

September 15, 2020

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

We have audited the financial statements of the business-type activities of Grand Isle County Sheriff's Department (the "Department") for the year ended June 30, 2020, and we will issue our report thereon dated September 15, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates used by management.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes corrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use 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.

Very truly yours,



McSoley McCoy & Co.

Client: **Vermont Sheriff Departments**
 Engagement: **AUD - Grand Isle County Sheriff's Department**
 Period Ending: **6/30/2020**
 Trial Balance: **3000.10 - TB**
 Workpaper: **1400.10 - Adjusting Journal Entries Report - 2**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2				
To record disposal of vehicles.				
17900	Accum Depreciation		60,727.00	
76500	Gain/Loss on Sale of Assets		8,160.00	
16040	Vehicles			68,887.00
Total			68,887.00	68,887.00
Adjusting Journal Entries JE # 3				
To record depreciation expense.				
76000	Depreciation Expense		79,265.00	
17900	Accum Depreciation			79,265.00
Total			79,265.00	79,265.00
Adjusting Journal Entries JE # 4				
To properly rollforward net assets.				
12001	Notes Receivable (County Veh)		11,900.00	
55700	Miscellaneous Expenses		1,752.00	
30020	Net Assets			13,652.00
Total			13,652.00	13,652.00
Adjusting Journal Entries JE # 5				
To record gain on trade-in of vehicle.				
16040	Vehicles		2,500.00	
44300	Gain on sale of assets			2,500.00
Total			2,500.00	2,500.00

Grand Isle County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2020

Grand Isle County Sheriff's Department

June 30, 2020

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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, 2020, 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 *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 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, 2020 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.

Emphasis of Matter

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided and how contributions are determined. As discussed in Note 8, the Department participants in the Vermont 457 Deferred Compensation Plan. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.



South Burlington, Vermont
September 15, 2020
VT Reg. No. 92-349

Grand Isle County Sheriff's Department

Statement of Net Position

June 30, 2020

Assets:

Current assets

Cash	\$	45,294
Accounts receivable		70,204
Prepaid expenses		<u>8,412</u>

Total current assets 123,910

Vehicles and equipment, net of accumulated depreciation	763,458
Restricted cash	<u>15,687</u>

Total assets 903,055

Liabilities:

Current liabilities

Accounts payable	12,126
Accrued payroll and related expenses	13,568
Current portion of long-term debt	40,339
Amounts held for others	<u>14,137</u>

Total current liabilities 80,170

Long-term debt - less current portion 648,416

Total liabilities 728,586

Net Position:

Net investment in capital assets	74,703
Restricted cash	15,687
Unrestricted	<u>84,079</u>

Total net position \$ 174,469

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, 2020

Operating Revenues	
Charges for services	\$ 570,917
Operating grants	88,361
County reimbursement for vehicle and building	44,110
Miscellaneous revenues	<u>25,800</u>
Total operating revenues	<u>729,188</u>
 Operating Expenses	
Contracted services	427,645
Operating grants	79,003
Process services	2,872
Administration and general	118,639
Automotive services	41,768
Building expenses	19,292
Depreciation	<u>79,265</u>
Total operating expenses	<u>768,484</u>
Net operating loss	<u>(39,296)</u>
 Non-Operating Revenues (Expenses)	
Interest income	2
Interest expense	<u>(32,362)</u>
Total non-operating (expenses)	<u>(32,360)</u>
Net loss	(71,656)
Net position, beginning of year	<u>246,125</u>
Net position, end of year	<u><u>\$ 174,469</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, 2020

Operating activities	
Cash received from customers	\$ 654,841
Operating grants received	82,399
Cash payments to suppliers for goods and services	(276,972)
Cash payments to employees for services	<u>(406,068)</u>
Net cash provided by operating activities	<u>54,200</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(57,549)
Disposal of capital assets	8,159
Proceeds from issuance of note payable	30,097
Principal payments on loans	(41,393)
Interest paid on loans	<u>(32,362)</u>
Net cash used by capital and related financing activities	<u>(93,048)</u>
Cash flows from investing activities	
Interest earned	<u>2</u>
Net decrease in cash	(38,846)
Cash, beginning of year	<u>99,827</u>
Cash, end of year	<u>\$ 60,981</u>
Reconciliation of operating loss to net cash provided by operating activities	
Net operating loss	<u>\$ (39,296)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	79,265
Changes in:	
Decrease in receivables	7,182
Decrease in prepaid expenses	4,148
Decrease in accounts payable	(4,576)
Increase in accrued payroll and payroll items	6,542
Increase in amounts held for others	<u>870</u>
Total adjustments	<u>93,431</u>
Net cash provided by operating activities	<u>\$ 54,135</u>
Cash consists of:	
Cash	\$ 45,294
Restricted cash	<u>15,687</u>
	<u>\$ 60,981</u>

See accompanying notes to the financial statements.

