

Caledonia County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

For the period July 1, 2022 to January 31, 2023

Caledonia County Sheriff's Department
Financial Statements
For the Period July 1, 2022 to January 31, 2023

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Independent Auditors' Report

James Hemond, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Caledonia County Sheriff's Department (the "Department") as of January 31, 2023 and for the period July 1, 2022 to January 31, 2023, 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 January 31, 2023, and the respective changes in financial position, and cash flows thereof for the period July 1, 2022 to January 31, 2023 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.

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 July 7, 2023, on our consideration of the Caledonia County Sheriff's 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 Caledonia County Sheriff's 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 Caledonia County Sheriff's Department's internal control over financial reporting and compliance.



South Burlington, Vermont
July 7, 2023
VT Reg. No. 92-349

Caledonia County Sheriff's Department

Statement of Net Position

January 31, 2023

Assets:

Current assets

Cash and cash equivalents	\$	310,163
Accounts receivable		50,088
Prepaid insurance		<u>57,900</u>

Total current assets 418,151

Property, plant and equipment, net of accumulated depreciation 418,099

Total assets 836,250

Liabilities:

Current liabilities

Accounts payable		5,329
Accrued payroll and related expenses		23,723
Current installments of long-term debt		<u>21,527</u>

Total current liabilities 50,579

Long-term liabilities

Long-term debt - less current installments 160,026

Total liabilities 210,605

Net Position:

Investment in capital assets, net of debt obligations		236,546
Unrestricted		<u>389,099</u>

Total net position \$ 625,645

See accompanying notes to the financial statements.

Caledonia County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Period July 1, 2022 to January 31, 2023

Operating Revenues:	
Charges for services	\$ 376,777
Process services	36,225
Transportation	5,015
County reimbursements	150,500
Miscellaneous revenues	<u>3,900</u>
 Total operating revenues	 <u>572,417</u>
Operating Expenses:	
Contracted services	158,922
Process services	4,226
Administration and general	616,109
Communications services	4,685
Automotive services	29,871
Grant expenses	1,708
Depreciation	<u>24,109</u>
 Total operating expenses	 <u>839,630</u>
 Net operating loss	 <u>(267,213)</u>
Non-Operating Income (Expense):	
Interest income	349
Interest expense	<u>(4,035)</u>
 Total non-operating expense	 <u>(3,686)</u>
 Net loss	 (270,899)
 Net position, beginning of period	 <u>896,544</u>
 Net position, end of period	 <u>\$ 625,645</u>

See accompanying notes to the financial statements.

Caledonia County Sheriff's Department
Statement of Cash Flows
For the Period July 1, 2022 to January 31, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 635,587
Cash payments to suppliers for goods and services	(202,972)
Cash payments to employees for services	<u>(654,884)</u>
Net cash used by operating activities	<u>(222,269)</u>
 Cash flows from capital and related financing activities:	
Acquisition of vehicles and equipment	(8,680)
Interest paid on loans	(4,035)
Principal payments on note payable	<u>(12,194)</u>
Net cash used by capital financing activities	<u>(24,909)</u>
 Cash flows from investing activities:	
Interest earned	<u>349</u>
Net decrease in cash	(246,829)
Cash and cash equivalents, beginning of period	<u>556,992</u>
Cash and cash equivalents, end of period	<u><u>\$ 310,163</u></u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Net operating loss	<u>\$ (267,213)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	24,109
Decrease in accounts receivable	63,170
Increase in prepaid insurance	(33,914)
Decrease in accounts payable	(3,999)
Decrease in accrued payroll and related expenses	<u>(4,422)</u>
Total adjustments	<u>44,944</u>
Net cash used by operating activities	<u><u>\$ (222,269)</u></u>

See accompanying notes to the financial statements.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Period July 1, 2022 to January 31, 2023

(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.

(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) Property, plant and equivalent

Property, plant 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
For the Period July 1, 2022 to January 31, 2023

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 and improvements	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 January 31, 2023, as all amounts are deemed collectible. Accounts receivable as of January 31, 2023 and June 30, 2022 was \$50,088 and \$113,258, respectively.

