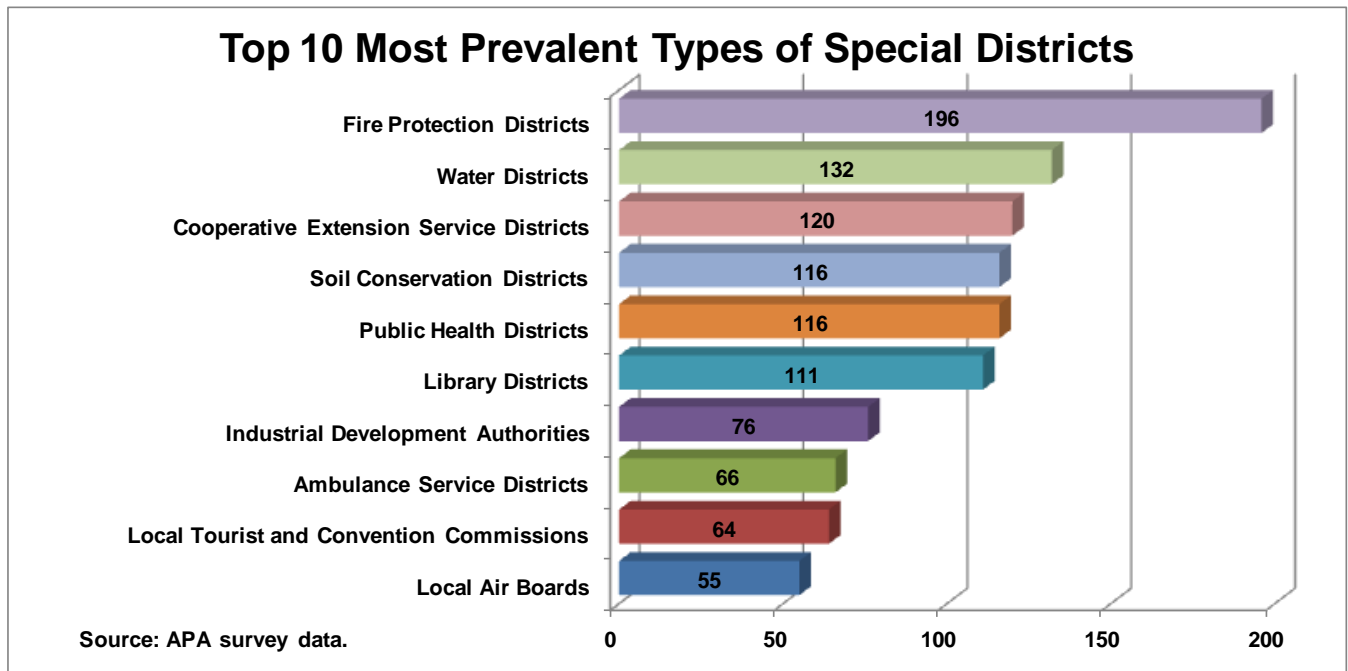
Chapter III, Figure 6

The ten counties with the lowest special district estimated expenditures per household.



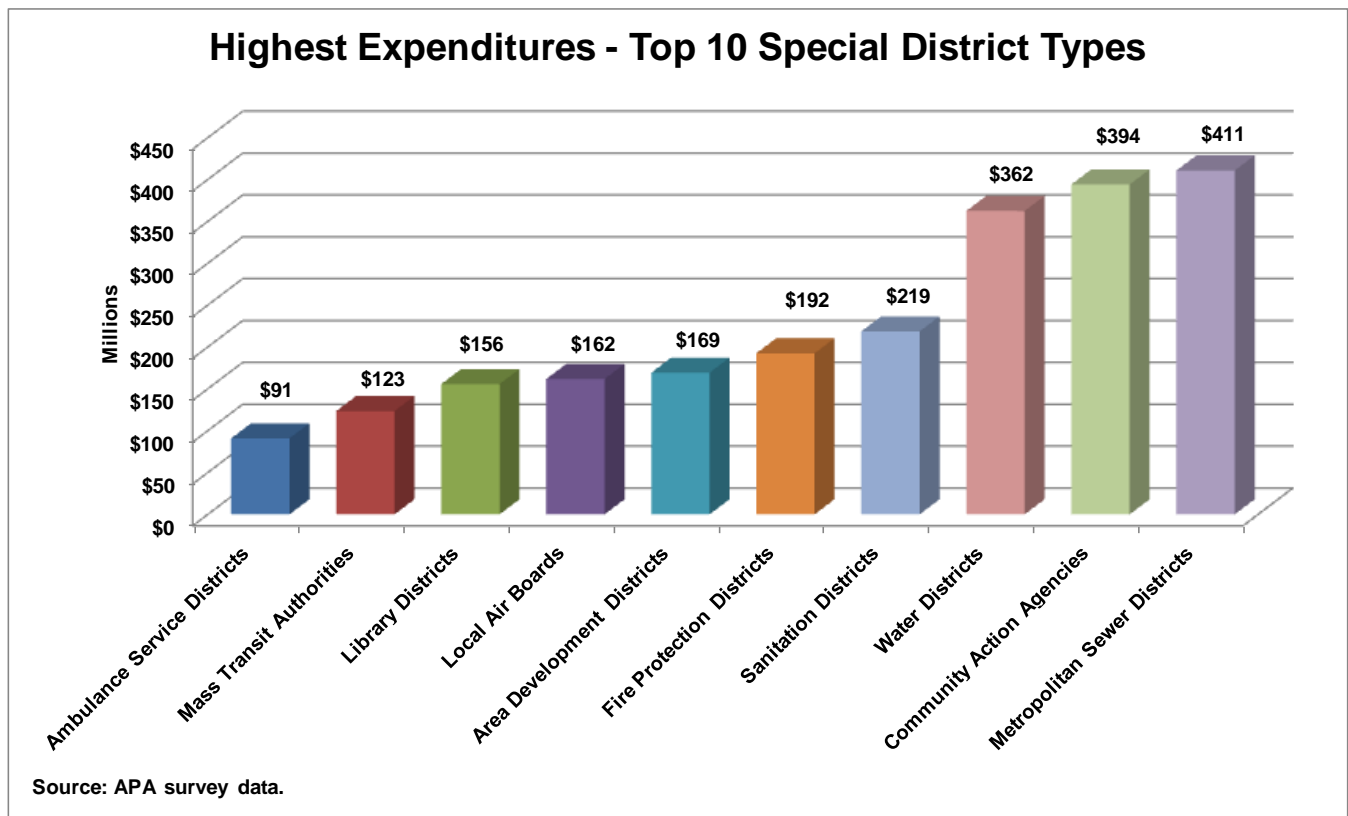
Chapter III, Figure 7

The top ten most prevalent types of special districts.



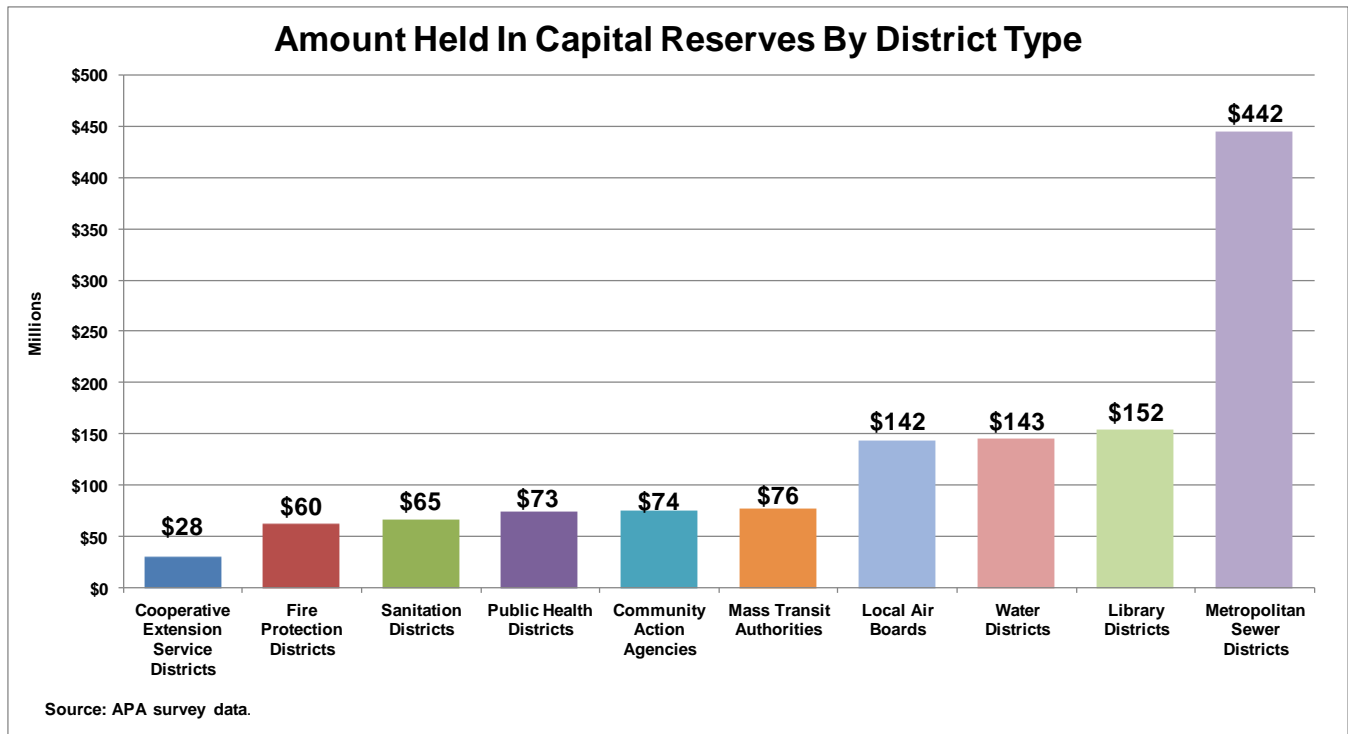
Chapter III, Figure 8

The top ten special district types with the highest total expenditures.



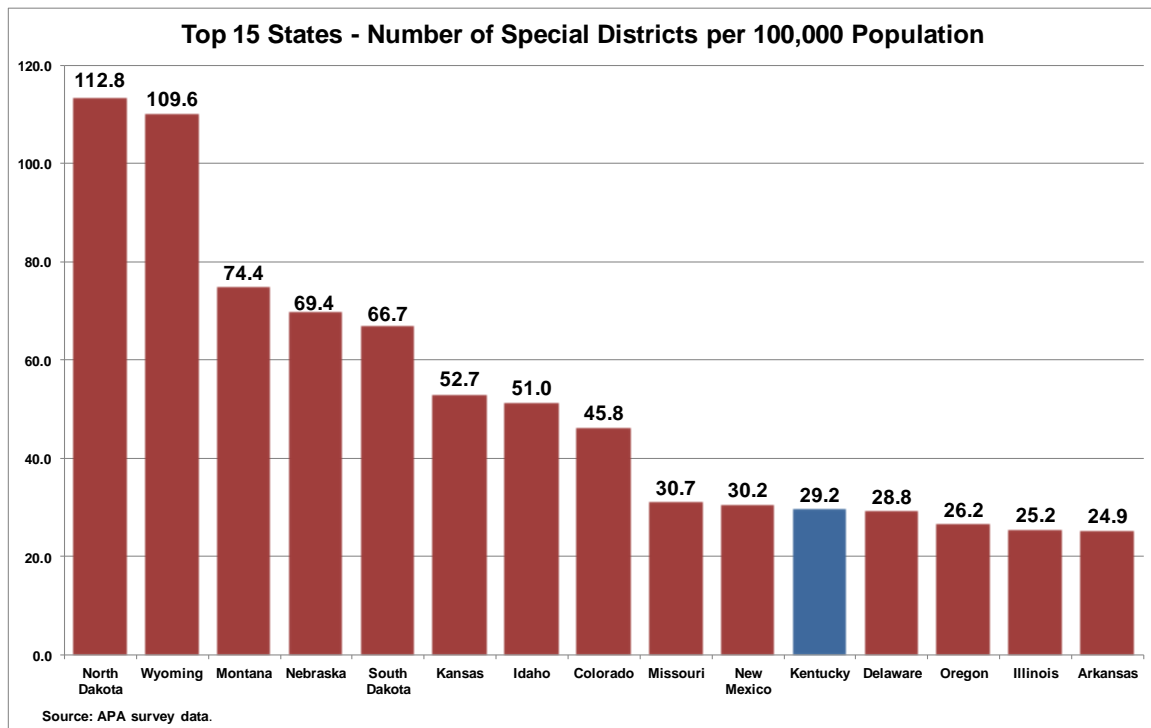
Chapter III, Figure 9

The ten special district types with the largest amount in reported capital reserves.

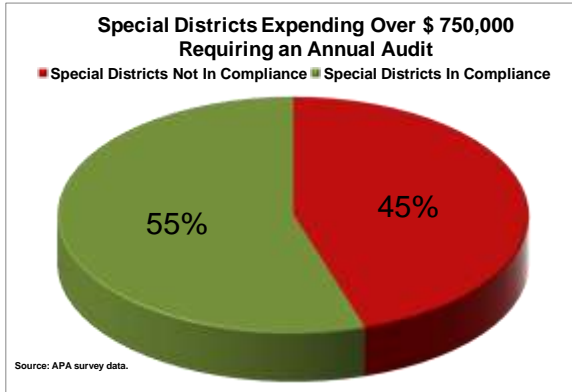


Chapter III, Figure 10

Kentucky ranks 11th nationally in the number of special districts per capita. At a rate of 29.2 special districts per 100,000 residents, Kentucky's rate is more than double the national average of 12.0 special districts.



