

April 23, 2020

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

We have audited the financial statements of the business-type activities of Orleans County Sheriff's Department (the "Department") for the period July 1, 2019 to January 21, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, 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 January 21, 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 the period. We noted no transactions entered into by the Department during the period 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*

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 April 23, 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 Orleans 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 - Orleans County Sheriff's Department**  
 Trial Balance: **3000.05 - TB**  
 Workpaper: **1400.10 - Copy of Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>6500.15</b>		
To record disposal of vehicle.				
16050	16050 -- Allowance for Dep.- Vehicles		26,494.00	
16040	16040 -- Vehicles			26,494.00
<b>Total</b>			<b>26,494.00</b>	<b>26,494.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
To record January loan payment.				
23009	23009 -- 3-2017 Ford Police Explorers		1,193.00	
55610	55610 -- Interest & Bank Charges		9.00	
2002	A/P Operating Account			1,202.00
<b>Total</b>			<b>1,202.00</b>	<b>1,202.00</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>7000.30</b>		
To properly record items that should be in AP as of period end.				
55250	55250 -- Office Supplies & Equipment		42.00	
55250	55250 -- Office Supplies & Equipment		95.00	
55250	55250 -- Office Supplies & Equipment		147.00	
55250	55250 -- Office Supplies & Equipment		349.00	
55255	55255 -- Dept. Equip. & Supplies		267.00	
55390	55390 -- Telephone		343.00	
57380	57380 -- Vehicle Repair & Maintenance		970.00	
2002	A/P Operating Account			2,213.00
<b>Total</b>			<b>2,213.00</b>	<b>2,213.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To record current period depreciation expense.				
55510	55510 -- Depreciation Exp.- Equipment		40,591.00	
16015	16015 -- Allowance for Dep.- Com			5,043.00
16030	16030 -- Allowance for Dep.- Equipment			8,410.00
16050	16050 -- Allowance for Dep.- Vehicles			27,138.00
<b>Total</b>			<b>40,591.00</b>	<b>40,591.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To record expenses that were prepaid at period end.				
15051	15051 -- Prepaid Insurance		2,186.00	
55250	55250 -- Office Supplies & Equipment			207.00
55320	55320 -- Dues and Subscriptions			1,650.00
55490	55490 -- Miscellaneous			329.00
<b>Total</b>			<b>2,186.00</b>	<b>2,186.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
To record current period bad debt expense.				
55650	Bad Debt		6,720.00	
12100	12100 -- A/R - Operating Account			6,720.00
<b>Total</b>			<b>6,720.00</b>	<b>6,720.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
To record the Operation Santa liability.				
44900	44900 -- Other Misc.		430.00	
20005	Operation Santa Liability			430.00
<b>Total</b>			<b>430.00</b>	<b>430.00</b>

**Orleans County Sheriff's Department**

Financial Statements

For the Period July 1, 2019 to January 21, 2020  
(With Independent Auditors' Report)

**Orleans County Sheriff's Department**

For the Period July 1, 2019 to January 21, 2020

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Independent Auditors' Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Orleans County Sheriff's Department (the "Department") for the period July 1, 2019 to January 21, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

***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 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 January 21, 2020, and the respective changes in financial position, and cash flows thereof for the period July 1, 2019 to January 21, 2020 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, 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.



South Burlington, Vermont

April 23, 2020

VT Reg. No. 92-349

**Orleans County Sheriff's Department**

Statement of Net Position

January 21, 2020

**Assets:**

Current assets

Cash and cash equivalents	\$	138,504
Accounts receivable		74,299
Prepaid expenses		<u>32,559</u>

Total current assets 245,362

Cash reserves		215,417
Amounts held for others		430
Vehicles and equipment, net of accumulated depreciation		<u>75,101</u>

Total assets 536,310

**Liabilities:**

Accounts payable and other accrued liabilities		3,845
Accrued vacation		11,020
Accrued payroll and related expenses		28,511
Current portion of long-term debt		<u>4,791</u>

Total current liabilities 48,167

**Net Position:**

Invested in capital assets, net of related debt		70,310
Unrestricted		202,416
Restricted		<u>215,417</u>

Total net position \$ 488,143

See accompanying notes to this financial statement.



