Kentucky Entertainment Incentive Program Certified Audit Requirements:
CPA Agreed Upon Procedures

Effective July 2026

Introduction

This document identifies the minimum required terms and procedures that must be included in an Agreed-Upon Procedures Agreement ("AUP Agreement") submitted to the Kentucky Cabinet for Economic Development ("Cabinet") in connection with an Approved Company's participation in the Kentucky Entertainment Incentive Program ("Program"). The purpose of the AUP Agreement is to provide a third-party verification of those Qualifying Payroll Expenditures and Qualifying Expenditures submitted by the Company to the Cabinet for incentivization under the Program. Upon approval by the Cabinet and satisfaction of the terms and conditions set forth therein, the AUP Agreement shall fulfill the Certified Audit requirement under KRS 154.61-030.

The AUP Agreement must be entered into between the Approved Company ("Company"), an independent Certified Public Accountant ("CPA"), and the Cabinet. The AUP Agreement submitted for the Production must incorporate the procedures and reporting requirements below, including the sampling schedule in Exhibit A.

This document establishes required engagement terms and procedures; it is not itself the AUP Agreement between the parties and does not replace the Tax Incentive Agreement ("TIA"), the Program's regulations, or applicable law.

I. Required CPA Qualifications and Engagement Standards

1. The CPA must be independent of the Company and the Company's affiliates, and licensed as a Certified Public Accountant in the Commonwealth of Kentucky.
2. The AUP Agreement must identify the Company, the CPA, and the Cabinet as parties to the Agreement.
3. The CPA Report must be addressed to the Company, with a copy to the Cabinet.
4. The CPA Report must reflect that it has complied with the Standards promulgated by American Institute of Certified Public Accountants ("AICPA").
5. The CPA's name and city and state where the CPA's certified audit is issued must be evident on the audit report.
6. The CPA Report must be dated as of the completion of the audit fieldwork.
7. Financial statements, if included in the engagement materials, should be prepared in accordance with generally accepted accounting principles ("GAAP"). Related-party transactions must be disclosed in the notes to the financial statements where required.
8. The Company must disclose within the footnotes to the financial statements any and all related party transactions.
9. The CPA Report must be prepared in accordance with auditing standards generally accepted in the United States of America, Generally Accepted Auditing Standards ("GAAS").

II. Required Scope and Reporting

The AUP Agreement must specify that the CPA will perform the procedures identified herein, and report the procedures performed along with the factual findings. The CPA Report is not required to express an audit opinion or other assurance conclusion regarding the Company's financial statements.

The AUP Agreement must require the CPA to:

1. Document the population and population amount used for each sample, the sampling methodology, the number of items selected and tested, the number of exceptions, and the dollar amount of those exceptions.
2. Identify each exception by item, Kentucky Vendor or individual, amount, nature of discrepancy, and applicable procedure.
3. Identify and quantify nonqualified expenditures and other amounts that must be removed from the Expenditures or from a sampling population under these procedures.
4. Provide schedules of exceptions, adjustments or items removed from the Expenditures, and the resulting calculation by required category.
5. Provide the error rate for each category pursuant to the procedures, below. Where that error rate exceeds the thresholds identified herein, the CPA shall perform a secondary review of this category or, alternatively, the category shall be removed.
6. Describe any procedure that could not be performed and the reason it could not be completed.

The CPA's procedures and report do not replace the Company's responsibility for the accuracy and completeness of its records and submissions to the Cabinet, nor do they limit the Cabinet's administration of the Program or determination of the consequences of identified findings.

III. Company Records and Cooperation

The AUP Agreement must require the Company to maintain and provide timely access to the books, records, cost reports, payroll records, invoices, proof of payment, tax-withholding records, vendor records, production reports, insurance-claim records, related-party information, and other documents reasonably necessary for the CPA to perform the specified procedures. The Company must make relevant personnel available to answer the CPA's questions and provide explanations.

