

Sheriff's Settlement and Independent
Accountants' Compilation Report

2016

Fayette County Sheriff

April 15, 2016



Strothman+Co

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Strothman and Company
Certified Public Accountants and Advisors
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Independent Accountants' Compilation Report



The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government

Management is responsible for the accompanying Sheriff's Statement - 2015 Taxes (the "Statement") of the Fayette County Sheriff for the period April 16, 2015 through April 15, 2016 and the related notes to the Statement in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the Statement and the related notes, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the Statement and the related notes.

We draw attention to Note A which describes the basis of accounting. The Statement is prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

STROTHMAN AND COMPANY

Louisville, Kentucky
June 13, 2016

Sheriff's Statement - 2015 Taxes

Fayette County Sheriff

For The Period April 16, 2015 Through April 15, 2016

| | County Taxes | Special Taxing Districts | School Taxes | State Taxes |
|--|-------------------------|---|-------------------------|------------------------|
| Charges | | | | |
| Real estate | \$ 19,131,351 | \$ 56,600,763 | \$ 176,625,874 | \$ 29,119,384 |
| Tangible personal property | 1,764,748 | 2,034,587 | 14,268,930 | 6,249,493 |
| Increase through exonerations | 280 | 743 | 2,471 | 1,388 |
| Franchise taxes | 842,077 | 1,211,598 | 6,963,335 | |
| Additional billings | 16,229 | 51,019 | 142,909 | 27,376 |
| Limestone, sand, and mineral reserves | 1,076 | 3,024 | 9,950 | 1,640 |
| Penalties | 46,772 | 128,551 | 422,484 | 77,960 |
| NSF collected | 129 | 428 | 1,123 | 197 |
| Gross Charges to Sheriff | 21,802,662 | 60,030,713 | 198,437,076 | 35,477,438 |
| Credits | | | | |
| Exonerations | 44,902 | 62,765 | 372,184 | 288,120 |
| Discounts | 366,363 | 1,028,218 | 3,347,078 | 613,493 |
| Delinquents | | | | |
| Real estate | 105,500 | 300,965 | 933,578 | 153,914 |
| Tangible personal property | 17,210 | 17,266 | 139,186 | 76,478 |
| Additional billings | 30 | 97 | 273 | 45 |
| Franchise taxes | 30 | 30 | 239 | |
| Uncollected | | | | |
| Franchise taxes | 21,526 | 21,659 | 173,814 | |
| Additional billings | | | | |
| Total Credits | 555,561 | 1,431,000 | 4,966,352 | 1,132,050 |
| Taxes collected | 21,247,101 | 58,599,713 | 193,470,724 | 34,345,388 |
| Less commissions * | 903,002 | 1,380,243 | 2,902,061 | 1,459,679 |
| Taxes due | 20,344,099 | 57,219,470 | 190,568,663 | 32,885,709 |
| Taxes paid | 20,322,220 | 57,179,287 | 190,401,972 | 32,836,196 |
| Refunds (current and prior year) | 21,886 | 42,013 | 166,122 | 49,994 |
| Refunds due Sheriff as of completion of audit** | \$ (7) | \$ (1,830) | \$ 569 | \$ (481) |

See Independent Accountants' Compilation
Report and Notes to Financial Statement

Sheriff's Statement - 2015 Taxes--Continued

Fayette County Sheriff

For The Period April 16, 2015 Through April 15, 2016

| | | |
|--|----|-----------------------|
| *Commissions | | |
| 4.25% on | \$ | 79,833,506 |
| 1.5% on | | 193,470,724 |
| \$350,000 on | | 34,358,692 |
| | | |
| **Special Taxing Districts | | |
| Health District | \$ | (4) |
| Soil Conservation District | | 1 |
| Extension District | | 94 |
| Lextran | | (340) |
| LFUCG - Full/Partial Services District | | <u>(1,581)</u> |
| | | |
| (Refunds Due Sheriff) | \$ | <u><u>(1,830)</u></u> |

See Independent Accountants' Compilation
Report and Notes to Financial Statement

Notes to Financial Statement

Fayette County Sheriff

For the Period April 16, 2015 Through April 15, 2016

Note A--Summary of Significant Accounting Policies

Fund Accounting--The tax collection duties of the Fayette County Sheriff (the "Sheriff") are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Accounting--The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

Cash and Investments--At the direction of the Urban County Council, Kentucky Revised Statute ("KRS") 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation ("FDIC") or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note B--Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution .

Custodial Credit Risk – Deposits--Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Notes to Financial Statement--Continued

Fayette County Sheriff

For the Period April 16, 2015 Through April 15, 2016

Note C--Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2015. Property taxes were billed to finance governmental services for the year ended June 30, 2016. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 20, 2015 through April 15, 2016.

Note D--Interest Income

The Sheriff earned \$510 as interest income on 2015 taxes. This amount was used to pay account analysis and processing fees charged by the financial institutions utilized by the Sheriff's office. The Sheriff paid \$19,800 in bank fees.

Note E--Sheriff's Ten Percent Add-On Fee

The Sheriff collected \$672,647 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

Note F--Subsequent Events

Subsequent events have been evaluated through June 13, 2016, which is the date the financial statement was available to be issued.