

Bennington County Sheriff's Department

Financial Statements

(With Independent Auditors' Report)

June 30, 2017

Bennington County Sheriff's Department

For the Year Ending June 30, 2017

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities of the Bennington County Sheriff's Department (the Department) of the County of Bennington, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements 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. 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 business-type activities of the Department as of June 30, 2017, 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

The 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.

McSoley McCoy & Co.

South Burlington, Vermont
November 30, 2017
VT Reg. No. 92-349

Bennington County Sheriff's Department

Statement of Net Position

June 30, 2017

Assets:

Current assets

Cash	\$	109,548
Accounts receivable		103,224
Prepaid expenses		<u>16,185</u>

Total current assets 228,957

Property and equipment, net 575,837

Total assets 804,794

Liabilities:

Current liabilities

Accounts payable		18,889
Accrued payroll and payroll related items		9,667
Current portion of notes payable		<u>71,279</u>

Total current liabilities 99,835

Notes payable, net of current portion 345,840

Total liabilities 445,675

Net position:

Unrestricted		200,401
Investment in capital assets, net of related debt		<u>158,718</u>

Total net position \$ 359,119

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, 2017

Operating Revenues:

Charges for services	\$ 1,103,434
Operating grants	124,256
County support - revenue	249,746
Miscellaneous revenues	<u>23,907</u>

Total operating revenues	<u>1,501,343</u>
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Operating Expenses:

Contracted services	818,268
Automotive services	329,478
Communication services	28,071
Transportation services	234
Administration and general	241,500
Miscellaneous	2,007
Depreciation	<u>90,589</u>

Total operating expenses	<u>1,510,147</u>
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Net operating loss	<u>(8,804)</u>
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Non-operating revenue (expense):

Interest expense	(17,115)
Gain on sale of assets	<u>3,367</u>

Total non-operating expenses	<u>(13,748)</u>
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Net loss	(22,552)
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Net position, beginning of year	<u>381,671</u>
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Net position, end of year	<u>\$ 359,119</u>
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See accompanying notes and independent accountants' audit report.

Bennington County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2017

Operating activities:

Cash received from customers	\$ 1,380,750
Cash received from operating grants	124,256
Cash payments to suppliers for goods and services	(679,338)
Cash payments to employees for services	<u>(742,012)</u>
Net cash provided by operating activities	<u>83,656</u>

Cash flows from financing activities:

Acquisition of capital assets	(77,634)
Proceeds from sale of assets	3,600
Proceeds from issuance of debt	62,977
Principal payments on debt	(71,768)
Interest expense	<u>(17,115)</u>
Net cash used for financing activities	<u>(99,940)</u>

Net decrease in cash	(16,284)
Cash, beginning of year	<u>125,832</u>
Cash, end of year	<u><u>\$ 109,548</u></u>

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

Net operating loss	<u>\$ (8,804)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	90,589
Decrease in accounts receivable	2,542
Decrease in prepaid expenses	3,442
Decrease in accounts payable	(5,661)
Increase in accrued payroll	<u>1,548</u>
Total adjustments	<u>92,460</u>
Net cash provided by operating activities	<u><u>\$ 83,656</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, 2017

(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, 2017

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, 2017.

(h) Subsequent events

The Department evaluated subsequent events through November 30, 2017, 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, 2017

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, 2017.

	Book Balance	Bank Balance
Insured deposits	\$ 105,138	\$ 127,345
Uninsured deposits	-	-
Cash on hand	150	-
Undeposited funds	4,260	-
Total cash funds	\$ 109,548	\$ 127,345

(3) Property and Equipment

Vehicles and equipment are summarized as of June 30, 2017 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	\$ 596,779	\$ 70,432	\$ (11,700)	\$ 655,511
Land	114,480	-	-	114,480
Land Improvement	7,970	-	-	7,970
Equipment	325,067	7,202	-	332,269
Furniture and fixtures	6,480	-	-	6,480
Building	218,562	-	-	218,562
Building improvements	29,022	-	-	29,022
Total property and equipment	1,298,360	77,634	(11,700)	1,364,294
Less accumulated depreciation	(709,335)	(90,589)	11,467	(788,457)
Net property and equipment	\$ 589,025	\$ (12,955)	\$ (233)	\$ 575,837

