

Grand Isle County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2018

Grand Isle County Sheriff's Department

June 30, 2018

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Independent Auditors' Report

Ray Allen, Sheriff
Grand Isle County Sheriff's Department
North Hero, Vermont

We have audited the accompanying financial statements of the business-type activities of the Grand Isle County Sheriff's Department (the "Department") of the County of Grand Isle, 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 of America. 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 account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our 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 statement 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

October 5, 2018

VT Reg. No. 92-349

Grand Isle County Sheriff's Department

Statement of Net Position

June 30, 2018

Assets:

Current assets

Cash	\$	47,583
Accounts receivable		96,865
Prepaid expenses		<u>12,424</u>

Total current assets 156,872

Vehicles and equipment, net of accumulated depreciation		166,979
Deposit on purchase of building		10,000
Restricted cash		<u>1,550</u>

Total assets 335,401

Liabilities:

Current liabilities

Accounts payable		19,961
Accrued payroll and related expenses		10,559
Current portion of long-term debt		26,045
Amounts held for others		<u>26,317</u>

Total current liabilities 82,882

Long-term debt - less current portion 13,300

Total liabilities 96,182

Net Position:

Net investment in capital assets		137,634
Restricted cash		1,550
Unrestricted		<u>100,035</u>

Total net position \$ 239,219

See accompanying notes to the financial statements.

Grand Isle 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	\$ 504,410
Operating grants	94,387
County reimbursement for vehicle	12,976
Miscellaneous revenues	<u>31,002</u>
 Total operating revenues	 <u>642,775</u>
Operating Expenses	
Contracted services	421,126
Operating grants	73,933
Process services	2,944
Administration and general	104,387
Automotive services	36,044
Depreciation	<u>68,892</u>
 Total operating expenses	 <u>707,326</u>
 Net operating loss	 <u>(64,551)</u>
Non-Operating Revenues (Expenses)	
Interest income	53
Interest expense	(2,156)
Gain on sale of asset	<u>3,972</u>
 Total non-operating revenues (expenses)	 <u>1,869</u>
 Change in net position	 (62,682)
Net position, beginning of year	<u>301,901</u>
Net position, end of year	<u><u>\$ 239,219</u></u>

See accompanying notes to the financial statements.

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

Operating activities	
Cash received from customers	\$ 498,220
Operating grants received	81,924
Cash payments to suppliers for goods and services	(245,923)
Cash payments to employees for services	<u>(376,290)</u>
Net cash provided by operating activities	<u>(42,069)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(66,215)
Proceeds from the sale of equipment	10,600
Proceeds from issuance of note payable	18,052
Principal payments on loans	(24,773)
Interest paid on loans	<u>(2,156)</u>
Net cash used by capital and related financing activities	<u>(64,492)</u>
Cash flows from investing activities	
Interest earned	<u>53</u>
Net increase in cash	(106,508)
Cash, beginning of year	<u>155,641</u>
Cash, end of year	<u><u>\$ 49,133</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Net operating loss	<u>\$ (64,551)</u>
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	68,892
Changes in:	
Increase in receivables	(37,253)
Increase in prepaid expenses	(3,639)
Increase in deposits for purchase of building	(10,000)
Decrease in amounts held for others	(13,447)
Increase in accounts payable	18,490
Decrease in accrued payroll and payroll items	<u>(561)</u>
Total adjustments	<u>22,482</u>
Net cash provided by operating activities	<u><u>\$ (42,069)</u></u>
Cash consists of:	
Cash	\$ 47,583
Restricted cash	<u>1,550</u>
	<u><u>\$ 49,133</u></u>

See accompanying notes to the financial statements.

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The Grand Isle County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Grand Isle, Vermont. Funding is provided by the State of Vermont and the County of Grand Isle. 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. The Department applied all Governmental Accounting Standards Board (GASB) pronouncements.

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 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.

Grand Isle 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 furniture	7 years
Communication equipment	5-7 years
Vehicles	5 years

(d) Unrestricted Net Position

Unrestricted net position for proprietary funds represent the net position 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, 2018, as the Department believes all accounts will be collected.

(g) Amounts Held for Others

The Department runs a camp annually for children. All amounts collected and raised for the camp are held for the camp to pay expenses.

(h) Subsequent Events

The Department evaluated subsequent events through October 5, 2018, the date the Department's financial statements were available to be used and all such events or transactions have been disclosed.

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(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 Sheriff's 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	\$ 49,083	\$ 63,326
Uninsured deposits	-	-
Cash on hand	<u>50</u>	<u>-</u>
Total cash deposits	<u>\$ 49,133</u>	<u>\$ 63,326</u>

The Federal Deposit Insurance Corporation (FDIC) currently insures amounts on deposit with each financial institution up to \$250,000.

(3) Vehicles and Equipment

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Vehicles	\$ 334,674	\$ 58,215	\$ -	\$ 392,889
Equipment	<u>158,908</u>	<u>8,000</u>	<u>(22,880)</u>	<u>144,028</u>
Total vehicles and equipment	493,582	66,215	(22,880)	536,917
Less accumulated depreciation	<u>(317,298)</u>	<u>(68,892)</u>	<u>16,252</u>	<u>(369,938)</u>
Vehicles and equipment, net	<u>\$ 176,284</u>	<u>\$ (2,677)</u>	<u>\$ (6,628)</u>	<u>\$ 166,979</u>

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(4) Cost Sharing / Related Parties

Under Vermont law, Grand Isle and the State of Vermont are required to cover certain costs of the Grand Isle 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, 2018 has not been determined.

(5) 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.

(6) Long - Term Debt

Long-term debt as of June 30, 2018 consists of note payables to Ally and Community Bank:

4.89% note due July 19, 2022 to Ally as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ -	\$ 18,052	\$ (2,991)	\$ (3,425)	\$ 11,636

3.81% note due June 10, 2019 to Community Bank as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 24,932	\$ -	\$ (12,241)	\$ (12,691)	\$ -

3.93% note due August 24, 2019 to Community Bank as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 21,134	\$ -	\$ (9,541)	\$ (9,929)	\$ 1,664

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2018

Long - Term Debt (continued)

Maturities on long-term debt for the years after June 30, 2018 are as follows:

Year ended <u>June 30,</u>	
2019	\$ 26,045
2020	5,284
2021	3,776
2022	3,965
2023	<u>274</u>
Total	<u>\$ 39,344</u>

(7) Subsequent Events

The Department is in the process of purchasing a building in the amount of \$650,000. This purchase will be financed by both the Department and the County of Grand Isle, Vermont. The Department has made a \$10,000 deposit towards this purchase as reflected in the statement of net position.

To Ray Allen, Sheriff
Grand Isle County Sheriff's Department
North Hero, Vermont

In planning and performing our audit of the financial statements of the business-type activities of Grand Isle 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 opinions 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 communication is intended solely for the information and use of the Sheriff and management of Grand Isle County Sheriff's Department, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "McSoley McCoy & Co." in a cursive script.

South Burlington, Vermont
October 5, 2018
VT Reg. No. 92-349