

October 7, 2020

Dean Shatney, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

We have audited the financial statements of the business-type activities of Caledonia County Sheriff's Department (the "Department") for the year ended June 30, 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 July 2, 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 2020. 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 sensitive estimates used 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. There were no misstatements detected during the audit.

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 7, 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 Caledonia 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.

Caledonia County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2020

Caledonia County Sheriff's Department
Financial Statements
June 30, 2020

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Independent Auditors' Report

Dean Shatney, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

We have audited the accompanying financial statements of the business-type activities of the Caledonia County Sheriff's Department (the "Department") of the County of Caledonia, Vermont, as of and for the year ended June 30, 2020, 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Department, as of June 30, 2020 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.

McSoley McCoy & Co.

South Burlington, Vermont
October 7, 2020
VT Reg. No. 92-349

Caledonia County Sheriff's Department

Statement of Net Position

June 30, 2020

Assets:

Current assets

Cash and cash equivalents	\$	361,777
Accounts receivable		241,813
Prepaid insurance		<u>24,556</u>

Total current assets 628,146

Property, plant and equipment, net of accumulated depreciation 385,926

Total assets 1,014,072

Liabilities:

Current liabilities

Accounts payable		6,155
Accrued payroll and related expenses		44,792
Current installments of long-term debt		<u>19,593</u>

Total current liabilities 70,540

Long-term liabilities

Long-term debt - less current installments 214,114

Total liabilities 284,654

Net Position:

Investment in capital assets, net of debt obligations		152,219
Unrestricted		<u>577,199</u>

Total net position \$ 729,418

See accompanying notes to the financial statements.

Caledonia County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ending June 30, 2020

Operating Revenues:	
Charges for services	\$ 813,163
Operating grants	1,207
Process services	38,002
Transportation	18,701
County reimbursements	177,942
Miscellaneous revenues	<u>900</u>
 Total operating revenues	 <u>1,049,915</u>
Operating Expenses:	
Contracted services	445,545
Process services	9,600
Administration and general	322,160
Communications services	6,427
Automotive services	35,671
Grant expenses	7,303
Depreciation	<u>49,544</u>
 Total operating expenses	 <u>876,250</u>
 Net operating income	 <u>173,665</u>
Non-Operating Income (Expense):	
Interest income	4,163
Interest expense	(8,174)
Gain on sale of equipment	<u>2,500</u>
 Total non-operating expense	 <u>(1,511)</u>
 Net income	 172,154
 Net position, beginning of year	 <u>557,264</u>
 Net position, end of year	 <u><u>\$ 729,418</u></u>

See accompanying notes to the financial statements.

Caledonia County Sheriff's Department
Statement of Cash Flows
For the Year Ending June 30, 2020

Cash flows from operating activities:	
Cash received from customers	\$ 893,081
Cash received from operating grants	1,207
Cash payments to suppliers for goods and services	(388,259)
Cash payments to employees for services	<u>(425,720)</u>
Net cash provided by operating activities	<u>80,309</u>
 Cash flows from capital and related financing activities:	
Gain on sale of equipment	2,500
Interest paid on loans	(8,174)
Principal payments on notes payable	<u>(17,330)</u>
Net cash used by capital financing activities	<u>(23,004)</u>
 Cash flows from investing activities:	
Interest earned	<u>4,163</u>
Net increase in cash	61,468
Cash and cash equivalents, beginning of year	<u>300,309</u>
Cash and cash equivalents, end of year	<u><u>\$ 361,777</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	<u>\$ 173,665</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	49,544
Increase in accounts receivable	(155,627)
Increase in prepaid insurance	(354)
Increase in accounts payable	677
Increase in accrued payroll and related expenses	<u>12,404</u>
Total adjustments	<u>(93,356)</u>
Net cash provided by operating activities	<u><u>\$ 80,309</u></u>

See accompanying notes to the financial statements.

Caledonia County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The Caledonia County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Caledonia, Vermont. Funding is provided by the State of Vermont and the County of Caledonia. Operating revenue is generated by service charges, some of which are set by state statute and others 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.

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. The Department was deemed an essential business under the Presidential Stay Home Stay Safe order and incurred expenses to ensure the Department's staff were safe while conducting normal business, and, as a result, focused on curtailing expenses to the greatest extent possible.

(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 Governmental Accounting Standards Board (GASB) pronouncements.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary and 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, and 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 and all certificates of deposit are considered 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 a 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.

Caledonia County Sheriff's Department

Notes to Financial Statements

June 30, 2020

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office equipment	5-10 years
Department equipment	5-10 years
Vehicles	4 years
Building	39 years

(e) Unrestricted net assets

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

(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 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, 2020, as all amounts are deemed collectible.

(h) Subsequent events

The Department evaluated subsequent events through October 7, 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 June 30, 2020.

Caledonia County Sheriff's Department

Notes to Financial Statements

June 30, 2020

Cash and Categories of Risk (continued)

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 361,721	\$ 366,602
Uninsured deposits	-	-
Cash on hand	-	-
Undeposited funds	<u>56</u>	<u>-</u>
Total cash deposits	<u>\$ 361,777</u>	<u>\$ 366,602</u>

(3) Property, Plant and Equipment

Property, plant and equipment (PP&E) are summarized as of June 30, 2020 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 351,758	\$ -	\$ (30,745)	\$ 321,013
Equipment	221,078	-	-	221,078
Land	61,972	-	-	61,972
Building	185,916	-	-	185,916
Building improvements	<u>113,426</u>	<u>-</u>	<u>-</u>	<u>113,426</u>
Total PP&E	934,150	-	(30,745)	903,405
Less accumulated depreciation	<u>(498,680)</u>	<u>(49,544)</u>	<u>30,745</u>	<u>(517,479)</u>
PP&E, net	<u>\$ 435,470</u>	<u>\$ (49,544)</u>	<u>\$ -</u>	<u>\$ 385,926</u>

(4) Cost Sharing

Under Vermont law, Caledonia 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 expended by the County and State during the year ended June 30, 2020 has not been determined.

(5) Operating Grants

The Caledonia 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.

Caledonia County Sheriff's Department

Notes to Financial Statements

June 30, 2020

Operating Grants (continued)

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, 2020, management believes no material liabilities would result from such audits.

(6) 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 to cover each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

(7) Long-Term Debt

Long-term debt as of June 30, 2020 consist of a notes payable to Passumpsic Savings Bank.

For purchase of building and land: 3.65% note due July 1, 2030 as follows:

<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current</u> <u>Maturities</u>	<u>Ending</u> <u>Balance</u>
\$ 251,037	\$ -	\$ (17,330)	\$ (19,593)	\$ 214,114

The future minimum lease payments under the note payable as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 19,593
2022	20,320
2023	21,074
2024	21,856
2025	22,667
2026-2030	126,559
2031	<u>1,638</u>
Total	<u>\$ 233,707</u>

(8) Subsequent Event

COVID-19 continues to cause financial market unrest as the economy slowly begins to open back up. The Department continues to adapt to a remote work place. The pandemic could have a material impact on the Department's financial results. 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

Dean Shatney, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, 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 Caledonia County Sheriff's Department (the "Department"), as of and for the year ended June 30, 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 October 7, 2020.

Internal Control over Financial Reporting

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



South Burlington, Vermont
October 7, 2020
VT Reg. No. 92-349