

Windsor County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

January 31, 2023

Windsor County Sheriff's Department

January 31, 2023

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INDEPENDENT AUDITORS' REPORT

Ryan Palmer, Sheriff
Windsor County Sheriff's Department
Woodstock, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Windsor County Sheriff's Department (the "Department") as of January 31, 2023 and for the period July 1, 2022 through January 31, 2023, 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 financial position of the business-type activities of the Windsor County Sheriff's Department, as of January 31, 2023, and the changes in financial position and cash flows thereof for the period July 1, 2022 through January 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Windsor County Sheriff's 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 – 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. The Department has not determined the impact of adopting GASB 68.

Emphasis of Matter – Subsequent Events

As discussed in Note 8 to the financial statements, the Department made significant purchases subsequent to January 31, 2023 but prior to the issuance of the reports.

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 Windsor County Sheriff's 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 Windsor County Sheriff's 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 Windsor County Sheriff's 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023, on our consideration of the Windsor County Sheriff's Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Windsor County Sheriff's Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Windsor County Sheriff's Department's internal control over financial reporting and compliance.



South Burlington, Vermont
August 15, 2023
VT Reg. No. 92-349

Windsor County Sheriff's Department

Statement of Net Position

January 31, 2023

Assets:

Current assets:

Cash and cash equivalents	\$ 962,350
Accounts receivable	118,802
Due from other governments	124,108
Prepaid expenses	<u>25,034</u>

Total current assets 1,230,294

Vehicles and equipment, net of accumulated depreciation 72,815

Total assets 1,303,109

Liabilities:

Accounts payable and accrued expenses	6,888
Accrued payroll and related expenses	<u>28,602</u>

Total liabilities 35,490

Net Position:

Net investment in capital assets	72,815
Unrestricted	<u>1,194,804</u>

Total net position \$ 1,267,619

See accompanying notes to the financial statements.

Windsor County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Period July 1, 2022 Through January 31, 2023

Operating Revenues:

Charges for services	\$ 581,533
Operating grants	27,307
Civil process	94,563
Transportation	8,873
County reimbursements	78,711
Miscellaneous	<u>2,005</u>
Total operating revenues	<u>792,992</u>

Operating Expenses:

Contracted services	280,997
Process services	15,929
Transportation services	106
Administration and general	501,574
Communications services	11,537
Automotive services	67,636
Grant expenses	224
Depreciation	<u>33,413</u>
Total operating expenses	<u>911,416</u>

Net operating loss (118,424)

Non-Operating Revenues:

Interest income	<u>1,471</u>
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Net loss (116,953)

Net position, beginning of year 1,384,572

Net position, end of year \$ 1,267,619

Windsor County Sheriff's Department
Statement of Cash Flows
For the Period July 1, 2022 Through January 31, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 695,535
Cash received from operating grants	27,307
Cash payments to employees for services	(651,927)
Cash payments to suppliers for goods and services	<u>(293,463)</u>
Net cash used by operating activities	(222,548)
 Cash flows from capital and related financing activities:	
Interest income	<u>1,471</u>
Net decrease in cash and cash equivalents	(221,077)
Cash and cash equivalents, beginning of period	<u>1,183,427</u>
Cash and cash equivalents, end of period	<u>\$ 962,350</u>
 Reconciliation of net operating loss to net cash used by operating activities:	
Net operating loss	\$ <u>(118,424)</u>
Adjustments to reconcile net operating loss to net cash used by operating activities	
Depreciation	33,413
Increase in accounts receivable	(39,501)
Increase in due from other governments	(30,649)
Increase in prepaid expenses	(7,720)
Decrease in accounts payable and accrued expenses	(3,706)
Decrease in accrued payroll and related expenses	<u>(55,961)</u>
Total adjustments	<u>(104,124)</u>
Net cash used by operating activities	<u>\$ (222,548)</u>

See accompanying notes to the financial statements.

Windsor County Sheriff's Department

Notes to Financial Statements

January 31, 2023

(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 non-operating 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
Equipment	5-7 years
Vehicles	5 years

Windsor County Sheriff's Department

Notes to Financial Statements

January 31, 2023

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) Unrestricted Net Position

Unrestricted net position for proprietary funds represents 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 contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at January 31, 2023, as all amounts are deemed collectible. The balance for accounts receivable was \$118,802 and \$79,301 as of January 31, 2023 and June 30, 2022, respectively.

(h) Due from Other Governments

Due from other governments includes amounts due from the state, towns, county, grants and other governmental entities. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at January 31, 2023, as all amounts are deemed collectible. The balance for due from other governments was \$124,108 and \$93,459 as of January 31, 2023 and June 30, 2022, respectively.

(i) Subsequent Events

The Department evaluated subsequent events through August 15, 2023, the date the Department's financial statements were available to be issued.

(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.