Compliance Rates

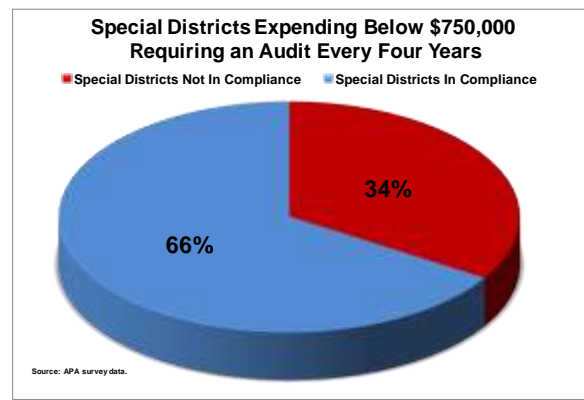


Chapter III, Figure 11

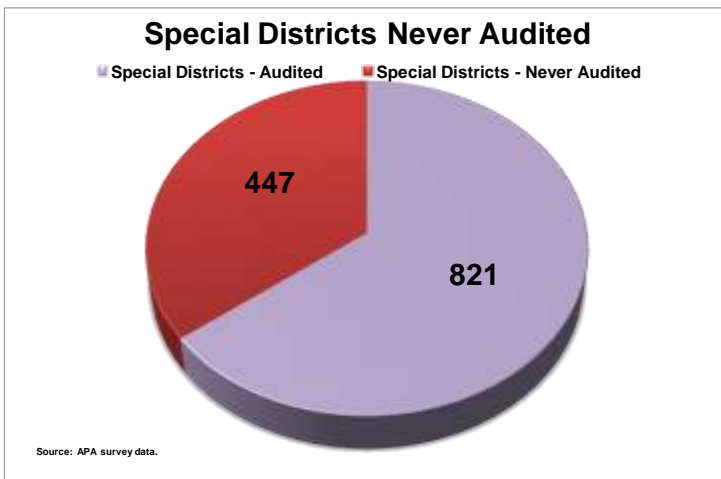
According to KRS 65.065(3), special districts with revenues or expenditures exceeding \$750,000 must have an annual audit and those under \$750,000 must have one every four years per KRS 65.065(2). The pie chart at the left shows the percentage of special districts with annual expenditures over \$750,000 who did and did not have an annual audit as required by Kentucky law.

Chapter III, Figure 12

The percentage of special districts with annual expenditures below \$750,000 who did and did not have an audit sometime in the previous four years as required by Kentucky law.



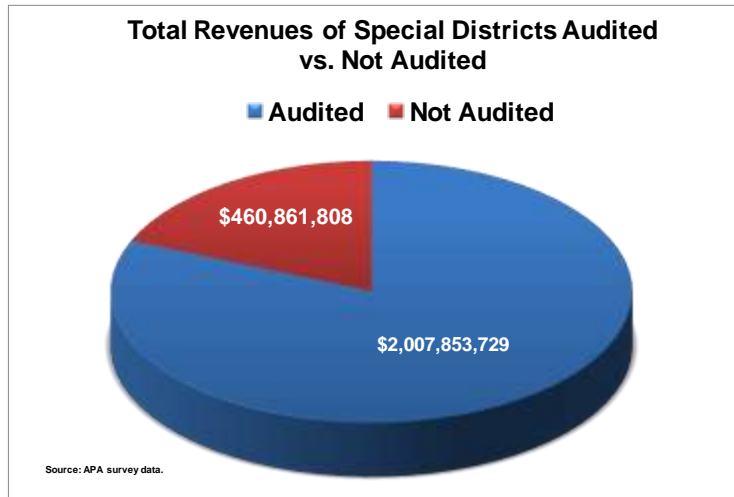
Chapter III, Figure 13



The number of special districts that have never been audited. *Note: Special districts that did not respond to our survey were placed in this category until they can prove otherwise.*

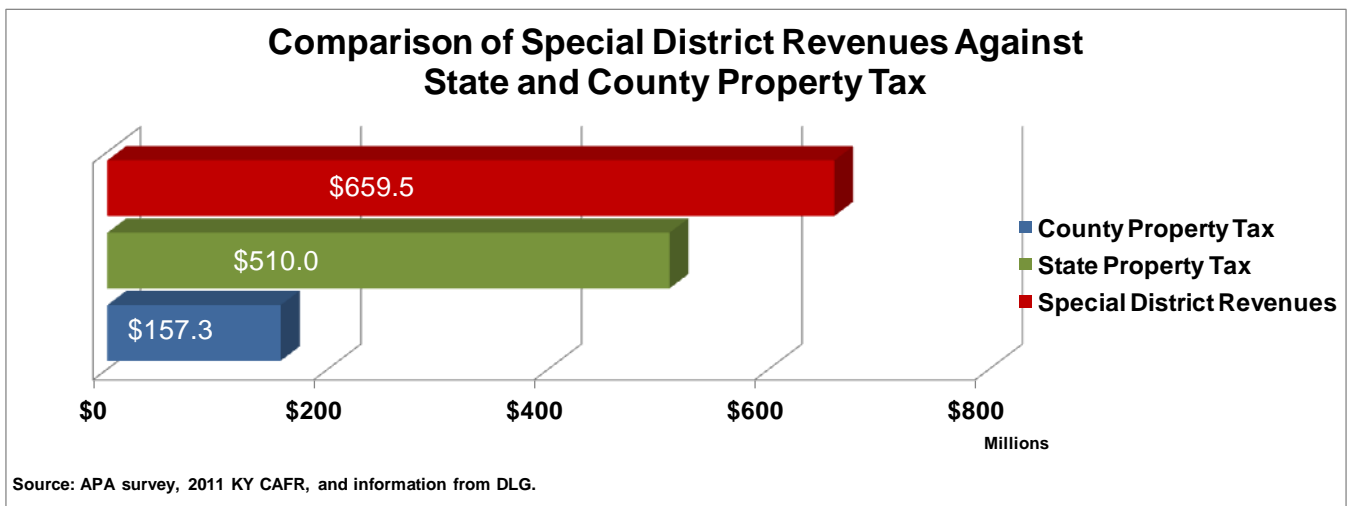
Chapter III, Figure 14

The total revenues of special districts that have not complied with their audit requirement.



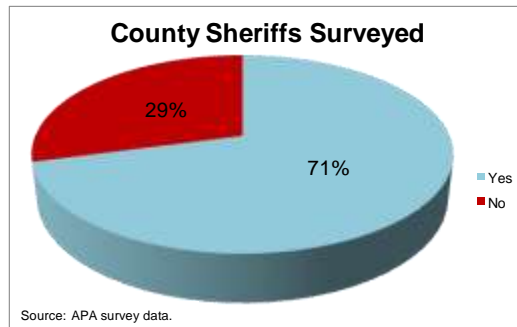
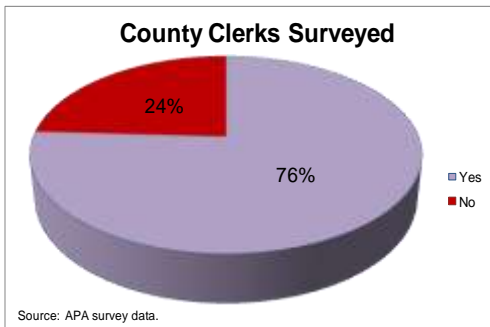
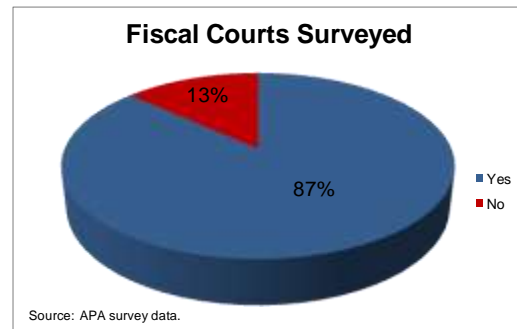
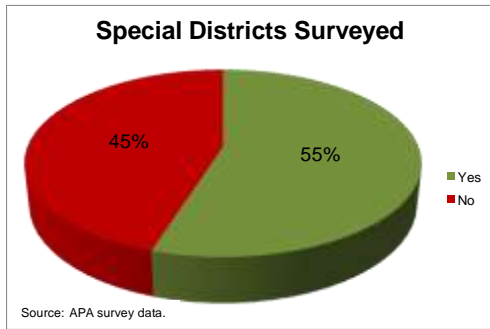
Chapter III, Figure 15

Special districts estimated revenue collections (property taxes and fees) versus state and counties property tax collections.



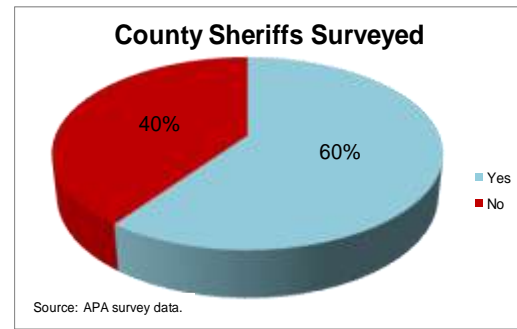
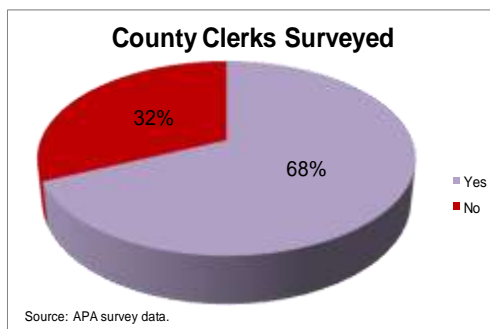
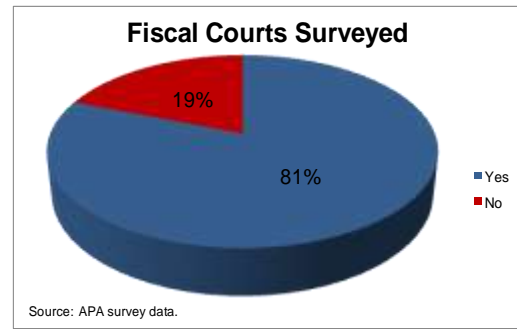
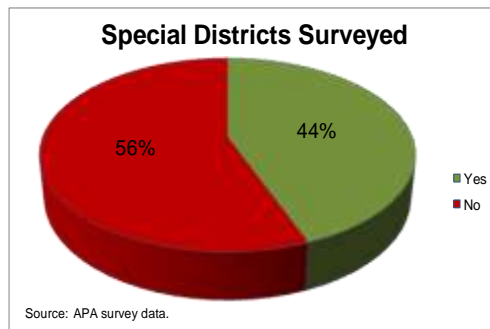
Chapter III, Figure 16a

One of the questions asked on our survey was whether respondents feel special districts should be required to file financial statements electronically. Here are their answers by groups surveyed:



Chapter III, Figure 16b

The APA survey also asked the same groups if special districts' financial information should be available to the public? Here are their responses:



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Chapter IV

The Need for a Centralized Registry

While the previous section discussed the importance of the APA's *Citizen Auditor Initiative* website and database for tracking special districts and making their finances transparent, this chapter discusses, at greater length than we discussed in our findings' recommendations in Chapter I, the need for a permanent, statutorily-mandated centralized registry to serve a similar purpose, on an ongoing basis.

The APA will share our existing database with DLG as the starting point for the creation of a robust and comprehensive centralized registry that meets the needs of anyone interested in special districts - taxpayers, policymakers, special district board members, local elected officials, and the state and regional umbrella associations that oversee special districts and share best practices.

When the statutes governing special districts were enacted, the best means for providing transparency and accountability was a system where local elected officials (fiscal courts, county clerks, and sheriffs) interacted with state officials to provide a form of checks and balances. Before the Digital Age, such a system was acceptable - even commendable. However, in an era in which we have grown accustomed to having information at our fingertips, the existing system is now outdated, convoluted and unnecessarily complex.

In these historically bad financial times, we are also in an era in which the public is demanding more transparency and accountability from the government. As a result, the legislative and regulatory status quo with respect to special districts is simply unacceptable. While a centralized registry is not a magic bullet for all of the problems plaguing the current system, it can address a remarkable number of them. Having the suggested information available through an online registry would allow anyone to easily answer all four questions initially posed by State Auditor Edelen as he undertook this effort - how many special districts there are, where they are located, how much they collect and spend, and which ones are compliant with state law. It would provide taxpayers with access to basic information - including financial information - of the most prevalent form of government in the Commonwealth.

The table on the following page illustrates the numerous ways a centralized registry could positively impact special districts, and the stakeholders interested in ensuring the districts are run honestly and effectively.

Stakeholder	Impact on Stakeholder
Special Districts	<ul style="list-style-type: none"> • For those that have always operated honestly, it provides an opportunity to distinguish themselves from those who have operated in the shadows (i.e., without much transparency). • For those that have operated in the shadows it provides a clean slate, enabling a fresh start with a new and improved modus operandi based on transparency and accountability. • For all special districts it streamlines and simplifies reporting requirements saving both time and money.
The Public	<ul style="list-style-type: none"> • The APA's <i>Citizen Auditor Initiative</i> database would become even more comprehensive, enabling any taxpayer to view financial records for all districts operating in their county. • For citizens suspecting fraud or abuse, a link from the registry to the APA Digital SAFEhouse (www.auditor.ky.gov/safehouse) will enable them to report it. • Taxpayers will have the ability to see which special districts are not in compliance and create customized reports based on many criteria.
Local Elected Officials	<ul style="list-style-type: none"> • Once all districts in the county re-certify, the burden on fiscal courts, county clerks, and sheriffs will be significantly reduced. Half the battle in the past has just been trying to keep up with them. • Officials will know in real-time which districts in their county are compliant and be able to react accordingly in the best interest of the county and its citizens. • It will streamline the ability to meet statutory obligations, saving both time and money.
Policymakers	<ul style="list-style-type: none"> • By having comprehensive, accurate information on special districts for the first time ever, policy makers will be able to glean the type of insights crucial to making wise policy choices. • Information can be analyzed locally, regionally, or on a statewide level to discern trends and patterns.
State Oversight Entities	<ul style="list-style-type: none"> • DLG, the APA, and numerous statewide associations and commissions that play a role in overseeing distinct types of special districts (e.g., Kentucky Fire Commission, Public Service Commission, Kentucky Public Library Association, Soil and Water Conservation Commission, etc.) will be able to access in real-time the financial information they require from special districts. • Just as the registry will be a one-stop-shop for special districts, the same will be true for state entities overseeing them.

