

**Caledonia County Sheriff's Department**

Financial Statements  
(With Independent Auditors' Report)

June 30, 2018

**Caledonia County Sheriff's Department**  
Financial Statements  
June 30, 2018

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Independent Auditors' Report

Dean Shatney, Sheriff  
Caledonia County Sheriff's Department  
St. Johnsbury, Vermont

We have audited the accompanying financial statements of the business-type activities of the Caledonia County Sheriff's Department (the "Department") of the County of Caledonia, Vermont, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 and budgetary comparison schedules 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



South Burlington, Vermont  
November 27, 2018

VT Reg. No. 92-349

**Caledonia County Sheriff's Department**

Statement of Net Position

June 30, 2018

**Assets:**

Current assets

Cash and cash equivalents	\$	282,052
Accounts receivable		77,314
Prepaid insurance		<u>25,287</u>

Total current assets 384,653

Vehicles and equipment, net of accumulated depreciation 365,080

Total assets 749,733

**Liabilities:**

Current liabilities

Accounts payable		8,058
Accrued payroll and related expenses		45,197
Current installments of long-term debt		<u>16,723</u>

Total current liabilities 69,978

Long-term liabilities

Long-term debt - less current installments 160,925

Total liabilities 230,903

**Net Position:**

Investment in capital assets, net of debt obligations		187,432
Unrestricted		<u>331,398</u>

Total net position \$ 518,830

See accompanying notes to the financial statements.

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

<b>Operating Revenues:</b>	
Charges for services	\$ 904,793
Operating grants	9,414
Process services	38,697
Transportation	12,201
County reimbursements	137,584
Miscellaneous revenues	<u>23,747</u>
 Total operating revenues	 <u>1,126,436</u>
 <b>Operating Expenses:</b>	
Contracted services	778,971
Process services	7,493
Administration and general	352,357
Communications services	6,777
Automotive services	45,855
Grant expenses	9,214
Depreciation	<u>69,017</u>
 Total operating expenses	 <u>1,269,684</u>
 Net operating loss	 (143,248)
 Net position, beginning of year	 <u>662,078</u>
 Net position, end of year	 <u><u>\$ 518,830</u></u>

See accompanying notes to the financial statements.

**Caledonia County Sheriff's Department**

Statement of Cash Flows

For the Year Ending June 30, 2018

**Cash flows from operating activities:**

Cash received from customers	\$ 1,207,146
Cash received from operating grants	9,414
Cash payments to suppliers for goods and services	(505,628)
Cash payments to employees for services	<u>(701,609)</u>

Net cash provided by operating activities 9,323

**Cash flows from capital and related financing activities:**

Purchase of fixed assets	<u>(118,080)</u>
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Net decrease in cash (108,757)

Cash and cash equivalents, beginning of year 390,809

Cash and cash equivalents, end of year \$ 282,052

**Reconciliation of operating loss to net cash provided by operating activities:**

Net operating loss \$ (143,248)

Adjustments to reconcile operating loss to net cash provided by operating activities

Depreciation	69,017
Decrease in accounts receivable	90,124
Increase in prepaid insurance	(3,713)
Increase in accounts payable	1,413
Decrease in accrued payroll and payroll items	<u>(4,270)</u>

Total adjustments 152,571

Net cash provided by operating activities \$ 9,323

**Supplemental information of noncash capital and related financing activities:**

A note payable of \$177,648 was incurred when the Department entered into a promissory note for the purchase of a new building and land.

See accompanying notes to the financial statements.

**Caledonia County Sheriff's Department**  
Notes to Financial Statements  
June 30, 2018

(6) Risk Management

The 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 Department maintains commercial insurance coverage to cover 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.

(7) Long-Term Debt

Long-term debt as of June 30, 2018 consists of notes payable to Passumpsic Savings Bank.

For purchase of building and land: 3.65% note due July 1, 2030 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ -	\$ 177,648	\$ -	\$ 16,723	\$ 160,925

The future minimum lease payments under the note payable as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 16,723
2020	18,891
2021	19,583
2022	20,320
2023	21,074
Thereafter	<u>81,057</u>
Total	<u>\$ 177,648</u>



## Caledonia County Sheriff's Department

### Notes to Financial Statements

June 30, 2018

#### (1) Summary of Significant Accounting Policies

The Caledonia County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Caledonia, Vermont. Funding is provided by the State of Vermont and the County of Caledonia. Operating revenue is generated by service charges, some of which are set by state statute and others 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.

##### (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 and 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, and 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 and all certificate of deposits 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 a non-operating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$1,000 are capitalized.

**Caledonia 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:

Office equipment	5-10 years
Department equipment	5-10 years
Vehicles	4 years
Building	39 years

(e) Unrestricted net assets

Unrestricted net assets for proprietary funds represent the net assets available for future operations.

(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 period. Actual results could differ from those estimates.

(g) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2018, as all amounts are deemed collectible.

(h) Subsequent events

The Department evaluated subsequent events through November 27, 2018, the date the Department's financial statements were available to be used and no events or transactions occurred.

(2) 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.

**Caledonia County Sheriff's Department**  
Notes to Financial Statements  
June 30, 2018

Cash and Categories of Risk (continued)

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 282,052	\$ 282,361
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	<u>\$ 282,052</u>	<u>\$ 282,361</u>

(3) 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>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 364,485	\$ 33,040	\$ (28,424)	\$ 369,101
Equipment	258,048	6,035	(47,843)	216,240
Land	-	61,972	-	61,972
Building	-	185,916	-	185,916
Building improvements	-	<u>8,765</u>	-	<u>8,765</u>
Total vehicles and equipment	622,533	295,728	(76,267)	841,994
Less accumulated depreciation	<u>(484,164)</u>	<u>(69,017)</u>	<u>76,267</u>	<u>(484,164)</u>
Vehicles and equipment, net	<u>\$ 138,369</u>	<u>\$ 226,711</u>	<u>\$ -</u>	<u>\$ 365,080</u>

(4) Cost Sharing

Under Vermont law, Caledonia County and the State of Vermont are required to cover certain costs of the 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 year ended June 30, 2018 has not been determined.

(5) Operating Grants

The Caledonia 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 no material liabilities would result from such audits.

## Independent Auditors' Report

Dean Shatney, Sheriff  
Caledonia County Sheriff's Department  
St. Johnsbury, Vermont

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

**Opinion**

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South Burlington, Vermont  
November 27, 2018

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