IV. Required Agreed-Upon Procedures

A. Eligibility

1. Obtain and inspect the Tax Incentive Agreement ("TIA") from the Company in connection with the Production. Attach the TIA as an exhibit to your report.
2. Obtain the Company's registration with the Kentucky Secretary of State ("KYSOS") and Department of Revenue ("DOR").
3. Obtain and inspect the Detailed Cost Report to determine that the Kentucky Qualified Expenditures and Qualified Payroll Expenditures ("KQE") meet the minimum threshold based on the standards below:

Production Category	Minimum KQE
Feature-length Film, Television Program, Continuous Film, Industrial Film, Music Video or Video Games filmed in whole or in part in the Commonwealth	Kentucky-based company minimum: $200,000 Out-of-State company minimum: $400,000
Documentary filmed or produced in whole or in part in the Commonwealth	Kentucky-based company minimum: $10,000 Out-of-State company minimum: $20,000
A national touring production of a Broadway show, produced or in part, in the Commonwealth	Kentucky-based company minimum: $20,000 Out-of-State company minimum: $20,000
Commercial	Kentucky-based company minimum: $200,000 Out-of-State company minimum: $200,000

4. Obtain a list of all Kentucky filming locations by shoot date, including business' or individual's name, physical address (no PO Boxes) and County, and dates of shooting.
5. Determine the Production Start and Completion Date (the "Qualified Period") by identifying the first and last transaction dates in the ledger. Confirm the Production Start Date occurred within

one-hundred eighty (180) days of the Effective Date indicated on the TIA. Confirm the Production Completion Date was within two years of the Production Start Date.

The CPA must provide an Eligibility section within the report confirming these five items were able to be completed, and identifying the Qualified Period.

B. Kentucky Vendor Status

Review vendors pursuant to Appendix A. For each vendor, determine whether Company has provided documentation sufficient to establish each category has been met, as applicable. If the documentation is insufficient to establish that a category has been met, the vendor shall be identified as an exception with the insufficient category or categories identified:

1. Ordinary business: verify the vendor's business address, website, invoices, contracts, and other available business records to determine whether the vendor:
   a. regularly maintains inventory of the type of property sold or rented in Kentucky in more than a de minimis amount in the ordinary course of business;
   b. provides in Kentucky, in its ordinary course of business, the service that is the subject of the production expenditure.
2. Kentucky location: verify the vendor maintains a physical business location in Kentucky and has at least one Kentucky resident employee who regularly works at that location. Verification may include review of the vendor's website or business records, Kentucky Secretary of State records, or a written certification from the vendor. Registration with the Kentucky Secretary of State or appointment of a registered agent, standing alone, shall not constitute sufficient evidence of compliance
3. Kentucky performance: for services, verify reasonable evidence is provided establishing that the service was actually performed in Kentucky, such as invoices identifying the Kentucky location, production records, call sheets, daily production reports, work orders, or similar documentation. A vendor's Kentucky address or the fact that the vendor is otherwise a Kentucky Vendor shall not, standing alone, establish that services were rendered on set in Kentucky.
4. Required registration: verify reasonable evidence is provided demonstrating the vendor is registered with the Kentucky Department of Revenue for collection of sales and use tax, such as Kentucky Department of Revenue records, a copy of the vendor's Kentucky sales and use tax registration, or other documentation reasonably establishing the vendor's registration status.
5. Business license: verify reasonable evidence is provided demonstrating the vendor maintains required local Kentucky business licenses.

The CPA must attach a listing of exceptions from these tests. The listing must identify the amount, vendor/person, and a listing of vendors unable to be determined to be Kentucky Vendors.

C. Non-Payroll Expenditures (Kentucky Qualified Expenditures)

1. Inspect the Non-Payroll Expenditures for nonqualified expenses under the Program Guidelines. Deduct any errors from the KQE and remove them from the population to be sampled. Attach a list of any non-qualified costs found. Non-qualified expenses include: expenditures to vendors located outside Kentucky; airfare; Program application and administrative fees; legal and certified audit expenses; expenses related to the AUP Agreement and compliance with the certified audit requirement; contingency expenses; cast and crew screening and wrap-up parties; bank, financing, and completion-bond fees; script publication and license fees; miscellaneous expenses and fees; insurance premiums other than qualifying Union or Guild benefits and workers' compensation premiums included in Qualifying Payroll Expenditures; loss/damage fees; gifts; alcohol/tobacco; publicity, distribution, or marketing expenses; nonresident kit/box rentals; online purchases; Kentucky sales and use tax; and payments made through a conduit, waypoint, or pass-through entity.

