

FAYETTE COUNTY SHERIFF

Sheriff's Settlement - 2013 Taxes

*For The Period April 16, 2013 Through April 15, 2014
with Independent Accountants' Compilation Report*

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DORTON

DEAN DORTON ALLEN FORD, PLLC

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

We have compiled the accompanying Sheriff's Settlement - 2013 Taxes of the Fayette County Sheriff for the period April 16, 2013 through April 15, 2014. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or provide any assurance about whether the financial statement is in accordance with the modified cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statement.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statement.

Dean Dorton Allen Ford, PLLC

August 5, 2014
Lexington, Kentucky

FAYETTE COUNTY SHERIFF

Sheriff's Settlement - 2013 Taxes

For the Period April 16, 2013 Through April 15, 2014

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Charges:				
Real estate	\$ 18,373,695	\$ 54,503,491	\$ 159,851,143	\$ 28,019,882
Tangible personal property	1,703,961	1,828,973	11,978,610	5,456,928
Increases through exonerations	783	1,352	6,814	1,362
Franchise taxes	709,421	981,938	5,166,463	-
Additional billings	2,591	8,587	21,634	3,953
Limestone, sand, and mineral reserves	796	2,336	6,922	1,213
Penalties	<u>47,075</u>	<u>130,959</u>	<u>400,694</u>	<u>74,895</u>
Gross charges to Sheriff	20,838,322	57,457,636	177,432,280	33,558,233
Credits:				
Exonerations	26,140	73,538	220,254	47,405
Discounts	350,748	984,241	2,999,784	585,793
Delinquents:				
Real estate	142,224	426,761	1,237,347	216,891
Tangible personal property	8,316	7,711	58,463	22,890
Additional billings	58	192	505	91
Franchise taxes	104	96	582	-
Uncollected:				
Franchise taxes	<u>85,048</u>	<u>79,647</u>	<u>597,948</u>	<u>-</u>
Total credits	<u>612,638</u>	<u>1,572,186</u>	<u>5,114,883</u>	<u>873,070</u>
Taxes collected	20,225,684	55,885,450	172,317,397	32,685,163
Less: commissions *	<u>859,615</u>	<u>978,029</u>	<u>1,723,180</u>	<u>1,389,119</u>
Taxes due	19,366,069	54,907,421	170,594,217	31,296,044
Taxes paid	19,349,336	54,866,935	170,461,856	31,269,216
Refunds (current and prior year)	<u>17,431</u>	<u>40,314</u>	<u>133,566</u>	<u>27,599</u>
Due districts or (refunds due Sheriff) as of completion of audit**	\$ <u>(698)</u>	\$ <u>172</u>	\$ <u>(1,205)</u>	\$ <u>(771)</u>

See independent accountants' compilation report and notes to the financial statement.

FAYETTE COUNTY SHERIFF

Sheriff's Settlement - 2013 Taxes, continued

For the Period April 16, 2013 Through April 15, 2014

* Commissions:

4.25% on	\$	75,923,708
1% on	\$	172,317,397

**Special Taxing Districts:

Health District	\$	131
Extension District		(63)
Lextran		261
LFUCG - Full/Partial Services District		(13)
Soil Conservation District		<u>(144)</u>
Refunds Due Sheriff	\$	<u>172</u>

See independent accountants' compilation report and notes to the financial statement.

FAYETTE COUNTY SHERIFF

Notes to the Financial Statement

1. Summary of Significant Accounting Policies

Fund Accounting

The Sheriff's office tax collection duties 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, 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).

2. Deposits

The Fayette County 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.

FAYETTE COUNTY SHERIFF

Notes to the Financial Statement, continued

2. Deposits, continued

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 Fayette County 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, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2013. Property taxes were billed to finance governmental services for the year ended June 30, 2014. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 20, 2013 through April 15, 2014.

4. Interest Income

The Fayette County Sheriff earned \$284 as interest income on 2013 taxes. This amount was used to pay account analysis and processing fees charged by the financial institutions utilized by the Sheriff's office.

5. Sheriff's 10% Add-On Fee

The Fayette County Sheriff collected \$457,504 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

6. Subsequent Events

Subsequent events have been evaluated through August 5, 2014, which is the date the financial statement was available to be issued.