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(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.

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. Financial markets worldwide experienced substantial losses. The Department was deemed an essential business under the Presidential Stay Home Stay Safe order and incurred expenses to ensure the Department's staff were safe while conducting normal business, and, as a result, focused on curtailing expenses to the greatest extent possible.

(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, 2020

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
Building Improvement	5 years
Buildings	39 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, 2020, 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 September 15, 2020, the date the Department's financial statements were available to be used.

(2) Restricted Cash

As of June 30, 2020, the Department has a balance of \$15,687 in restricted cash designated for equipment purchases.

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(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 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, 2020.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 60,931	\$ 82,210
Uninsured deposits	-	-
Cash on hand	<u>50</u>	<u>-</u>
Total cash deposits	<u>\$ 60,981</u>	<u>\$ 82,210</u>

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

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2020 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 429,274	\$ 57,549	\$ (68,887)	\$ 417,936
Equipment	148,378	-	-	148,378
Building Improvements	2,000	-	-	2,000
Buildings	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>
Total vehicles and equipment	1,229,652	57,549	(68,887)	1,218,314
Less accumulated depreciation	<u>(436,319)</u>	<u>(79,265)</u>	<u>60,728</u>	<u>(454,856)</u>
Vehicles and equipment, net	<u>\$ 793,333</u>	<u>\$ (21,716)</u>	<u>\$ (8,159)</u>	<u>\$ 763,458</u>

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(5) 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, 2020 has not been determined.

(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.

(7) Long - Term Debt

Long-term debt as of June 30, 2020 consists of note payables to Ally, Community Bank, and People's Trust Company:

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>
\$ 11,640	\$ -	\$ (3,621)	\$ (3,776)	\$ 4,243

5.79% note due October 4,, 2024 to Ally as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ -	\$ 30,097	\$ (3,510)	\$ (5,572)	\$ 21,015

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>
\$ 1,658	\$ -	\$ (1,658)	\$ -	\$ -

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2020

Long-Term Debt (continued)

6.3% note due June 18, 2023 to Peoples Trust Company as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 38,176	\$ -	\$ (9,609)	\$ (9,227)	\$ 19,340

4.45% note due May 3, 2024 to Peoples Trust Company as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 647,031	\$ -	\$ (21,449)	\$ (20,255)	\$ 605,277

Total for June 30, 2020:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 698,505	\$ 30,097	\$ (39,847)	\$ (40,339)	\$ 648,416

Maturities on long-term debt for the years after June 30, 2020 are as follows:

<u>Year ended June 30,</u>	
2021	\$ 40,339
2022	42,407
2023	39,793
2024	563,986
2025	<u>2,230</u>
Total	\$ <u>688,755</u>

(8) Retirement Plan

The Department participates in the Vermont Municipal Employees Retirement System (VMERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Vermont.

VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Retirement System Division of the Vermont State Treasurer's Office issues a publicly available financial report that includes financial statements and required supplementary information for VMERS. That report may be obtained by writing to Retirement System Division, Vermont State Treasurer's Office, 133 State Street, Montpelier, Vermont 05602.

Grand Isle County Sheriff's Department

Notes to Financial Statements

June 30, 2020

Retirement Plan (continued)

Plan members are required to contribute 10.25% and 5.125% of their annual covered compensation under Group C and B, respectively and the Department is required to contribute at an actuarially determined rate. The current rate is 7.5% and 5.75% of annual covered payroll, under Group C and B, respectively. The contribution requirements of plan members and the Department are established and may be amended by the Retirement Board, Vermont Municipal Employees Retirement System.

GASB 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. The Department has not determined the impact of adopting GASB 68.

Total contributions made by the Department for the year ended June 30, 2020, were \$16,450.

(9) Subsequent Event

COVID-19 continues to cause financial market unrest as the economy slowly begins to open back up. The Department continues to adapt to a remote work place. The pandemic could have a material impact on the Department's financial results. The ultimate impact of this event on the Department's operations and financial statements is unknown as of the date of the auditors' report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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 financial statements of the business-type activities of the Grand Isle County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Department's internal control over financial reporting (internal control) to determine the 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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.



South Burlington, Vermont
September 15, 2020
VT Reg. No. 92-349