(h) Subsequent events

The Department evaluated subsequent events through July 7, 2023, 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 31, 2023.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Period July 1, 2022 to January 31, 2023

Cash and Categories of Risk (continued)

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 309,718	\$ 311,929
Uninsured deposits	-	-
Cash on hand	<u>445</u>	<u>-</u>
Total cash deposits	<u>\$ 310,163</u>	<u>\$ 311,929</u>

(3) Property, Plant and Equipment

Property, plant and equipment (PP&E) are summarized as of January 31, 2023 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 330,840	\$ -	\$ -	\$ 330,840
Equipment	223,709	-	-	223,709
Land	61,972	-	-	61,972
Building	185,916	-	-	185,916
Building improvements	<u>113,426</u>	<u>8,680</u>	<u>-</u>	<u>122,106</u>
Total PP&E	915,863	8,680	-	924,543
Less accumulated depreciation	<u>(482,335)</u>	<u>(24,109)</u>	<u>-</u>	<u>(506,444)</u>
PP&E, net	<u>\$ 433,528</u>	<u>\$ (15,429)</u>	<u>\$ -</u>	<u>\$ 418,099</u>

(4) Cost Sharing

Under Vermont law, the County of Caledonia 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 period ended January 31, 2023 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
For the Period July 1, 2022 to January 31, 2023

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 January 31, 2023, 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 January 31, 2023 consists of a note 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>
\$ 193,747	\$ -	\$ (12,194)	\$ (21,527)	\$ 160,026

The future minimum lease payments under the note payable as of January 31, 2023 are as follows:

<u>Year Ending January 31,</u>	
2024	\$ 21,527
2025	22,326
2026	23,154
2027	24,014
2028	24,905
2029-2031	<u>65,627</u>
Total	<u>\$ 181,553</u>

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*

James Hemond, 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 January 31, 2023 and for the period July 1, 2022 to January 31, 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 July 7, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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*.

The Caledonia County Sheriff's Department's Response to Findings

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

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
July 7, 2023
VT Reg. No. 92-349

Caledonia County Sheriff's Department
Schedule of Findings and Questioned Costs
For the Period July 1, 2022 to January 31, 2023

Finding Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

Finding 2023-001

Criteria

The Vermont Sheriffs' Association Uniform Accounting Manual requires each Department to have a policy covering the payment of bonuses. At a minimum, this policy should include the criteria for who is eligible for bonuses, when the bonuses can be paid, and how the bonus amount is determined.

Condition

During our audit, it was noted that the Department paid significant bonuses during the period without having a formal bonus policy in place.

Cause

The Department lacks a formal policy around the payment of bonuses.

Effect

A significant amount of bonuses were paid out during the period with no formal process in place.

Recommendation

We recommend the Department establish a policy in accordance with the Uniform Accounting Manual.

Views of Responsible Officials

Management agrees with this recommendation and will implement a bonus policy as soon as possible. There is pending legislation to establish a bonus policy across all Vermont Sheriff Departments that would go into effect January 1, 2024.

Caledonia County Sheriff's Department
Sheriff James Hemond
970 Memorial Drive
St. Johnsbury, Vt 05819
802-748-6666

Caledonia County Sheriff's Department
Management's Corrective Action Plan
For the Period July 1, 2022 to January 31, 2023

Management's Corrective Action Plan

The management of Caledonia County Sheriff's Department acknowledges the finding of a significant deficiency over requirements of the Vermont Sheriffs' Association Uniform Accounting Manual.

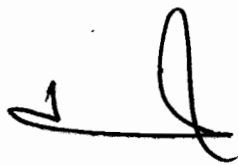
We submit the following new procedures implemented on July 7, 2023 to address the deficiency:

Finding No. 2023-01

We will implement a bonus policy that aligns with the Uniform Accounting Manual and the outcome of pending legislation.

Anticipated Completion Date: January 1, 2024

Responsible Contact Person: Sheriff James Hemond

 6/28/2023