

**Windham County Sheriff's Department**

Financial Statements  
(With Independent Auditors' Report)

June 30, 2019

**Windham County Sheriff's Department**

June 30, 2019

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
Government Auditing Standards Report:	
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

Mark Anderson, Sheriff  
Windham County Sheriff's Department  
Newfane, Vermont

We have audited the accompanying financial statements of the business-type activities of the Windham 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 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 – Transitional Audit**

As described in Note 1, the audit of the year ending June 30, 2019 was the regularly scheduled biennial audit under the Vermont State Auditor's Office requirements. In addition, the audit also covered the Vermont State Auditor's Office requirement to perform an audit when the Sheriff leaves office. The former Sheriff, Keith Clark, resigned effective June 30, 2019.

### **Emphasis of Matter – GASB 68**

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 7, the Department participates 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.



December 17, 2019  
South Burlington, Vermont  
VT Reg. No. 92-349

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

<b>Assets:</b>	<u>2019</u>
Current assets	
Cash	\$ 10,042
Accounts receivable	55,539
Prepaid expenses	<u>12,846</u>
Total current assets	78,427
Vehicles and equipment, net of accumulated depreciation	<u>231,693</u>
Total assets	<u>310,120</u>
 <b>Liabilities:</b>	
Current liabilities	
Line of credit	45,454
Current portion of notes payable	32,095
Accounts payable	40,289
Accrued payroll and payroll taxes	93,708
Due to other governments	<u>10,966</u>
Total current liabilities	222,512
Notes payable, net of current portion	<u>42,460</u>
Total liabilities	<u>264,972</u>
 <b>Net position:</b>	
Unrestricted	(111,990)
Invested in capital assets, net of debt obligations	<u>157,138</u>
Total net position	<u>\$ 45,148</u>

See accompanying notes to the financial statement.

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

	2019
<b>Operating revenues:</b>	
Charges for services	\$ 857,581
Operating grants	61,795
Civil process	81,133
Transportation	109,029
County support	35,137
Fingerprint services	28,632
Miscellaneous revenues	35,464
Total operating revenues	1,208,771
<b>Operating expenses:</b>	
Contracted services	438,727
Process services	32,073
Administration and general	247,218
Automotive services	89,295
Communications services	222,638
Grant expenses	71,629
Miscellaneous expenses	8,278
Depreciation	95,163
Total operating expenses	1,205,021
Net operating income	3,750
<b>Non-operating income (expense):</b>	
Interest income	576
Interest expense	(5,880)
Gain on sale of equipment	6,307
Total non-operating income	1,003
Net income	4,753
Net position, beginning of year	40,395
Net position, end of year	\$ 45,148

See accompanying notes to the financial statement.

**Windham County Sheriff's Department**

Statement of Cash Flows

For the Year Ended June 30, 2019

	<u>2019</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 1,141,295
Cash received from operating grants	61,795
Cash payments to suppliers for goods and services	(522,475)
Cash payments to employees for services	<u>(691,657)</u>
Net cash used by operating activities	<u>(11,042)</u>
<b>Cash flows from capital financing activities:</b>	
Purchase of vehicles and equipment	(79,377)
Proceeds from sale of vehicles	8,005
Proceeds from long term debt	76,543
Principal payments on notes payable	(54,222)
Proceeds from line of credit	88,806
Payments on line of credit	(58,352)
Interest expense	<u>(5,880)</u>
Net cash used by capital financing activities	<u>(24,477)</u>
<b>Cash flows from investment activities:</b>	
Interest income	<u>576</u>
Net decrease in cash	(34,943)
Cash, beginning of year	<u>44,985</u>
Cash, end of year	<u>\$ 10,042</u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Net operating income	\$ 3,750
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	95,163
Increase in accounts receivable	(1,391)
Increase in prepaid expense	(2,396)
Decrease in accounts payable	(78,875)
Decrease in accrued payroll and payroll taxes	(20,563)
Decrease in due to other governments	(4,290)
Decrease in other current liabilities	<u>(2,440)</u>
Total adjustments	<u>(14,792)</u>
Net cash used by operating activities	<u>\$ (11,042)</u>

See accompanying notes to the financial statement.

