

Sheriff's Settlement and Independent
Accountants' Compilation Report

2020

Fayette County Sheriff

May 15, 2020



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 - 2019 Taxes (the "Statement") of the Fayette County Sheriff for the period April 17, 2019 through May 15, 2020 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 6, 2020

Sheriff's Settlement - 2019 Taxes

Fayette County Sheriff

For The Period April 17, 2019 Through May 15, 2020

	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>	<u>Downtown Taxes</u>
Charges					
Real estate	\$ 22,924,969	\$ 67,915,437	\$ 231,942,012	\$ 34,934,458	\$ 485,505
Tangible personal property	1,712,083	1,953,996	14,586,405	6,164,559	
Increase through exonerations	9,563	18,014	88,043	11,831	
Franchise taxes	1,013,997	1,509,114	9,069,289		
Additional billings	11,265	26,868	106,640	30,761	31,558
Limestone, sand, and mineral reserves	1,384	4,114	14,018	2,111	
Penalties	42,365	119,761	422,766	68,280	1,093
NSF Collected	110	353	1,114	168	
Gross Charges to Sheriff	25,715,736	71,547,657	256,230,287	41,212,168	518,156
Credits					
Exonerations	35,619	89,133	343,980	79,642	
Discounts	442,927	1,253,010	4,429,636	732,855	8,819
Delinquents					
Real estate	135,567	382,754	1,336,074	201,236	1,813
Tangible personal property	15,294	16,502	130,305	64,069	
Additional billings	68	227	692	104	1,561
Franchise taxes	12	12	96		
Uncollected					
Additional billings	2,940	9,757	29,764	4,481	
Franchise taxes	32,532	73,118	311,023		
Total Credits	664,959	1,824,513	6,581,570	1,082,387	12,193
Taxes collected	25,050,777	(A) 69,723,144	(C) 249,648,717	(B) 40,129,781	(A) 505,963 (A)
Less commissions	1,064,658	1,570,461	3,744,731	1,705,516	21,503
Taxes due	23,986,119	68,152,683	245,903,986	38,424,265	484,460
Taxes paid	23,958,062	68,087,134	245,633,400	38,388,714	484,460
Refunds (current and prior year)	30,536	68,805	292,794	37,070	
Refunds due adjusted in May 2020	(2,328)	(2,635)	(20,582)	(1,096)	
Due Districts (Refunds due Sheriff) as of completion of audit	\$ (151)	\$ (621) (D)	\$ (1,626)	\$ (423)	\$

Continued

Sheriff's Settlement - 2019 Taxes--Continued

Fayette County Sheriff

For The Period April 17, 2019 Through May 15, 2020

(A) - Commission rate of 4.25%

(B) - Commission rate of 1.5%

(C) - Commission rate of \$350,000 on \$41,006,417 and 4.25% on remainder

(D) Special Taxing Districts

Health District	\$	(54)
Soil Conservation District		(2)
Extension District		(54)
Lextran		(116)
LFUCG - Full/Partial Services District		<u>(395)</u>

Refunds Due Sheriff

\$ (621)

See Independent Accountants' Compilation
Report and Notes to Financial Statement

Notes to Financial Statement

Fayette County Sheriff

For the Period April 17, 2019 Through May 15, 2020

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 May 15, 2020, 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 17, 2019 Through May 15, 2020

Note C--Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2019. Property taxes were billed to finance governmental services for the year ending June 30, 2020. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 20, 2019 through May 15, 2020.

Note D--Interest Income

The Sheriff earned \$2,446 in interest income on 2019 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 \$406,153 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 6, 2020, which is the date the financial statement was available to be issued.