

**Orleans County Sheriff's Department**

Financial Statements

(With Independent Auditors' Report)  
For the Year Ended June 30, 2018

# Orleans County Sheriff's Department

For the Year Ended June 30, 2018

## Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

Independent Auditors' Report

Kirk Martin, Sheriff  
Orleans County Sheriff's Department  
Newport, Vermont

We have audited the accompanying financial statements of the business-type activities of the Orleans County Sheriff's Department (the "Department"), 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 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 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 respective 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 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



South Burlington, Vermont  
November 30, 2018

VT Reg. No. 92-349

**Orleans County Sheriff's Department**

Statement of Net Position

June 30, 2018

**Assets:**

Current assets

Cash and cash equivalents	\$	108,112
Accounts receivable		46,987
Other current assets		<u>9,690</u>

Total current assets 164,789

Cash reserves		237,754
Vehicles and equipment, net of accumulated depreciation		<u>118,271</u>

Total assets 520,814

**Liabilities:**

Accounts payable		2,465
Accrued vacation		12,249
Accrued payroll and related expenses		19,798
Current portion of long-term debt		<u>14,022</u>

Total current liabilities 48,534

Long-term debt - less current portion 13,097

**Net Position:**

Invested in capital assets		91,152
Unrestricted		130,277
Restricted		<u>237,754</u>

Total net position \$ 459,183

See accompanying notes to this financial statement.

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

<b>Operating revenues:</b>	
Charges for services	\$ 833,065
Operating grants	20,574
Miscellaneous revenues	<u>19,019</u>
Total operating revenues	<u>872,658</u>
 <b>Operating expenses:</b>	
Contracted services	352,166
Process services	48,121
Transportation	13,704
Grant services	9,037
Administration and general	254,520
Communications services	51,179
Automotive services	56,579
Depreciation	<u>97,996</u>
Total operating expenses	<u>883,302</u>
Net operating loss	<u>(10,644)</u>
 <b>Non-operating income (expense):</b>	
Interest expense	<u>(866)</u>
Net loss	<u>(11,510)</u>
Net position, beginning of year	<u>470,693</u>
Net position, end of year	<u><u>\$ 459,183</u></u>

See accompanying notes to this financial statement.

**Orleans County Sheriff's Department**

Statement of Cash Flows

For the Year Ended June 30, 2018

**Cash flows from operating activities:**

Cash received from customers	\$ 839,658
Cash received from operating grants	20,574
Cash payments to suppliers for goods and services	(289,830)
Cash payments to employees for services	(488,727)
Cash received from interest income	<u>220</u>
Net cash provided by operating activities	<u>81,895</u>

**Cash flows from capital financing activities:**

Interest paid on loans	(866)
Purchase of fixed assets	(27,227)
Repayment of long term debt	<u>(13,749)</u>

Net cash used by capital financing activities (41,842)

Net increase in cash and cash reserves 40,053

Cash and cash reserves, beginning of year 305,813

Cash and cash reserves, end of year \$ 345,866

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

Net operating income	<u>\$ (10,644)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	97,996
Increase in accounts receivable	(12,306)
Decrease in prepaid expense	169
Decrease in accounts payable	(2,199)
Increase in accrued payroll and related items	<u>8,879</u>
Total adjustments	<u>92,539</u>
Net cash provided by operating activities	<u><u>\$ 81,895</u></u>

Cash consists of:

Cash and cash equivalents	\$ 108,112
Cash reserves	<u>237,754</u>
	<u><u>\$ 345,866</u></u>

See accompanying notes to this financial statement.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

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



**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

Summary of Significant Accounting Policies (continued)

(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.

Estimated useful lives by major classification are as follows:

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

(e) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(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 reporting period. Actual results could differ from those estimates.

(g) Accounts receivable

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

(h) Subsequent events

The Department evaluated subsequent events through November 30, 2018, the date the Department's financial statements were available to be used.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended 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 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	\$ 345,866	\$ 351,678
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	<u>\$ 345,866</u>	<u>\$ 351,678</u>

(3) Cash Reserves

As of June 30, 2018, the Department has a balance of \$237,754 in cash reserves designated for future purchases of vehicles.

(4) Vehicles and Equipment

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

	<u>Beginning Balance</u>	<u>Additions / Adjustments</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 411,482	\$ -	\$ -	\$ 411,482
Equipment	<u>566,609</u>	<u>27,227</u>	-	<u>593,836</u>
Total vehicles and equipment	978,091	27,227		1,005,318
Less accumulated depreciation	<u>(789,051)</u>	<u>(97,996)</u>	-	<u>(887,047)</u>
Vehicles and equipment, net	<u>\$ 189,040</u>	<u>\$ (70,769)</u>	<u>\$ -</u>	<u>\$ 118,271</u>

## Orleans County Sheriff's Department

Notes to Financial Statements  
For the Year Ended June 30, 2018

### (5) Cost Sharing

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

### (6) Operating Grants

The Orleans 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.

### (7) 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.

### (8) Employer Contribution

The Department contributes to the Vermont Municipal Employees' Retirement System, under plan B, a cost sharing multiple employer defined benefit pension plan. Vermont state statutes (VSA Title 24, Chapter 125) provide the authority under which benefit provisions are established. The Department contributes 5.5% and the employees contribute 4.875%. Total contributions made by the Department for the year ended June 30, 2018, was \$18,469.

Effective July 1, 2018, the Department will contribute 7.375% and the employee will contribute 10.125%.

The accompanying financial statements do not reflect the impact of GASB 68 (Accounting and Financial Reporting for Pension) as management has deemed this impact to be immaterial to the financial statements.

The State of Vermont issues an audited financial report that includes financial statements and required disclosures that include information regarding this plan. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

(9) Long – Term Debt

Long-term debt as of June 30, 2018 consists of a note payable to Passumpsic Savings Bank:

1.96% note due May 9, 2020 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 40,868	\$ -	\$ (13,749)	\$ (14,022)	\$ 13,097

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

<u>Year ended June 30,</u>	
2019	\$ 14,022
2020	<u>13,097</u>
Total	<u>\$ 27,119</u>

(10) Related Party

During the year ended June 30, 2018, the Department's bookkeeper was also employed as the Treasurer of Orleans County, Vermont. These related party transactions were consummated on terms equivalent to those that prevail in arm's length transactions.

To Kirk Martin, Sheriff  
Orleans County Sheriff's Department  
Newport, Vermont

In planning and performing our audit of the financial statements of the business-type activities of Orleans 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 opinion 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 information is intended solely for the information and use of Orleans County Sheriff's 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  
November 30, 2018  
VT Reg. No. 92-349