

Chittenden County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

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

Chittenden County Sheriff's Department

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

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Independent Auditors' Report

Daniel Gamelin, Sheriff
Chittenden County Sheriff's Department
South Burlington, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Chittenden County Sheriff's Department (the "Department") as of January 31, 2023 and for the period July 1, 2022 through 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 financial position of the business-type activities of the Chittenden County Sheriff's Department, as of January 31, 2023, and the changes in financial position and cash flows thereof for the period July 1, 2022 through 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 Chittenden County Sheriff's 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 and how contributions are determined, and assumptions and methods used to calculate the liability. As discussed in Note 9, the Department participates in the Vermont Municipal Employees' Retirement System. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chittenden County Sheriff's 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 Chittenden County Sheriff's 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 Chittenden County Sheriff's 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 August 30, 2023, on our consideration of the Chittenden 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 Chittenden 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 Chittenden County Sheriff's Department's internal control over financial reporting and compliance.

McSoley McCoy & Co.

South Burlington, Vermont
August 30, 2023
VT Reg. No. 92-349

Chittenden County Sheriff's Department

Statement of Net Position

January 31, 2023

Assets:

Current assets

Cash and cash equivalents	\$	1,474,991
Restricted cash held by others		1,195
Accounts receivable		137,755
Prepaid expenses		<u>13,280</u>

Total current assets 1,627,221

Vehicles and equipment, net of accumulated depreciation 272,077

Total assets 1,899,298

Liabilities:

Current liabilities

Accounts payable		30,206
Accrued payroll and payroll items		<u>28,095</u>

Total current liabilities 58,301

Net position:

Restricted cash held by others		1,195
Unrestricted		1,567,725
Investment in capital assets		<u>272,077</u>

Total net position \$ 1,840,997

See accompanying notes to the financial statements.

Chittenden 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	\$ 822,585
Operating grants	284,314
Miscellaneous revenues	<u>16,782</u>
Total operating revenues	<u>1,123,681</u>
 Operating expenses:	
Contracted services	349,540
Process services	75,961
Transportation services	2,658
Administration and general	440,629
Automotive services	109,370
Depreciation	<u>64,182</u>
Total operating expenses	<u>1,042,340</u>
Net operating income	81,341
 Non-operating income:	
Interest income	<u>6,404</u>
Net income	87,745
Net position, beginning of period, restated	<u>1,753,252</u>
Net position, end of period	<u><u>\$ 1,840,997</u></u>

See accompanying notes to the financial statements.

Chittenden 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	\$ 1,067,865
Cash received from operating grants	284,314
Cash payments to suppliers for goods and services	(263,743)
Cash payments to employees for services	<u>(740,905)</u>

Net cash provided by operating activities 347,531

Cash flows from investing activity:

Interest income 6,404

Net increase in cash, cash equivalents, and restricted cash held by others 353,935

Cash, cash equivalents, and restricted cash held by others, beginning of period 1,122,251

Cash, cash equivalents, and restricted cash held by others, end of period \$ 1,476,186

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

Net operating income \$ 81,341

Adjustments to reconcile net operating income to net cash provided by operating activities:

Depreciation 64,182

Changes in:

Accounts receivable 128,495

Note receivable 100,000

Prepaid expenses 7,802

Accounts payable 1,801

Accrued payroll and payroll items (36,090)

Total adjustments 266,190

Net cash provided by operating activities \$ 347,531

Cash consists of:

Cash and cash equivalents \$ 1,474,991

Restricted cash held by others 1,195

\$ 1,476,186

See accompanying notes to the financial statements.

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

(1) Summary of Significant Accounting Policies

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

Estimated useful lives by major classification are as follows:

Office furniture	5-7 years
Communication equipment	5-10 years
Vehicles and boats	5 years

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

Summary of Significant Accounting Policies (continued)

(e) Unrestricted net assets

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

(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 January 31, 2023, as all amounts are deemed collectible. Accounts receivable as of January 31, 2023 and June 30, 2022 was \$111,023 and \$175,066, respectively.

