

**REPORT OF THE AUDIT OF THE  
KENTUCKY DEPARTMENT OF AGRICULTURE  
SPAY AND NEUTER PROGRAM**

**For The Fiscal Year Ended  
June 30, 2019**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5481**



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
BALANCE SHEET - MODIFIED CASH BASIS.....	5
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS .....	6
NOTES TO THE FINANCIAL STATEMENTS.....	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	13





MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

Ryan Quarles, Commissioner  
Kentucky Department of Agriculture  
Spay and Neuter Program

Independent Auditor's Report

***Report on the Financial Statements***

We have audited the accompanying modified cash basis financial statements of the Kentucky Department of Agriculture's Spay and Neuter Program (Program), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

***Management Responsibility for the Financial Statements***

The Program's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Program, as of June 30, 2019, and the respective changes in financial position - modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019 on our consideration of the Program's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

September 18, 2019

## **FINANCIAL STATEMENTS**





**KENTUCKY DEPARTMENT OF AGRICULTURE  
SPAY AND NEUTER PROGRAM  
BALANCE SHEET - MODIFIED CASH BASIS  
June 30, 2019**

**Assets**

Cash and Cash Equivalents	<u>\$ 146,121</u>
Total Assets	<u><u>\$ 146,121</u></u>

**Fund Balance**

Restricted	<u>\$ 146,121</u>
Total Fund Balance	<u>146,121</u>
Total Liabilities and Fund Balance	<u><u>\$ 146,121</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**KENTUCKY DEPARTMENT OF AGRICULTURE  
SPAY AND NEUTER PROGRAM  
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN  
FUND BALANCE - MODIFIED CASH BASIS  
For the Year Ended June 30, 2019**

**Receipts**

Spay and Neuter Plate Sales	\$ 73,780
Miscellaneous Donation	<u>50</u>
Total Receipts	<u>73,830</u>

**Expenditures**

Program Grants	61,500
Other Expenditures	<u>6,993</u>
Total Expenditures	<u>68,493</u>

Net Change in Fund Balance	5,337
Fund Balance at July 1, 2018	<u>140,784</u>
Fund Balance at June 30, 2019	<u><u>\$ 146,121</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**



**KENTUCKY DEPARTMENT OF AGRICULTURE  
SPAY AND NEUTER PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**Note 1 - Background**

The Kentucky Department of Agriculture (KDA) administers the Spay and Neuter Program (Program) through its Office of Strategic Planning and Administration. The Program was created in 1998 and amended in 2004 by KRS 258.119 to collect funds to be used by the Animal Control Advisory Board (ACAB) for board expenses, for the creation and support of statewide programs related to animal control and care, and for training animal control officers.

KRS 186.162 identifies the Spay and Neuter program as an organization eligible to collect a portion of funds from the sale of special license plates. The collection of these funds is discussed further below.

**Note 2 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Program is presented to assist in understanding the Program's financial statements. The financial statements and notes are the representation of the Program's management, who is responsible for their integrity and objectivity. These accounting policies conform to the modified cash basis of accounting described below and have been consistently applied in the presentation of the financial statements.

**Basis of Presentation**

The accompanying financial statements have been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This statute provides that for a period of 30 days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

**Receipts**

Program receipts are derived from the sale of special license plates as authorized in KRS 186.164, available for purchase in each of Kentucky's County Clerk's offices. The funds are submitted to the Kentucky Transportation Cabinet (KYTC) and a portion of the funds are forwarded to KDA as outlined in KRS 186.162 which indicates \$10 from the sale of new plates and \$5 from a renewal plate is designated for the Program. The Program also accepts donations through KDA.

**KENTUCKY DEPARTMENT OF AGRICULTURE  
SPAY AND NEUTER PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Expenditures

The Program provides grant funds to counties and non-profit organizations to assist in reducing the overcrowded animal population. County governments or humane societies can apply for lump-sum grants for their local spay and neuter programs. The Board goes through a review process to select which applicants will receive the grant funds. Other expenditures include expenditures related to the administration of the Program.

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the Program's Balance Sheet-Modified Cash Basis. The fund balance does not lapse, and therefore is available for use in future periods. The fund balance is classified as restricted. GASB 54 requires the fund balance be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws and or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation. As established in KRS 258.119, Program receipts are restricted for use exclusively for the creation and support of statewide programs related to animal control and care, and for training animal control officers.

**Note 3 - Cash and Cash Equivalents**

Participation in the Commonwealth's Internal Cash and Investment Pool

Program receipts are deposited in the Commonwealth's general depository administered by the State Treasurer, who has statutory responsibility and authority to safeguard the monies. The Program participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash and investments. The Commonwealth's internal investment pool offers same day liquidity with no limitations, fees or restrictions on withdrawals. The risk disclosures related to deposits and investments are reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR). Accordingly, the Commonwealth's CAFR should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2019, the Program's position in the pool totaled \$146,121.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***







MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of  
Financial Statements Performed In Accordance With  
*Government Auditing Standards*

Independent Auditor's Report

Ryan Quarles, Commissioner  
Kentucky Department of Agriculture  
Spay and Neuter Program

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the Kentucky Department of Agriculture's Spay and Neuter Program (Program) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's financial statements, and have issued our report thereon dated September 18, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Ryan Quarles, Commissioner  
Kentucky Department of Agriculture  
Spay and Neuter Program

(Continued)

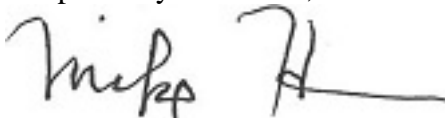
***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

September 18, 2019