

**REPORT OF THE AUDIT OF THE
KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERAN'S PROGRAM TRUST FUND**

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Benjamin F. Adams III, Commissioner
Veteran's Program Trust Fund Board
Kentucky Department of Veterans Affairs

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Kentucky Department of Veterans Affairs Veteran's Program Trust Fund (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 entity'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 partnership'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 a 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 9, 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,



Mike Harmon
Auditor of Public Accounts

September 9, 2019

FINANCIAL STATEMENTS

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERAN'S PROGRAM TRUST FUND
BALANCE SHEET – MODIFIED CASH BASIS**

June 30, 2019

Assets:

Cash and Cash Equivalents	\$ 108,164
Total Assets	<u>\$ 108,164</u>

Fund Balance:

Restricted	\$ 108,164
Total Liabilities and Fund Balance	<u>\$ 108,164</u>

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

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERAN'S PROGRAM TRUST FUND
STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN
FUND BALANCE – MODIFIED CASH BASIS**

For the Year Ended June 30, 2019

Receipts:	
Veteran's Plate Sales	\$ 486,537
Donations from Taxes	22,635
Miscellaneous Donations	4,814
Interest Income	9,359
Total Receipts	<u>523,345</u>
Expenditures:	
Program Grants	905,347
Program Trade Shows/Fair & Expos	9,745
Program Building Materials & Supplies	4,495
Program Travel	863
Total Expenditures	<u>920,450</u>
Excess Revenues over Expenditures	(397,105)
Net Change in Fund Balance	(397,105)
Fund Balance at July 1, 2018	505,269
Fund Balance at June 30, 2019	<u>\$ 108,164</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERAN'S PROGRAM TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 1 - Background

The Kentucky General Assembly established the Veteran's Program Trust Fund (Program) as part of the Kentucky Vietnam Veterans Bonus Act on December 23, 1988. The purpose of the Program is to direct funding to projects and programs that help Kentucky's veterans but for which other funds are not available.

The Program is overseen by a Board of Directors whose members are appointed by the Governor. The Program Board of Directors meets on a quarterly or "as needed" basis to approve or deny requests for funding.

The Program has received a steady, moderate income from a \$5 or \$10 fee (depending on the plate) that is included in the initial purchase price and renewal of Veterans' license plates. The Program is also a legal recipient of tax-deductible contributions from individuals, companies and organizations.

The Program uses 201 KAR 37:010 as guidance in collecting and expending funds.

KRS 186.162(2) identifies the 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

Basis of Presentation

The 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.

Concentration of Revenues

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) with a portion of the funds being forwarded to the Kentucky Department of Veteran Affairs - Veteran's Program Trust Fund as outlined in KRS 186.162(2) which indicates \$5 or \$10 (depending on the plate) from the sale of new plates and \$5 from a renewal plate is designated for the Program. The Program also accepts donations to the fund through tax donations, miscellaneous donations, gifts, and earns interest income.

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERAN'S PROGRAM TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Expenditures

The Program primarily provides funds to organizations, individuals, or groups for projects and programs that help Kentucky Veterans. These are classified as Program Grants on the financial statements. These are approved by a Board of Directors and are included in the Board of Directors meeting minutes.

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the Program's balance sheet. The fund balance does not lapse for the Program, and therefore is available for use in future periods. Fund balance is classified as restricted. GASB 54 identifies fund balance should 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. The Kentucky General Assembly established the Program as part of the Kentucky Vietnam Veterans' Bonus Act on December 23, 1988. KRS 40.460 (2)(b) established the Program with its proceeds and interest required to be used for Veterans' programs.

Commitments

The Program has outstanding commitments related to projects and programs that help and assist Kentucky Veterans. These commitments consist of outstanding projects as approved by the Program Board, in which the obligations have not yet been completed.

Note 3 - Cash and Cash Equivalents

Participation in the Commonwealth's Internal Cash and Investment Pool

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 of Kentucky's Comprehensive Annual Financial Report. Accordingly, the Commonwealth of Kentucky's Comprehensive Annual Financial Report 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 \$108,164.

**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

Veteran's Program Trust Fund Board Members
Benjamin F. Adams III, Commissioner
Kentucky Department of Veterans Affairs

We have audited, in accordance with the 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 financial statements of the financial statements of the Department of Veterans Affairs Veteran's Program Trust Fund (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, and have issued our report thereon dated September 9, 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 a 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



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*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of 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 result 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 *Government 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 9, 2019