

October 18, 2024

George Contois, Sheriff
Orange County Sheriff's Department
Chelsea, Vermont

We have audited the financial statements of the business-type activities of Orange County Sheriff's Department for the period February 1, 2023 to June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government 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 October 24, 2023. 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 2023. 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 significant estimates made by management.

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

Difficulties Encountered in Performing the Audit

The Department did not perform general ledger account reconciliations, for the period ended January 31, 2023, and as such, their records did not permit the application of all the required audit procedures.

We encountered no other 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. The attached schedule summarizes corrected misstatements.

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 October 18, 2024.

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 Orange County Sheriff’s 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 Orange County Sheriff’s 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 the Sheriff and management of Orange 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.

Orange County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

For the Period February 1, 2023 to June 30, 2023

Orange County Sheriff's Department

June 30, 2023

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Government Auditing Standards Report:

Independent Auditors' 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*

Independent Auditors' Report

George Contois, Sheriff
Orange County Sheriff's Department
Chelsea, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of net position of the Orange County Sheriff's Department (the "Department") as of June 30, 2023, and we were engaged to audit the related statements of revenues, expenses and changes in net position and cash flows for the period February 1 to June 30, 2023, and the related notes to the financial statements.

In our opinion, the statement of net position referred to above presents fairly, in all material respects, the financial position of the Department as of June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Results of Operations, Cash Flows, and Consistency

We do not express an opinion on the results of operations and cash flows for the period from February 1, 2023 to June 30, 2023, or on the consistency of application of accounting principles with the preceding year. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the period from February 1, 2023 to June 30, 2023, or on the consistency of application of accounting principles with the preceding year.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statement of net position.

Basis for Disclaimer of Opinion on Results of Operations, Cash Flows, and Consistency

We were previously engaged to audit the Department for the period from July 1, 2022 through January 31, 2023 however in our letter dated June 21, 2023 we ceased services as independent auditors as of June 21, 2023 because the Department's financial records were not audit ready and the accounting function was not operating effectively and consistently for the period July 1, 2022 through January 31, 2023 under the then

Sheriff William Bohnyak. We were unable to obtain sufficient appropriate audit evidence by other auditing procedures about the statement of net position at January 31, 2023. The amount of assets and liabilities at January 31, 2023, including classifications and amounts, materially affect the determination of the results of operations and cash flows for the period ended June 30, 2023, and the consistency of application of accounting principles between the two periods.

Emphasis of Matter – GASB 68

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, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 8, the Department participates in the Vermont State Employees' Retirement System. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



South Burlington, Vermont
October 18, 2024
VT Reg. No. 92-349

Orange County Sheriff's Department

Statement of Net Position

June 30, 2023

Assets:

Current assets

Cash	\$	38,922
Accounts receivable		<u>36,922</u>
Total current assets		<u>75,844</u>

Non-current assets

Buildings, vehicles and equipment, net		<u>73,826</u>
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Total assets		<u>149,670</u>
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Liabilities and Net Position:

Current liabilities

Accounts payable and accrued expenses		51,898
Current portion of notes payable		<u>8,895</u>
Total current liabilities		60,793

Notes payable, net of current portion		<u>12,384</u>
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Total liabilities		<u>73,177</u>
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Net Position:

Investment in capital assets, net of related debt		52,547
Unrestricted		<u>23,946</u>

Total net position	\$	<u><u>76,493</u></u>
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See accompanying notes to the financial statements.

Orange County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Period February 1, 2023 to June 30, 2023

Operating Revenues:	
Charges for services	\$ 66,222
Operating grants	112,524
County reimbursements	6,675
Miscellaneous revenues	<u>62,631</u>
Total operating revenues	<u>248,052</u>
 Operating Expenses:	
Contracted services	2,255
Process services	352
Administration and general	264,781
Communications services	7,176
Automotive services	37,951
Miscellaneous expense, net	(518)
Depreciation	<u>18,872</u>
Total operating expenses	<u>330,869</u>
Net operating loss	(82,817)
 Non-operating Revenue (Expense):	
Gain on sale of equipment	<u>31,259</u>
Net loss	(51,558)
Net position, beginning of year	<u>128,051</u>
Net position, end of year	<u><u>\$ 76,493</u></u>

See accompanying notes to the financial statements.

Orange County Sheriff's Department
Statement of Cash Flows
For the Period February 1, 2023 to June 30, 2023

Operating Activities:

Cash received from customers	\$ 324,764
Cash payments to suppliers for goods and services	(251,409)
Cash payments to employees for services	<u>(109,080)</u>
Net cash used by operating activities	<u>(35,725)</u>

Cash Flows from Capital and Related Financing Activities

Principal payments on notes payable	<u>(3,581)</u>
Net cash used by capital and related financing activities	<u>(3,581)</u>
Net decrease in cash	(39,306)
Cash, beginning of year	<u>78,228</u>
Cash, end of year	<u><u>\$ 38,922</u></u>

Reconciliation of Net Operating Loss to Net Cash used by Operating Activities:

Net operating loss	\$ <u>(82,817)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	18,872
Increase in accounts receivable	(22,426)
Increase in accounts payable and accrued expenses	<u>50,646</u>
Total adjustments	<u>47,092</u>
Net cash provided by operating activities	<u><u>\$ (35,725)</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY SHERIFF'S DEPARTMENT

Notes to the Financial Statements

For the period February 1, 2023 to June 30, 2023

(1) Summary of Significant Accounting Policies

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

(d) Buildings, Vehicles and Equipment

Buildings, 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.