Steps needed to make the centralized registry a reality

A centralized registry should be required by statute, and the statutes should require that all special districts (under a new, clearer definition) go through a relatively simple process to get re-certified as a special district. A re-certification process is critical to give clarity to a system that fundamentally needs it. Those entities following the process would populate the registry and those that did not re-certify would not be able to levy a tax or assess a fee until they do so. To make this a reality, establishment and ongoing maintenance of the registry and database would need to be funded by the legislature. We estimate that building and maintaining an easily accessible and current portal and database would cost an estimated \$250,000 annually according to DLG, a mere 0.01% percent of the approximate amount expended by special districts each year. To provide oversight and transparency at a cost that represents less than 0.01% of the amount being overseen is the very definition of smart and efficient government.

Ideally, the site would be hosted and maintained by DLG and linked to/from the OpenDoor website. When Governor Beshear launched “Kentucky’s Transparency Portal” at www.OpenDoor.ky.gov, the site received awards for making information that - while technically has always been available to the public - was, in reality, out of reach for most citizens. The OpenDoor website includes access to state audits, state contracts, open records, salary information for state employees, information about ethics, where taxes are being spent, etc. Taxpayers should similarly have easy access to the financial information of special districts. OpenDoor is the natural place for the public to access the registry. If the aim of Kentucky’s Transparency Portal is to be a one-stop-shop for government transparency, the centralized registry takes it one step further in achieving this goal.

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Chapter V

Background and Methodology

This section offers a detailed account of the data collection methodology and subsequent analysis we used to answer the following questions:

1. How many special districts are in Kentucky?
2. Where are they located?
3. How much money flows through them?
4. Are they compliant with state law?

Each question is discussed below. The two most critical factors to answering all of the questions were:

- Creating a browser-based electronic survey that made it easy for special districts to input information (see Appendix 5 for electronic survey details)
- Creating a database that made it possible to capture and analyze the data in real-time (see Appendix 6 for database details)

1. How many special districts are in Kentucky?

Our first challenge was an enormous one - to account for all special districts in the Commonwealth. There were three primary methods by which we attempted to calculate how many special districts are in the Commonwealth:

Using DLG's list: DLG is the official repository for special district financial information. Every year, all special districts must submit their annual budgets to the fiscal court by June 1st (those on a calendar year rather than fiscal year, such as water districts are due on December 1st), and fiscal courts are then required to submit the districts' budgets to DLG. In addition, all taxing districts must submit a UFIR by May 1st of each year. As a result, DLG has the most comprehensive list of active special districts in Kentucky. DLG's original effort to inventory special districts was conducted decades ago, so the methodology used is not known.

DLG's process for keeping the list current is reliant upon county clerks (who per KRS 65.005 are supposed to notify DLG when special districts are created) and a partnership with the 15 area development districts. Unfortunately, this process has not proven reliable. Special districts fail to file the necessary paperwork with the county clerks, and the county clerks fail to notify DLG when new special districts are created. The area development districts help DLG reach out to county clerks, but both admit the margin for error is significant. In addition to the many newly-formed special districts that fall through the cracks, there is considerable confusion about what precisely constitutes a special district. As a result, even long-established entities that should be considered special districts are not always recognized as such.

As the official repository for special district information, DLG has the most complete list available. It originally included 1,157 special districts. However, after accounting for duplicates and entities later deemed *not* to be special districts, we ended up with 1,123. The process for removing entities from DLG's list was as follows: When entities on the original list marked in the survey that they were not a special district, the APA shared this

information with DLG. Of the 81 special districts that disputed their designation as a special district, DLG concurred with only 23 of them. The remaining 11 entities removed from DLG's list were duplicates or determined to no longer exist.

DLG's list (in the form of an Excel spreadsheet) included the names of the special districts, their physical addresses, a point of contact, and in most cases, an email address. The primary means of distributing the survey was email. Email addresses were included for 877 of the 1,157. After attempting to locate emails for the 284 special districts without emails (primarily through phone calls and internet searches) we found an additional 128 to bring the total to 1,005. The remaining 156 special districts for which we could not locate emails were all mailed hard copies of the survey and were also given the URL (web address) to the electronic survey.

From DLG's list, we received a total of 898 surveys back (although many were incomplete). Of that total, 513 submitted the survey electronically and 385 submitted the paper version.

- a. **Finding special districts that were not on DLG's list:** This was one of the most challenging aspects of this initiative. Other than DLG's list, the only other list available was from the 2007 U.S. Census Bureau, and it only included 634 special districts, far fewer than DLG's list (they only included taxing districts). When we cross-referenced the two lists, we did not find any on the Census' list that were not already on DLG's.

Of the 145 special districts not on DLG's list, we were able to track down emails and send electronic surveys to 56 of them and sent the remaining 88 paper surveys. They included two groups: those identified by the elected officials we surveyed and those identified by the APA as a part of our county audit process. Each is expanded upon below.

- b. **Surveying elected officials:** (fiscal courts, county clerks, and sheriffs from all 120 counties): Since all of these elected officials play a role in overseeing special districts, we asked them to help us identify districts not on DLG's list. We found 42 special districts this way. Fiscal courts identified 22, county clerks identified 14, and sheriffs identified 6. Surveying these elected officials was a relatively straightforward process compared to the ones used for known special districts (detailed above) and potential special districts (detailed below). The APA reached out to the Kentucky County/Judge Executives Association, the Kentucky County Clerks Association, and the Kentucky Sheriffs Association early on in our effort, and all of them supported it. They shared with us the emails of all 120 elected officials from their respective associations, which we used to send our surveys. Since these three groups of elected officials all have different responsibilities with respect to special districts, three different surveys were designed.

We ultimately achieved a 100% survey response rate from fiscal courts and the county clerks. As for sheriffs, we received 119 of 120 surveys (the only one not submitted was Robertson County). From their responses, we identified a total of 45 potential special districts not on DLG's list.

- c. **Surveying potential component units:** Every fiscal court audit evaluates entities with business relationships with the county to determine if they are potential component units of the county. As part of our county audit process, auditors identify entities that are legally independent of the county, but have a financial benefit/burden relationship with the county, and the county can impose its will. The APA reviewed

audit documentation for potential component units for all 120 counties. We were able to identify 109 potential special districts using this method that were not on DLG's list or identified through surveying elected officials. Of this number, we tracked down emails and sent electronic surveys to 57 of them and sent the remaining 48 paper surveys. Twenty-six of the districts responded and 20 were deemed special districts based on responses to the survey questions. The six that completed surveys that were determined not to be special districts is how our original number of 109 ultimately became 103 that we added to our official estimate.

All 83 (109 minus the 26 that responded) entities on the list of potential component units that were sent surveys but did not respond will be treated as special districts by the APA and DLG until they can prove otherwise. We cannot say with certainty they are special districts, since we did not receive a survey. As a result, our efforts to determine how many special districts are in Kentucky resulted in two lists - one that includes entities the APA and DLG have officially designated as special districts (based on their survey responses) and another that includes entities we will treat as special districts until we are presented with clear evidence indicating otherwise.

How the APA arrived at 1,268 special districts
DLG original list = 1,157 minus 34 = 1,123 (DLG revised list)
1,123 plus 42 identified through elected officials = 1,165
1,165 plus 103 identified from surveying potential component units = 1,268

2. Where are they located?

Determining where special districts are located was a relatively straightforward process. For the special districts on DLG's list, all of them included an address for their headquarters. DLG also knew which ones operated in multiple counties, because the statutes require them to submit a UFIR and budget for each county in which they operate. For the 145 special districts not on DLG's list, a physical address was provide either by the elected official who notified us of them or was usually included in our audit report for those identified by our office. For any that could not be found in one of the two ways just mentioned, we resorted to search engines. There were no special districts for which we could not find an address (though, it is highly likely that some are out of date).

3. How much money flows through them?

- a. **Methodology for estimates:** In sizing the population of special districts, it is important to identify the amount of funds handled by these organizations to understand the true impact on the citizens of the Commonwealth. As noted in the report, the primary method of identifying the funds collected and spent by special districts was through self-reported survey responses. However, we recognize that reported totals alone are not sufficient. One reason is that in certain circumstances, special districts did not answer all financial related survey questions. Also, as

previously noted, not all special districts responded to surveys. Therefore, due to this underreporting of financial information, we calculated estimates for those special districts that did not self-report this information.

In the survey, special districts responded to several financial related questions. Rather than calculate estimates for all financial related questions, our focus was estimating actual revenues and expenditures. Actual revenues and expenditures directly speak to the objective of sizing special district funding, and these totals lend themselves to being more precisely estimated based on assumptions that can be made using other available data.

In determining the appropriate methodology for estimating revenues and expenditures, it was critical to understand the population of those districts that did not provide actual data. As a result, two primary methods for estimating actual revenues and expenditures were identified. The first methodology was based on a small number of special districts which submitted a survey, but did not respond to the question(s) related to actual revenues and/or actual expenditures. For these districts, more precise estimates for revenues and expenditures can be determined when the special district responded to budgetary related questions. A review of all respondents indicated actual revenues are within .01% of total revenues (a budgetary total), and actual expenditures are within 4% of total appropriations (a budgetary total). Therefore, it is apparent budgeted amounts can be used as reasonable estimates in these situations.

For many special districts, however, neither budgetary nor actual financial data was reported. In those circumstances, the calculation for estimating revenues and expenditures was developed by first calculating average revenues and average expenditures by special district type. Averages were determined by special district type because there is an assumption districts functioning in a similar manner will collect and spend funds in somewhat similar ways. However, a review of the data revealed obvious outliers, or in other words unusually large entities that had revenues and expenditures so high it would skew a realistic average. Small outliers were not considered as skewing the averages because smaller amounts reduce the overall averages, which provides for a more conservative estimate. For special district types with large outliers significantly skewing the average, the outliers were removed from the calculated average to arrive at an adjusted average calculation. The adjusted average calculation was then applied to the special districts that did not report actual revenues and/or expenditures. Finally, the result of this calculation was then compared to other special districts of the same approximate size and in the same geographic area for reasonableness.

- b. **Verifying reported financial information:** Although the report indicates the primary source of information was data reported by special districts through survey responses, precautions were taken to test the reliability of reported financial data. Survey questions related to actual revenues and actual expenditures were conducive to testing when the special district had either a UFIR or audited financial statements since these fields are common to both types of reports. This testing is similar to audit sampling, which permits conclusions to be drawn on a population based on a review of a smaller sample of items. In this case, this type of testing would help draw conclusions on two primary objectives - whether special districts in general were accurately responding to survey questions, and also whether it could be concluded that totals cited in the report for actual revenues and expenditures appeared to be reasonably accurate.

The 43 largest special districts were selected for testing because in total, these special districts reported actual revenues of \$983,885,985 and actual expenditures of \$1,347,161,750. These totals represent 40% of the total actual revenue and 55% of the total actual expenditures for special districts. We verified these revenues and expenditures using audited financial statement reports for 38 of the 43 special districts, with the remaining five districts verified using amounts reported in the district's UFIR. The results of this testing concluded these special districts provided appropriate responses for these specific survey questions, and financial information reported for actual revenues and actual expenditures is reasonably accurate.

4. Are they compliant with state law?

Our final challenge was to determine how many were compliant with KRS Chapter 65.065(1) (budget filing requirement) and 65.905 (UFIR filing requirement). This process was relatively straightforward, since DLG maintains a database of which special districts sent in budgets and UFIRs each year. Since DLG does not keep track of audit compliance, we included this question in the survey and asked for proof of the special districts' most recent audit.

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APPENDIX 1

CASE STUDIES OF THE BEST AND THE WORST

When there are as many as 53 types of special districts, there are bound to be some types that, as a general rule, are governed with more oversight, transparency, and accountability. What the APA learned through our efforts to better understand Kentucky's special districts is that the catalysts for shifts towards increased transparency and accountability have been the state-level “umbrella” associations that exist largely to share best practices among their members. Many special district types have such umbrella associations of which they are members. The APA contacted many of these associations to help us identify special districts. Below is a list of those we identified:

- Soil and Water Conservation Commission
- Kentucky Association of Conservation Districts
- Kentucky Ambulance Providers Association
- Community Action Kentucky
- Kentucky Fire Commission
- Kentucky Public Library Association
- Kentucky Housing Association
- Kentucky Rural Water Association
- Public Service Commission

BEST PRACTICES CASE STUDY 1: Kentucky Department for Libraries and Archives and the Kentucky Public Library Association

After scathing media reports of activities at the Lexington Public Library, the KDLA and the KPLA put a great deal of effort to provide the public with as much transparency and accountability as possible. In addition, they have gone to great lengths to ensure their members have the training necessary to be able to provide these things.

Annual Reports

Public libraries are required to submit an extensive report each year to the KDLA. Reports are signed by the board president and county judge/executive and then submitted to the regional librarian who reviews the report. A second review is completed by KDLA staff at the state level for missing or questionable data. When validated, the survey is submitted to the Institute for Museum and Library Services for federal government review and compilation with libraries from all 50 states. **KDLA provides state funding only when the annual report has been completed and signed by the appropriate officials.** This report includes statistics in all areas of the library's operation, including fiscal data and board governance.

The annual reports for all the libraries are combined into a single statistical report which is made available on KDLA's website where statistics from all the libraries can be reviewed and compared.

Trustee Manual and Certification Program

KDLA also has developed a trustee manual that provides comprehensive information for trustees, including laws and best practices for overseeing the work of the library. Printed copies of the manual are provided for trustees and the manual is also found on the KDLA website. Updates are provided as laws change and new information becomes available.

