

Lamoille County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2018

Lamoille County Sheriff's Department
Financial Statements
June 30, 2018

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Independent Auditors' Report

Roger Marcoux, Sheriff
Lamoille County Sheriff's Department
Hyde Park, Vermont

We have audited the accompanying financial statements of the business-type activities of the Lamoille County Sheriff Department (the "Department") of the County of Lamoille, 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 account 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
October 5, 2018
VT Reg. No. 92-349

Lamoille County Sheriff's Department
Statement of Net Position
June 30, 2018

Assets:

Current assets	
Cash and cash equivalents	\$ 1,119,679
Accounts receivable	<u>91,986</u>
Total current assets	1,211,665
Construction in progress	430,591
Property, plant and equipment, net	1,343,696
Cash - restricted	<u>163,232</u>
Total assets	<u>3,149,184</u>

Liabilities:

Current liabilities	
Accounts payable	2,054
Accrued payroll and payroll items	195,233
Current portion of long-term debt	<u>1,528</u>
Total current liabilities	<u>198,815</u>

Net position:

Restricted cash	163,232
Invested in capital assets, net of debt	1,772,759
Unrestricted	<u>1,014,378</u>
Total net position	<u>\$ 2,950,369</u>

See accompanying notes to the financial statements.

Lamoille 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	\$ 3,157,240
Operating grants	320,316
County reimbursements	149,039
Miscellaneous revenues	<u>89,457</u>
 Total operating revenues	 <u>3,716,052</u>
 Operating expenses:	
Contracted services	933,913
Process services	19,918
Transportation services	63,669
Administration and general	782,744
Communications services	1,009,712
Automotive services	119,859
Grant services	453,626
Depreciation	<u>244,003</u>
 Total operating expenses	 <u>3,627,444</u>
 Net operating gain	 88,608
 Non-operating revenues:	
Interest income	<u>2,299</u>
 Change in net position	 <u>90,907</u>
 Net position, beginning of year	 <u>2,859,462</u>
 Net position, end of year	 <u>\$ 2,950,369</u>

See accompanying notes to the financial statements.

Lamoille County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2018

Operating activities:

Cash received from customers	\$ 3,365,536
Cash received from operating grants	320,316
Cash payments to suppliers for goods and services	(1,616,937)
Cash payments to employees for services	<u>(1,663,339)</u>
Net cash provided by operating activities	<u>405,576</u>

Cash flows from capital and related financing activities:

Interest income	2,299
Acquisition of capital assets	(190,786)
Principal payments on loans	<u>(7,144)</u>

Net cash used by capital and related financing activities (195,631)

Net increase in cash and cash equivalents 209,945

Cash and cash equivalents, beginning of year 1,072,966

Cash and cash equivalents, end of year \$ 1,282,911

Reconciliation of operating gain to net cash provided by operating activities:

Net operating gain	<u>\$ 88,608</u>
Adjustments to reconcile operating gain to net cash provided by operating activities	
Depreciation	244,003
Increase in accounts receivable	(30,200)
Decrease in prepaid expenses	33,991
Increase in accrued payroll and payroll items	67,120
Increase in accounts payable	<u>2,054</u>

Total adjustments 316,968

Net cash provided by operating activities \$ 405,576

Cash consists of:

Cash and cash equivalents	\$ 1,119,679
Restricted cash	<u>163,232</u>
	<u><u>\$ 1,282,911</u></u>

See accompanying notes to the financial statements.

Lamoille County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The Lamoille County Sheriff's Department ("the Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Lamoille, Vermont. Funding for the Department is provided by the State of Vermont and the County of Lamoille. 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 (a) 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) 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. In addition, the Department considers all certificates of deposits 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.

Lamoille 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	5 years
Communication equipment	5-10 years
Vehicles	5 years
Buildings	39 years

(e) Unrestricted net assets

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

(f) Restricted net assets

Restricted net assets for proprietary funds represent the net assets restricted for specific use under the terms of a revenue sharing agreement.

(g) 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.

(h) Accounts receivable

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

(i) Subsequent events

The Department evaluated subsequent events through October 5, 2018, the date the Department's financial statements were available to be used and no events or transactions occurred.

Lamoille 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, SPIC 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	\$ 1,282,411	\$ 1,282,958
Uninsured deposits	-	-
Cash on hand	<u>500</u>	<u>-</u>
Total cash deposits	<u>\$ 1,282,911</u>	<u>\$ 1,282,958</u>

(3) Vehicles and Equipment

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

	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Vehicles	\$ 816,596	\$ 112,362	\$ -	\$ 928,958
Buildings	209,610	-	-	209,610
Equipment	2,384,351	20,329	-	2,404,680
Land	110,390	-	-	110,390
Leasehold improvements	<u>459,622</u>	<u>-</u>	<u>-</u>	<u>459,622</u>
Total vehicles and equipment	3,980,569	132,691	-	4,113,260
Less accumulated depreciation	<u>(2,525,561)</u>	<u>(244,003)</u>	<u>-</u>	<u>(2,769,564)</u>
Vehicles and equipment, net	<u>\$ 1,455,008</u>	<u>\$ (111,312)</u>	<u>\$ -</u>	<u>\$ 1,343,696</u>

The Department is working on the renovation of a garage and house for use as additional office space and a repair shop. Additionally, the Department has made a down payment on equipment. The costs for these projects are construction in process until the projects have been finalized and placed in operations. At June 30, 2018 the balance of construction in process was \$430,591.

Lamoille County Sheriff's Department

Notes to Financial Statements

June 30, 2018

(4) Cost Sharing

Under Vermont Law, Lamoille County and the State of Vermont are required to cover certain costs of the Lamoille 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 total amount expended by the County and State during the year ended June 30, 2018 has not been determined.

(5) Operating Grants

The Lamoille 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.

(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) Operating Leases

The Department leases storage space and several parcels of land for communication towers. Amounts expensed under these leases totaled \$29,567 for the year ended June 30, 2018. Future minimum lease payments are \$2,900 for the year ended June 30, 2019.

(8) Long-Term Debt

Long-term debt as of June 30, 2018 consists of notes payable to Toyota Financial Services.

For purchase of vehicle: 0% note due September 2018 as follows:

<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current</u> <u>Maturities</u>	<u>Ending</u> <u>Balance</u>
\$ 7,153	\$ -	\$ (5,625)	\$ (1,528)	\$ -

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

Long-Term Debt (continued)

For purchase of vehicle: 0% note due August 2017 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
<u>\$ 1,519</u>	<u>\$ -</u>	<u>\$ (1,519)</u>	<u>\$ -</u>	<u>\$ -</u>

Sheriff Roger Marcoux Jr.
Lamoille County Sheriff Department
Hyde Park, Vermont

In planning and performing our audit of the financial statements of the business-type activities of Lamoille County Sheriff 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 Lamoille County Sheriff 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
October 5, 2018
VT Reg. No. 92-349