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2017

(4) Long-term Debt

Long-term debt as of June 30, 2017 consists of the following:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Remaining Balance</u>
Merchants Bank:				
4.27% note due November, 2016 secured by the vehicle as follows:				
\$ <u>1,798</u>	\$ <u>-</u>	\$ <u>1,446</u>	\$ <u>352</u>	\$ <u>-</u>
4.30% note due July 15, 2018 secured by the vehicle as follows:				
\$ <u>8,081</u>	\$ <u>-</u>	\$ <u>3,790</u>	\$ <u>3,956</u>	\$ <u>335</u>
4.35% note due October 18, 2018 secured by the vehicle as follows:				
\$ <u>15,674</u>	\$ <u>-</u>	\$ <u>6,525</u>	\$ <u>6,814</u>	\$ <u>2,335</u>
Vision Financial Group, Inc.:				
9.85% note due May, 2018 secured by the equipment as follows:				
\$ <u>31,982</u>	\$ <u>-</u>	\$ <u>23,945</u>	\$ <u>8,037</u>	\$ <u>-</u>
10.35% note due May, 2018 secured by the equipment as follows:				
\$ <u>10,917</u>	\$ <u>-</u>	\$ <u>5,177</u>	\$ <u>5,740</u>	\$ <u>-</u>
10.83% note due May, 2018 secured by the equipment as follows:				
\$ <u>14,847</u>	\$ <u>-</u>	\$ <u>7,114</u>	\$ <u>7,733</u>	\$ <u>-</u>
Bank of Bennington:				
4.75% mortgage due December, 2024 secured by the property as follows:				
\$ <u>299,038</u>	\$ <u>-</u>	\$ <u>6,179</u>	\$ <u>11,161</u>	\$ <u>281,698</u>
Carbone Ford of New England LLC:				
5.00% lease due September, 2020 secured by the vehicles as follows:				
\$ <u>43,573</u>	\$ <u>-</u>	\$ <u>13,231</u>	\$ <u>12,936</u>	\$ <u>17,406</u>

Bennington County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2017

Long-term Debt (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Remaining Balance</u>
5.45% lease due April, 2021 secured by the vehicles as follows:					
	\$ <u> -</u>	\$ <u> 62,977</u>	\$ <u> 4,361</u>	\$ <u> 14,550</u>	\$ <u> 44,066</u>
Totals	\$ <u> 425,910</u>	\$ <u> 62,977</u>	\$ <u> 71,768</u>	\$ <u> 71,279</u>	\$ <u> 345,840</u>

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

<u>Year ending June 30:</u>	
2018	\$ 71,279
2019	42,672
2020	32,963
2021	25,347
2022	13,491
Thereafter	<u>231,367</u>
	<u>\$ 417,119</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, 2017 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, 2017, 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, 2017

(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.

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

In planning and performing our audit of the financial statements of the business-type activities of Bennington County Sheriff's Department (the Department) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 opinion 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 significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 following deficiencies in internal control to be significant deficiencies:

Expense Approval

The Department allows the Sheriff and Captain to make purchases, without requiring an approval signature. Given that the Department has an expenses approval process, which involves the review and authorization of the Sheriff, we recommend purchasing activities be segregated to the office manager or administrative assistant.

Financial Reporting

During our audit procedures, we noted several accounts including cash, receivables, fixed assets and expense accounts that were not properly reconciled or recorded. To provide accurate financial information, not only at the end of the year, but throughout, the Department should implement month-end closing procedures that would include a reconciliation of all balance sheet accounts. This will provide the Department with useful financial information, reduce work at year-end, and could provide an early indication of potential errors or problems within the Department. We also

recommend the Department establish a formal accounting manual that would document the procedures and controls necessary to process information accurately and consistently. A complete and encompassing manual will help the Department identify key controls, responsibilities, and processes that are important to the Department's ongoing operations.

This communication is intended solely for the information and use of management of Bennington County Sheriff's Department, and is not intended to be and should not be used by anyone other than these specified parties.

McSoley McCoy & Co.

South Burlington, Vermont
November 30, 2017
VT Reg. No. 92-349