KPLA and the Kentucky Library Trustees Roundtable provide training for trustees at annual conferences and at selected locations around the state on a special topic each fall. In 2012, the Kentucky Public Library Association (KPLA) and KDLA established a Trustee Certification Program modeled on the Librarian Certification Program created by the Legislature in 1938. In order to become certified, a trustee must review five separate lessons on roles of the trustee and director, effective board organization, finance and oversight, policies, and planning and advocacy.

Additional best practices

- Before state funding is provided to any library, the library must provide a copy of its latest audit performed by a qualified firm.
- To ensure board appointments are made according to law, six months prior to the expiration of a term KDLA issues notice to the library that the term is expiring. Boards are urged to begin consideration of the two names that can be considered for appointment by the county judge/executive. If candidates are not nominated by the library or nominations are not made by the county judge/executive promptly (as required by law), then KDLA follows up.
- Each month KDLA creates a “Trustee Tip” pertaining to a specific area of interest for library trustees. These are presented through a monthly newsletter and reinforced at board meetings.
- KPLA and KDLA have collaborated to create Standards for Public Libraries, a manual covering five areas of governance including legal obligations, effective director and board leadership, fiscal operations, planning, and adequate policies.

BEST PRACTICES CASE STUDY 2: Soil and Water Conservation Commission

The Soil and Water Conservation Commission (SWCC), in conjunction with the Division of Conservation, *instituted* the *Districts in Good Standing* program at the end of the 2010-2011 fiscal year. The commission, in its oversight capacity over Kentucky’s 121 local conservation districts and 40 watershed conservancy districts, strives to promote accountability of financial resources and works to meet the provisions of the Special Purpose Districts state law. The commission had been struggling with deciding how to continue to financially assist conservation districts with limited funds in recent years. With the *Districts in Good Standing* program, the commission was able to reward the districts meeting and exceeding statutory and policy requirements while giving the districts that were not an extra push to do so. The Division of Conservation polled the field representatives who work with the districts on a daily basis to put together a list of qualifying factors for the program. Twelve actions required by state statute and actions required by the policy of the commission were considered to be important enough to add to this list. The requirements and current report card that the districts complete can be found on the Division of Conservation’s website (<http://conservation.ky.gov/Pages/DirectAid.aspx>).

The *Districts in Good Standing* program has helped many districts to set aside the time and resources to complete these directives. Employees of the Division of Conservation assist the

districts with reporting and other requirements. For the 2011-2012 fiscal year, 88 districts were in the highest category and received 100% of the Direct Aid funding that had been approved for them. Seven districts were in the second category and received 90% of the funding approved for them, and 26 districts were in the last category and received 75% of the funding approved for them.

CASE STUDY IN POOR OVERSIGHT: Garrett Fire Department

In October 2012, the APA released a special examination of the Garrett Fire District and Garrett Area Volunteer Fire Department in Floyd County, finding more than \$123,000 in questionable expenditures, hundreds of pornographic videos on department electronics and numerous financial management and oversight problems.

The District, incorporated in November 1981, was created under KRS 75 as a special taxing district authorized to impose an ad valorem tax on property in the subdistrict and the District as a whole. In fiscal year 2011, the District reported total revenues of \$68,850.

The APA performed the exam in cooperation with the Kentucky State Police. The exam, prompted by concerns from the Garrett Fire District Board of Trustees and the department chief, contains 17 findings and 72 recommendations.

Among other expenditures, auditors identified more than \$62,000 in questionable cash withdrawals, \$16,500 in restaurant charges, \$4,600 in shopping gift cards from one store and \$839 on fireworks.

The exam found the former assistant chief purchased a vehicle with department funds and opened a store credit card in the department's name without authorization from the board. Two flat-screen televisions, a laptop computer, digital camera, personal care items, alcohol, chewing tobacco and purchases made-out-of-state were charged to the card and paid for with department funds. All the electronics were missing at the time of the report's release.

The exam found the former assistant chief paid himself more than \$8,000 without approval. On at least three occasions, payments made to the district or department totaling \$4,000 were not deposited.

Over 800 pornographic videos were found on a department computer, external drive and USB drive. False financial reports were provided to the district board and department and various financial records were missing.

The district also did not obtain required financial statement audits or submit required financial reports to the state Department for Local Government or IRS. As a result, it lost its tax-exempt status.

APPENDIX 2

LIST OF SPECIAL DISTRICT TYPES

Note: The APA has not included entities formed through interlocal cooperation agreements even though a direct reading of the Kentucky Revised Statutes includes them.

Taxing Districts

1. Ambulance Service Districts (KRS 108.080-.180)
2. Area Planning Commissions (KRS 147.610-.705)
3. Community Improvement Districts (KRS 107.310-.500)
4. Cooperative Extension Service Districts (KRS 164.605-.675) Note: OAG 83-264 says they have taxing authority, but the Trigg Circuit Court, in Civil Action Number 88-CI-082, says they do not. The Agricultural extension districts have historically levied (or had levied on their behalf) ad valorem taxes. DLG classifies them as taxing districts.
5. Drainage, Levee and Reclamation Districts (KRS 268.010-.990)
6. Drainage Taxing Districts (KRS 269.100-.270)
7. Emergency Service Boards (KRS 65.660-.679)
8. Fire Protection Districts and Subdistricts or Volunteer Fire Department Districts (KRS 75.010-.260)
9. Flood Control Districts (KRS 104.450-.680)
10. Hospital Districts (KRS 216.310-.360)
11. Levee Districts (KRS 266.010-.990)
12. Library Districts formed by petition (KRS 173.710-.800)
13. Library Districts formed by referendum (KRS 173.450-.650)
14. Local Air Boards (KRS 183.132-.160)
15. Mental Health and Mental Retardation Districts (KRS 210.370-.480)
16. Municipal College Support District (KRS 165.175)
17. Public Health Districts (KRS 212.720-.760) Note: per KRS 212.750, a public health taxing district exists in every county whether created by the fiscal court or by operation of law.
18. Rescue Squad Taxing Districts (KRS 39F.160)
19. Riverport Authorities (KRS 65.510-.650) Note: Riverport Authorities are also sometimes created as non-profits under KRS chapter 273 or as public properties corporations under KRS Chapter 58.
20. Sanitation Districts and Subdistricts (KRS 220.010-.613)
21. Sanitation Tax Districts (KRS 76.274-.279)
22. Solid Waste Management Districts (KRS 109.001-.320)
23. Subdivision Road Districts (KRS 179.700-.735)
24. Waste Management Taxing Districts (KRS 109.115-.190)
25. Watershed Conservancy Districts (KRS 262.700-.990)X
26. Urban Services Tax District - Consolidated Local Government (KRS 67C.145).
Note: The statute says these entities are “separate tax districts” within the meaning of the Constitution, but they may in reality be a part of the Metro Government.
27. Urban Services Tax District - Urban County Government (KRS 67A.150) Note: The statute says these entities are “separate tax districts” within the meaning of the Constitution, but they may in reality be a part of the Lexington Fayette Urban County Government.

Non-taxing Districts

1. Air Pollution Control Districts (KRS 77.005-.305)
2. Area Development Districts (KRS 147A.050-.120)
3. Community Action Agencies (KRS 273.405-.453)
4. Drainage Districts (KRS 267.010-.990)
5. Housing Authorities (County-City, County, and Regional) (KRS 80.262-.610)
6. Industrial Development Authorities (KRS 154.50-301-.346) Note: Many economic development authorities were created under this statute. However, most economic development authorities created as non-profits under KRS chapter 273 or as public properties corporations under KRS Chapter 58.
7. Local Tourist and Convention Commissions (KRS 91A.350-.390)
8. Mass Transit Authorities (KRS 96A.010-.075)
9. Metropolitan Sewer Districts (KRS 76.005-.210)
10. Public Road Districts (KRS 184.010-.300)
11. Sanitation Districts (KRS 220.010-.613)
12. Sewer Construction Districts (KRS 76.295-.420)
13. Sewer Construction Subdistricts (KRS 76.241-.243)
14. Soil Conservation Districts (KRS 262.010-.660)
15. Solid Waste District (KRS 109.041) Note: DLG is not aware of the existence of any of these district types, which were only created by the legislature in 2002.
16. Urban Services Districts (KRS 108.010-.075)
17. Waste Management Districts (non-taxing) [KRS 109.041(13)]
18. Water Districts (KRS 74.010 et seq.)
19. Industrial Taxing Districts (KRS 68.600 et seq.) Note: DLG is not aware of the existence of any of these district types, which were only created by the legislature in 2002.
20. Management Districts First Class City (KRS 91.750 et seq.)

Status unclear (according to the Department for Local Government)

1. Land Bank Authority (KRS 65.355)
2. Motor Vehicle Parking Authority (KRS 67A.910)
3. Park Board (KRS 97.550)
4. Recreation Commission (KRS 97.120)
5. Regional Park Authority (KRS 97.095)
6. Management Districts (KRS 91A.555 et seq.) Note: These districts have the authority to levy a tax, but it is unclear whether taxes are ad valorem taxes.

APPENDIX 3

LIST OF SPECIAL DISTRICT TYPES WITH STATUTES FOR DISSOLUTION

1. Emergency Service Boards (KRS 65.660 - 65.679, merged boards of ambulance, fire protection, and local rescue squad districts)
2. County Surface Water Drainage District (KRS 269.010 - 269.270)
3. Fire Protection Districts (KRS 75.010 - 75.260)
4. Districts to Operate and Maintain Flood Control Works (KRS 104.450 - 104.680)
5. Urban Services Districts (KRS 108.010 - 108.070)
6. Public Road Districts (KRS 184.010 - 184.300)
7. Sanitation Districts and Construction Subdistricts (KRS 220.010 - 220.613)
8. Levee Districts (KRS 266.010 - 266.990)
9. Drainage Districts (KRS 267.010 - 267.990)
10. Drainage, Levee, and Reclamation Districts (KRS 268.010 - 268.990)

APPENDIX 4

ROLES OF ELECTED OFFICIALS

Fiscal Courts

- Receive a petition for the creation of a special district, conduct a hearing on the creation of a special district, and vote to approve an ordinance or resolution that creates a special district.
- Submit to the voters, the approval of a taxing district within the jurisdiction of a consolidated local government and counties containing a city of the first class, or a fire protection district in a county that does not contain a city of the first class.
- Appoint members to a special district's board of directors.
- Serve as an ex-officio member of a special district's board of directors.
- Remove members from a special district's board of directors for inefficiency, neglect of duty, malfeasance, or conflict of interest.
- Combine, dissolve, or abolish special districts.
- Receive annual budgets.
- Submit all annual budgets received to the Department for Local Government.
- Notify county attorney if an annual budget is not received.

County Clerks

- Receives and records notifications from newly-created special districts, and forwards a copy of this notice to the Department for Local Government.
- Distributes standardized budget forms to every special district in your county.
- Receives and files with the fiscal court in your county, any petition for the dissolution of a special district.

Sheriffs

- Collect taxes on behalf of taxing districts and some non-taxing districts.

Property Valuation Administrators

- Determine the tax rate for taxing districts.

APPENDIX 5

ELECTRONIC SURVEY DETAILS

Having an electronic survey and a custom-designed database was imperative due to the scope of this effort. With well over a thousand special districts, the logistics and manpower required for sending out paper surveys, having them returned, and inputting the data would have been cost and time prohibitive. As a result, the most efficient and most affordable solution was to create four separate browser-based surveys that special districts and elected officials could access and fill out online. Again, the four groups we surveyed were special districts, county clerks, county judge executives (representing fiscal courts), and sheriffs.

We created a 29 question survey for special districts, an 11 question survey for fiscal courts, a nine question survey for county clerks, and an eight question survey for sheriffs. The surveys were carefully designed to glean accurate answers to the four questions asked and to provide additional information to help policymakers and the public make informed decisions related to special districts.

As with any technology-based solution, we knew it was unrealistic to expect zero bugs, glitches, and compatibility issues. Our goal, therefore, was simply to minimize such problems. Nevertheless, in approximately 10% of cases, those who took the electronic survey had difficulties submitting it. The majority of the problems stemmed from firewalls and client-side browser settings. We assigned a staff person to respond to these issues, and in most cases, we were able to fix the issue. In those cases where we were unable to troubleshoot the problem, we asked the individual taking the electronic survey to instead fill out the paper survey.

APPENDIX 6

DATABASE DETAILS

The database was designed in-house by the APA staff. The database server made up the “back-end” for storing and organizing the data, while the web server made up the “front-end” to make the information accessible and user-friendly to the general public.

1. Database server

The Open Source MySQL database was used as the back-end database server. It was installed on an existing Windows 2008 Server. The MySQL service was then hardened against intentional and unintentional attack or misuse according to best practices and recommendations from the developer. While the actual data provided by each of the four surveys was very similar, a different table was created for each survey in order to keep the survey responses separate.

2. Web server

The web server software used was an existing instance of Microsoft IIS 6.0. In addition, the Perl language was installed on this host to allow the web server to provide Common Gateway Interface (CGI) services via Perl scripts. Files that were uploaded as part of the survey process were saved to a directory on this host, but outside of the web server document area.

