

Bennington County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2019

Bennington County Sheriff's Department

For the Year Ending June 30, 2019

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Independent Auditors' Report

Chad Schmidt, Sheriff
Bennington County Sheriff's Department
Bennington, Vermont

We have audited the accompanying financial statements of the business-type activities of the Bennington County Sheriff's Department (the "Department") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Department as of June 30, 2019, 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.

Emphasis of Matter

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 8, the Department participants in the Vermont State Employees' Retirement System. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.



South Burlington, Vermont
December 11, 2019
VT Reg. No. 92-349

Bennington County Sheriff's Department

Statement of Net Position

June 30, 2019

Assets:

Current assets

Cash and cash equivalents	\$	165,609
Accounts receivable		202,341
Prepaid expenses		<u>9,494</u>

Total current assets 377,444

Property and equipment, net 596,219

Total assets 973,663

Liabilities:

Current liabilities

Accounts payable		19,269
Accrued payroll and payroll related items		20,908
Current portion of notes payable		<u>62,366</u>

Total current liabilities 102,543

Notes payable, net of current portion 356,927

Total liabilities 459,470

Net position:

Unrestricted		337,267
Investment in capital assets, net of related debt		<u>176,926</u>

Total net position \$ 514,193

See accompanying notes to the financial statements.

Bennington County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues:	
Charges for services	\$ 1,565,317
Operating grants	127,617
County support - revenue	219,730
Miscellaneous revenues	<u>27,318</u>
 Total operating revenues	 <u>1,939,982</u>
 Operating Expenses:	
Contracted services	1,026,368
Automotive services	356,414
Communication services	41,578
Transportation services	714
Administration and general	306,688
Miscellaneous	621
Depreciation	<u>90,200</u>
 Total operating expenses	 <u>1,822,583</u>
 Net operating gain	 117,399
 Non-operating revenue (expense):	
Interest expense	(20,930)
Gain on sale of assets	<u>8,900</u>
 Total non-operating revenue (expenses)	 <u>(12,030)</u>
 Net gain	 105,369
 Net position, beginning of year	 <u>408,824</u>
 Net position, end of year	 <u>\$ 514,193</u>

See accompanying notes to the financial statements.

Bennington County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2019

Operating activities:

Cash received from customers	\$ 1,799,623
Cash received from operating grants	127,617
Cash payments to suppliers for goods and services	(792,923)
Cash payments to employees for services	<u>(933,409)</u>
Net cash provided by operating activities	<u>200,908</u>

Cash flows from financing activities:

Acquisition of capital assets	(160,087)
Proceeds from sale of assets	8,900
Proceeds from issuance of debt	108,766
Principal payments on debt	(43,443)
Interest expense	<u>(20,930)</u>
Net cash used for financing activities	<u>(106,794)</u>

Net increase in cash 94,114

Cash and cash equivalents, beginning of year 71,495

Cash and cash equivalents, end of year \$ 165,609

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

Net operating gain	<u>\$ 117,399</u>
Adjustments to reconcile operating gain to net cash provided by operating activities	
Depreciation	90,200
Increase in accounts receivable	(13,204)
Decrease in prepaid expenses	6,340
Decrease in accounts payable	(5,890)
Increase in accrued payroll and payroll related items	<u>6,063</u>
Total adjustments	<u>83,509</u>
Net cash provided by operating activities	<u>\$ 200,908</u>

See accompanying notes to the financial statements.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2019

(1) Summary of Significant Accounting Policies

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

(d) Property and equipment

Vehicles and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as nonoperating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$5,000 are capitalized.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2019

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Equipment	5 - 7 years
Furniture & Fixtures	5 - 7 years
Vehicles	5 - 7 years

(e) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(f) Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(g) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2019 as management has determined all receivables are collectible.

(h) Subsequent events

The Department evaluated subsequent events through December 11, 2019, 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.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2019

Cash and Categories of Risk (continued)

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2019.

