

Orleans County Sheriff's Department

Financial Statements

For the Year Ended June 30, 2022
(With Independent Auditors' Report)

Orleans County Sheriff's Department

For the Year Ended June 30, 2022

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Independent Auditors' Report

Jennifer Harlow, Sheriff
Orleans County Sheriff's Department
Newport, Vermont

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 opinions.

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, 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 Municipal Employees' Retirement Plan. 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.

McSoley McCoy & Co.

South Burlington, Vermont
November 4, 2022
VT Reg. No. 92-349

Orleans County Sheriff's Department

Statement of Net Position

June 30, 2022

Assets:

Current assets

Cash and cash equivalents	\$	123,105
Accounts receivable		183,758
Prepaid expenses		<u>6,952</u>

Total current assets 313,815

Cash reserves		415,627
Amounts held for others		6,619
Vehicles and equipment, net of accumulated depreciation		<u>233,128</u>

Total assets 969,189

Liabilities:

Accounts payable and other accrued liabilities		1,200
Amounts held for others		6,619
Accrued vacation		18,483
Accrued payroll and related expenses		34,624
Current portion of long-term debt		<u>46,321</u>

Total current liabilities 107,247

Long-term debt, net of current portion 103,303

Total liabilities 210,550

Net Position:

Invested in capital assets, net of related debt		83,504
Unrestricted		259,508
Restricted		<u>415,627</u>

Total net position \$ 758,639

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, 2022

Operating revenues:	
Charges for services	\$ 1,145,679
Operating grants	84,025
Miscellaneous revenues	<u>25,295</u>
Total operating revenues	<u>1,254,999</u>
 Operating expenses:	
Contracted services	431,099
Process services	23,536
Transportation	11,993
Grant services	55,961
Administration and general	381,014
Communications services	61,100
Automotive services	78,961
Depreciation	<u>60,201</u>
Total operating expenses	<u>1,103,865</u>
Net operating income	<u>151,134</u>
 Non-operating income (expense):	
Interest income	442
Interest expense	<u>(2,065)</u>
Total non-operating income (expense)	<u>(1,623)</u>
Net income	149,511
Net position, beginning of year	<u>609,128</u>
Net position, end of year	<u><u>\$ 758,639</u></u>

See accompanying notes to this financial statement.

Orleans County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2022

Cash flows from operating activities:

Cash received from customers	\$ 1,139,007
Cash received from operating grants	84,025
Cash payments to suppliers for goods and services	(457,585)
Cash payments to employees for services	<u>(570,121)</u>

Net cash provided by operating activities 195,326

Cash flows from capital financing activities:

Interest paid on loans	(2,065)
Interest earned	442
Change in amounts held for others	1,935
Purchase of vehicles and equipment	(109,990)
Proceeds from issuance of long-term debt	84,625
Repayment of long-term debt	<u>(32,839)</u>

Net cash used by capital financing activities (57,892)

Net increase in cash, cash equivalents and cash reserves 137,434

Cash, cash equivalents and cash reserves, beginning of period 401,298

Cash, cash equivalents and cash reserves, end of period \$ 538,732

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

Net operating income	<u>\$ 151,134</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	60,201
Increase in accounts receivable	(31,967)
Decrease in prepaid expense	55
Decrease in accounts payable	(735)
Increase in accrued payroll and related expenses	<u>16,638</u>

Total adjustments 44,192

Net cash provided by operating activities \$ 195,326

Cash consists of:

Cash and cash equivalents	\$ 123,105
Cash reserves	<u>415,627</u>
	<u><u>\$ 538,732</u></u>

See accompanying notes to this financial statement.

Orleans County Sheriff's Department
Notes to Financial Statements
For the Year Ended June 30, 2022

(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.

(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.

Orleans County Sheriff's Department
Notes to Financial Statements
For the Year Ended June 30, 2022

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office furniture	5 years
Communication equipment	3 – 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 receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2022, as management believes all amounts will be collected.

(h) Amounts held for others

The Department runs a toy drive for children. All amounts collected and raised for the drive are to pay for toys to be dispersed to families. In addition, the Department collects donations to be used for various community needs throughout the year.

(i) Subsequent events

The Department evaluated subsequent events through November 4, 2022, 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, 2022

(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, 2022.

	Book Balance	Bank Balance
Insured deposits	\$ 463,550	\$ 477,453
Uninsured deposits	-	-
Undeposited funds	75,182	-
Total cash deposits	\$ 538,732	\$ 477,453

(3) Cash Reserves

As of June 30, 2022, the Department has a balance of \$415,627 in cash reserves designated for future purchases of vehicles.

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2022 by major classifications as follows:

	Beginning Balance	Additions / Adjustments	Deletions	Ending Balance
Vehicles	\$ 344,669	\$ 69,032	\$ (29,674)	\$ 384,027
Equipment	697,915	40,958	-	738,873
Total vehicles and equipment	1,042,584	109,990	(29,674)	1,122,900
Less accumulated depreciation	(859,245)	(60,201)	29,674	(889,772)
Vehicles and equipment, net	\$ 183,339	\$ 49,789	\$ -	\$ 233,128

Orleans County Sheriff's Department
Notes to Financial Statements
For the Year Ended June 30, 2022

(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 period ended June 30, 2022 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, 2022, 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) 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. Participants are in Group D with two individuals in Group C.

VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members (Department employees) 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.

Plan members are required to contribute 10.75% and 12.10% of their annual covered compensation under Group C and D, respectively, and the Department is required to contribute at an actuarially determined rate. The current rate is 8.00% and 10.60% of annual covered payroll, under Group C and D, 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.

Orleans County Sheriff's Department
Notes to Financial Statements
For the Year Ended June 30, 2022

Retirement Plan (continued)

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, 2022, were \$42,155.

(9) Long – Term Debt

Long-term debt as of June 30, 2022 consists of notes payable to Passumpsic Savings Bank:

1.54% note due May 14, 2024 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 59,830	\$ -	\$ (20,217)	\$ (20,531)	\$ 19,082

1.46% note due March 5, 2025 as follows:

\$ 38,005	\$ -	\$ (9,966)	\$ (10,112)	\$ 17,927
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4.10% note due April 21, 2027 as follows:

\$ -	\$ 84,625	\$ (2,653)	\$ (15,678)	\$ 66,294
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Totals:

\$ 97,835	\$ 84,625	\$ (32,836)	\$ (46,321)	\$ 103,303
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Maturities on long-term debt for the years after June 30, 2022 are as follows:

<u>Year ended June 30</u>	
2023	\$ 46,321
2024	45,676
2025	24,681
2026	17,726
2027	<u>15,220</u>
Total	<u>\$ 149,624</u>

Orleans County Sheriff's Department
Notes to Financial Statements
For the Year Ended June 30, 2022

(10) Related Party

During the year ended June 30, 2022, 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.

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*

Jennifer Harlow, Sheriff
Orleans County Sheriff's Department
Newport, 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 Orleans County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 4, 2022.

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 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. 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
November 4, 2022
VT Reg. No. 92-349