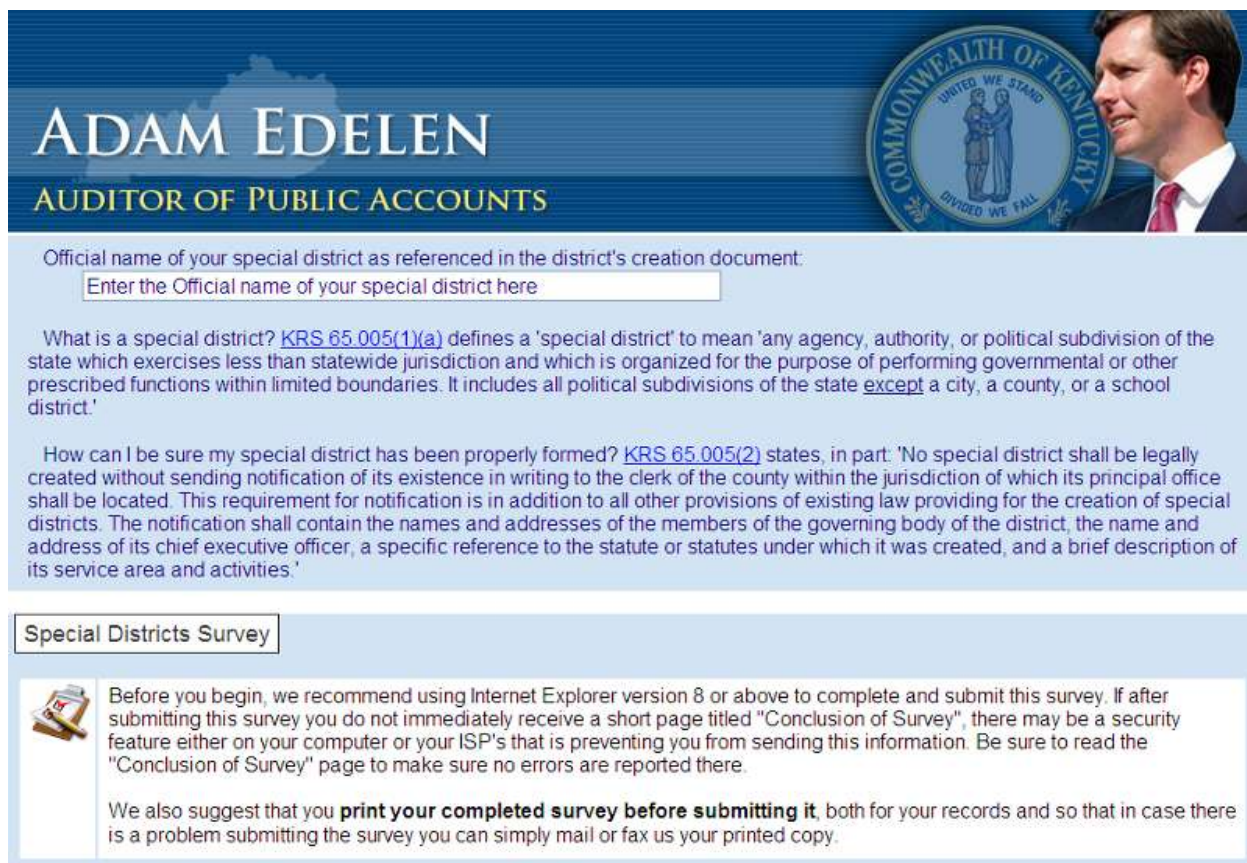
Perl was used to generate real-time status reports in the form of HTML web pages, receive the submitted surveys and validate the client supplied data for type and content, and to provide a programmatic interface to the MySQL database server using the Structured Query Language (SQL). Perl and SQL were also used for the many utility tasks to properly organize the survey response data and to later organize its presentation.

APPENDIX 7

SCREEN SHOT OF ELECTRONIC SURVEY

Screen shots of electronic surveys

(Note: It is not possible to accurately capture the entire electronic survey with screen shots, due to the technology involved. The survey was designed to dynamically change depending upon the answers that those who completed the surveys gave. As a result, the screenshots below only capture the survey introductions.)




ADAM EDELEN
AUDITOR OF PUBLIC ACCOUNTS

Official name of your special district as referenced in the district's creation document:

What is a special district? [KRS 65.005\(1\)\(a\)](#) defines a 'special district' to mean 'any agency, authority, or political subdivision of the state which exercises less than statewide jurisdiction and which is organized for the purpose of performing governmental or other prescribed functions within limited boundaries. It includes all political subdivisions of the state except a city, a county, or a school district.'

How can I be sure my special district has been properly formed? [KRS 65.005\(2\)](#) states, in part: 'No special district shall be legally created without sending notification of its existence in writing to the clerk of the county within the jurisdiction of which its principal office shall be located. This requirement for notification is in addition to all other provisions of existing law providing for the creation of special districts. The notification shall contain the names and addresses of the members of the governing body of the district, the name and address of its chief executive officer, a specific reference to the statute or statutes under which it was created, and a brief description of its service area and activities.'

Special Districts Survey

 Before you begin, we recommend using Internet Explorer version 8 or above to complete and submit this survey. If after submitting this survey you do not immediately receive a short page titled "Conclusion of Survey", there may be a security feature either on your computer or your ISP's that is preventing you from sending this information. Be sure to read the "Conclusion of Survey" page to make sure no errors are reported there.

We also suggest that you **print your completed survey before submitting it**, both for your records and so that in case there is a problem submitting the survey you can simply mail or fax us your printed copy.

ADAM EDELEN

AUDITOR OF PUBLIC ACCOUNTS



Fiscal Court Survey



Before you begin, we recommend using Internet Explorer version 8 or above to complete and submit this survey. If after submitting this survey you do not immediately receive a short page titled "Conclusion of Survey", there may be a security feature either on your computer or your ISP's that is preventing you from sending this information. Be sure to read the "Conclusion of Survey" page to make sure no errors are reported there.

If you suspect there is a problem submitting your information, please email or call him at (502) 564-5841 x 271.

You can at anytime refer to the [Survey Results Page](#) to verify that your responses have been logged.

A useful resource is the Department for Local Government's "Special Districts Manual" which is available in PDF format by [clicking here](#).

***Note: Water districts are on calendar years, so if you are reporting about a water district, report the "calendar year" where the survey says "fiscal year."

ADAM EDELEN

AUDITOR OF PUBLIC ACCOUNTS



County Clerk Survey



Before you begin, we recommend using Internet Explorer version 8 or above to complete and submit this survey. If after submitting this survey you do not immediately receive a short page titled "Conclusion of Survey", there may be a security feature either on your computer or your ISP's that is preventing you from sending this information. Be sure to read the "Conclusion of Survey" page to make sure no errors are reported there.

You can at anytime refer to the [Survey Results Page](#) to verify that your responses have been logged.

If you suspect there is a problem submitting your information, please email or call him at (502) 564-5841 x 271.

A useful resource is the Department for Local Government's "Special Districts Manual" which is available in PDF format by [clicking here](#).

***Note: Water districts are on calendar years, so if you are reporting about a water district, report the "calendar year" where the survey says "fiscal year."

APPENDIX 8

PAPER VERSIONS OF SURVEYS



Adam H. Edelen, Auditor of Public Accounts

Please respond to the following questions. You may use this form and return it in the enclosed envelope, attaching additional pages. Or send it by e-mail to _____ or call (502) 564-5841 x 271. Thank you for your assistance.

SPECIAL DISTRICT

SURVEY

Official name of your special district (*as referenced in the district's creation document*):

Name: _____

KRS 65.005(1)(a) defines a 'special district' to mean "any agency, authority, or political subdivision of the state which exercises less than statewide jurisdiction and which is organized for the purpose of performing governmental or other prescribed functions within limited boundaries. It includes all political subdivisions of the state except a city, a county, or a school district."

KRS 65.005(2) states, in part: "No special district shall be legally created without sending notification of its existence in writing to the clerk of the county within the jurisdiction of which its principal office shall be located. This requirement for notification is in addition to all other provisions of existing law providing for the creation of special districts. The notification shall contain the names and addresses of the members of the governing body of the district, the name and address of its chief executive officer, a specific reference to the statute or statutes under which it was created, and a brief description of its service area and activities."

Based on information from the Department of Local Government (DLG), your organization is a **special district** as defined by KRS 65.005. Do you agree?

___ **Yes** (Please advance to Question 1 and complete the survey.)

___ **No** (Please explain why your organization is NOT in the space below, explain how you were created and authorized, and *attach additional pages if necessary*.)

My organization was **created and authorized** as a _____ under KRS _____. Identify any other documentation that supports your contention.

We are **NOT** a special district **because**:

1.) Complete the blanks below:

District Designee's Name: _____
(please list the name of the person that the special district designates to be an agent of the district whom any process, notice, or demand required)

Office Address: _____
(mailing address where the special district receives its mail).

Telephone: (____) _____ - _____
(district designee's telephone number)

Fax: (____) _____ - _____
(district designee's fax number)

E-mail _____
(district designee's email address)

Website _____
(special district's official website)

2.) Please check the **special district type** your organization is. If you do not see your type listed, select "Other" and describe your type of special district.

Taxing Districts

- ___ Ambulance Service Districts (KRS 39f.160-.210)
- ___ Area Planning Commissions (KRS 147.610-.705)
- ___ Community Improvement Districts (KRS 107.310-.500)
- ___ Drainage, Levee and Reclamation Districts (KRS 268.010-.990)
- ___ Drainage Taxing Districts (KRS 269.100-.270)
- ___ Fire Protection Districts and Subdistricts or Volunteer Fire Dept. Districts (KRS 75.010-.260)
- ___ Flood Control Districts (KRS 104.450-.680)
- ___ Hospital Districts (KRS 216.310-.360)
- ___ Levee Districts (KRS 266.010-.990)
- ___ Library Districts formed by petition (KRS 173.710-.800)
- ___ Library Districts formed by referendum (KRS 173.450-.650)
- ___ Local Air Boards (183.132-.160)
- ___ Local Tourist and Convention Commissions (KRS 91A.350-.390)
- ___ Mental Health and Mental Retardation Districts (KRS 210.370-.480)
- ___ Public Health Districts (KRS 212.720-.760)
- ___ Rescue Squad Taxing Districts (KRS 39.700-.780)
- ___ Riverport Authorities (KRS 65.510-.650)
- ___ Sanitation Districts and Subdistricts (KRS 220.010-.613)
- ___ Sanitation Tax Districts (KRS 76.274-.279)
- ___ Solid Waste Management Districts (KRS 109.001-.320)
- ___ Subdivision Road Districts (KRS 179.700-.735)
- ___ Waste Management Taxing Districts (KRS 109.115-.190)

___ Watershed Conservancy Districts (KRS 265.700-.990)

Non-Taxing Districts

- ___ Air Pollution Control Districts (KRS 77.005-.305)
- ___ Area Development Districts (KRS 147A.050-.120)
- ___ Community Action Agencies (KRS 273.405-.453)
- ___ Drainage Districts (KRS 267.010-.990)
- ___ Emergency Service Boards (KRS 65.660-.679)
- ___ Cooperative Extension Service Districts (KRS 164.605-.675)
- ___ Housing Authorities (County-City, County, & Regional) (KRS 80.262-.610)
- ___ Industrial Development Authorities (KRS 154.50-301-.346)
- ___ Mass Transit Authorities (KRS 96A.010-.075)
- ___ Metropolitan Sewer Districts (KRS 76.600-.640)
- ___ Metropolitan Water Districts (KRS 76.005-.210)
- ___ Public Road Districts (KRS 184.010-.300)
- ___ Sanitation Districts (KRS 220.010-.613)
- ___ Sewer Construction Districts (KRS 76.295-.420)
- ___ Sewer Construction Subdistricts (KRS 76.241-.243)
- ___ Soil Conservation Districts (KRS 262.010-.660)
- ___ Solid Waste District (KRS 109.041)
- ___ Urban Services Districts (KRS 108.010-.075)
- ___ Wastewater Collection Projects (KRS 76.600-.640)
- ___ Waste Management Districts (non-taxing) [KRS 109.041(13)]

Other _____

**(If yours is a water district, when the survey says "fiscal year", please provide the answer for calendar year.)*

3.) In which county or counties does your district operate: (list them below)

4.) A **taxing special district** is any special district authorized by Kentucky law to levy ad valorem (property) taxes (KRS 65.180). A **non-taxing special district** is any special district authorized to collect fees and levy assessments, but which is not authorized to levy ad valorem taxes (KRS 65.805). Please indicate which describes your district.

___ **taxing**

___ **non-taxing**

Other: _____ Explain _____

5.) Did your special district file an initial notification with the county clerk when it was first created?

_____ Yes (what year? _____) _____ No _____ Unknown

6.) When was the last fiscal year your district was audited? _____

7.) What is the frequency of your district's audits?

_____ annually _____ every 4 years Other: _____

8.) Who currently receives copies of your audit reports? (check all that apply)

_____ Fiscal Court _____ Dept for Local Govt. _____ County Clerk

Other: _____

10.) What were your total budgeted revenues for fiscal year 2011 (sum total from taxes, permits & licenses, charges for services, earned revenue, and interest)?
(Note that water districts are on a calendar year.)

\$ _____ (Enter numerals in the box. Use a minus sign to indicate a negative value.)

11.) What were your total budgeted receipts and cash for fiscal year 2011 (sum total of any carryover from prior years, transfers from other funds, other borrowed money, etc)?

\$ _____ (Enter numerals in the box. Use a minus sign to indicate a negative value.)

12.) What were your total budgeted appropriations for fiscal year 2011 (personnel, operations, administration & reserves, capital outlay, debt service, etc)?

\$ _____ (Enter numerals. Use a minus sign to indicate a negative value.)

13.) What were your total actual revenues for fiscal year 2011 (sum total from taxes, permits & licenses, charges for services, earned revenue, and interest)?

\$ _____ (Enter numerals. Use a minus sign to indicate a negative value)

\$ _____ How much of your total actual revenues for fiscal year 2011 came from sources other than taxes and fees (e.g., grants, sponsorships, fundraising activities, etc.)?

14.) What were your total actual receipts and cash for fiscal year 2011 (sum total of any carryover from prior years, transfers from other funds, other borrowed money, etc)?

\$ _____ (Enter numerals. Use a minus sign to indicate a negative value.)

15.) What is the sum total of any **carryover** held in reserves from prior years?

\$ _____ (Enter numerals)

16.) What were your **total actual expenditures** for fiscal year 2011 (personnel, operations, administration & reserves, capital outlay, debt service, etc)?

\$ _____ (Enter numerals. Use the minus sign to indicate a negative value.)

17.) Does your district file **annual budgets** with any of the following?:

- Fiscal Court
- County Clerk
- Department for Local Government
- None
- Other: _____

18.) Does your district file **UFIR** (Uniform Financial Information Reports) each year with?

