

Washington County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2019

Washington County Sheriff's Department

June 30, 2019

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Independent Auditors' Report

W. Samuel Hill, Sheriff
Washington County Sheriff's Department
Montpelier, Vermont

We have audited the accompanying financial statements of the business-type activities of the Washington County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Department'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 Department'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 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 and how contributions are determined. As discussed in Note 7, the Department participants in the Vermont 457 Deferred Compensation Plan. 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

Washington County Sheriff's Department
Statement of Net Position
June 30, 2019

Assets:

Current assets

Cash and cash equivalents	\$ 1,034,420
Accounts receivable	105,775
Prepaid expenses	<u>16,139</u>

Total current assets 1,156,334

Vehicles and equipment, net of accumulated depreciation 143,072

Total assets 1,299,406

Liabilities:

Current liabilities

Accounts payable	7,615
Accrued payroll and payroll taxes	<u>40,685</u>

Total liabilities 48,300

Net Position:

Unrestricted net position	1,108,034
Investment in capital assets	<u>143,072</u>

Total net position \$ 1,251,106

See accompanying notes to the financial statements.

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

Operating Revenues:

Services:

Charges for services	\$ 651,498
Process services	131,116
Transport services	114,772
Jail services	4,100
Operating grants	59,759
County support	243,373
State support	310,021
Miscellaneous revenues	<u>64,702</u>

Total operating revenues	<u>1,579,341</u>
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Operating Expenses:

Contracted services	977,142
Process services	41,223
Vehicle expenses	115,005
Communication expenses	41,501
Administration and general	308,660
Jail expenses	4,100
Depreciation	<u>50,791</u>

Total operating expenses	<u>1,538,422</u>
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Net operating income	<u>40,919</u>
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Non-Operating Income (Expense):

Loss on sale of equipment	(2,091)
Interest income	9,498
Interest expense	<u>(79)</u>

Total non-operating income, net	<u>7,328</u>
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Net income	<u>48,247</u>
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Net position, beginning of year	<u>1,202,859</u>
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Net position, end of year	<u><u>\$ 1,251,106</u></u>
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See accompanying notes to the financial statements.

Washington County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2019

Operating Activities:

Cash received from customers	\$ 1,560,724
Cash received from operating grants	59,759
Cash payments to suppliers for goods and services	(592,151)
Cash payments to employees for services	<u>(903,858)</u>
Net cash provided by operating activities	<u>124,474</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of capital assets	(57,866)
Cash proceeds from disposal of vehicle	4,000
Interest income	9,498
Interest expense	<u>(78)</u>

Net cash used by capital and related financing activities (44,446)

Net increase in cash and cash equivalents 80,028

Cash and cash equivalents, beginning of year 954,392

Cash and cash equivalents, end of year \$ 1,034,420

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Net operating income	\$ <u>40,919</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	50,791
Decrease in accounts receivable	41,142
Increase in prepaid expenses	(3,428)
Decrease in accounts payable	(4,760)
Decrease in accrued payroll and payroll taxes	<u>(190)</u>
Total adjustments	<u>83,555</u>
Net cash provided by operating activities	<u><u>\$ 124,474</u></u>

See accompanying notes to the financial statements.

Washington County Sheriff's Department

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

Estimated useful lives by major classification are as follows:

Office furniture	5-7 years
Communication equipment	5-10 years
Vehicles	3-5 years

Washington County Sheriff's Department

Notes to Financial Statements

June 30, 2019

Summary of Significant Accounting Policies (continued)

(e) Unrestricted Net Position

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

(f) Use of Estimates

The preparation of 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 30 days. The Department has not recorded an allowance for uncollectible accounts at June 30, 2019.

(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.

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.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 449,736	\$ 449,736
Uninsured deposits	584,431	599,694
Undeposited funds	173	-
Cash on hand	80	-
Total cash deposits	<u>\$ 1,034,420</u>	<u>\$ 1,049,430</u>

Washington County Sheriff's Department

Notes to Financial Statements

June 30, 2019

(3) Vehicles and Equipment

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

	Beginning		Ending	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Vehicles	\$ 378,539	\$ 57,866	\$ (49,191)	\$ 387,214
Equipment	<u>166,304</u>	<u>-</u>	<u>-</u>	<u>166,304</u>
Total vehicles and equipment	544,843	57,866	(49,191)	553,518
Less accumulated depreciation	<u>(402,755)</u>	<u>(50,791)</u>	<u>43,100</u>	<u>(410,446)</u>
Vehicles and equipment, net	<u>\$ 142,088</u>	<u>\$ 7,075</u>	<u>\$ (6,091)</u>	<u>\$ 143,072</u>

(4) Cost Sharing

Under Vermont law, Washington County and the State of Vermont are required to cover certain costs of the Washington 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 year ended June 30, 2019 has not been fully determined.

(5) Operating Grants

The Washington 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, 2019, 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) Retirement Plan

The Department participants in the Vermont 457 Deferred Compensation Plan. Contributions to the Plan are paid by the State of Vermont. All full time employees that are paid by the county or the state are eligible for participation. Total contributions for the year ended June 30, 2019 is \$35,971.

Washington County Sheriff's Department
Notes to Financial Statements
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.

(8) Prior Period Adjustment

During the year ended June 30, 2019, management discovered that the Department overstated expenses in 2018 due to several vehicles purchased that were not capitalized. An adjustment has been made to the accompanying financial statements to increase fixed assets and net position by \$43,397 as of July 1, 2018.

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*

W. Samuel Hill, Sheriff
Washington County Sheriff's Department
Montpelier, 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 Washington 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.

A handwritten signature in blue ink that reads "McSoley McCoy & Co." in a cursive script.

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