Windsor County Sheriff's Department

Notes to Financial Statements

January 31, 2023

Cash and Categories of Risk (continued)

3. Uncollateralized.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at January 31, 2023.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 752,057	\$ 752,057
Uninsured deposits	210,203	253,597
Cash on hand	<u>90</u>	<u>-</u>
Total cash deposits	<u>\$ 962,350</u>	<u>\$ 1,005,654</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 January 31, 2023 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 444,491	\$ -	\$ -	\$ 444,491
Office equipment	60,587	-	(10,449)	50,138
Equipment	<u>401,404</u>	<u>-</u>	<u>(111,335)</u>	<u>290,069</u>
Total vehicles and equipment	906,482	-	(121,784)	784,698
Less accumulated depreciation	<u>(800,254)</u>	<u>(33,413)</u>	<u>121,784</u>	<u>(711,883)</u>
Vehicles and equipment, net	<u>\$ 106,228</u>	<u>\$ (33,413)</u>	<u>\$ -</u>	<u>\$ 72,815</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 January 31, 2023 has not been determined.

Windsor County Sheriff's Department

Notes to Financial Statements

January 31, 2023

(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 January 31, 2023, 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 participates in the Vermont State Employees' Retirement System (VSERS). The Department contributes 18% of eligible compensation for all employees (employer's share). The employees' share of 6.65% (for tier one employees) and 7.15% (for tier two employees) is deducted directly from the employees' paychecks. The employer's share and the employees' share are combined and one check is deposited into the VSERS quarterly.

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 period ended January 31, 2023 amounted to \$85,187.

(8) Subsequent Events

Cash has decreased to approximately \$250,000 as of the date the financial statements are available to be issued. Upon the transition of administrations, management decided to make significant investments in their personnel and equipment to modernize the Department. This included new vehicles, uniforms, additional personnel, training of personnel, and other expenses. Management of the Department does not anticipate major purchases for the foreseeable future and continues to obtain contracts with towns and private contractors to increase revenue.

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*

Ryan Palmer, 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 Windsor County Sheriff's Department (the "Department"), as of January 31, 2023 for the period July 1, 2022 through January 31, 2023, and the related notes to the financial statements, which collectively comprise Windsor County Sheriff's Department's basic financial statements and have issued our report thereon dated August 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Windsor County Sheriff's Department's internal control over financial reporting (internal control) as a basis for designing 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 Windsor County Sheriff's Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Windsor County Sheriff's 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-01, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Windsor County Sheriff's 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 financial statements. 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*.

Windsor County Sheriff's Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Windsor County Sheriff's Department's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Windsor County Sheriff's Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



South Burlington, Vermont
August 15, 2023
VT Reg. No. 92-349

Windsor County Sheriff's Department
Schedule of Findings and Responses
January 31, 2023

Finding Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

Finding 2023-01: Control Procedures

Criteria

The Vermont Sheriffs' Association Uniform Accounting Manual requires the Department to have controls in place to ensure proper segregation of duties.

Condition

During our audit, we noted the Department was not following their internal control policies for several key audit areas. We noted a lack of approval in the payroll process. The Sheriff did not formally approve the time sheets. Additionally, support could not be provided for the Sheriff's written approval of pay increases. Though management indicated that his review of payroll occurred when payroll had been processed, by examining the check stubs, this review should occur before payroll is processed to ensure any errors are detected and corrected in a timely fashion. We also noted a lack of segregation of duties with the cash receipts process. The same person would retrieve and open the mail, prepare the deposit, bring the deposit to the bank, and post payments in QuickBooks. This does not allow for proper segregation of duties.

Cause

The Department was not following their internal control procedures. Lack of staffing and oversight of the Sheriff contributed to this deficiency.

Effect

Without the proper procedures in place, there is a risk of error and fraud.

Recommendation

We recommend the Department follow their internal control procedures, where the Sheriff formally approves all time sheets and pay rate increases, and the Department adheres to segregation of duty guidelines for the cash receipts process.

View of Responsible Officials:

Management agrees with this recommendation and will ensure the proper control procedures are in place for payroll, and the Department segregates duties over the cash receipts process.



**Office of The Windsor County Sheriff
Sheriff Ryan Palmer
62 Pleasant Street
Woodstock, Vermont**

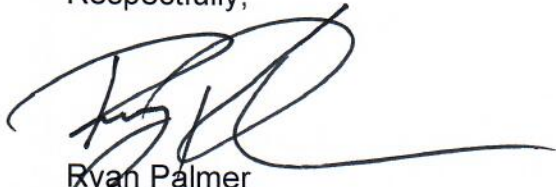
08/15/2023

The current management of the Windsor County Sheriff's Department has adopted and is following the Vermont Sheriff's Association Uniform Accounting Manual guidelines. Internal policies are in place that require the Sheriff to approve all timesheets prior to payroll being completed. The standard policy is for Lt. Battista to review the time sheets for accuracy prior to Sheriff Palmer approving the timesheets for payroll processing.

Duties are segregated so that a separate member of the office staff will pick up the mail and a different staff member will enter the deposit checks. A different staff member will prepare the enclosed checks for deposit. Additionally, a different staff member who did not prepare the deposit will make the bank deposit. As noted on each deposit, a stamp will list each staff member's initials that performed the required function.

Segregation of duties is now accomplished by contracting with an independent accounting firm to perform the Sheriff's Department's monthly reconciliation of accounts and to prepare the annual Financial Statement Compilations. Having an independent accounting firm reviewing all the Department transactions will ensure that GAAP accounting standards are being employed.

Respectfully,



Ryan Palmer
Sheriff
Windsor County