- Fiscal Court
- County Clerk
- Department for Local Government
- US Census
- None
- Other: _____

19.) Approximately how large is the **population** your district serves? _____

20.) How did you arrive at this estimate? *Explain:*

21.) Do any of the employees of your special district receive **state or county benefits** (health insurance, life insurance, worker's compensation, retirement) by virtue of their employment with or service to the district?

Yes No

If yes, briefly describe:

22.) Do you have an analysis that attempts to show the **average amount** an individual and/or household pays each month or per year for the services your district provides? (e.g., The

services provided by our district cost the average individual (or household) on average \$7.95 per household/per month or \$95.40 per year). *Please provide:*

An average \$_____ per month or \$_____ per year

Per: Household or Individual (*circle one*)

23.) Does your district use **Standard Budget Forms** prepared and distributed by DLG's State Local Finance Officer to annually prepare a budget for the expenditure of all funds including those from local, state, and federal sources during your fiscal year?

_____ Yes _____ No

24.) How often is the governing body of your special district required to hold meetings that are open to the public?

- _____ More than once a month
- _____ Once a month
- _____ Quarterly
- _____ Twice a year
- _____ Annually
- _____ Never

25.) How often are such meetings actually held?

- _____ More than once a month
- _____ Once a month
- _____ Quarterly
- _____ Twice a year
- _____ Annually
- _____ Never

26.) How do you provide **public notice** of these public meetings? (*check which apply*)

- _____ Publish in a general circulation newspaper
- _____ Display in a public facility such as City Hall
- _____ Post online
- _____ We don't provide notice of public meetings
- _____ Other (describe): _____

27.) Do you record and keep **minutes** of your district's public meetings?

_____ Yes _____ No

28.) Would you prefer a system in which documents could be filed and shared with state and local entities **electronically**

_____ Yes _____ No

Why or why not? _____

29.) Do you think these documents should be made available online to the public?

_____ Yes _____ No

Why or why not? _____

30.) Please suggest ways to **improve** or streamline existing procedural and financial reporting requirements of special districts (attach additional pages if necessary):

31.) **Please enclose a copy of your special district's most recent audit [KRS 65.065].
If you cannot do so, please explain why.**

32.) **Please enclose a copy of your special district's most recent summary financial statement [KRS 65.070]. If you cannot do so, please explain why.**

33.) Please list the names of each of your board members below.

33.)



I acknowledge that the information provided is, to the best of my knowledge, accurate and complete, and further acknowledge that I will promptly amend/supplement the responses to this survey if further information becomes available.

Name and title of person responding to this survey on behalf of the special district:

Print Name _____

Signature _____

Title _____

County _____

Phone Number _____



Adam H. Edelen, Auditor of Public Accounts

Please respond to the following questions. You may use this form and return it in the enclosed envelope, attaching additional pages. Or send it by e-mail to _____ using the same format. If you have questions, e-mail _____ or call (502) 564-5841 x 271. Thank you for your assistance.

FISCAL COURT SURVEY

1. Using the list below, please indicate how many of the following types of special districts currently operate in your county?

- Air Pollution Control Districts: _____
Ambulance Service Districts: _____
Area Development Districts: _____
Area Planning Commissions: _____
Community Action Agencies: _____
Community Improvement Districts: _____
Cooperative Extension Service Districts: _____
Drainage Districts: _____
Drainage Taxing Districts: _____
Drainage, Levee and Reclamation Districts: _____
Emergency Service Boards: _____
Fire Protection Districts and Subdistricts Or Volunteer Fire Department Districts: _____
Flood Control Districts: _____
Hospital Districts: _____
Housing Authorities (County-City, County, and Regional): _____
Industrial Development Authorities: _____
Levee Districts: _____
Library Districts: _____
Local Air Boards: _____
Local Tourist and Convention Commission: _____
Mass Transit Authorities: _____
Mental Health and Mental Retardation Districts: _____
Metropolitan Sewer Districts: _____
Water Districts: _____
Public Health Districts: _____
Public Road Districts: _____
Rescue Squad Taxing Districts: _____
Riverport Authorities: _____
Sanitation Districts: _____
Sanitation Districts and Sudistricts: _____
Sanitation Tax Districts: _____
Sewer Construction Districts: _____
Soil Conservation Districts: _____
Solid Waste District: _____
Solid Waste Management Districts: _____
Subdivision Road Districts: _____
Urban Services Districts: _____
Waste Management Non-Taxing Districts: _____
Waste Management Taxing Districts: _____
Wastewater Collection Projects: _____
Watershed Conservancy Districts: _____
Other: _____

- 2. Of the district types you selected, please indicate (on the next page);
a. their official names,
b. whether they are a taxing or non-taxing district,
c. a point of contact and contact information.

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

ATTACH ADDITIONAL PAGES IF NECESSARY

3. **Are there any entities in your county, which you believe may be special districts, but that do not consider themselves as such?**

YES NO (CIRCLE ONE)

Name: _____

Taxing or Non-Taxing or I Don't Know (circle one)

Contact Name: _____ phone: _____ email: _____

4. **Are you aware of any entities operating in your county that are not special districts but that receive earmarked taxes, fees, or assessments? These entities may or may not be listed in your county audits as related parties, joint ventures, or other third-party entities (e.g., industrial authorities, economic development authorities).**

YES NO (CIRCLE ONE)

Name: _____

Taxing or Non-Taxing or I Don't Know (circle one)

Contact Name: _____ phone: _____ email: _____

5. **Are there any special districts that you have identified, which are reported in the fiscal court's audit as a component unit?**

YES NO (CIRCLE ONE)

Please indicate which districts: _____

6. **Please select from the list below, any function(s) that your office or the county Judge/Executive perform(s) with respect to special districts:**

(CIRCLE ALL THAT APPLY)

- A. Receive a petition for the creation of a special district, conduct a hearing on the creation of a special district, and vote to approve an ordinance or resolution that creates a special district.
- B. Submit to the voters, the approval of a taxing district within the jurisdiction of a consolidated local government and counties containing a city of the first class, or a fire protection district in a county that does not contain a city of the first class.
- C. Appoint members to a special district's board of directors.
- D. Serve as an ex-officio member of certain special districts' board of directors.
- E. Remove members from a special district's board of directors.
- F. Combine, dissolve, or abolish special districts.
- G. Receive annual budgets.
- H. Submit all annual budgets received to the Department for Local Government.
- I. Notify the county attorney if an annual budget is not received.
- J. Other: _____

7. **With respect to special districts, would you prefer a system in which documents could be filed and shared with state and local entities electronically?**

YES NO (CIRCLE ONE)

If no, please explain why not: _____

8. Do you think that these documents should be made available to the public?

YES NO (CIRCLE ONE)

If no, please explain why not: _____

9. Do you think the level of financial oversight of special districts is currently sufficient?

YES NO (CIRCLE ONE)

Please share any suggestions on how financial oversight of special districts can be improved:

I acknowledge that the information provided is, to the best of my knowledge, accurate and complete, and further acknowledge that I will promptly amend/supplement the responses to this survey if further information becomes available.

First Name Last Name Title County Date

X. _____

Please return all pages of the completed survey to our office. They may be faxed to _____ at (502) 564 2912 or sent via mail to:

Auditor of Public Accounts
Attn:
209 St. Clair St.
Frankfort, Ky. 40601-1817

If you suspect there is a problem submitting your information, please email _____ at _____, or call him at (502) 564-5841 x 271.



Adam H. Edelen, Auditor of Public Accounts

Please respond to the following questions. You may use this form and return it in the enclosed envelope, attaching additional pages. Or send it by e-mail to _____ using the same format. If you have questions, e-mail _____ or call (502) 564-5841 x 271. Thank you for your assistance.

COUNTY CLERK SURVEY

1. Do you, as the county clerk, also serve as the fiscal court clerk in your county?

YES NO (CIRCLE ONE)

2. Using the list below, please indicate how many of the following types of special districts currently operate in your county?

- Air Pollution Control Districts: _____
Ambulance Service Districts: _____
Area Development Districts: _____
Area Planning Commissions: _____
Community Action Agencies: _____
Community Improvement Districts: _____
Cooperative Extension Service Districts: _____
Drainage Districts: _____
Drainage Taxing Districts: _____
Drainage, Levee and Reclamation Districts: _____
Emergency Service Boards: _____
Fire Protection Districts and Subdistricts Or Volunteer Fire Department Districts: _____
Flood Control Districts: _____
Hospital Districts: _____
Housing Authorities (County-City, County, and Regional): _____
Industrial Development Authorities: _____
Levee Districts: _____
Library Districts: _____
Local Air Boards: _____
Local Tourist and Convention Commission: _____
Mass Transit Authorities: _____
Mental Health and Mental Retardation Districts: _____
Metropolitan Sewer Districts: _____
Water Districts: _____
Public Health Districts: _____
Public Road Districts: _____
Rescue Squad Taxing Districts: _____
Riverport Authorities: _____
Sanitation Districts: _____
Sanitation Districts and Sudistricts: _____
Sanitation Tax Districts: _____
Sewer Construction Districts: _____
Soil Conservation Districts: _____
Solid Waste District: _____
Solid Waste Management Districts: _____
Subdivision Road Districts: _____
Urban Services Districts: _____
Waste Management Non-Taxing Districts: _____
Waste Management Taxing Districts: _____
Wastewater Collection Projects: _____
Watershed Conservancy Districts: _____
Other: _____

3. Of the district types you selected, please indicate:

- a. their official names,
- b. whether they are a taxing or non-taxing district,
- c. a point of contact and contact information.

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

District Name: _____
Taxing or Non-Taxing or I Don't Know (circle one)
Contact Name for the district: _____ phone: _____ email: _____

ATTACH ADDITIONAL PAGES IF NECESSARY

4. **Are there any entities in your county, which you believe may be special districts, but that do not consider themselves as such?**

YES NO (CIRCLE ONE)

District Name: _____

Taxing or Non-Taxing or I Don't Know (circle one)

Contact Name: _____ phone: _____ email: _____

5. **Are you aware of any entities operating in your county that are not special districts but that receive earmarked taxes, fees, or assessments? These entities may or may not be listed in your county audits as related parties, joint ventures, or other third-party entities (e.g., industrial authorities, economic development authorities).**

YES NO (CIRCLE ONE)

District Name: _____

Taxing or Non-Taxing or I Don't Know (circle one)

Contact Name: _____ phone: _____ email: _____

6. **Please select from the list below, any function(s) that your office perform(s) with respect to special districts:**

(CIRCLE ALL THAT APPLY)

- A. Receive and record notifications from newly-created special districts, and forward a copy of this notice to the Department for Local Government
- B. Distribute standardized budget forms to every special district in your county
- C. Receive annual budgets from every special district in your county, and file these budgets with your county's fiscal court and the Department for Local Government
- D. Notify the county attorney if a special district has not submitted an annual budget to the fiscal court
- E. Receive and file with the fiscal court in your county, any petition for the dissolution of a special district
- F. Other

CONTINUED ON THE NEXT PAGE

7. **With respect to special districts, would you prefer a system in which documents could be filed and shared with state and local entities electronically?**

YES NO (CIRCLE ONE)

If no, please explain why not: _____

8. **Do you think that these documents should be made available to the public?**

YES NO (CIRCLE ONE)

If no, please explain why not: _____

9. **Do you think the level of financial oversight of special districts is currently sufficient?**

YES NO (CIRCLE ONE)

Please share any suggestions on how financial oversight of special districts can be improved.

I acknowledge that the information provided is, to the best of my knowledge, accurate and complete, and further acknowledge that I will promptly amend/supplement the responses to this survey if further information becomes available.

First Name Last Name Title County Date

X. _____

Please return all pages of the completed survey to our office. They may be faxed to _____ at (502) 564 2912 or sent via mail to:

Auditor of Public Accounts
Attn:
209 St. Clair St.
Frankfort, Ky. 40601-1817

If you suspect there is a problem submitting your information, please email _____ at _____ or call him at (502) 564-5841 x 271.



Adam H. Edelen, Auditor of Public Accounts

Please respond to the following questions. You may use this form and return it to the address provided on page four, making sure to attach additional pages. Or you may scan the document and send it by e-mail to using the same format. If you have questions, e-mail or call (502) 564-5841 x 271. Thank you for your assistance.

SHERIFF SURVEY

1. Using the list below, please indicate how many of the following types of special districts currently operate in your county?

- Air Pollution Control Districts:
Ambulance Service Districts:
Area Development Districts:
Area Planning Commissions:
Community Action Agencies:
Community Improvement Districts:
Cooperative Extension Service Districts:
Drainage Districts:
Drainage Taxing Districts:
Drainage, Levee and Reclamation Districts:
Emergency Service Boards:
Fire Protection Districts and Subdistricts Or Volunteer Fire Department Districts:
Flood Control Districts:
Hospital Districts:
Housing Authorities (County-City, County, and Regional):
Industrial Development Authorities:
Levee Districts:
Library Districts:
Local Air Boards:
Local Tourist and Convention Commission:
Mass Transit Authorities:
Mental Health and Mental Retardation Districts:
Metropolitan Sewer Districts:
Public Health Districts:
Public Road Districts:
Rescue Squad Taxing Districts:
Riverport Authorities:
Sanitation Districts:
Sanitation Districts and Subdistricts:
Sanitation Tax Districts:
Sewer Construction Districts:
Soil Conservation Districts:
Solid Waste District:
Solid Waste Management Districts:
Subdivision Road Districts:
Urban Services Districts:
Waste Management Non-Taxing Districts:
Waste Management Taxing Districts:
Wastewater Collection Projects:
Water Districts:
Watershed Conservancy Districts:

Other:
If other, please identify what type:

2. Of the district types you selected, please indicate;

- a. their official name,
- b. whether they are a taxing or non-taxing district,
- c. whether you collect taxes on behalf of the district,
- d. how much you collected in fiscal year 2011, and
- e. a point of contact and contact information.