	Book Balance	Bank Balance
Insured deposits	\$ 151,977	\$ 159,016
Uninsured deposits	-	-
Cash on hand	150	-
Undeposited funds	<u>13,482</u>	<u>-</u>
 Total cash funds	 <u>\$ 165,609</u>	 <u>\$ 159,016</u>

(3) Property and Equipment

Vehicles and equipment are summarized as of June 30, 2019 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	\$ 672,211	\$ 134,921	\$ (24,349)	\$ 782,783
Land	114,480	-	-	114,480
Land improvement	7,970	-	-	7,970
Equipment	332,269	25,772	-	358,041
Furniture and fixtures	6,480	-	-	6,480
Building	218,562	1,297	-	219,859
Building improvements	29,022	19,626	-	48,648
Construction in progress	<u>20,922</u>	<u>-</u>	<u>(20,922)</u>	<u>-</u>
 Total property and equipment	 1,401,916	 181,616	 (45,271)	 1,538,261
Less accumulated depreciation	<u>(876,191)</u>	<u>(90,200)</u>	<u>24,349</u>	<u>(942,042)</u>
Net property and equipment	<u>\$ 525,725</u>	<u>\$ 91,416</u>	<u>\$ (20,922)</u>	<u>\$ 596,219</u>

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2019

(4) Long-term Debt

Long-term debt as of June 30, 2019 consists of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Remaining Balance</u>
Bank of Bennington:					
4.75% mortgage due December, 2024 secured by the property as follows:					
	<u>\$ 281,917</u>	<u>\$ -</u>	<u>\$ 11,481</u>	<u>\$ 12,271</u>	<u>\$ 258,165</u>
5.75% note due September, 2022 secured by the equipment as follows:					
	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 3,565</u>	<u>\$ 5,033</u>	<u>\$ 12,402</u>
5.25% note due May, 2024 secured by the equipment as follows:					
	<u>\$ -</u>	<u>\$ 87,766</u>	<u>\$ 1,161</u>	<u>\$ 15,904</u>	<u>\$ 70,701</u>
Community Bank:					
4.35% mortgage due October, 2018 secured by the vehicle as follows:					
	<u>\$ 2,322</u>	<u>\$ -</u>	<u>\$ 2,322</u>	<u>\$ -</u>	<u>\$ -</u>
Carbone Ford of New England LLC:					
5.00% note due September, 2020 secured by the vehicles as follows:					
	<u>\$ 25,732</u>	<u>\$ -</u>	<u>\$ 11,344</u>	<u>\$ 12,936</u>	<u>\$ 1,452</u>
5.45% note due April, 2021 secured by the vehicles as follows:					
	<u>\$ 43,999</u>	<u>\$ -</u>	<u>\$ 13,570</u>	<u>\$ 16,222</u>	<u>\$ 14,207</u>
Totals	<u>\$ 353,970</u>	<u>\$ 108,766</u>	<u>\$ 43,443</u>	<u>\$ 62,366</u>	<u>\$ 356,927</u>

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2019

Long-term Debt (continued)

Future maturities of long-term debt are presented in the following table.

Year ending <u>June 30:</u>		
2020	\$	62,366
2021		50,616
2022		36,796
2023		34,185
2024		32,502
2025		<u>202,829</u>
	<u>\$</u>	<u>419,293</u>

(5) Cost Sharing

Under Vermont law, Bennington 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, 2019 has not been determined.

(6) Operating Grants

The 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, 2019, management believes that no material liabilities will result from such audits.

(7) 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 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) Retirement Plan

The Department participates in the Vermont State Retirement System. The Department contributes 11.7% of eligible compensation for all employees deferring the required 6.65% of eligible compensation.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2019

Retirement Plan (continued)

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.

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*

Chad Schmidt, Sheriff
Bennington County Sheriff's Department
Bennington, 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 Bennington County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 11, 2019.

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
December 11, 2019
VT Reg. No. 92-349