

Addison County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

For the Year Ended June 30, 2018

Addison County Sheriff's Department

For the Year Ended June 30, 2018

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Independent Auditors' Report

Donald Keeler, Sheriff
Addison County Sheriff's Department
Middlebury, Vermont

We have audited the accompanying financial statements of the business-type activities of the Addison County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2018, 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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Department as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



South Burlington, Vermont
December 12, 2018
VT Reg. No. 92-349

Addison County Sheriff's Department

Statement of Net Position

June 30, 2018

Assets:

Current assets

Cash and cash equivalents	\$	180,758
Accounts receivable		96,112
Prepaid expenses		<u>5,579</u>

Total current assets 282,449

Vehicles and equipment, net of accumulated depreciation 254,501

Cash - restricted 101

Total assets 537,051

Liabilities:

Current liabilities

Accounts payable		6,863
Accrued payroll and payroll items		<u>41,902</u>

Total current liabilities 48,765

Net position:

Net investment in capital assets		254,501
Unrestricted		233,684
Restricted		<u>101</u>

Total net position \$ 488,286

See accompanying notes to this financial statement.

Addison County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Operating Revenues:

Charges for services	\$ 542,669
Process services	41,511
County reimbursements	51,165
Transportation revenues	13,855
Miscellaneous revenues	<u>73,346</u>

Total operating revenues	<u>722,546</u>
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Operating Expenses:

Contracted services	279,207
Administration and general	373,944
Process services	3,589
Building expenses	485
Automotive services	59,230
Depreciation	<u>126,947</u>

Total operating expenses	<u>843,402</u>
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Net operating loss	(120,856)
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Non-Operating Revenues:

Interest income	60
Gain on sale of vehicles	<u>5,000</u>

Total non-operating revenue	<u>5,060</u>
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Capital contributions from grants	<u>10,467</u>
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Net loss	(105,329)
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Net position, beginning of year	<u>593,615</u>
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Net position, end of year	<u><u>\$ 488,286</u></u>
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See accompanying notes to this financial statement.

Addison County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash Flow operating activities:

Cash received from customers	\$ 685,526
Cash payments to suppliers for goods and services	(214,247)
Cash payments to employees for services	<u>(502,101)</u>
Net cash used by operating activities	<u>(30,822)</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	(104,365)
Cash proceeds from sale of equipment	5,000
Proceeds from capital contributions from grants	10,467
Interest income	<u>60</u>
Net cash provided by capital and related financing activities	<u>(88,838)</u>
Net decrease in cash	(119,660)
Cash, cash equivalents and restricted cash beginning of year	<u>300,519</u>
Cash, cash equivalents and restricted cash end of year	<u><u>\$ 180,859</u></u>

Reconciliation of operating loss to net cash used by operating activities:

Net operating loss	<u>\$ (120,856)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	126,947
Changes in operating assets and liabilities	
Increase in accounts receivable	(37,020)
Increase in prepaid expenses	(3,600)
Increase in accounts payable	1,174
Increase in accrued payroll and payroll taxes	<u>2,533</u>
Total adjustments	<u>90,034</u>
Net cash used by operating activities	<u><u>\$ (30,822)</u></u>

Cash consists of:

Cash and cash equivalents	\$ 180,758
Cash - restricted	<u>101</u>
	<u><u>\$ 180,859</u></u>

See accompanying notes to this financial statement.

Addison County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The Addison County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Addison, Vermont. Funding for the Department is provided by the State of Vermont and the County of Addison. Operating revenue is generated by service charges, some of which are set by state statute and others are set by the Department. Included among the duties performed by the Department are contracting to provide law enforcement services; security services; control dispatching and other centralized support services; service of lawful writs, warrants and processes; and transportation of prisoners and the mentally disabled. The following is a description of the more significant accounting policies.

(a) Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The Department's revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources, as needed.

(b) Basis of presentation

The Department accounts for ongoing operations and activities using proprietary fund accounting, a method developed with the economic resources measurement focus. This focus is similar to accounting methods used in the private sector.

(c) Cash and cash equivalents

For the purpose of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

(d) Vehicles and equipment

Vehicles and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as nonoperating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$1,000 are capitalized.

Addison County Sheriff's Department

Notes to Financial Statements

June 30, 2018

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Jail equipment	3-10 years
Department equipment	5-10 years
Vehicles	5 years
Leasehold improvements	5-39 years

(e) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(f) Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(g) Accounts receivable

Significant receivables include amounts due from state, town, contractor contracts, and the U.S. Marshall. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2018, as the Department believes all accounts will be collected.

(h) Subsequent events

The Department evaluated subsequent events through December 12, 2018, the date the Department's financial statements were available to be used.

(2) Restricted Cash

As of June 30, 2018, the Department has a balance of \$101 in restricted cash designated for equipment purchases.

Addison County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(3) Cash and Categories of Risk

There are three categories of credit risk that apply to the Department's balance:

1. Insured by the FDIC or collateralized with securities held by the Department or by the Department's agent in the Department's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.
3. Uncollateralized.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2018.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 180,759	\$ 185,330
Uninsured deposits	-	-
Cash on hand	<u>100</u>	<u>100</u>
Total cash deposits	<u>\$ 180,859</u>	<u>\$ 185,430</u>

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2018 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Vehicles	\$ 493,926	\$ 94,514	\$ (24,315)	\$ 564,125
Equipment	433,952	-	-	433,952
Weapons	-	9,851	-	9,851
Leasehold improvements	<u>56,828</u>	<u>-</u>	<u>-</u>	<u>56,828</u>
Total vehicles and equipment	984,706	104,365	(24,315)	1,064,756
Accumulated depreciation	<u>(707,623)</u>	<u>(126,947)</u>	<u>24,315</u>	<u>(810,255)</u>
Net vehicles and equipment	<u>\$ 277,083</u>	<u>\$ (22,582)</u>	<u>\$ -</u>	<u>\$ 254,501</u>

(5) Cost Sharing

Under Vermont law, Addison County and the State of Vermont are required to cover certain costs of the Addison County Sheriff's Department. Such costs include the Sheriff's salary and benefits, administrative salary and benefits, office space, certain automotive expenses and others. The amount expended by the County and State during the period ended June 30, 2018 has not been determined.

Addison County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(6) Operating Grants

The Addison County Sheriff's Department received grants from the U.S. Government and other grantors. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability of the Department. As of June 30, 2018, management believes that no material liabilities will result from such audits.

(7) Risk Management

The Sheriff's Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Sheriff's Department maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

To Donald Keeler, Sheriff
Addison County Sheriff's Department
Middlebury, Vermont

In planning and performing our audit of the financial statements of the business-type activities of Addison County Sheriff's Department (the "Department") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) as a basis for designing 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This information is intended solely for the information and use of Addison County Sheriff's Department and is not intended to be, and should not be, used by anyone other than these specified parties.

McSoley McCoy & Co.

South Burlington, Vermont
December 12, 2018
VT Reg. No. 92-349