

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the proprietary activities of the Bennington County Sheriff's Department of the County of Bennington, Vermont (the "Department"), as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial position of the propriety activities of the Department as of June 30, 2015, 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.

Other Matter

Bennington County Sheriff's Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

McSoley McCoy & Co.

December 18, 2015
VT Reg. No. 92-349

Bennington County Sheriff's Department

Financial Statements

(With Independent Auditors' Report)

June 30, 2015

Bennington County Sheriff's Department

For the Year Ending June 30, 2015

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McSoley McCoy & Co.

December 18, 2015
VT Reg. No. 92-349

Bennington County Sheriff's Department
Statement of Net Position
June 30, 2015

Assets:	
Current assets	
Cash	\$ 144,521
Accounts receivable	93,926
Prepaid expenses	<u>28,085</u>
Total current assets	266,532
Property and equipment, net of accumulated depreciation	<u>636,025</u>
Total assets	<u>902,557</u>
Liabilities:	
Current liabilities	
Accounts payable	16,447
Accrued payroll and payroll related items	28,454
Current portion of notes payable	<u>48,759</u>
Total current liabilities	93,660
Notes payable, net of current portion	<u>386,334</u>
Total liabilities	<u>479,994</u>
Net position:	
Unrestricted	221,631
Investment in capital assets	<u>200,932</u>
Total net position	<u>\$ 422,563</u>

See accompanying notes and independent accountants' audit report.

Bennington County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues:	
Charges for services	\$ 1,237,174
Operating grants	86,853
County support - revenue	242,839
Miscellaneous revenues	<u>12,105</u>
 Total operating revenues	 <u>1,578,971</u>
Property and equipment, net of accumulated depreciation	
Operating Expenses:	
Contracted services	801,064
Automotive services	134,435
Communication services	31,133
Transportation services	1,470
Administration and general	231,276
Accrued payroll and payroll related items	219,437
Current portion of notes payable	250
Depreciation	<u>117,707</u>
 Total operating expenses	 <u>1,536,772</u>
 Net operating profit	 <u>42,199</u>
Non-operating revenue (expense):	
Interest income	37
Interest expense	(26,580)
Loss on sale of assets	<u>(1,091)</u>
 Total non-operating expenses	 <u>(27,634)</u>
 Net profit	 14,565
 Net position, beginning of year	 <u>407,998</u>
 Net position, end of year	 <u>\$ 422,563</u>

See accompanying notes and independent accountants' audit report.

Bennington County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2015

Operating activities:	
Cash received from customers	\$ 1,512,886
Cash received from operating grants	86,853
Cash payments to suppliers for goods and services	(706,276)
Cash payments to employees for services	<u>(732,394)</u>
Net cash provided by operating activities	<u>161,069</u>
Property and equipment, net of accumulated depreciation	
Acquisition of capital assets	(398,737)
Interest expense	(26,580)
Proceed from sale of assets	1,500
Proceeds from note payable	337,800
Principal payments on notes payable	<u>(46,937)</u>
Accrued payroll and payroll related items	<u>(132,954)</u>
Current portion of notes payable	
Cash flows from investing activities:	
Interest income	<u>37</u>
Net cash provided by investing activities	<u>37</u>
Net increase in cash	28,152
Cash, beginning of year	<u>116,369</u>
Cash, end of year	<u><u>\$ 144,521</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Net operating profit	<u>\$ 42,199</u>
Adjustments to reconcile operating profit to net cash provided by operating activities	
Depreciation	117,707
Increase in prepaid expenses	(6,032)
Decrease in accounts receivable	20,768
Decrease in accrued payroll	(3,111)
Decrease in accounts payable	<u>(10,462)</u>
Total adjustments	<u>118,870</u>
Net cash provided by operating activities	<u><u>\$ 161,069</u></u>

See accompanying notes and independent accountants' audit report.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2015

(1) Summary of Significant Accounting Policies

The Bennington County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Bennington, Vermont. Funding is provided by the State of Vermont and the County of Bennington. Operating revenue is generated by service charges, some of which are set by state statute and others are set by the Department. Included among the duties performed by the Department are contracting to provide law enforcement services; security services; control dispatching and other centralized support services; service of lawful writs, warrants and processes; and transportation of prisoners and the mentally disabled.

(a) Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The Department's revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources, as needed.

(b) Basis of presentation

The Department accounts for ongoing operations and activities using proprietary fund accounting, a method developed with the economic resources measurement focus. This focus is similar to accounting methods used in the private sector.

(c) Cash and cash equivalents

For the purpose of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. In addition, the Department considers all certificates of deposits to be cash equivalents.

(d) Property and equipment

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

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2015

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

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

(e) Net position

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

(f) Use of estimates

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

(g) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2015.

(h) Subsequent events

The Department evaluated subsequent events through December 18, 2015, the date the Department's financial statements were available to be used and no events or transactions occurred.