2. Select a random sample from the Non-Payroll Expenditures (AP, PCard, Petty Cash, etc.) from the Ledger, as per Appendix A. For each selected expenditure:
    a. Inspect invoices, proof of payment (e.g., bank statements, check images, credit card statements or reimbursement checks) or other equivalent documentation. Verify that expenditure amount is correct, incurred and paid for services incurred and goods purchased or rented and used in Kentucky.
    b. Confirm the expenditures do not relate to an activity excluded by the Program or an in-kind service.
    c. Inspect available records of refunds, insurance claims, credit notes, discounts, rebates, invoicing errors, and purchase returns and determine whether the cost report reflects the net amount.
    d. Inspect available records of production-asset sales and determine whether the expenditure is recorded as a net of sale proceeds.
    e. For goods purchased or rented in Kentucky, inspect available records and determine whether the cost is prorated for any out-of-state use.
    f. Determine whether the expenditure was paid and incurred by the Company.
    g. Determine whether invoice identifies sales and use tax. Treat any vendor invoices that do not identify proper sales tax as exceptions, and specifically designate those expenditures within a separate category of exceptions where failure to identify sales and use tax is the only identified error.
    h. Verify that the expenditure was not associated with activities specifically excluded by the Program.

The CPA must attach a listing of exceptions from these tests. The listing must identify the amount, vendor/person, and nature of discrepancy, and a listing of items to be removed from KQE.

D. Resident Payroll Expenditures (Above-the-Line and Below-the-Line)

1. Inspect the Kentucky resident payroll expenditures for non-qualified expenses under the Program Guidelines. Identify and quantify nonqualified expenses and remove them from the KQE and from the population to be sampled. Nonqualified expenses include those exclusions listed in Section IV.B.1, above.
2. Review resident payroll expenditures to identify any individual or loan-out entity to which total aggregate payroll was paid directly or indirectly in excess of $1,000,000. For each identified individual/entity, determine whether the amount included in KQE exceeds $1,000,000 and quantify any excess.
3. Obtain a list of all Kentucky resident payroll Loan Out Companies paid through both payroll and accounts payable. Verify all Loan Out Companies are registered with the KYSOS. Identify and quantify amounts paid to unregistered loan-out companies and remove those amounts from KQE and the sampling population.
4. Obtain a listing of all Kentucky resident payroll paid through both payroll and accounts payable. Determine whether Kentucky income tax was properly withheld from compensation and remitted to DOR. Identify and quantify exceptions and remove affected amounts from KQE and the sampling population.
5. Select all Kentucky resident above-the-line and a random sample of Kentucky resident below-the-line payroll expenditures (total Compensation as defined by KRS 154.61-010) from the ledger using Appendix A. For each selected individual or loan-out company:
    a. Compare the KQE amount in the ledger with the payroll company's Payroll Summary Report. Investigate variances and determine whether they are explained by vacation pay, holiday pay,

or equivalent reconciling items. Identify salaries, wages, or fees included in the detailed cost ledger that are not included in the Payroll Summary Report or have unexplained variances.

b. Inspect payroll checks, advances, timecards, and related records; compare amounts, names, dates and names for evidence that services were performed in Kentucky. For individual or loan-out fees not included on timecards, inspect other evidence of Kentucky work, such as travel receipts, hotel records, or deal memos.
c. Determine whether the expenditure relates to nonqualifying activities.
d. For purposes of qualifying payroll expenditures attributable to a salaried employee, verify the employee's annual salary and compare it with the included amount. That amount shall not exceed the employee's annual salary and compensation divided by 365 then multiplied by the number of days upon which the employee actually performed services within the Commonwealth directly in connection with the motion picture or entertainment production as supported by the documentation provided by the company.
e. Determine whether the expenditure was paid and incurred by the Company.
f. For above-the-line production crew, determine whether documentation exists demonstrating compensation was negotiated prior to the Qualified Period.

The CPA must obtain or inspect a valid Kentucky driver's license or state-issued identification card for each Kentucky resident employee, subject to appropriate handling and protection of personal information. The CPA must attach an exception listing identifying the amount, person/entity, and nature of each discrepancy.