(h) Subsequent events

The Department evaluated subsequent events through August 30, 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.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$1,255,912	\$1,255,912
Uninsured funds	219,294	248,474
Undeposited funds	<u>980</u>	<u>-</u>
Total cash deposits	<u>\$1,476,186</u>	<u>\$ 1,504,386</u>

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

(3) Vehicles and Equipment

Vehicles and equipment 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 and boats	\$ 799,714	\$ -	\$ -	\$ 799,714
Equipment and furniture	<u>630,762</u>	<u>-</u>	<u>-</u>	<u>630,762</u>
Total vehicles and equipment	1,430,476	-	-	1,430,476
Less accumulated depreciation	<u>(1,094,217)</u>	<u>(64,182)</u>	<u>-</u>	<u>(1,158,399)</u>
Vehicles and equipment, net	<u>\$ 336,259</u>	<u>\$ (64,182)</u>	<u>\$ -</u>	<u>\$ 272,077</u>

(4) Cost Sharing

Under Vermont law, Chittenden County and the State of Vermont are required to cover certain costs of the Chittenden 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 during the period July 1, 2022 to January 31, 2023 has not been determined.

(5) Operating Grants

The Chittenden 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 31, 2023, management believes that no material liabilities will 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 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.

(7) Note Receivable

In April 2022, the Department entered into a promissory note agreement with Windham County Sheriff's Department for \$100,000 at an interest rate of 1%. The loan was paid off in December 2022.

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

(8) Restricted Cash Held by Others

Restricted cash represents funds held by the County of Chittenden on behalf of the Department as part of the equitable sharing program through the U.S. Department of Justice and U.S. Department of the Treasury. Any funds the Department receives from this program are required to be held by an outside governing body. Equitably shared funds must be used in accordance with the *Guide to Equitable Sharing* for law enforcement purposes that directly supplement the appropriated resources of the recipient law enforcement agency.

(9) 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.

VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members 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 (Department employees) are required to contribute 11.00% of their annual covered compensation and the Department is required to contribute at an actuarially determined rate. The current rate is 8.25% of annual covered payroll. 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.

Contributions made to VMERS by the Department for the period July 1, 2022 to January 31, 2023 amounted to \$29,085.

(10) Prior Period Adjustment

It was discovered that revenue relating to 2022 was recorded in the period July 1, 2022 to January 31, 2023. An adjustment has been made to increase net position by \$91,184 as of June 30, 2022.

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*

Daniel Gamelin, Sheriff
Chittenden County Sheriff's Department
South Burlington, 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 Chittenden County Sheriff's Department (the "Department"), as of January 31, 2023 for the period July 1, 2022 through January 31, 2023, and the related notes to the financial statements, which collectively comprise Chittenden County Sheriff's Department's basic financial statements and have issued our report thereon dated August 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chittenden County Sheriff's Department's internal control over financial reporting (internal control) as a basis for designing 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 Chittenden County Sheriff's Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Chittenden County Sheriff's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-01, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chittenden County Sheriff's 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 financial statements. 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*.

Chittenden County Sheriff's Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Chittenden County Sheriff's Department's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Chittenden County Sheriff's Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McSoley McCoy & Co.

South Burlington, Vermont
August 30, 2023
VT Reg. No. 92-349

Chittenden County Sheriff's Department
Schedule of Findings and Questioned Costs
January 31, 2023

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

Finding 2023-01: Financial Reporting

Criteria

The Vermont Sheriffs' Association Uniform Accounting Manual requires the Department to produce materially accurate financial statements.

Condition

During our audit, we proposed several adjusting journal entries, including a large entry related to cutoff of revenue. The magnitude and scope of these adjustments makes it difficult to produce timely and accurate internal financial information on which management can rely. We also believe it hinders management to properly perform its financial role and properly operate the Department, and increases the Department's exposure to fraud and irregularities.

Cause

The Department does not make necessary period-end adjustments prior to the audit.

Effect

Without making these adjustments, there is a risk that the financial statements are not materially accurate.

Recommendation

We recommend the Department place more emphasis on the importance of the accounting function and accuracy of financial reporting, especially with grant reporting, capitalization of fixed assets, prepaids, accruals, and revenue cut-off.

View of Responsible Officials:

Management's views and corrective action plan is included at the end of this report.

Chittenden County Sheriff's Office



**State of Vermont
Daniel Gamelin, Sheriff
PO BOX 1426, Burlington, VT 05402
Phone: (802) 863-4341 Fax: (802) 863-7445**

**Chittenden County Sheriff's Department
Management's Corrective Action Plan
For the Year Ended January 31, 2023
2023-001: Financial Reporting**

The Department will implement a system to ensure all grant reporting, capitalization of fixed assets, prepaids, and revenue are properly recorded in the accounting function.


Daniel Gamelin
Sheriff