(2) Cash and Categories of Risk

There are three categories of credit risk that apply to the Department's balance:

1. Insured by the FDIC or collateralized with securities held by the Department or by the Department's agent in the Department's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.
3. Uncollateralized.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2015

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, 2015.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 143,026	\$ 163,279
Uninsured deposits	-	-
Cash on hand	150	-
Undeposited funds	<u>1,345</u>	<u>-</u>
Total cash funds	<u>\$ 144,521</u>	<u>\$ 163,279</u>

(3) Property and Equipment

Vehicles and equipment are summarized as of June 30, 2015 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 566,402	\$ 11,000	\$ (3,800)	\$ 573,602
Land	-	114,480	-	114,480
Land Improvement	-	7,970	-	7,970
Equipment	559,080	25,787	(859)	584,008
Furniture and fixtures	8,627	-	-	8,627
Building	-	210,750	-	210,750
Building improvements	<u>8,502</u>	<u>29,022</u>	<u>-</u>	<u>37,524</u>
Total vehicles and equipment	1,142,611	399,009	(4,659)	1,536,961
Less accumulated depreciation	<u>(785,108)</u>	<u>(117,707)</u>	<u>1,879</u>	<u>(900,936)</u>
Net vehicles and equipment	<u>\$ 357,503</u>	<u>\$ 281,302</u>	<u>\$ (2,780)</u>	<u>\$ 636,025</u>

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2015

(4) Long-term Debt

Long-term debt as of June 30, 2015 consists of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Remaining Balance</u>
Merchants Bank:					
4.05% note due December, 2014 secured by the vehicles as follows:					
	<u>\$ 5,428</u>	<u>\$ -</u>	<u>\$ 5,428</u>	<u>\$ -</u>	<u>\$ -</u>
4.71% note due May, secured by the vehicle as follows:					
	<u>\$ 3,589</u>	<u>\$ -</u>	<u>\$ 3,589</u>	<u>\$ -</u>	<u>\$ -</u>
4.27% note due November, 2016 secured by the vehicle as follows:					
	<u>\$ 9,991</u>	<u>\$ -</u>	<u>\$ 4,009</u>	<u>\$ 4,184</u>	<u>\$ 1,798</u>
4.30% note due July 15, 2018 secured by the vehicle as follows:					
	<u>\$ 15,190</u>	<u>\$ -</u>	<u>\$ 3,479</u>	<u>\$ 3,631</u>	<u>\$ 8,080</u>
4.35% note due October 18, 2018 secured by the vehicle as follows:					
	<u>\$ 27,904</u>	<u>\$ -</u>	<u>\$ 5,982</u>	<u>\$ 6,247</u>	<u>\$ 15,675</u>
Vision Financial Group, Inc.:					
10.83% note due May, 2018 secured by the equipment as follows:					
	<u>\$ 26,470</u>	<u>\$ -</u>	<u>\$ 5,233</u>	<u>\$ 6,388</u>	<u>\$ 14,849</u>
9.85% note due May, 2018 secured by the equipment as follows:					
	<u>\$ 55,574</u>	<u>\$ -</u>	<u>\$ 10,105</u>	<u>\$ 13,487</u>	<u>\$ 31,982</u>
10.35% note due June, 2018 secured by the equipment as follows:					
	<u>\$ -</u>	<u>\$ 19,800</u>	<u>\$ 4,213</u>	<u>\$ 4,670</u>	<u>\$ 10,917</u>

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2015

Long-term Debt (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Remaining Balance</u>
Bank of Bennington:					
4.75% mortgage due December, 2024 secured by the property as follows:					
	\$ -	\$ 318,000	\$ 4,816	\$ 10,151	\$ 303,033
Totals	<u>\$ 144,146</u>	<u>\$ 337,800</u>	<u>\$ 46,854</u>	<u>\$ 48,759</u>	<u>\$ 386,334</u>

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

Year ending <u>June 30:</u>	
2016	\$ 48,759
2017	49,927
2018	49,883
2019	14,372
2020	12,271
Thereafter	<u>259,881</u>
	<u>\$ 435,093</u>

(5) Cost Sharing

Under Vermont law, Bennington County and the State of Vermont are required to cover certain costs of the Department. Such costs include the Sheriff's salary and benefits, administrative salary and benefits, office space, certain automotive expenses and others. The amount expended by the County and State during the year ended June 30, 2015 has not been determined.

(6) Operating Grants

The Department received grants from the U.S. Government and other grantors. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability of the Department. As of June 30, 2015, management believes that no material liabilities will result from such audits.

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2015

(7) Risk Management

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Sheriff's Department maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities of the Bennington County Sheriff's Department of the County of Bennington, Vermont (the "Department") as of and for the year ended June 30, 2015, which comprise the Bennington County Sheriff's Department's basic financial statements, and have issued our report thereon dated December 18, 2015. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-01 and 2015-02 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatements, 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*.

This communication is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than this specified party.

McSoley McCoy & Co.

December 18, 2015
VT Reg. No. 92-349

Bennington County Sheriff's Department
Schedule of Findings and Questioned Costs
June 30, 2015

Internal Control – Significant Deficiencies

Findings

2015-01 Capitalization of Assets

The Department had a policy of capitalizing assets greater than \$1,000 through December 31, 2014. We noted that the Department was not capitalizing assets consistently with this policy. In addition, capital assets that are purchased with grant funds or received through other sources should also be considered as a capital asset with the corresponding revenue recorded, as applicable.

We recommend that the Department adhere to their capitalization policy or re-consider the appropriateness of their policy.

Management's Response

Management agrees with this finding and in fact during 2015 the Department increased their capitalization policy to \$5,000 which will result in more consistent accounting of assets.

2015-02 Segregation of Duties

During 2015, the Sheriff had full access to QuickBooks, accounting software. Therefore the Sheriff could record journal entries and make other transactions within QuickBooks.

Management's Response

Prior to the conclusion of the audit, the Department implemented a new policy requiring the Department's outside CPA's approval of any changes made on QuickBooks by the Sheriff.