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

District Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

I do or **I do not** collect taxes/fees on behalf of this district (circle one)

Amount collected in the fiscal year 2011: _____

Contact Name for the district: _____ phone: _____ email: _____

ATTACH ADDITIONAL PAGES IF NECESSARY

3. Are there any entities in your county, which you believe may be special districts that do not consider themselves as such?

YES NO (CIRCLE ONE)

Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

Contact Name: _____ phone: _____ email: _____

4. Are you aware of any entities operating in your county that are not special districts that have received earmarked taxes, fees, or assessments? These entities may or may not be listed in your county audits as related parties, joint ventures, or other third-party entities (e.g., industrial authorities, economic development authorities).

YES NO (CIRCLE ONE)

Name: _____

Taxing or **Non-Taxing** or **I Don't Know** (circle one)

Contact Name: _____ phone: _____ email: _____

5. Does your office charge a commission for collecting taxes and/or fees on behalf of special districts?

YES NO (CIRCLE ONE)

For each applicable district, please indicate what percentage of the taxes or fees your commission represents:

- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____
- District Name: _____ % _____

ATTACH ADDITIONAL PAGES IF NECESSARY

6. **With respect to special districts, would you prefer a system in which documents could be filed and shared with state and local entities electronically?**

YES NO (CIRCLE ONE)

If no, please explain why not: _____

7. **Do you think that these documents should be made available to the public?**

YES NO (CIRCLE ONE)

If no, please explain why not: _____

8. **Do you think the level of financial oversight of special districts is currently sufficient?**

YES NO (CIRCLE ONE)

Please share any suggestions on how financial oversight of special districts can be improved.

I acknowledge that the information provided is, to the best of my knowledge, accurate and complete, and further acknowledge that I will promptly amend/supplement the responses to this survey if further information becomes available.

First Name Last Name Title County Date

X. _____
Signature

Please return all pages of the completed survey to our office. They may be faxed to _____ at (502) 564 2912 or sent via mail to:

Auditor of Public Accounts
Attn:
209 St. Clair St.
Frankfort, Ky. 40601-1817

If you suspect there is a problem submitting your information, please email _____ at _____ or call him at (502) 564-5841 x 101.



Adam H. Edelen, Auditor of Public Accounts

**SURVEY TO IDENTIFY SPECIAL
DISTRICTS OPERATING IN
KENTUCKY**

If you have already completed the Auditor's special district survey and submitted it to our office, please indicate below.

We have received the special district survey but have NOT yet submitted it.

We have already received and submitted the special district survey.

We have NOT received or submitted the special district survey.

After filling out this survey, please then fax to 502-564-2912 or mail it to our office.

Auditor of Public Accounts
Attn:
209 St. Clair St.
Frankfort, Ky. 40601-1817

Official name of your special district (*as referenced in the district's creation document*):

Name: _____

[KRS 65.005\(1\)\(a\)](#) defines a 'special district' to mean "any agency, authority, or political subdivision of the state which exercises less than statewide jurisdiction and which is organized for the purpose of performing governmental or other prescribed functions within limited boundaries. It includes all political subdivisions of the state except a city, a county, or a school district."

Do you consider yourself to be a special district subject to [KRS 65.005\(1\)\(a\)](#)?

Yes
 No

If you answered 'No', please explain why below:

1.) What is the official name of your organization?

2.) What is the primary means by which your organization funds itself?
(Check all that apply)

- Levying property taxes
- Assessing membership charges/subscriber fees
- Through taxes levied by the city or county
- Through other funds appropriated by the city or county
- Other

3.) Do you know of a legal source or statute that allows for the establishment of your organization?

- Court Order
- Statute(s)
- City or County ordinance
- Not sure

4.) Is your organization ever audited?

- Yes
- No

5.) Regarding your audits?

In which fiscal year were you last audited? _____ (Must be more recent than 1920)

What is the frequency of audits?

- Annually
- Every four years
- Other

Who currently receives copies of your audit reports? (Select all that apply below)

- Fiscal Court County Clerk Department for Local Government
- Other

6.) Organization designee's name: The person that your organization designates to receive periodic correspondence from the auditor's office, including this survey.

Designee's Name: _____

Office Address: (mailing address where the special district receives its mail)

Telephone: (District designee's phone number)

Fax: (District designee's fax number)

Email: (District designee's email address)

Website: (Special District's official website)

- 7.) Please select from the list below, the type of organization that best describes yours. If none apply, please select "Other" and offer your own description.

Taxing Districts

- ____ Ambulance Service Districts (KRS 108.080-.180)
- ____ Area Planning Commissions (KRS 147.610-.705)
- ____ Community Improvement Districts (KRS 107.310-.500)
- ____ Cooperative Extension Service Districts (KRS 164.605-.675) **Note:** OAG 83-264 says they have taxing authority, but the Trigg Circuit Court, in Civil Action Number 88-CI-082, says they do not. The Agricultural extension districts have historically levied (or had levied on their behalf) ad valorem taxes. DLG classifies them as taxing districts.
- ____ Drainage, Levee and Reclamation Districts (KRS 268.010-.990)
- ____ Drainage Taxing Districts (KRS 269.100-.270)
- ____ Emergency Service Boards (KRS 65.660-.679)
- ____ Fire Protection Districts and Subdistricts or Volunteer Fire Department Districts (KRS 75.010-.260)
- ____ Flood Control Districts (KRS 104.450-.680)
- ____ Hospital Districts (KRS 216.310-.360)
- ____ Levee Districts (KRS 266.010-.990)
- ____ Library Districts formed by petition (KRS 173.710-.800)
- ____ Library Districts formed by referendum (KRS 173.450-.650)
- ____ Local Air Boards (KRS 183.132-.160)
- ____ Mental Health and Mental Retardation Districts (KRS 210.370-.480)
- ____ Municipal College Support District (KRS 165.175)
- ____ Public Health Districts (KRS 212.720-.760) **Note:** per KRS 212.750, a public health taxing district exists in every county whether created by the fiscal court or by operation of law.
- ____ Rescue Squad Taxing Districts (KRS 39F.160)
- ____ Riverport Authorities (KRS 65.510-.650) **Note:** Riverport Authorities are also sometimes created as non-profits under KRS chapter 273 or as public properties corporations under KRS Chapter 58.
- ____ Sanitation Districts and Subdistricts (KRS 220.010-.613)

- _____ Sanitation Tax Districts (KRS 76.274-.279)
- _____ Solid Waste Management Districts (KRS 109.001-.320)
- _____ Subdivision Road Districts (KRS 179.700-.735)
- _____ Waste Management Taxing Districts (KRS 109.115-.190)
- _____ Watershed Conservancy Districts (KRS 265.700-.990)X
- _____ Urban Services Tax District - Consolidated Local Government (KRS 67C.145). **Note:** *The statute says these entities are "separate tax districts" within the meaning of the Constitution, but they may in reality be a part of the Metro Government.*
- _____ Urban Services Tax District - Urban County Government (KRS 67A.150) **Note:** *The statute says these entities are "separate tax districts" within the meaning of the Constitution, but they may in reality be a part of the LFUCG government.*

Non-taxing Districts

- _____ Air Pollution Control Districts (KRS 77.005-.305)
- _____ Area Development Districts (KRS 147A.050-.120)
- _____ Community Action Agencies (KRS 273.405-.453)
- _____ Drainage Districts (KRS 267.010-.990)
- _____ Housing Authorities (County-City, County, and Regional) (KRS 80.262-.610)
- _____ Industrial Development Authorities (KRS 154.50-301-.346) **Note:** *Many Economic Development Authorities were created under this statute. However, most Economic Development Authorities created as non-profits under KRS chapter 273 or as public properties corporations under KRS Chapter 58.*
- _____ Local Tourist and Convention Commissions (KRS 91A.350-.390)
- _____ Mass Transit Authorities (KRS 96A.010-.075)
- _____ Metropolitan Sewer Districts (KRS 76.005-.210)
- _____ Public Road Districts (KRS 184.010-.300)
- _____ Sanitation Districts (KRS 220.010-.613)
- _____ Sewer Construction Districts (KRS 76.295-.420)
- _____ Sewer Construction Subdistricts (KRS 76.241-.243)
- _____ Soil Conservation Districts (KRS 262.010-.660)
- _____ Solid Waste District (KRS 109.041) **Note:** *DLG is not aware of the existence of any of these district types, which were only created by the legislature in 2002.*
- _____ Urban Services Districts (KRS 108.010-.075)
- _____ Waste Management Districts (non-taxing) [KRS 109.041(13)]
- _____ Water Districts (KRS 74.010 et seq.)
- _____ Industrial Taxing Districts (KRS 68.600 et seq.) **Note:** *DLG is not aware of the existence of any of these district types, which were only created by the legislature in 2002.*
- _____ Management Districts First Class City (KRS 91.750 et seq.)

Other _____

8.) In which counties does your district operate?

Questions 9 – 16 concern your organization's financial information. If for some reason you are unable to provide the information to any or all of the questions, please explain below.

- 9.) What were your **total budgeted revenues** for fiscal year 2011 (sum total from taxes, permits & licenses, charges for services, earned revenue and interest? (Note that water districts are on a calendar year.)

- 10.) What were your **total budgeted receipts** and cash for fiscal year 2011 (sum total of any carryover from prior years, transfers from other funds, other borrowed money, etc.?)

- 11.) What were your **total budgeted appropriations** for fiscal year 2011 (personnel, operations, administration and reserves, capital outlay, debt service, etc.)

- 12.) What were your **total actual revenues** for fiscal year 2011 (sum total from taxes, permits & licenses, charges for services, earned revenue, and interest?)

- 13.) How much were your **total actual revenues** for fiscal year 2011 came from sources other than taxes and fees (e.g. grants, sponsorships, fundraising activities, etc.)?

- 14.) What were your **total actual receipts and cash** for fiscal year 2011 (sum total of any carryover from prior years, transfers from other funds, other borrowed money, etc.)?

- 15.) What is the sum total of any **carryover** held in reserves from prior years? This includes all monies earmarked for certain projects in the future and/or not planned for at this time.

- 16.) What were your **total actual expenditures** for fiscal year 2011 (personnel, operations, administration & Reserves, capital outlay, debt service, etc.)?

17.) Does your organization file annual budgets with your fiscal court, county clerk, and/or Department for Local Government? (Check all that apply)

Fiscal Court County Clerk Dept. for Local Government

18.) Does your organization file a UFIR (Uniform Financial Information Report) each year with your fiscal court, county clerk, and/or Department for Local Government? (Check all that apply)

Census County Clerk Department for Local Government None

19.) Approximately how large is the population your organization serves, and how did you arrive at this population estimate?

Estimated population: _____

How was population estimated? _____

20.) Are your board members compensated in any way?

Yes No

21.) Do any of the employees of your organization receive state or county benefits (health insurance, life insurance, worker's compensation, retirement) by virtue of their employment with the organization?

Yes No

22.) Would you prefer a system in which documents could be filed and shared with state and local entities electronically?

Yes No

23.) Please suggest ways to improve or streamline existing procedural and financial reporting requirements of special districts.

24.) Please list the names of each of your board members below (comma separated if needed).

25.) *I acknowledge that the information provided is, to the best of my knowledge, accurate and complete, and further acknowledge that I will promptly amend/supplement the responses to this survey if further information becomes available.*

Name and title of person responding this survey on behalf of the special district.

_____	_____	_____
First Name	Second Name	Title

County

APPENDIX 9

DLG MANUAL TABLE OF CONTENTS

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APPENDIX 10

DLG FILING CALENDAR

**Department for Local Government
Filing Calendar for Special Districts in Kentucky**

Category	Procedures	Deadline	Statute Reference
District Descriptive Information	<p>File with County Clerk in each county you have operations:</p> <ul style="list-style-type: none"> * District Name * Statutory Authority * Names, addresses and expiration dates of board members and CEO <p>Publish this descriptive information and a summary of District finances in local newspaper</p>	<p>August 31st</p> <p><i>(within 60 days of close of fiscal year)</i></p>	KRS 65.070 {1}
Budget	<p>File copy of district budget (forms are available on the DLG website) with the fiscal court in each county of operation.</p>	<p>June 1st</p> <p><i>(December 1st for Water Districts)</i></p>	KRS 65.065 {1}
Annual Financial Report or Audit	<p>Submit to each fiscal court (where you have operations) an annual financial statement or audit (65.065{2}{3}) within 30 days of completion of audit.</p>	<p>March 1st</p>	KRS 65.070 {2}
Uniform Financial Information Report	<p>Special districts which are also taxing districts must annually complete and file a UFIR form and forward it to DLG.</p>	<p>May 1st</p>	KRS 65.905

APPENDIX 11

SPECIAL DISTRICT FILING REQUIREMENTS AND DISSOLUTION PROCESS MATRIX

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
Rescue Squads	39F.020		X				
Rescue Squad Taxing District	39F.160	X NL	X			Not clear what body has the ability to levy the tax. Tax is an ad valorem tax up to \$0.10 per \$100. Taxes are collected by the sheriff.	No - creation is in accordance with 65.182 or 65.188
Riverport Authorities	65.510 - 65.650		X			Can establish rates, charges and fees (KRS 65.530). May be created only upon approval of the Transportation Cabinet. Cities and counties are also authorized to levy an annual tax to support a riverport authority.	No provision except for multijurisdictional authorities
Emergency Services Boards	65.660 - 65.679	X NL		X		Allows merger of existing ambulance, fire protection and rescue squad districts in a single county or multiple counties. The emergency services board apparently has an unfettered ability to also levy fees in addition to the ad valorem authority, which is limited to \$0.10 per \$100 (KRS 65.670).	
Industrial Taxing District	68.60	X NL				Allows the fiscal court to create a special taxing district for an economic development project that will create at least 500 new jobs - purpose is to pay for extra governmental services. Taxes may include an ad valorem assessment of up to \$0.10 per \$100 or an occupational license tax. Fiscal Court may appoint a board of trustees.	
Water Districts	74.010 - 74.415		X		X	Assessments are based on benefits and total cost of improvements.	Dissolution provision 74.367

