

**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2019**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Linda Gorton, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Council

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Fayette County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The Honorable Linda Gorton, Lexington-Fayette Urban County Government
The Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Council

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Fayette County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky’s regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Fayette County Sheriff, as of December 31, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Fayette County Sheriff and the receipts, disbursements, and fund balances of the Fayette County Sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2019, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of the Fayette County Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control over financial reporting and compliance.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

April 12, 2021

FAYETTE COUNTY
KATHY WITT, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2019

Receipts

Federal Grants:

Victims Of Crime Act Grant (VOCA)	\$ 140,973	
Violence Against Women Act Grant (VAWA)	142,324	\$ 283,297

State-HB 452 Funds	198,598
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State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	241,936
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State Fees for Services:

Waiting on Court/Monthly Fee Claim	567,890	
Arrest Fees	3,762	
Prisoner Transport - KCPC	955	
Return of Fugitives	28,488	601,095

Circuit Court Clerk:

E-File Service Fayette County	134,520	
E-File Out of Fayette County	17,486	
Criminal & Traffic Warrants	8,858	160,864

County Clerk - Delinquent Taxes	158,732
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Commission on Taxes

Commission on Property Tax - 75% Account	4,048,110	
Commission on School Tax 100%	3,776,070	
Proceeds from 2017 Sheriff's Tax Settlement	11,433	
Commission on LFUCG 75% Account	350,000	
Hold Harmless Fund 75% Account	59,111	8,244,724

Fees Collected for Services:

Auto Inspections	90,612	
Clerk Inspections	51,890	
Serving Papers Civil Summons	116,065	
Serving Papers Child Support	9,950	
Carrying Concealed Deadly Weapon Permits	39,340	307,857

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
 KATHY WITT, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2019
 (Continued)

Receipts (Continued)

Other:

Tax Commission Add-On Fees	\$	451,223	
NSF Fees		2,478	
CCDW Photo		4,471	
Copies of E-Files		6,467	
Jury Meals		1,137	
Miscellaneous Reimbursement		<u>197,070</u>	\$ 662,846

Interest Earned			<u>24,627</u>
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Total Receipts			10,884,576
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Disbursements

Payments to State:

Juror Meals		<u>1,137</u>	
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Total Disbursements			<u>1,137</u>
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Net Revenues			10,883,439
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Payments to State Treasurer:

75% Operating Fund *		9,642,411	
25% County Fund		<u>1,241,028</u>	<u>10,883,439</u>

Balance Due at Completion of Audit			<u><u>\$ 0</u></u>
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* Includes reimbursed expenses in the amount of \$5,893,612 for the audit period.
 See Note 1. of Notes to Financial Statements.

FAYETTE COUNTY
KATHY WITT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2019

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2019	\$	\$	\$
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	9,642,411		9,642,411
Fees Paid to State - County Funds (25%)		1,241,028	1,241,028
Total Funds Available	<u>9,642,411</u>	<u>1,241,028</u>	<u>10,883,439</u>
<u>Disbursements</u>			
Payments To Lexington-Fayette Urban County Government	\$	\$ 1,241,028	\$ 1,241,028
Personal Services-			
Official's Statutory Maximum	126,485		126,485
Official's Training Incentive	4,216		4,216
Deputies' Salaries	4,585,906		4,585,906
Overtime Gross	205,730		205,730
Employee Benefits-			
Employer's Share Social Security	379,602		379,602
Employer's Share Retirement	1,480,528		1,480,528
Employer's Share Health Insurance	957,705		957,705
Employer's Share Life Insurance	10,884		10,884
Employer's Share Dental Insurance	84,626		84,626
Workers' Compensation	8,458		8,458
Operating Expenses-			
Audit	17,864		17,864
Analysis Fee PTX	22,000		22,000
Ammunition	6,447		6,447
Cellular Phone	16,337		16,337
Consulting	22,529		22,529
Dues	6,292		6,292
Employees Assistance Program	3,300		3,300

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
 KATHY WITT, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2019
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<hr/>	<hr/>	<hr/>
<u>Disbursements</u> (Continued)			
Operating Expenses- (Continued)			
Fuel	\$ 108,134	\$	\$ 108,134
Imprest Cash	9,690		9,690
Internet	3,639		3,639
Equipment Maintenance & Repairs	93,453		93,453
Rifle Equipment	6,477		6,477
Office Expense	84,374		84,374
Travel/Training	35,442		35,442
Parking	42,077		42,077
Phone Service	18,366		18,366
Postage	54,559		54,559
Radio Equipment	180		180
Recruiting	3,345		3,345
Rent	48,780		48,780
Structural Analysis	5,500		5,500
Tower Rental	17,212		17,212
K-9 Vet Expense	308		308
K-9 Vehicle Maintenance	273		273
Uniforms	41,064		41,064
Utilities	5,323		5,323
Vehicle Equipment	25,698		25,698
Vehicle Maintenance	30,821		30,821
Vehicle Repair	2,926		2,926
VOCA Grant - Refund	1,102		1,102
VOCA Consultation	25,281		25,281
VOCA Office	5,165		5,165
VOCA - Tracking Software	2,000		2,000
VOCA - Amanda Center	8,500		8,500
VOCA - Ride Share Credit	3,500		3,500
VOCA Training	830		830
VOCA Lock Change	10,027		10,027

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
 KATHY WITT, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2019
 (Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Operating Expenses- (Continued)			
VAWA - Office	\$ 1,999	\$	\$ 1,999
VAWA - Training	1,245		1,245
VAWA - Cell Phone Upgrade	897		897
VAWA - Mobile Printer 3	2,319		2,319
VAWA - GPS Monitor	2,596		2,596
Waste Management	3,926		3,926
Wellness Program	24,696		24,696
Capital Outlay-			
Body Armor	1,490		1,490
Wall Cabinet	1,130		1,130
Cellular Cabinet	5,518		5,518
Printer - VOCA Grant	6,150		6,150
Vehicle Equipment	46,972		46,972
K-9 CAINE	9,500		9,500
Vehicle Purchase	9,524		9,524
	<u> </u>	<u> </u>	<u> </u>
Total Disbursements	<u>8,750,917</u>	<u>1,241,028</u>	<u>9,991,945</u>
Fund Balance - December 31, 2019	<u>\$ 891,494</u>	<u>\$ 0</u>	<u>\$ 891,494</u>

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. 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.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2019 services
- Reimbursements for 2019 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2019

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in 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).

