

Sheriff's Settlement and Independent
Accountants' Compilation Report

2023

Fayette County Sheriff

April 18, 2023



Strothman+Co

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Independent Accountants' Compilation Report	1
Financial Statement	
Sheriff's Settlement – 2022 Taxes.....	2
Notes to Financial Statement	4



Independent Accountants' Compilation Report

The Honorable Linda Gorton, 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 Settlement - 2022 Taxes (the "Statement") of the Fayette County Sheriff for the period April 19, 2022 through April 18, 2023 and the related notes to the Sheriff's Settlement 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
July 10, 2023

Sheriff's Settlement - 2022 Taxes

Fayette County Sheriff

For The Period April 19, 2022 Through April 18, 2023

	County Taxes	Special Taxing Districts	School Taxes	State Taxes	Downtown Taxes
Charges					
Real estate	\$ 25,882,996	\$ 76,791,333	\$ 259,991,905	\$ 38,088,179	\$ 515,181
Tangible personal property	1,730,006	2,045,157	15,609,285	6,237,663	
Increase through exonerations	250	649	2,475	1,748	3
Franchise taxes	1,005,496	1,546,536	9,935,163		
Additional billings	37,549	47,494	208,884	47,926	
Limestone, sand, and mineral reserves	1,837	2,134	19,617	2,708	
Penalties	44,914	125,357	445,863	69,173	1,341
Gross Charges to Sheriff	28,703,048	80,558,660	286,213,192	44,447,397	516,525
Credits					
Exonerations	19,946	51,002	200,307	30,822	251
Discounts	502,094	1,428,554	5,011,886	795,891	8,588
Delinquents					
Real estate	93,801	253,860	867,327	127,062	
Tangible personal property	9,762	10,803	88,081	39,074	
Additional billings		2	9		
Limestone, sand, and mineral reserves	1,837	2,134	19,617	2,708	
Uncollected					
Additional billings	4,183	11,250	43,280	10,349	
Franchise taxes	498	524	4,795		
Total Credits	632,121	1,758,129	6,235,302	1,005,906	8,839
Taxes collected	28,070,927 (A)	78,800,531 (C)	279,977,890 (B)	43,441,491 (A)	507,686 (A)
Less commissions	1,193,014	1,730,953	4,199,668	1,846,263	21,577
Taxes due	26,877,913	77,069,578	275,778,222	41,595,228	486,109
Taxes paid	26,852,233	77,005,463	275,525,756	41,502,923	486,308
Refunds (current and prior year)	25,367	63,556	249,362	92,052	
Due Districts (Refunds due Sheriff) as of completion of audit	\$ 313	\$ 559 (D)	\$ 3,104	\$ 253	\$ (199)

Continued

Sheriff's Settlement - 2022 Taxes--Continued

Fayette County Sheriff

For The Period April 19, 2022 Through April 18, 2023

- (A) - Commission rate of 4.25%
- (B) - Commission rate of 1.5%
- (C) - Commission rate of \$350,000 on \$46,307,524 and 4.25% on remainder

(D) Special Taxing Districts

Health District	\$	102
Soil Conservation District		1
Lextran		226
LFUCG - Full/Partial Services District		<u>230</u>

Due Districts

\$ 559

See Independent Accountants' Compilation
Report and Notes to Financial Statement

Notes to Financial Statement

Fayette County Sheriff

For the Period April 19, 2022 Through April 18, 2023

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 Sheriff's 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 Lexington-Fayette Urban County Government 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 18, 2023, 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 19, 2022 Through April 18, 2023

Note C--Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2022. Property taxes were billed to finance governmental services for the year ended June 30, 2023. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 19, 2022 through April 18, 2023.

Note D--Interest Income

The Sheriff earned \$7,345 in interest income on 2022 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 \$24,000 in bank fees.

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

The Sheriff collected \$403,205 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 July 10, 2023, which is the date the financial statement was available to be issued.