E. Non-Resident Payroll (Above-the-Line and Below-the-Line)

1. Inspect nonresident payroll expenditures for non-qualified expenses. Identify and quantify nonqualified costs and remove them from KQE and from the population to be sampled. Nonqualified expenses include the exclusions listed in Section IV.B.1.
2. Review nonresident payroll expenditures to identify any individual to which total aggregate payroll was paid directly or indirectly in excess of $1,000,000. For each identified individual/entity, determine whether the amount included in KQE exceeds $1,000,000 and quantify any excess.
3. Obtain a list of nonresident Loan Out Companies paid through payroll and accounts payable. Verify all Loan Out Companies are registered with the KYSOS. Identify and quantify amounts paid to unregistered loan-out companies and remove those amounts from KQE and the sampling population.
4. Obtain a list of nonresident payroll paid through payroll and accounts payable. Determine whether Kentucky income tax was properly withheld from compensation and remitted to DOR. Identify and quantify exceptions and remove those amounts from KQE and the sampling population.
5. Select all nonresident above-the-line and a random sample of nonresident below-the-line payroll expenditures (total Compensation as defined by KRS 154.61-010) from the ledger using Appendix A. For each selected individual or loan-out company:
    a. Compare the KQE amount in the ledger with the payroll company's Payroll Summary Report. Investigate variances and determine whether they are explained by vacation pay, holiday pay or equivalent reconciling items. Identify salaries, wages, or fees included in the detailed cost ledger that are not included in the Payroll Summary Report or have unexplained variances.
    b. Inspect payroll checks, check advances, and timecards; compare amounts, names, dates and names; and inspect records for evidence that services were performed in Kentucky.
    c. Determine whether the expenditure relates to activities excluded by the Program.
    d. For purposes of qualifying payroll expenditures attributable to a salaried employee, verify the employee's annual salary and compare it with the included amount. That amount shall not exceed the employee's annual salary and compensation divided by 365 then multiplied by the number of days upon which the employee actually performed services within the

Commonwealth directly in connection with the motion picture or entertainment production as supported by the documentation provided by the company.

e. Determine whether the expenditure was paid and incurred by the Company.
f. For above-the-line production crew, determine whether documentation exists demonstrating compensation was negotiated prior to the Qualified Period.

The CPA must attach a listing of exceptions from these tests. The listing must identify the amount, vendor/person, and nature of discrepancy, and a listing of items removed from KQE.

F. Heritage County Expenditures (Payroll Expenditures)

1. Inspect the Heritage County payroll expenditures and remove from the population expenditures previously reduced or identified as nonqualifying through the procedures above.
2. For above-the-line and below-the-line production crew whose work is categorized as within a Heritage County, consolidated by individual, inspect payroll summaries, production reports, timecards, travel receipts, invoices, or other equivalent documentation to determine whether labor was performed in a Heritage County, in accordance with the Program and the Heritage County map attached to the TIA. For crew whose labor is performed in both a Heritage County and another non-Heritage county, determine the proportional percentage of compensation attributable to labor performed in the Heritage County.

The CPA must attach a listing of exceptions from this test. The listing must identify the amount, person, and nature of discrepancy.

G. Heritage County Expenditures (Non-Payroll Expenditures)

1. Inspect the Heritage County non-payroll expenditures and remove from the population expenditures previously reduced or identified as nonqualifying through the procedures above, including purchases or rentals made in other counties.
2. Select a random sample of non-payroll expenditures using Appendix A. Inspect invoices, agreements, W-9 forms, online searches, or equivalent documentation to determine whether the vendor is located in a Heritage County, in accordance with the Program and the Heritage County map attached to the TIA.

The CPA must attach a listing of exceptions from this test. The listing must identify the amount, vendor, and nature of discrepancy.

H. Related-Party Transactions (Common Ownership or Financial Interest)

1. Inspect all related-party transactions and supporting documentation to determine whether the transactions are disclosed and whether the amounts are supported as being at arm's length.
2. For each related party, document the related party's name, nature of the relationship, description of the transaction, and total transaction amount.
3. For non-payroll transactions, inspect the supporting documentation for detailed itemization and description of services and goods included and to determine whether there are at least two (2) competitive bids from unrelated vendors within the geographic region, and compare the amount paid with the lowest comparable bid.
4. For payroll-related transactions, inspect documentation for a detailed description of the services performed including date and demonstration of alignment with standard industry rates, such as applicable SAG-AFTRA, IATSE, DGA, the International Brotherhood of Teamsters, or other nationally recognized union or guild.

The CPA must attach a listing of exceptions from this test. The listing must identify the amount, vendor, and nature of discrepancy.

