

Chittenden County Sheriff's Department

Financial Statements

June 30, 2007

Chittenden County Sheriff's Department

June 30, 2007

Table of Contents

	<u>Pages</u>
Independent Auditors' Report	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8
Government Auditing Standards Report:	
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Schedule of Findings and Questioned Costs	

Independent Auditors' Report

Kevin McLaughlin, Sheriff  
Chittenden County Sheriff's Department  
Burlington, Vermont

We have audited the accompanying financial statements of the business-type activities of the Chittenden County Sheriff's Department of the County of Chittenden, Vermont, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Chittenden County Sheriff's Department of the County of Chittenden, Vermont, as of June 30, 2007 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2008 on our consideration of the Chittenden 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 the 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 the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Chittenden 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.

McSoley McCoy & Co

February 11, 2008  
VT Reg. No. 92-349

Chittenden County Sheriff's Department  
Statement of Net Assets  
June 30, 2007

	<u>2007</u>
<b>Assets:</b>	
Current assets	
Cash (note 2)	\$ 240,892
Accounts receivable	<u>119,067</u>
Total current assets	359,959
Vehicles and equipment, net of accumulated depreciation (note 3)	<u>216,684</u>
Total assets	<u>576,643</u>
<b>Liabilities:</b>	
Current Liabilities	
Accounts payable	15,579
Current installments of long-term debt (note 4)	25,230
Accrued payroll and payroll items	<u>69,508</u>
Total current liabilities	<u>110,317</u>
Total liabilities	<u>110,317</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt of \$25,230	191,454
Unrestricted	<u>274,872</u>
Total net assets	<u>\$ 466,326</u>

The accompanying notes are an integral part of these statements.

Chittenden County Sheriff's Department  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2007

	2007
<b>Operating Revenues:</b>	
Charges for services	\$ 853,450
Operating grants	67,358
Miscellaneous revenues	42,886
Total operating revenues	963,694
<b>Operating Expenses:</b>	
Contracted services	275,559
Process services	130,915
Grant services	30,106
Transportation services	87,772
Administration and general	246,713
Automotive services	103,679
Depreciation	69,461
Total operating expenses	944,205
Net operating income	19,489
<b>Non-operating income (expenses):</b>	
Gain on sale of equipment	3,880
Interest expense	(2,434)
Total non-operating income (expenses)	1,446
Net income	20,935
Net assets, beginning of year	445,391
Net assets, end of year	\$ 466,326

The accompanying notes are an integral part of these statements.

Chittenden County Sheriff's Department  
Statement of Cash Flows  
For the Year Ended June 30, 2007

	2007
<b>Operating activities:</b>	
Cash received from customers	\$ 865,767
Cash received from operating grants	67,359
Cash payments to suppliers for goods and services	(317,731)
Cash payments to employees for services	(555,009)
Net cash provided by operating activities	60,386
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(64,894)
Sale of equipment	3,880
Interest paid on loans	(2,434)
Principal paid on long-term debt	(24,064)
Net cash used by capital and related financing activities	(87,512)
Net decrease in cash	(27,126)
Cash, beginning of year	268,018
Cash, end of year	\$ 240,892
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Net operating income	\$ 19,489
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	69,461
Increase in accounts receivable	(30,450)
Increase in accrued payroll	16,263
Increase in accounts payable	15,579
Decrease in customer security deposit	(16,624)
Decrease in deferred revenue	(13,332)
Total adjustments	40,897
Net cash provided by operating activities	\$ 60,386

The accompanying notes are an integral part of these statements.

Chittenden County Sheriff's Department  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies

The Chittenden County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Chittenden, Vermont. Funding is provided by the State of Vermont and the County of Chittenden. 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. The Sheriff's Department applied (a) all Governmental Accounting Standards Board (GASB) pronouncements and (b) Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 20, 1989, except insignificant items that conflict with GASB pronouncement.

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) 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.

Chittenden County Sheriff's Department  
Notes to Financial Statements  
June 30, 2007

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office furniture	5-7 years
Communication equipment	5-10 years
Vehicles	5 years

(d) Unrestricted net assets

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

(e) 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.

(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, 2007.

(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.

Chittenden County Sheriff's Department  
Notes to Financial Statements  
June 30, 2007

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, 2007.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 240,892	\$ 269,605
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	<u>\$ 240,892</u>	<u>\$ 269,605</u>

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2007 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 655,086	\$ 49,738	\$ (190,470)	\$ 514,354
Equipment	<u>309,465</u>	<u>15,156</u>	<u>(21,447)</u>	<u>303,174</u>
Total vehicles and equipment	964,551	64,894	(211,917)	817,528
Less accumulated depreciation	<u>(743,300)</u>	<u>(69,461)</u>	<u>211,917</u>	<u>(600,844)</u>
Vehicles and equipment, net	<u>\$ 221,251</u>	<u>\$ (4,567)</u>	<u>\$ -</u>	<u>\$ 216,684</u>

(4) Long-Term Debt

Long-term debt as of June 30, 2007 consists of notes payable to the Ford Motor Credit Company, 8.99% due May 10, 2008 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 49,294	\$ -	\$ (24,064)	\$ 25,230	\$ -

Chittenden County Sheriff's Department  
Notes to Financial Statements  
June 30, 2007

(5) Cost Sharing

Under Vermont law, Chittenden County and the State of Vermont are required to cover certain costs of the Chittenden 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, 2007 has not been determined.

(6) Operating Grants

The Chittenden 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, 2007, management believes that no material liabilities will result from such audits.

(7) Risk Management

The Sheriff's 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

Kevin McLaughlin, Sheriff  
Chittenden County Sheriff's Department  
Burlington, Vermont

We have audited the financial statements of the business-type activities of the Chittenden County Sheriff's Department of the County of Chittenden, Vermont (the Department) as of and for the year ended June 30, 2007, which comprise the Chittenden County Sheriff's Department's basic financial statements, and have issued our report thereon dated February 11, 2008. 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 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 as a basis for designing our auditing procedures 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 over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements in a timely manner. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to record, process, summarize, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

# McSOLEY McCOY

Certified Public Accountants and Business Advisors



## 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and question cost as items 2007-01, 2007-02 and 2007-03.

This respond is intended solely for the information and use of the Department and is not intended to be and should note be used by anyone other than these specified parties.

*McSoley McCoy & Co.*

February 11, 2008  
VT Reg. No. 92-349

Chittenden County Sheriff's Department  
Schedule of Findings and Questioned Costs  
June 30, 2007

Other Matters

Findings

2007-01 Revenue Recognition

The accrual basis of accounting requires revenue be recognized when revenue is earned or becomes realizable. During our audit we noted that revenue for several services performed before year-end was recorded in the next fiscal year.

Management response: Management agrees with this finding. The department will be more careful with the year-end revenue recognition.

2007-02 Outstanding Checks

Monthly reconciliations are prepared for the checking account. During our review of the reconciliations we noted several checks that were more than six months old. All old outstanding checks should be periodically investigated and payments stopped when appropriate.

Management response: Management agrees with this finding. The department will periodically investigate old checks and stop the payments when appropriate.