

Windsor County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2021

Windsor County Sheriff's Department

June 30, 2021

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Independent Auditors' Report

Michael Chamberlain, Sheriff
Windsor County Sheriff's Department
Woodstock, Vermont

We have audited the accompanying financial statements of the business-type activities of the Windsor County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2021 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.

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, 2021, 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 – 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.

McSoley McCoy & Co.

South Burlington, Vermont
January 17, 2022
VT Reg. No. 92-349

Windsor County Sheriff's Department
Statement of Net Position
June 30, 2021

Assets:

Current assets

Cash and cash equivalents	\$ 1,329,245
Accounts receivable	82,175
Due from other governments	68,613
Prepaid expenses	<u>21,810</u>

Total current assets 1,501,843

Vehicles and equipment, net of accumulated depreciation 194,851

Total assets 1,696,694

Liabilities:

Accounts payable and accrued expenses	4,569
Accrued payroll and related expenses	80,346
Due to other governments	<u>39,178</u>

Total liabilities 124,093

Net Position:

Investment in capital assets	194,851
Unrestricted	<u>1,377,750</u>

Total net position \$ 1,572,601

See accompanying notes to the financial statements.

Windsor County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

Operating Revenues:	
Charges for services	\$ 1,265,439
Operating grants	58,108
Civil process	69,266
Transportation	11,386
County reimbursements	141,823
Miscellaneous	<u>8,355</u>
Total operating revenues	<u>1,554,377</u>
Operating Expenses:	
Contracted services	536,844
Process services	3,702
Transportation services	3,639
Administration and general	912,642
Communications services	20,580
Automotive services	139,916
Grant expenses	14,683
Depreciation	<u>95,481</u>
Total operating expenses	<u>1,727,487</u>
Net operating loss	<u>(173,110)</u>
Non-Operating Revenues (Expenses):	
Interest income	6,067
Interest expense	<u>(10)</u>
Total non-operating revenues	<u>6,057</u>
Net loss	(167,053)
Net position, beginning of year	<u>1,739,654</u>
Net position, end of year	<u>\$ 1,572,601</u>

See accompanying notes to the financial statements.

Windsor County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities:

Cash received from customers	\$ 1,499,646
Cash received from operating grants	58,108
Cash payments to employees for services	(1,091,256)
Cash payments to suppliers for goods and services	<u>(491,458)</u>
Net cash used by operating activities	<u>(24,960)</u>

Cash flows from capital and related financing activities:

Purchases of vehicles and equipment	(32,900)
Interest expense	(10)
Interest income	<u>6,067</u>
Net cash used by capital and related financing activities	<u>(26,843)</u>

Net decrease in cash (51,803)

Cash and cash equivalents, beginning of year 1,381,048

Cash and cash equivalents, end of year \$ 1,329,245

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

Net operating loss	\$ <u>(173,110)</u>
Adjustments to reconcile net operating loss to net cash used by operating activities	
Depreciation	95,481
Increase in accounts receivable	(2,743)
Decrease in due from other governments	6,120
Decrease in prepaid expenses	4,299
Increase in accounts payable	(2,891)
Increase in accrued payroll and related expenses	8,706
Increase in due to other government	<u>39,178</u>
Total adjustments	<u>148,150</u>
Net cash used by operating activities	<u><u>\$ (24,960)</u></u>

See accompanying notes to the financial statements.

Windsor County Sheriff's Department

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The Windsor County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Windsor, Vermont. The State of Vermont and the County of Windsor provide funding. 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, and 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) 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 equipment	5 years
Communication equipment	5-7 years
Vehicles	5 years

(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.

Windsor County Sheriff's Department

Notes to Financial Statements

June 30, 2021

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 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, 2021, as all amounts are deemed collectible.

(h) Subsequent Events

The Department evaluated subsequent events through January 17, 2022, 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 Federal Deposit Insurance Corporation ("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.

Windsor County Sheriff's Department

Notes to Financial Statements

June 30, 2021

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, 2021.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 1,132,817	\$ 1,132,817
Uninsured deposits	196,375	235,494
Cash on hand	<u>53</u>	<u>-</u>
Total cash deposits	<u>\$ 1,329,245</u>	<u>\$ 1,368,311</u>

The Department is aware of the FDIC limits. When the certificates of deposit mature, the cash will be moved to accounts at different financial institutions to ensure all amounts are adequately insured.

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2021 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 570,057	\$ 32,900	\$ -	\$ 602,957
Office equipment	60,587	-	-	60,587
Equipment	<u>404,994</u>	<u>-</u>	<u>(3,590)</u>	<u>401,404</u>
Total vehicles and equipment	1,035,638	32,900	(3,590)	1,064,948
Less accumulated depreciation	<u>(778,206)</u>	<u>(95,481)</u>	<u>3,590</u>	<u>(870,097)</u>
Vehicles and equipment, net	<u>\$ 257,432</u>	<u>\$ (62,581)</u>	<u>\$ -</u>	<u>\$ 194,851</u>

(4) Cost Sharing

Under Vermont law, Windsor 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, 2021 has not been determined.

(5) 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, 2021, management believes that no material liabilities will result from such audits.

Windsor County Sheriff's Department

Notes to Financial Statements

June 30, 2021

(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 participates in the Vermont State Employees' Retirement System (VSERS). The Department contributes 13.84% of eligible compensation for all employees (employer's share). The employee's share of 6.65% is deducted directly from the employee's paycheck. The employer's share of 13.84% and the employee's share of 6.65% are combined and one check of 20.49% of eligible compensation is deposited into the VSERS.

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.

Contributions made to the VSERS by the Department for the year ended June 30, 2021 amounted to \$125,894.

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*

Michael Chamberlain, Sheriff
Windsor County Sheriff's Department
Woodstock, 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 Windsor County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated January 17, 2022.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be a significant deficiency.

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 Windsor 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.



South Burlington, Vermont
January 17, 2022
VT Reg. No. 92-349

Windsor County Sheriff's Department
Schedule of Findings and Questioned Costs
June 30, 2021

Finding 2021-001: Cash Accounts

Condition:

During our test work, it was noted that the bank reconciliations have many old, outstanding transactions that have not cleared. Additionally, we noted an instance where checks were entered into the system as undeposited funds in June, but the funds were not deposited into the bank until July.

Recommendation:

We recommend the Department perform a more close review of the bank reconciliations, focusing on uncleared transactions. The Department should review outstanding transactions over 90 days and determine if they should be removed from the accounting system. Additionally, all checks should be promptly deposited. This will ensure proper safe guarding of assets and mitigate the risk of asset misappropriation.

Management's Views and Corrective Action Plan:

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

D. Michael Chamberlain
Sheriff

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STATE OF VERMONT
WINDSOR COUNTY SHERIFF'S DEPARTMENT
P.O. BOX 478
WOODSTOCK, VT 05091-0478

Windsor County Sheriff's Department
Management's Corrective Action Plan
For the Year Ended June 30, 2021

2021-001: Cash Accounts

The Department will implement controls to ensure a more close review of bank reconciliations is performed. The Department will examine older, outstanding items to determine if those transactions should be removed from the accounting system. Additionally, the Department will ensure cash receipts are promptly entered into the accounting system.