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Contract #147-2021

Sheriff's Settlement and Independent
Accountants' Compilation Report

2021

Fayette County Sheriff

April 15, 2021



Strothman+Co

Sheriff's Settlement and Independent
Accountants' Compilation Report

Fayette County Sheriff

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Strothman and Company
Certified Public Accountants and Advisors
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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 - 2020 Taxes (the "Statement") of the Fayette County Sheriff for the period May 16, 2020 through April 15, 2021 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
June 25, 2021

Sheriff's Settlement - 2020 Taxes

Fayette County Sheriff

For The Period May 16, 2020 Through April 15, 2021

	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>	<u>Downtown Taxes</u>
Charges					
Real estate	\$ 23,394,534	\$ 69,371,401	\$ 236,638,134	\$ 35,641,775	\$ 483,761
Tangible personal property	1,676,542	1,926,459	14,315,600	6,042,236	
Increase through exonerations	5,425	5,762	46,522	1,101	
Franchise taxes	606,331	724,318	5,267,373		
Additional billings	75,565	106,659	552,349	166,851	
Limestone, sand, and mineral reserves	1,031	1,187	10,436	1,572	
Penalties	45,910	125,152	456,416	80,523	1,315
Gross Charges to Sheriff	25,805,338	72,260,938	257,286,830	41,934,058	485,076
Credits					
Exonerations	44,249	122,649	436,612	91,851	754
Discounts	462,081	1,310,540	4,622,046	759,211	8,900
Delinquents					
Real estate	100,487	273,479	963,399	145,104	680
Tangible personal property	10,145	11,518	86,631	43,489	
Additional billings	633	654	5,402	1,777	
Franchise taxes	1,005	1,046	8,562		
Uncollected					
Additional billings	5,662	12,321	56,152	11,243	
Franchise taxes	759	784	6,477		
Total Credits	625,021	1,732,991	6,185,281	1,052,675	10,334
Taxes collected	25,180,317 (A)	70,527,947 (C)	251,101,549 (B)	40,881,383 (A)	474,742 (A)
Less commissions	1,070,163	1,577,424	3,766,523	1,737,459	20,177
Taxes due	24,110,154	68,950,523	247,335,026	39,143,924	454,565
Taxes paid	24,092,882	68,915,299	247,172,180	39,110,416	454,497
Refunds (current and prior year)	24,843	60,733	242,789	45,285	63
Refunds due adjusted in April 2021	(8,105)	(26,176)	(82,063)	(12,360)	
Due Districts (Refunds due Sheriff) as of completion of audit	\$ 534	\$ 667 (D)	\$ 2,120	\$ 583	\$ 5

Continued

Sheriff's Settlement - 2020 Taxes--Continued

Fayette County Sheriff

For The Period May 16, 2020 Through April 15, 2021

- (A) - Commission rate of 4.25%
- (B) - Commission rate of 1.5%
- (C) - Commission rate of \$350,000 on \$41,647,359 and 4.25% on remainder

(D) Special Taxing Districts

Health District	\$ 184
Soil Conservation District	3
Extension District	26
Lextran	394
LFUCG - Full/Partial Services District	<u>60</u>
Due Districts	<u>\$ 667</u>

See Independent Accountants' Compilation
Report and Notes to Financial Statement

Notes to Financial Statement

Fayette County Sheriff

For the Period May 16, 2020 Through April 15, 2021

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 15, 2021, 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 May 16, 2020 Through April 15, 2021

Note C--Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2020. Property taxes were billed to finance governmental services for the year ending June 30, 2021. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 20, 2020 through April 15, 2021.

Note D--Interest Income

The Sheriff earned \$532 in interest income on 2020 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 \$22,000 in bank fees.

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

The Sheriff collected \$427,031 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 25, 2021, which is the date the financial statement was available to be issued.