

Lamoille County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2022

Lamoille County Sheriff's Department
Financial Statements
June 30, 2022

Table of Contents

	<u>Page (s)</u>
Independent Auditors' Report	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
Government Auditing Standards Report:	
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 <i>Government Auditing Standards</i>	

Independent Auditors' Report

Roger Marcoux, Sheriff
Lamoille County Sheriff Department
Hyde Park, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Lamoille County Sheriff Department (the "Department"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Department as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 9, the Department participates in the Vermont Municipal Employees' Retirement Plan. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

McSoley McCoy & Co.

South Burlington, Vermont
February 8, 2023
VT Reg. No. 92-349

Lamoille County Sheriff's Department
Statement of Net Position
June 30, 2022

Assets:

Current assets	
Cash and cash equivalents	\$ 1,103,347
Investments	119,679
Accounts receivable	87,817
Assets held by others	<u>42,497</u>
Total current assets	1,353,340
Property, plant and equipment, net	<u>1,862,093</u>
Total assets	<u>3,215,433</u>

Liabilities:

Current liabilities	
Accounts payable	3,800
Accrued payroll and related items	<u>220,163</u>
Total liabilities	<u>223,963</u>

Net position:

Assets held by others	42,497
Invested in capital assets	1,862,093
Unrestricted	<u>1,044,383</u>
Total net position	<u><u>\$ 2,948,973</u></u>

See accompanying notes to the financial statements.

Lamoille County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

Operating revenues:	
Charges for services	\$ 3,364,573
Operating grants	77,728
County reimbursements	140,010
Miscellaneous revenues	<u>174,986</u>
 Total operating revenues	 <u>3,757,297</u>
 Operating expenses:	
Contracted services	1,006,711
Process services	254,986
Transportation services	45,020
Administration and general	1,136,325
Communications services	905,358
Automotive services	108,957
Grant services	466,261
Depreciation	<u>243,891</u>
 Total operating expenses	 <u>4,167,509</u>
 Net operating loss	 (410,212)
 Non-operating revenues (expenses):	
Interest income	1,400
Investment loss	<u>(10,321)</u>
 Total non-operating revenues (expenses)	 <u>(8,921)</u>
 Net loss	 (419,133)
 Net position, beginning of year	 <u>3,368,106</u>
 Net position, end of year	 <u><u>\$ 2,948,973</u></u>

See accompanying notes to the financial statements.

Lamoille County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2022

Operating activities:

Cash received from customers	\$ 3,825,207
Cash received from operating grants	77,728
Cash payments to suppliers for goods and services	(1,722,392)
Cash payments to employees for services	<u>(2,141,626)</u>
 Net cash provided by operating activities	 <u>38,917</u>

Cash flows from capital and related financing activities:

Interest and dividend income	1,674
Purchase of investments	(130,000)
Acquisition of capital assets	<u>(375,395)</u>
 Net cash used by capital and related financing activities	 <u>(503,721)</u>
 Net decrease in cash and cash equivalents	 (464,804)
 Cash and cash equivalents, beginning of year	 <u>1,568,151</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 1,103,347</u></u>

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

Net operating loss	\$ <u>(410,212)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities	
Depreciation	243,891
Decrease in accounts receivable	145,638
Increase in accounts payable	3,799
Increase in accrued payroll and payroll items	<u>55,801</u>
 Total adjustments	 <u>449,129</u>
 Net cash provided by operating activities	 <u><u>\$ 38,917</u></u>

See accompanying notes to financial statements.

Lamoille County Sheriff's Department

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

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

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 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.

Lamoille County Sheriff's Department
Notes to Financial Statements
June 30, 2022

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office furniture	5 years
Communication equipment	5-10 years
Vehicles	5 years
Buildings	39 years

(e) Unrestricted net assets

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

(f) Restricted net assets

Restricted net assets for proprietary funds represent the net assets restricted for specific use under the terms of a revenue sharing agreement.

(g) 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.

(h) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department did not record an allowance for uncollectible accounts at June 30, 2022, as management believes all amounts will be collected.

(i) Investments

The Department reports investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market value in the statement of net position. Realized and unrealized gains and losses are included in the statements of revenue, expense and change in net position.

(j) Subsequent events

The Department evaluated subsequent events through February 8, 2023, the date the Department's financial statements were available to be used.

(2) Assets Held by Others

As of June 30, 2022, the Department has a balance of \$42,497 in amounts held by others. These funds were received as part of the equitable sharing from drug seizure money.

Lamoille County Sheriff's Department

Notes to Financial Statements

June 30, 2022

(3) Cash and Categories of Risk

There are three categories of credit risk that apply to the Department's balance:

1. Insured by the FDIC, SPIC or collateralized with securities held by the Department or by the Department's agent in the Department's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.
3. Uncollateralized.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2022.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 1,102,361	\$ 1,107,068
Uninsured deposits	-	-
Cash on hand	<u>986</u>	<u>-</u>
Total cash deposits	<u>\$ 1,103,347</u>	<u>\$ 1,107,068</u>

(4) Property, plant and Equipment

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 1,301,916	\$ 79,155	\$ -	\$ 1,381,071
Buildings	767,839	272,746	-	1,040,585
Equipment	2,716,691	24,525	-	2,741,216
Land	110,390	-	-	110,390
Leasehold Improvements	<u>459,622</u>	<u>-</u>	<u>-</u>	<u>459,622</u>
Total property, plant and equipment	5,356,458	376,426	-	5,732,884
Less accumulated depreciation	<u>(3,626,900)</u>	<u>(243,891)</u>	<u>-</u>	<u>(3,870,791)</u>
Property, plant, and equipment, net	<u>\$ 1,729,558</u>	<u>\$ 132,535</u>	<u>\$ -</u>	<u>\$ 1,862,093</u>

Lamoille County Sheriff's Department

Notes to Financial Statements

June 30, 2022

(5) Cost Sharing

Under Vermont Law, Lamoille County and the State of Vermont are required to cover certain costs of the Lamoille 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 total amount expended by the County and State during the year ended June 30, 2022 has not been determined.

(6) Operating Grants

The Lamoille County Sheriff's Department received grants from the U.S. Government and other grantors. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability of the Department. As of June 30, 2022, management believes that no material liabilities will result from such audits.

(7) Risk Management

The Sheriff's Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Sheriff's Department maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

(8) Operating Leases

The Department leases storage space and several parcels of land for communication towers. Amounts expensed under these leases totaled \$29,770 for the year ended June 30, 2022. Future minimum lease payments are \$0 for the year ended June 30, 2023.

(9) Retirement Plan

The Department participates in the Vermont State Employees Retirement System. The Department contributes 13.84% of eligible compensation for all employees deferring the required 8.53% of eligible compensation.

Vermont state statutes (VSA Title 24, Chapter 125) provide the authority under which benefit provisions are established. The State of Vermont issues an audited financial report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

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.

Lamoille County Sheriff's Department

Notes to Financial Statements

June 30, 2022

(10) Investments and Fair Value Measurements

Generally accepted accounting principles in the United States of America establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2022.

Money Market Funds and Domestic Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2022, investments consisted of level 1 fixed income domestic bonds with a cost basis of \$130,000 and unrealized holding losses of \$10,321.

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*

Roger Marcoux, Sheriff
Lamoille County Sheriff Department
Hyde Park, 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 Lamoille County Sheriff Department (the "Department"), for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated February 8, 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 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
February 8, 2023
VT Reg. No. 92-349