

**REPORT OF THE AUDIT OF THE
KENTUCKY HERITAGE LAND CONSERVATION
NATURE LICENSE PLATE FUND**

**For The Year Ended
June 30, 2020**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841**

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 GOVERNMENT AUDITING STANDARDS	13



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Rebecca Goodman, Secretary
Energy and Environment Cabinet
Zeb Weese, Chairman
Kentucky Heritage Land Conservation Fund Board

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Kentucky Heritage Land Conservation (KHLC) Nature License Plate Fund, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the KHLC Nature License Plate Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

KHLC Nature License Plate Fund 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 misstatement 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 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.



Rebecca Goodman, Secretary
Energy and Environment Cabinet
Zeb Weese, Chairman
Kentucky Heritage Land Conservation Fund Board

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 KHLC Nature License Plate Fund, as of June 30, 2020, 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 a modified cash basis of accounting, which is a comprehensive 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 August 26, 2020 on our consideration of the KHLC Nature License Plate Fund's internal control over financial reporting and on our tests 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 KHLC nature License Plate Fund'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 flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

August 26, 2020

FINANCIAL STATEMENTS

**KENTUCKY HERITAGE LAND CONSERVATION
NATURE LICENSE PLATE FUND
BALANCE SHEET - MODIFIED-CASH BASIS**

June 30, 2020

Assets

Cash and Cash Equivalents	\$ 43,829
Total Assets	<u>\$ 43,829</u>

Fund Balance

Restricted	\$ 43,829
Total Fund Balance	<u>\$ 43,829</u>

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

**KENTUCKY HERITAGE LAND CONSERVATION
NATURE LICENSE PLATE FUND
STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED-CASH BASIS**

For the Year Ended June 30, 2020

Receipts

Nature License Plate Sales	\$ 361,460
Interest Income	16,031
Total Receipts	<u>377,491</u>

Expenditures

Land Acquisitions	<u>701,865</u>
Total Expenditures	<u>701,865</u>

Net Change in Fund Balance	(324,374)
Fund Balance July 1, 2019	<u>368,203</u>
Fund Balance June 30, 2020	<u>\$ 43,829</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**KENTUCKY HERITAGE LAND CONSERVATION
NATURE LICENSE PLATE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 - Description of the Fund

The Kentucky Heritage Land Conservation (KHLC) Nature License Plate Fund was established on September 10, 2018 per KRS 186.164(14). Historically, revenues derived from nature license plates were deposited and expended within the Kentucky Heritage Land Conservation Fund (KHLCF). However, in fiscal year 2019 it was brought to the Cabinet's attention that pursuant to KRS 186.164(14) all license plate funds received by a specific organization must be deposited into an account separate from all other accounts that organization may have. Knowing this statute, the Energy and Environment Cabinet worked with the Kentucky Transportation Cabinet to establish a new fund and start depositing revenue into the newly established account. The KHLC Nature License Plate Fund, as well as the KHLCF, are both administered within the Energy and Environment Cabinet and provide funds for the purchase and preservation of selected natural areas in the Commonwealth, protect rare and endangered species and migratory birds, save threatened areas of natural importance, and provide natural areas for public use, outdoor recreation, and education. The financial statements presented in this report reflect only the activity of the KHLC Nature License Plate Fund. The Kentucky Heritage Land Conservation Fund Board has the authority under KRS 146.560 to administer and oversee both the KHLC Nature License Plate Fund and the KHLCF. The Board is comprised of nine members: the Commissioner of the Department of Parks, the Executive Director of the Office of Kentucky Nature Preserves, the Commissioner of the Kentucky Department for Natural Resources, the Commissioner of the Department of Fish and Wildlife Resources and five members appointed by the governor as nominated by various interest groups throughout the state.

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

KHLC Nature License Plate Fund receipts are derived from the sale of special license plates, as authorized by KRS 186.164, which are available for purchase at each of the Kentucky County Clerk's offices. The sale proceeds are submitted to the Kentucky Transportation Cabinet (KYTC) and a portion of the sales revenue is transferred to the KHLC Nature License Plate Fund.

**KENTUCKY HERITAGE LAND CONSERVATION
NATURE LICENSE PLATE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Commitments

The KHLC Nature License Plate Fund is utilized for outstanding commitments related to land acquisition and management. These commitments consist of outstanding projects, as approved by the KHLCF Board, with open memoranda of agreement in which the KHLC Nature License Plate Fund obligation has not yet been completed.

Functional Expenses

The KHLC Nature License Plate Fund provides grant funding to state agencies, state and local governments, and state colleges and universities, for the acquisition and management of lands of natural significance as established in KRS 146.560.

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the KHLC Nature License Plate Fund's balance sheet. The fund balance does not lapse, and therefore is available for use in future periods. The fund balance is classified as restricted. The fund balance should be reported as restricted when constraints have been placed on the use of resources and those constraints 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 146.570, The KHLC Nature License Plate Fund revenue is restricted for use exclusively for the purposes of the acquisition and management of lands as defined in KRS 146.560.

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 KHLC Nature License Plate Fund 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, 2020, the KHLC Nature License Plate Fund's position in the pool totaled \$43,829.

**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

Rebecca Goodman, Secretary
Energy and Environment Cabinet
Zeb Weese, Chairman
Kentucky Heritage Land Conservation Fund Board

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 financial statements of the Kentucky Heritage Land Conservation (KHLC) Nature License Plate Fund as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise KHLC Nature License Plate Fund's basic financial statements, and have issued our report thereon dated August 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the KHLC Nature License Plate Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KHLC Nature License Plate Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the KHLC Nature License Plate Fund'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.



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)

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the KHLC Nature License Plate Fund'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 results of that testing, and not to provide an opinion on the effectiveness of KHLC Nature License Plate Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KHLC Nature License Plate Fund'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 horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

August 26, 2020