I. Insurance Claims

1. Make inquiries of a responsible official at the Company as to whether any KQE were included in insurance claims.
2. If the Company filed an insurance claim and received funds, inspect the supporting claim documentation to ensure the expenditures were properly credited to the correct accounts in the Ledger.

J. Exceptions Exceeding Acceptable Error Rate

The AUP Agreement must require that, if, during the performance of these Agreed-Upon Procedures, the number of exceptions identified within any category of expenditures exceeds 10%, representing an error rate that exceeds the acceptable error rate established for the applicable Agreed-Upon Procedures, the CPA shall notify the Cabinet and identify the applicable category of expenditures. Upon such notification, the Company shall, at its expense, obtain a secondary review by the CPA of the affected category of expenditures to determine the extent of the exceptions and the amount of otherwise Eligible Costs that may be substantiated. Alternatively, the Company may, in lieu of a secondary review, withdraw the affected category of expenditures from consideration under the TIA.

In lieu of, or in addition to, the secondary review, the Cabinet may determine that the affected category of expenditures shall be excluded from consideration under the Program. Any determination to exclude a category of expenditures shall be made by the Cabinet based upon the nature and extent of the exceptions identified and the reliability of the supporting documentation and procedures applicable to that category.

K. Wrap Up Procedures

1. After all adjustments arising from these procedures, recalculate KQE and determine whether the applicable minimum threshold in Section IV.A.3 is met.
2. Calculate the total eligible costs broken down by the categories: Resident ATL, Non-Resident ATL, Resident BTL, Non-Resident BTL, and Non-Payroll Expenditures (KY Spend).
3. Prepare a schedule of nonqualified or otherwise questioned costs, including the number of items tested, number of exceptions, amounts tested where available, exception amounts, and description of each exception.
4. Prepare a schedule of adjustments or items removed from KQE, identifying the related procedure and supporting records.
5. Report the sampling approach, actual sample sizes, population amounts, number of exceptions, and dollar amount of exceptions for each category.
6. Attach the TIA, exception schedules, and cost-category summary to the AUP report, as applicable.

V. Required AUP Report Deliverables

The AUP Agreement must require the CPA to provide a written report to the Company and the Cabinet that describes the procedures performed and presents the factual findings for each procedure. The report must include, at minimum:

1. a description of the Production and applicable TIA;
2. the procedures performed and population/sample information relevant to each procedure;
3. all exceptions identified, including the number of items tested, number of exceptions, item amount, nonqualified or questioned amount, payee or individual, and nature of discrepancy;
4. a schedule of adjustments or items removed from KQE and the revised KQE calculation by category;
5. the comparison of adjusted KQE to the applicable minimum threshold;
6. related-party transaction and insurance-claim findings, if any; and

7. a copy of the TIA and the other schedules specified in this document.

The report must not express an opinion or conclusion on the Company's compliance with the Program. The AUP Agreement must require the CPA to notify the Company and Cabinet promptly of any material limitation on access to records or other circumstance preventing completion of an agreed procedure.

APPENDIX A – REQUIRED SAMPLING SCHEDULE

The AUP Agreement submitted to the Cabinet must incorporate the following sampling schedule. The schedule is applied to the applicable populations after preliminary exclusions and adjustments required by the procedures above. "All items" means every item in the stated category must be tested. Sample selections must be random unless a procedure expressly requires examination of all items.

Total Qualified Expenditures	Vendors	Non-Payroll Items $25,000 and over	Non-Payroll Items $1,000 and $24,999	Non-Payroll Items $999 and less	ATL Payroll	BTL Payroll	Heritage County (Non-Payroll)	Heritage County (Payroll)
0 – $500,000	All items $500 and over	All items	50	25	All items	15	10	All items
$500,000 – $1,000,000	All items $1,000 and over	All items	75	40	All items	20	15	All items
$1,000,000 – $5,000,000	All items $2,500 and over	All items	100	40	All items	25	20	All items
$5,000,000 – $10,000,000	All items $5,000 and over	All items	125	40	All items	25	25	All items
$10,000,000 – $25,000,000	All items $5,000 and over	All items	150	40	All items	30	30	All items
$25,000,000 – $50,000,000	All items $7,500 and over	All items	175	40	All items	40	35	All items
$50,000,000 +	All items $10,000 and over	All items	200	50	All items	100	60	All items