## Windham County Sheriff's Department

### Notes to the Financial Statements

June 30, 2019

#### (1) Summary of Significant Accounting Policies

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

The audit of the year ending June 30, 2019 was the regularly scheduled biennial audit under the Vermont State Auditor's Office requirements. In addition, the audit also covered the Vermont State Auditor's Office requirement to perform an audit when the Sheriff leaves office. The former Sheriff, Keith Clark, resigned effective June 30, 2019.

#### (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) 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.



**Windham County Sheriff's Department**  
Notes to the Financial Statements  
June 30, 2019

Summary of Significant Accounting Policies (continued)

(d) 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.

(e) 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.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Depreciation expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Estimated useful lives by major classification are as follows:

Office furniture	5 years
Communication and patrol equipment	5-7 years
Vehicles	5 years

(f) 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 all amounts are deemed collectible.

(g) Unrestricted Net Assets

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

(h) Subsequent Events

The Department evaluated subsequent events through December 17, 2019, the date the Department's financial statements were available to be used.

**Windham County Sheriff's Department**  
Notes to the Financial Statements  
June 30, 2019

(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 Sheriff's 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	\$ 9,967	\$ 24,819
Uninsured deposits	-	-
Cash on hand	75	-
Total cash deposits	\$ 10,042	\$ 24,819

(3) Vehicles and Equipment

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

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	\$ 709,482	\$ 79,377	\$ (326,255)	\$ 462,604
Office equipment	131,645	-	(104,976)	26,669
Communication equipment	554,385	-	(235,571)	318,814
Patrol equipment	124,575	-	(71,553)	53,022
Total vehicles and equipment	1,520,087	79,377	(738,355)	861,109
Less accumulated depreciation	(1,270,910)	(95,163)	736,657	(629,416)
Vehicles and equipment, net	\$ 249,177	\$ (15,786)	\$ (1,698)	\$ 231,693

**Windham County Sheriff's Department**  
Notes to the Financial Statements  
June 30, 2019

(4) Notes Payable

Notes payable as of June 30, 2019 consisted of notes to Ford Motor Credit, Ally, and Brattleboro Savings and Loan:

5.5% note due July 16, 2019 to Ford Motor Credit as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 35,867	\$ -	\$ (28,497)	\$ (7,370)	\$ -

4.99% note to Ally, refinanced during the year with Brattleboro Savings and Loan Association as follows:

\$ 16,367	\$ -	\$ (16,367)	\$ -	\$ -
-----------	------	-------------	------	------

5.25% note due November 14, 2021 to Brattleboro Savings and Loan Association, collateralized by the vehicle that was purchased, as follows:

\$ -	\$ 22,714	\$ (4,147)	\$ (7,410)	\$ 11,157
------	-----------	------------	------------	-----------

5.25% note due December 14, 2021 to Brattleboro Savings and Loan Association, collateralized by the vehicle that was purchased and all business assets of the Department, as follows:

\$ -	\$ 19,046	\$ (2,974)	\$ (6,187)	\$ 9,885
------	-----------	------------	------------	----------

5.25% note due February 6, 2022 to Brattleboro Savings and Loan Association, collateralized by the vehicle that was purchased and all business assets of the Department, as follows:

\$ -	\$ 17,231	\$ (1,786)	\$ (5,548)	\$ 9,897
------	-----------	------------	------------	----------

5.25% note due May 22, 2022 to Brattleboro Savings and Loan Association, refinanced from Ally, collateralized by the vehicle that was purchased and all business assets of the Department, as follows:

\$ -	\$ 17,552	\$ (451)	\$ (5,580)	\$ 11,521
------	-----------	----------	------------	-----------

Total	\$ 52,234	\$ 76,543	\$ (54,222)	\$ (32,095)	\$ 42,460
-------	-----------	-----------	-------------	-------------	-----------

The future minimum lease payments under the long term debt as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 32,095
2021	26,055
2022	<u>16,405</u>
Total	<u>\$ 74,555</u>

## Windham County Sheriff's Department

### Notes to the Financial Statements

June 30, 2019

(5) Cost Sharing

Under Vermont law, Windham County and the State of Vermont are required to cover certain costs of the Windham 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 determined.