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The sheriff's contribution for calendar year 2017 was \$1,006,416, calendar year 2018 was \$1,234,331, and calendar year 2019 was \$1,480,528.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 21.48 percent for the first six months and 24.06 percent for the last six months.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

FAYETTE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 35.34 percent for the first six months and 39.58 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Fayette County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, 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 Fayette County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 4. Grants

A. Taking Action For A Safer Tomorrow

The Fayette County Sheriff's office was awarded a Victims of Crime grant, titled Taking Action For A Safer Tomorrow, for the period October 1, 2018 through September 30, 2019. During 2019, grant funds in the amount of \$140,973 were received for the reimbursement of grant related disbursements.

B. Amanda's Center for Local Resources: A Domestic Violence Intake Center

The Fayette County Sheriff's office was awarded a Violence Against Women Act grant, titled Amanda's Center for Local Resources: A Domestic Violence Intake Center, for the period January 1, 2019 through December 31, 2019. During 2019, grant funds in the amount of \$142,324 were received for the reimbursement of grant related disbursements.

Note 5. Lease Agreements

A. Property

On December 12, 2014, the sheriff renewed a four-year lease agreement with Fortune Business Centre, LLC, for real property located at 1700 Fortune Center Court, Lexington, KY. This agreement requires monthly payments of \$3,990. The lease was renewed during 2019 with a beginning balance of \$174,240, as of January 1, 2019. Payments of \$43,560 were made during the year, leaving a balance of \$130,680.

B. Radio Tower

On May 1, 2015, the sheriff renewed a five-year lease agreement with Vertical Bridge (formerly known as iHeart radio) for a radio tower. This agreement requires monthly payments of \$738 for the first four months, then \$760 for the remaining eight months, which is subject to a 3 percent annual increase each May. The beginning balance on January 1, 2019, was \$9,653. Payments of \$9,653 were made during the year, paying the entire balance of the lease.

C. Software

On June 25, 2015, the sheriff entered into a lease agreement with Computer Aid International for Property Tax and Franchise Tax Collection and Reporting Software. This agreement requires monthly payments of \$1,000 beginning on September 1 and ending August 31, and is renewable annually. The beginning balance on January 1, 2019, was \$8,000. Payments of \$12,000 were made during the year, leaving a \$0 ending balance. On September 1, 2019, this lease was renewed for \$12,000. Additional payments during the year of \$4,000 were made, leaving an ending balance of \$8,000 as of December 31, 2019.

D. Antenna

On July 16, 2016, the sheriff entered into a lease agreement with Lexington Financial Center, LLC, for placement of an antenna on the roof of the Lexington Financial Center. The lease agreement is for 29 months, ending on December 31, 2018. The agreement was renewed on January 1, 2019, for four years and requires monthly payments of \$750. The beginning balance as of January 1, 2019, was \$36,000. Payments of \$9,000 were made during the year, leaving an ending balance of \$27,000.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 6. Return of Fugitive Account

The sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The sheriff's office incurs expenses for these trips and requests reimbursement from the state. The reimbursements are then deposited into this bank account and the expenses are paid. The beginning balance on January 1, 2019, was \$0. There were receipts of \$154,880 and disbursements of \$126,655 leaving a balance of \$28,225 as of December 31, 2019. This amount was returned to the sheriff's fee account as excess fees on September 13, 2020.

Note 7. Asset Forfeiture Account

The sheriff maintains a separate bank account for monies that are seized and forfeited to the sheriff's office by court order. The beginning balance as of January 1, 2019, was \$3,688. During 2019, there were \$48 of receipts and no disbursements, leaving an ending balance of \$3,736 as of December 31, 2019.

Note 8. Sheriff's Sale Account

The sheriff maintains a separate bank account for receipts and disbursements related to sheriff sale items. The sheriff oversees these sales, which are court ordered. All receipts are used to pay the plaintiff in the case, along with advertising and legal fees incurred. The beginning balance as of January 1, 2019, was \$0. There were receipts of \$3,125 and disbursements of \$3,122, leaving an ending balance of \$3 as of December 31, 2019.

Note 9. HB 258 Account

The sheriff maintains a separate bank account for receipts and disbursements related to HB 258 items. HB 258 was authorized by the 2004 General Assembly to provide a means whereby the necessary office expenses of a sheriff or clerk in counties with populations in excess of 70,000 shall include discretionary funds to cover additional expenses related to special training and travel related to homeland security emergencies, academy graduations, retirements, state and national sheriff conventions, and extraordinary office expenses in amount authorized by the approving authority. The sheriff was authorized for \$24,801 for 2019. The sheriff earned \$195 in interest in this account, leaving an ending balance of \$24,996 as of December 31, 2019.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Linda Gorton, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Fayette County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2021. The Fayette County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fayette County Sheriff's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fayette County Sheriff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

April 12, 2021