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
Fire Protection Districts (Includes fire protection subdistricts permitted by KRS 75.015 - special levy is permitted)	75.010 - 75.260	X	X	X		Establishment references 85.182. Permitted to collect membership charges, subscriber fees and an ad valorem tax of up to \$0.10 per \$100 if ambulance services are provided levy may be up to \$0.20 per \$100.	164.164 et al apply
Metro Sewer Districts (No Ad Valorem Authority)	76.005 - 76.210		X			Can issue bonds and assess fees against the benefited land by regulation.	None
Sewer Construction Subdistricts	76.241 - 76.273		X			Provides for a method for assessing benefited property equitably.	76.271
Sanitation Districts	76.274 - 76.279	X	X			Tax may be imposed to establish a comprehensive sewage or sewage treatment system or storm water and surface drainage system or both. Tax is subject to recall, no statutory maximum.	No provision
Sewer Construction Districts	76.295 - 76.420		X			Allows for assessment based on property classification and benefit.	Dissolution provision 76.370
Wastewater Collection Projects	76.600 - 76.640		X				
Air Pollution Control Districts (Fees but not taxes)	77.005 - 77.305		X			Board may set annual emission fees (77.205).	None
Municipal Housing Authorities	80.020 - 80.260					Cannot find assessment or levy authority.	
City Housing Authority	80.262 - 80.300		X				None

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
County and Regional Housing Authorities	80.310 - 80.610		X				
Management Districts	91.750 - 91.762					Only applies to cities of the first class and Urban county Governments. Permits special assessments to finance economic improvements.	Dissolution provisions 91.762
Tourist and Convention Commissions (Fee)	91A.350 - 91A.390		X			Transient room tax of up to 3% may be levied plus an additional 1% for a convention center. Other levies permitted in some circumstances.	None
Management Districts	91A.550 - 91A.580					established by petition followed by ordinance. Permits special assessment based on approved budget.	
Motor Vehicle Parking Authorities	94.810 - 94.840						Dissolution provisions 91A.580
Mass Transit Authorities	96A.010 - 96A.230		X			May charge a fee for services.	No provision
Mass Transportation Program	96A.310 - 96A.370	X NL				Taxes may be levied by the board upon voter approval. Levies include ad valorem, occupational license or sales taxes. Program is created by the vote of the people.	No provision
Joint Regional Park Authorities	97.095	X NL				Tax may be levied by the authority but requires a public referendum for the levy. Maximum levy is \$0.05 per \$100.	No provision
Flood Control	104.450 - 104.680	X	X	X		May be established by the Secretary of the Cabinet for Natural Resources and Environmental Protection, or by petition. Max levy is \$0.15 per \$100.	None

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
Community Improvement Districts	107.310 - 107.500	X	X		X	Board of commissioners may request fiscal court levy a tax (107.350). Rate cannot exceed \$0.10 per \$100 or the cost of retiring bonds.	65.166 or 65.170 apply
Urban Services Districts	108.010 - 108.070	X NL	X	X		May impose fees for services and levy assessments "necessary to carry out the functions of the district" (KRS 108.020).	None
Ambulance Services Districts	108.080 - 108.180	X	X		X	District may levy tax by ordinance. Many methods for creation. Rate shall not exceed \$0.10 per \$100.	Dissolution provisions 108.160 and 108.170
Nontaxing Waste Management Districts	109.041					Established by fiscal court by ordinance.	
Solid Waste Management Tax Levy and Use of Facilities	109.056 - 109.059	X NL	X			District is permitted to impose an annual tax not to exceed \$0.10 per \$100. Alternatively, or in addition to the ad valorem levy, the district may collect fees to offset costs.	None
Solid Waste Management Districts	109.115 - 109.190	X	X		X	District is permitted to impose an annual tax not to exceed \$0.10 per \$100. Alternatively, or in addition to the ad valorem levy, the district may collect fees to offset costs.	None
Area Planning Commissions	147.610 - 147.710	X	X			Ad valorem tax of up to \$0.05 per \$100 permitted.	147.620 provides for dissolution
Area Development Districts	147A.050 - 147A.120		X				NONE, but statutorily created so assumption is that dissolution would require legislative action

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
Industrial Development Authorities	154.50-301 - 154.50-346		X				154.50-330
Extension Districts	164.605 - 164.675	X	X			Revenues from tax are mentioned in 164.670, but there is no tax levy expressly authorized elsewhere. The former authorizing statute was repealed. There are two AG's opinions that say that these districts may levy tax by implication (See OAG 79-283 and 83-264 - Max levy is \$0.10 per \$100.	No provision
Municipal College Support District	165.175					Limited applicability - appears to apply to a specific case - only a city of the 2nd class with a municipal college. Governing body is the fiscal court tax authorized between \$0.0 and \$0.145 per \$100. Tax requires a vote of the people.	None
Public Library Districts (NOTE: This is the count for all library districts regardless of method of creation)	173.450 - 173.650	X	X		X	Ad valorem tax up to \$0.20 per \$100 may be levied. Rates established prior to July 13, 1984 may only be amended via voter approval (this is NOT how Libraries and Archives have been advising districts regarding rate changes).	KRS 173.630
Library Districts Formed by Petition	173.710 - 173.800	X	X		X	No provisions for establishment of a district or a maximum rate. These provisions may apply only to districts established prior to July 13, 1984. See KRS 173.720.	173.800
Subdivision Road Districts	179.700 - 179.990	X	X		X	Created in accordance with 65.182. Rate of up to \$0.10 per \$100 may be levied for the maintenance of public roads.	

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
Local Air Boards	183.132 - 183.160	X NL	X			Tax may be levied by governmental unit for use by the local air board. If the tax is levied, it is excluded from the compensating rate calculation under 132.023. The board may charge fees for usage.	No provision
Public Road Districts	184.010 - 184.300		X	X		Assessments permitted against property owners abutting the road.	No provision, however these districts cease to exist when the affairs have been completed.
Regional Community Mental Health	210.370 - 210.480	X	X			Board may request that fiscal court impose a tax. District was created by law in each county that participated in the establishment of the regional MHMR system under KRS 210.380 and 210.470. Rate may not exceed \$0.04 per \$100.	No provision
County Health Boards	210.020 - 210.260						
Public Health Taxing Districts	212.720 - 212.760	X	X		X	May ask county government to impose an ad valorem tax not to exceed \$0.10 per \$100.	None
Independent District Health Departments	210.780 - 210.794						
Public Health Departments	210.810 - 210.930						
Hospital Districts	216.310 - 216.360	X	X		X	May impose a special ad valorem tax not to exceed \$0.10 per \$100.	None
Sanitation Districts	220.010 - 220.613	X	X	X		Taxes may be levied in an amount not greater than \$0.15 per \$100 to pay expenses of the organization.	65.166 or 65.170 apply

Name	Citation	UFIR REQ'D 65.900 (NOTE: NL means not specifically listed)	Budget, Audit, District Info Required 65.060 applies to 65.008, 008, 065, and 070	Dissolution of District 65.164- 65.176	Taxing district definition KRS 65.180	Other Information	Dissolution Process
Soil and Water Conservation Districts	262.010 - 262.660	X	X			Board is authorized to levy a millage rate if not adequately funded by the fiscal court.	262.530
Watershed Conservancy Districts	262.700 - 262.990	X	X			Millage or flat rate may be imposed sufficient to meet budget needs.	None
Levee Districts	266.010 - 266.990	X	X	X	X	Tax may be levied not to exceed \$0.50 per \$100.	65.166 and 65.170 apply
Drainage Taxing District	269.100 - 269.270	X		X			65.166 and 65.170 apply
Community Action Corporations	273.405 - 273.453		X				None

APPENDIX 12

SPECIAL DISTRICTS BY TYPE

Special District Type	# of SDs	Total Revenues*	Total Expenditures*	Total Reported Reserves
Air Pollution Control Districts	2	\$1,123,645.00	\$6,470,209.00	\$227,500.00
Ambulance Service Districts	66	85,571,578.05	90,782,349.11	15,757,020.37
Area Development Districts	18	147,732,759.00	169,177,900.00	25,362,982.14
Area Planning Commissions	2	5,011,458.00	5,010,515.00	6,094.76
Community Action Agencies	23	589,213,435.88	394,070,910.36	73,654,925.43
Cooperative Extension Service Districts	120	48,379,539.60	54,805,516.39	28,410,196.96
Drainage Taxing Districts	9	7,507.00	7,176.00	59,331.00
Drainage, Levee and Reclamation Districts	2	*	*	*
Emergency Service Boards	5	1,335,543.00	1,480,100.00	1,270,065.00
Fire Protection Districts and Subdistricts or Volunteer Fire Department Districts	196	175,358,884.92	192,389,079.51	60,280,992.22
Hospital Districts	10	140,906,101.99	72,576,644.58	25,972,367.46
Housing Authorities (County-City, County, and Regional)	22	20,170,048.74	20,896,668.20	1,976,471.55
Industrial Development Authorities	76	16,453,239.79	21,790,464.80	12,100,620.82
Levee Districts	2	62,006.90	193,751.65	518,751.00
Library Districts	111	148,096,493.18	155,605,245.12	151,899,034.62
Library Districts Formed by Petition	1	975,779.17	1,081,449.38	
Local Air Boards	55	117,934,970.82	161,611,140.53	142,460,529.26
Local Tourist and Convention Commissions	64	47,545,981.84	47,282,794.71	6,212,352.47
Mass Transit Authorities	8	122,006,713.50	123,333,386.50	78,456,966.00
Mental Health and Mental Retardation Districts	2	40,171,383.00	40,006,610.00	2,625,254.39
Metropolitan Sewer Districts	3	222,893,751.00	410,699,500.00	442,427,308.00
Other	2	1,381,563.00	1,395,467.00	446,564.00
Public Health Districts	116	87,152,190.02	90,231,626.05	72,694,219.74
Public Road Districts	1	20,000.00	20,000.00	
Rescue Squad Taxing Districts	6	*	*	*
Riverport Authorities	12	14,043,517.00	14,595,355.00	11,402,785.00
Sanitation Districts	16	89,793,564.64	218,543,833.56	64,781,907.53
Sanitation Districts and Subdistricts	5	5,973,180.67	6,635,908.00	1,905,000.00
Sanitation Tax Districts	1	*	*	*
Soil Conservation Districts	116	21,554,044.36	22,134,293.38	16,579,781.88
Solid Waste District	10	8,407,075.89	9,053,250.77	1,004,660.87
Solid Waste Management Districts	7	4,788,656.57	4,254,144.81	4,552,953.18
Waste Management Non-Taxing Districts	2	994,678.89	994,647.00	957,500.00
Waste Management Taxing Districts	2	*	*	*
Wastewater Collection Projects	1	1,246,841.00	1,825,055.00	96,699.00
Water Districts	132	299,571,216.16	362,447,447.69	143,199,009.60
Watershed Conservancy Districts	42	2,838,187.89	2,626,252.47	3,039,768.14
Total	1,268	\$2,468,715,536.48	\$2,704,028,691.57	\$1,390,339,612.39

**Actual revenues and actual expenditures are based on reported survey questions plus projected amounts, when projections were reasonable. Special district types reporting zero revenues or expenditures did not have sufficient data reported for reasonable projections, or represent special district types identified in KRS that are inactive/unused.*

Although the following types of special districts are authorized in Kentucky Revised Statutes, our efforts did not find any instances of these.

Taxing Districts

1. Community Improvement Districts (KRS 107.310-.500)
2. Flood Control Districts (KRS 104.450-.680)
3. Municipal College Support District (KRS 165.175)
4. Subdivision Road Districts (KRS 179.700-.735)
5. Urban Services Tax District (KRS 67C.145)

Non-taxing Districts

1. Drainage Districts (KRS 267.010-.990)
2. Sewer Construction Districts (KRS 76.295-.420)
3. Sewer Construction Subdistricts (KRS 76.241-.243)
4. Urban Services Districts (KRS 108.010-.075)
5. Industrial Taxing Districts (KRS 68.600 et seq.)
6. Management Districts First Class City (KRS 91.750 et seq.)

Status unclear (according to the Department for Local Government)

1. Land Bank Authority (KRS 65.355)
2. Motor Vehicle Parking Authority (KRS 67A.910)
3. Park Board (KRS 97.550)
4. Recreation Commission (KRS 97.120)
5. Regional Park Authority (KRS 97.095)
6. Management Districts (KRS 91A.555 et seq.)

Acknowledgments

As with any effort of this magnitude, we relied upon the help of many others to achieve our outcome. We would especially like to thank the Department for Local Government, which went out of its way to accommodate our many requests and which worked diligently alongside us to come up with recommendations that we both agreed were workable and adequately addressed the problems at hand. We would also like to acknowledge the encouraging support we received throughout this process from the legislature, particularly the Interim Joint Committee on Local Government. This committee was asked by the legislature through the unanimous passage of House Concurrent Resolution 53 “to study special districts’ fiscal, administrative, and ethical issues in light of recent audits conducted by the Auditor of Public Accounts,” and our efforts benefited in many ways from their commitment to find common sense solutions to the broken system that currently exists. Finally we would like to acknowledge the cooperation of Kentucky Council for Area Development Districts who hosted the State Auditor, as he conducted town hall meetings with representatives of special districts and elected officials, at their 15 regional facilities.

Below is a list of other state agencies and associations that supported us along the way:

- Kentucky Association of Counties
- Kentucky County Attorneys Association
- Kentucky County Clerks Association
- Kentucky County Judge/Executive Association
- Kentucky Department for Libraries and Archives
- Kentucky Division on Conservation
- Kentucky League of Cities
- Kentucky Library Association
- Kentucky Press Association
- Kentucky Magistrates and Commissioners Association
- Kentucky Sheriff’s Association

Below is a list of non-profit citizen groups that endorsed our efforts:

- Bluegrass Institute
- Common Cause
- Kentucky Club for Growth