(6) Operating Grants

The Windham 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.

(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 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) Line of Credit

On June 12, 2018, the Department entered into a line of credit agreement with Brattleboro Savings and Loan Association. The initial borrowing was \$50,000 at 1% interest. The maturity date for the line of credit is June 12, 2020. At June 30, 2019, the outstanding borrowing was \$45,454.

(9) Administration Fee

The Sheriff is allowed a 5% commission fee for contract administration on most contracts. This amount is accrued monthly and the Sheriff only draws from the balance when he feels drawing will not cause undue stress on the Department's resources. For the year ended June 30, 2019, total commission paid to the Sheriff was \$11,750 and the balance eligible to be drawn was \$0.

(10) Retirement Plan

The Department participates in the Vermont State Employees' Retirement System. The Department contributes 11.70% of eligible compensation for all employees deferring the required 6.65% of eligible compensation.

**Windham County Sheriff's Department**  
Notes to the Financial Statements  
June 30, 2019

Retirement Plan (continued)

Vermont state statues (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*

Mark Anderson, Sheriff  
Windham County Sheriff's Department  
Newfane, 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 Windham 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 17, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as item 2019-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items 2019-001, 2019-003, 2019-004, and 2019-005 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Windham County Sheriff's Department's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 17, 2019  
South Burlington, Vermont  
VT Reg. No. 92-349

**Windham County Sheriff's Department**  
Schedule of Findings and Questioned Costs  
June 30, 2019

**Finding 2019-001: Contracts**

**Condition:**

During our test work, there was an instance where the rate per contract was not properly billed.

**Recommendation:**

We recommend the Department maintain written contracts for all services to be performed and ensure all rates per the contracts are properly billed.

**Finding 2019-002: Revenue Cut Off**

**Condition:**

During our test work, it was noted that several invoices for services rendered near year-end were not recorded in the proper period.

**Recommendation:**

We recommend the Department implement a system to ensure revenue is recorded in the proper period, especially at year end. This would involve making journal entries at the beginning and end of each fiscal year to record revenue in the proper period.

**Finding 2019-003: Proper Approval**

**Condition:**

During our test work, it was noted that several disbursements and general journal entries were not properly approved by the Sheriff.

**Recommendation:**

We recommend the Department adhere to their policy regarding the proper approval of disbursements and general journal entries.



**Windham County Sheriff's Department**  
Schedule of Findings and Questioned Costs  
June 30, 2019

**Finding 2019-004: Line of Credit**

**Condition:**

During our test work, it was noted that a payment on the line of credit was not properly reflected within the accounting function. In addition, there were a few months where interest on the line of credit was not accrued and recorded.

**Recommendation:**

We recommend the Department to perform a reconciliation of the line of credit each month, similar to a cash account, to ensure all activity is properly recorded.

**Finding 2019-005: Financial Reporting**

**Condition:**

During our audit, we proposed several adjusting journal entries. 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. It also increases the Department's exposure to fraud and irregularities.

**Recommendation:**

We recommend the Department place more emphasis on the importance of the accounting function and accuracy of financial reporting, especially with prepaids, accruals, and notes payable.

**Management's Views and Corrective Action Plan:**

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



# WINDHAM COUNTY SHERIFF'S OFFICE

Mark R. Anderson, Sheriff  
PO Box 266, Newfane VT 05345  
Tel: (802) 365-4942  
Fax: (802) 365-4945



## Windham County Sheriff's Department Management's Corrective Action Plan For the Year Ended June 30, 2019

### **2019-001: Contracts**

The Department will implement controls to ensure all contracts entered into are properly supported with a written agreement. The Department will also implement controls to ensure all rates are properly billed.

### **2019-002: Revenue Cut Off**

The Department will implement a system to record revenue in the proper year, by making journal entries at the beginning and end of each fiscal year.

### **2019-003: Proper Approval**

The Department will implement controls to ensure approval is obtained prior to processing transactions.

### **2019-004: Line of Credit**

The Department will implement a system where the line of credit is reconciled monthly.

### **2019-005: Financial Reporting**

The Department will implement a system to ensure all prepaids, accruals, and notes payable are properly recorded in the accounting function.