**Orleans County Sheriff's Department**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Period July 1, 2019 to January 21, 2020

<b>Operating revenues:</b>	
Charges for services	\$ 481,498
Operating grants	6,739
Miscellaneous revenues	<u>13,156</u>
Total operating revenues	<u>501,393</u>
 <b>Operating expenses:</b>	
Contracted services	193,950
Process services	29,849
Transportation	11,319
Grant services	3,283
Administration and general	164,972
Communications services	22,520
Automotive services	23,914
Depreciation	<u>40,591</u>
Total operating expenses	<u>490,398</u>
Net operating income	<u>10,995</u>
 <b>Non-operating income (expense):</b>	
Interest income	120
Interest expense	<u>(206)</u>
Total non-operating income (expense)	<u>(86)</u>
Net income	<u>10,909</u>
Net position, beginning of period	<u>477,234</u>
Net position, end of period	<u><u>\$ 488,143</u></u>

See accompanying notes to this financial statement.

**Orleans County Sheriff's Department**  
Statement of Cash Flows  
For the Period July 1, 2019 to January 21, 2020

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 503,367
Cash received from operating grants	6,739
Cash payments to suppliers for goods and services	(197,684)
Cash payments to employees for services	<u>(261,144)</u>
Net cash provided by operating activities	<u>51,278</u>
 <b>Cash flows from capital financing activities:</b>	
Interest paid on loans	(206)
Interest earned	120
Purchase of vehicles and equipment	(17,751)
Repayment of long term debt	<u>(8,307)</u>
Net cash used by capital financing activities	<u>(26,144)</u>
Net increase in cash and cash reserves	25,134
Cash and cash reserves, beginning of period	<u>328,787</u>
Cash and cash reserves, end of period	<u><u>\$ 353,921</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Net operating income	<u>\$ 10,995</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	40,591
Decrease in accounts receivable	8,713
Increase in prepaid expense	(23,140)
Increase in amounts held for others	(430)
Increase in accounts payable	3,845
Increase in accrued payroll and related items	<u>10,704</u>
Total adjustments	<u>40,283</u>
Net cash provided by operating activities	<u><u>\$ 51,278</u></u>
 Cash consists of:	
Cash and cash equivalents	\$ 138,504
Cash reserves	<u>215,417</u>
	<u><u>\$ 353,921</u></u>

See accompanying notes to this financial statement.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Period July 1, 2019 to January 21, 2020

(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.

The accompanying notes and financial statements cover the period July 1, 2019 to January 21, 2020 as required due to the former Sheriff's retirement. Sheriff Jennifer Harlow was sworn in January 22, 2020.

(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 Period July 1, 2019 to January 21, 2020

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 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 January 21, 2020, 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.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Period July 1, 2019 to January 21, 2020

Summary of Significant Accounting Policies (continued)

(i) Subsequent events

The Department evaluated subsequent events through April 23, 2020, the date the Department's financial statements were available to be used.

(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 January 21, 2020.

	Book Balance	Bank Balance
Insured deposits	\$ 339,708	\$ 347,019
Uninsured deposits	-	5,246
Undeposited funds	14,213	-
Total cash deposits	\$ 353,921	\$ 352,265

(3) Cash Reserves

As of January 21, 2020, the Department has a balance of \$215,417 in cash reserves designated for future purchases of vehicles.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Period July 1, 2019 to January 21, 2020

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of January 21, 2020 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions / Adjustments</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 477,767	\$ -	\$ (26,494)	\$ 451,273
Equipment	<u>597,897</u>	<u>17,751</u>	<u>-</u>	<u>615,648</u>
Total vehicles and equipment	1,075,664	17,751	(26,494)	1,066,921
Less accumulated depreciation	<u>(977,723)</u>	<u>(40,591)</u>	<u>26,494</u>	<u>(991,820)</u>
Vehicles and equipment, net	<u>\$ 97,941</u>	<u>\$ (22,840)</u>	<u>\$ -</u>	<u>\$ 75,101</u>

(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 January 21, 2020 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 January 21, 2020, 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.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Period July 1, 2019 to January 21, 2020

(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 C with one individual in Group B.

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 10.25% 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 period ended January 21, 2020, were \$15,628.

(9) Long – Term Debt

Long-term debt as of January 21, 2020 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>
\$ 13,098	\$ -	\$ (8,307)	\$ (4,791)	\$ -

(10) Related Party

During the period ended January 21, 2020, 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.

**Orleans County Sheriff's Department**  
Notes to Financial Statements  
For the Period July 1, 2019 to January 21, 2020

(11) Subsequent Event

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. 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*

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 period July 1, 2019 to January 21, 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 April 23, 2020.

**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

April 23, 2020

VT Reg. No. 92-349