

Chittenden County Sheriff's Department

**Financial Statements
(with Independent Auditors' Report)**

June 30, 2017

Chittenden County Sheriff's Department

June 30, 2017

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**Independent Auditors' Report**

Kevin McLaughlin, Sheriff
Chittenden County Sheriff's Department
South Burlington, Vermont

We have audited the accompanying financial statements of the business-type activities of the Chittenden County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2017, 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. 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 Department'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 Department'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 proprietary activities of the Department as of June 30, 2017, 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

Chittenden County Sheriff's Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

McSoley McCoy & Co.

South Burlington, Vermont
January 31, 2018
VT Reg. No. 92-349

Chittenden County Sheriff's Department
Statement of Net Position
June 30, 2017

Assets:

Current assets

Cash	\$ 1,234,459
Accounts receivable	144,974
Loan receivable	19,445
Prepaid expense	<u>12,997</u>

Total current assets 1,411,875

Vehicles and equipment, net of accumulated depreciation 336,335

Total assets 1,748,210

Liabilities:

Current liabilities

Accounts payable	7,908
Accrued payroll and payroll items	<u>41,508</u>

Total current liabilities 49,416

Net position:

Unrestricted	1,362,459
Investment in capital assets	<u>336,335</u>

Total net position \$ 1,698,794

The accompanying notes are an integral part of these statements.

Chittenden County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

Operating revenues:	
Charges for services	\$ 1,212,386
Operating grants	136,264
Property seizure revenues	12,927
Miscellaneous revenues	<u>41,289</u>
 Total operating revenues	 <u>1,402,866</u>
Operating expenses:	
Contracted services	584,575
Process services	137,144
Transportation services	62,338
Administration and general	585,896
Automotive services	128,051
Depreciation	<u>174,033</u>
 Total operating expenses	 <u>1,672,037</u>
 Net operating loss	 (269,171)
Non-operating income:	
Gain on sale of equipment	15,795
Interest income	<u>11,160</u>
 Net loss	 (242,216)
 Net position, beginning of year	 <u>1,941,010</u>
 Net position, end of year	 <u>\$ 1,698,794</u>

The accompanying notes are an integral part of these statements.

Chittenden County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2017

Operating activities:

Cash received from customers	\$ 1,261,767
Cash received from operating grants	136,264
Cash payments to suppliers for goods and services	(521,125)
Cash payments to employees for services	<u>(994,278)</u>

Net cash used by operating activities (117,372)

Cash flows from capital and related financing activities:

Payments received on loan receivable	20,541
Proceeds on sale of vehicles	28,167
Interest income	11,160
Acquisition of capital assets	<u>(150,067)</u>

Net cash used by capital and related financing activities (90,199)

Net decrease in cash (207,571)

Cash, beginning of year 1,442,030

Cash, end of year \$ 1,234,459

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

Net operating loss \$ (269,171)

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

Depreciation	174,033
Changes in:	
Accounts receivable	(4,835)
Accounts payable	(4,377)
Accrued payroll liabilities	<u>(13,022)</u>

Total adjustments 151,799

Net cash used by operating activities \$ (117,372)

The accompanying notes are an integral part of these statements.

Chittenden County Sheriff's Department
Notes to the Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies

The Chittenden County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Chittenden, Vermont. Funding is provided by the State of Vermont and the County of Chittenden. 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.

(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) 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.

Estimated useful lives by major classification are as follows:

Office furniture	5-7 years
Communication equipment	5-10 years
Vehicles	5 years

Chittenden County Sheriff's Department
Notes to the Financial Statements
June 30, 2017

Summary of Significant Accounting Policies (continued)

(d) Unrestricted net assets

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

(e) 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.

(f) 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, 2017.

(g) Subsequent Events

The Department evaluated subsequent events through January 31, 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.

Chittenden County Sheriff's Department
Notes to the Financial Statements
June 30, 2017

Cash and Categories of Risk (continued)

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2017.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$1,204,277	\$1,228,414
Uninsured funds	30,182	30,182
Cash on hand	-	-
Total cash deposits	<u>\$1,234,459</u>	<u>\$ 1,258,596</u>

(3) Loan Receivable

In January of 2016, Windham County Sheriff's Office signed a \$50,000 promissory note due to the Department at 1% interest per annum. The amount outstanding on the note at June 30, 2017 was \$19,445.

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2017 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 602,029	\$ 131,857	\$ (86,241)	\$ 647,645
Equipment	753,175	18,210	-	771,385
Total vehicles and equipment	1,355,204	150,067	(86,241)	1,419,030
Less accumulated depreciation	(982,531)	(174,033)	73,869	(1,082,695)
Vehicles and equipment, net	<u>\$ 372,673</u>	<u>\$ (23,966)</u>	<u>\$ (12,372)</u>	<u>\$ 336,335</u>

(5) Cost Sharing

Under Vermont law, Chittenden County and the State of Vermont are required to cover certain costs of the Chittenden 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 year ended June 30, 2017 has not been determined.

Chittenden County Sheriff's Department
Notes to the Financial Statements
June 30, 2017

(5) Operating Grants

The Chittenden 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, 2017, management believes that no material liabilities will result from such audits.

(6) 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.