

Windham County Sheriff's Department

Financial Statements

(With Independent Auditors' Report)

June 30, 2017

Windham County Sheriff's Department

June 30, 2017

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

Independent Auditors' Report

Keith Clark, Sheriff
Windham County Sheriff's Department
Newfane, Vermont

We have audited the accompanying financial statements of the business-type activities of the Windham County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2017, 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 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 respective financial position of the proprietary 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

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

McSoley McCoy & Co.

South Burlington, Vermont
October 31, 2017
VT Reg. No. 92-349

Windham County Sheriff's Department
Statement of Net Position
June 30, 2017

	2017
Assets:	
Current assets	
Cash	\$ 79,522
Accounts receivable	100,353
Due from governments	31,206
Prepaid expenses	17,206
Total current assets	228,287
Vehicles and equipment, net of accumulated depreciation	261,595
Total assets	489,882
Liabilities:	
Current liabilities	
Line of credit	19,695
Current portion of notes payable	17,109
Accounts payable	120,564
Accrued payroll and payroll taxes	93,423
Other current liabilities	2,440
Total liabilities	253,231
Net position:	
Unrestricted	(7,835)
Invested in capital assets, net of debt obligations	244,486
Total net position	\$ 236,651

See accompanying notes and independent auditors' report.

Windham County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	2017
Operating revenues:	
Charges for services	\$ 1,011,317
Operating grants	67,591
Civil process	70,583
Transportation	325,103
County support	54,985
Fingerprint services	32,475
Miscellaneous revenues	5,585
Total operating revenues	1,567,639
Operating expenses:	
Contracted services	624,448
Process services	29,086
Administration and general	355,267
Automotive services	119,799
Communications services	204,546
Grant expenses	76,719
Miscellaneous expenses	35,571
Depreciation	92,604
Total operating expenses	1,538,040
Net operating income	29,599
Non-operating income (expense):	
Interest income	351
Interest expense	(3,875)
Gain on sale of equipment	900
Total non-operating expense	(2,624)
Net income	26,975
Net position, beginning of year	209,676
Net position, end of year	\$ 236,651

See accompanying notes and independent auditors' report.

Windham County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2017

	2017
Cash flows from operating activities:	
Cash received from customers	\$ 1,544,049
Cash received from operating grants	67,591
Cash payments to suppliers for goods and services	(456,863)
Cash payments to employees for services	(1,003,379)
Net cash provided by operating activities	151,398
Cash flows from capital financing activities:	
Purchase of vehicles and equipment	(46,084)
Principal payments on notes payable	(32,015)
Interest expense	(3,875)
Net cash used by capital financing activities	(81,974)
Cash flows from investment activities:	
Interest income	351
Net increase in cash	69,775
Cash, beginning of year	9,747
Cash, end of year	\$ 79,522
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	\$ 29,599
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	92,604
Gain on sale of fixed assets	900
Increase in accounts receivable	(20,967)
Decrease in due from other governments	64,068
Decrease in prepaid expense	18,252
Decrease in accounts payable	10,066
Increase in accrued payroll	(22,833)
Decrease in other liabilities	(20,291)
Total adjustments	121,799
Net cash used by operating activities	\$ 151,398

See accompanying notes and independent auditors' report.

Windham County Sheriff's Department
Notes to Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies

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

(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 deposits to be cash equivalents.

Windham County Sheriff's Department
Notes to Financial Statements
June 30, 2017

Summary of Significant Accounting Policies (continued)

(e) Vehicles and Equipment

Vehicles and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as nonoperating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$1,000 are capitalized.

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

Estimated useful lives by major classification are as follows:

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

(f) Accounts Receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2017, as all amounts are deemed collectible.

(g) Unrestricted Net Assets

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

(h) Subsequent Events

The Department evaluated subsequent events through October 31, 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.

Windham County Sheriff's Department
Notes to Financial Statements
June 30, 2017

Cash and Categories of Risk (continued)

The Sheriff's Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2017.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 79,447	\$ 84,162
Uninsured deposits	-	-
Cash on hand	<u>75</u>	<u>75</u>
Total cash deposits	<u>\$ 79,522</u>	<u>\$ 84,237</u>

(3) Vehicles and Equipment

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 688,078	\$ 24,605	\$ (66,808)	\$ 645,875
Office equipment	131,645	-	-	131,645
Communication equipment	554,507	-	(122)	554,385
Patrol equipment	<u>100,199</u>	<u>21,601</u>	<u>-</u>	<u>121,800</u>
Total vehicles and equipment	1,474,429	46,206	(66,930)	1,453,705
Less accumulated depreciation	<u>(1,166,314)</u>	<u>(92,604)</u>	<u>66,808</u>	<u>(1,192,110)</u>
Vehicles and equipment, net	<u>\$ 308,115</u>	<u>\$ (46,398)</u>	<u>\$ (122)</u>	<u>\$ 261,595</u>

(4) Notes Payable

The Department leases vehicles under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the statement of net position as property and equipment and was \$66,810 at June 30, 2017. Accumulated depreciation of the leased equipment at June 30, 2017 was \$18,930. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments under the capital lease as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 17,109</u>	<u>\$ 577</u>	<u>\$ 17,686</u>

Windham County Sheriff's Department
Notes to Financial Statements
June 30, 2017

(5) Cost Sharing

Under Vermont law, Windham County and the State of Vermont are required to cover certain costs of the Windham County Sheriff's Department. Such costs include the Sheriff's salary and benefits, administrative salary and benefits, office space, certain automotive expenses, and others. The amount expended by the County and State during the year ended June 30, 2017 has not been determined.

(6) Operating Grants

The Windham County Sheriff's Department received grants from the U.S. Government and other grantors. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability of the Department. As of June 30, 2017, management believes that no material liabilities will result from such audits.

(7) Risk Management

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

(8) Line of Credit

On February 1, 2016, the Department entered into a line of credit agreement with the Chittenden County Sheriff's Department. The initial borrowing was \$50,000 at 1% interest. At June 30, 2017, the outstanding borrowings was \$19,695.

(9) Administration Fee

The Sheriff is allowed a 5% commission fee for contract administration on most contracts. This amount is accrued monthly and the Sheriff only draws from the balance when he feels drawing will not cause undue stress on the department's resources. For the year ended June 30, 2017, total commission paid to the Sheriff was \$5,700 and the balance eligible to be drawn was \$63,626.

Keith Clark, Sheriff
Windham County Sheriff's Department
Newfane, Vermont

In planning and performing our audit of the financial statements of the business-type activities of Windham 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Sheriff and management of Windham 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.

October 31, 2017
VT Reg. No. 92-349