ORANGE COUNTY SHERIFF'S DEPARTMENT

Notes to the Financial Statements

For the period February 1, 2023 to June 30, 2023

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
Leasehold improvements	5-25 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, 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 contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2023, as all amounts are deemed collectible.

(h) Due From Other Governments

Due from other governments includes amounts due from the state, towns, county, grants and other governmental entities. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2023, as all amounts are deemed collectible.

(i) Controlling Financial Interest Entities and Consolidation

Accounting principles generally accepted in the United States of America require management to assess whether the Department has a controlling financial interest in any entities to determine if those entities should be consolidated. Management had not performed the required assessment at the end of 2023 for the Orange County Special Investigation Unit. The ultimate effect on the financial statements has not been determined.

ORANGE COUNTY SHERIFF'S DEPARTMENT

Notes to the Financial Statements

For the period February 1, 2023 to June 30, 2023

Summary of Significant Accounting Policies (continued)

(j) Subsequent Events

The Department evaluated subsequent events through October 18, 2024, the date the Department's financial statements were available to be used.

(2) Cash Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department does not have an investment policy for assurance against custodial credit risk. As of June 30, 2023, the Department's deposits with financial institutions are fully insured by the FDIC.

(3) Buildings, Vehicles and Equipment

Buildings, vehicles and equipment are summarized as of June 30, 2023 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Vehicles	\$ 225,627	\$ -	\$ (44,261)	\$ 181,366
Building and leasehold improvements	15,988	-	-	15,988
Equipment	<u>9,736</u>	<u>-</u>	<u>-</u>	<u>9,736</u>
Total assets at cost	<u>251,351</u>	<u>-</u>	<u>(44,261)</u>	<u>207,090</u>
Less accumulated depreciation	<u>(114,392)</u>	<u>(18,872)</u>	<u>-</u>	<u>(133,264)</u>
Total assets, net	<u>\$ 136,959</u>	<u>\$ (18,872)</u>	<u>\$ (44,261)</u>	<u>\$ 73,826</u>

(4) Notes Payable

Notes payable as of June 30, 2023 consists of the following:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Remaining Balance</u>
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Toyota Financial Services:

7.44% note due February, 2025 secured by a vehicle as follows:

<u>\$ 7,861</u>	<u>\$ -</u>	<u>\$ 1,489</u>	<u>\$ 3,767</u>	<u>\$ 2,605</u>
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ORANGE COUNTY SHERIFF'S DEPARTMENT

Notes to the Financial Statements

For the period February 1, 2023 to June 30, 2023

Notes Payable (continued)

Bar Harbor Bank and Trust:

3.00% note due March, 2026 secured by vehicle as follows:

	<u>\$ 16,999</u>	<u>\$ -</u>	<u>\$ 2,092</u>	<u>\$ 5,128</u>	<u>\$ 9,779</u>
Totals	<u>\$ 24,860</u>	<u>\$ -</u>	<u>\$ 3,581</u>	<u>\$ 8,895</u>	<u>\$ 12,384</u>

Future minimum lease payments under these agreements are as follows:

Year ending	
<u>June 30:</u>	
2024	\$ 8,895
2025	7,889
2026	<u>4,495</u>
Total	<u>\$ 21,279</u>

(5) Cost Sharing

Under Vermont law, Orange County and the State of Vermont are required to cover certain costs of the Department. Such costs include the Sheriff's salary and benefits, administrative salary and benefits, office space, certain automotive expenses and others. The amount fully expended by the County and State during the year ended June 30, 2023 has not been determined.

(6) Operating Grants

The 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, 2023, management believes that no significant liabilities will result from such audits.

ORANGE COUNTY SHERIFF'S DEPARTMENT

Notes to the Financial Statements

For the period February 1, 2023 to June 30, 2023

(7) Risk Management

The 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 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) Retirement Plan

The Department participates in the Vermont State Employees' Retirement System (VSERS). The Department contributes 13.84% of eligible compensation for all employees deferring the required 6.65% of eligible compensation.

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.

Vermont state statutes (VSA Title 24, Chapter 125) provide the authority under which benefit provisions are established. The State of Vermont issues an audited financial report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Contributions made to the VSERS by the Department for the period ended June 30, 2023 amounted to \$0.

(9) Litigation

From time to time the Department is party to various lawsuits arising out of the normal course of business. In the opinion of management, based on the advice of legal counsel, there are currently no lawsuits that will have a significant adverse impact on the Department's financial position as of June 30, 2023.

INDEPENDENT AUDITORS' 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*

George Contois, Sheriff
Orange County Sheriff's Department
Chelsea, 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 Orange County Sheriff's Department (the "Department"), as of June 30, 2023 and for the period February 1, 2023 to June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 18, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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

South Burlington, Vermont
October 18, 2024
VT Reg. No. 92-349