Rutland County Sheriff's Department

Financial Statements

June 30, 2010

Rutland County Sheriff's Department

June 30, 2010

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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 *Government Auditing Standards*

McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

Independent Auditors' Report

Stephen Bernard, Sheriff
Rutland County Sheriff's Department
Rutland, Vermont

We have audited the accompanying financial statements of the business-type activities of the Rutland County Sheriff's Department of the County of Rutland, Vermont, as of and for the year ended June 30, 2010, 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 Rutland County Sheriff's Department of the County of Rutland, Vermont, as of June 30, 2010 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 January 15, 2011 on our consideration of the Rutland County Sheriff's Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Rutland 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.

January 15, 2011
VT Reg. No. 92-349

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Rutland County Sheriff's Department
Statement of Net Assets
June 30, 2010

Assets:	
Current assets	
Cash	$ 155,227
Accounts receivable, net of an allowance of $3,303	167,440
Total current assets	322,667
Non-current assets	
Vehicles and equipment, net of accumulated depreciation	194,390
Restricted assets - annuities	92,937
Total assets	609,994
Liabilities:	
Current liabilities	
Accounts payable	16,165
Other current liabilities	31,630
Current installments of long-term debt	34,972
Accrued payroll and payroll items	38,299
Total current liabilities	121,066
Long-term liabilities:	
Long-term debt - less current installments	33,116
Deferred compensation	92,937
Total long-term liabilities	126,053
Total liabilities	247,119
Net assets:	
Invested in capital assets, net of related debt of $68,088	126,302
Unrestricted	236,573
Total net assets	$ 362,875

The accompanying notes are an integral part of these statements.

Rutland County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 1,336,914
Operating grants	225,684
County support	82
Miscellaneous revenues	16
Total operating revenues	1,562,696
Operating expenses:	
Contracted services	842,428
Process services	20,633
Grant services	1,401
Administration and general	306,225
Communications services	167,224
Automotive services	83,974
Depreciation	76,500
Total operating expenses	1,498,385
Net operating income	64,311
Non-operating income (expenses):	
Gain on sale of equipment	1,650
Interest income	316
Interest expense	(11,841)
Total non-operating income (expenses)	(9,875)
Net income	54,436
Net assets, beginning of year	308,439
Net assets, end of year	$ 362,875

The accompanying notes are an integral part of these statements.

Rutland County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2010

Operating activities:	
Cash received from customers	$ 1,411,455
Cash received from operating grants	225,684
Cash payments to suppliers for goods and services	(454,592)
Cash payments to employees for services	(961,270)
Net cash provided by operating activities	221,277
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(49,197)
Sale of equipment	600
Interest income	316
Interest paid on loans	(11,841)
Principal on long-term debt	(99,744)
Net cash used by capital and related financing activities	(159,866)
Net increase in cash	61,411
Cash, beginning of year	93,816
Cash, end of year	$ 155,227
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	$ 64,311
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	76,500
Decrease in accounts receivable	74,443
Decrease in accrued payroll	(15,683)
Increase in other liabilities	26,872
Decrease in accounts payable	(5,166)
Total adjustments	156,966
Net cash provided by operating activities	$ 221,277

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

Rutland County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Rutland, Vermont. Funding is provided by the State of Vermont and the County of Rutland. 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 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 expenses as incurred; renewals and betterments over $1,000 are capitalized.

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office furniture	5 years
Communication equipment	5-7 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 recorded an allowance in the amount of $3,303 for uncollectible accounts at June 30, 2010.

(g) Subsequent events

Effective June 30, 2010, the Department adopted FASB ASC 855, Subsequent Events. Under FASB ASC 855, subsequent events are defined as events or transactions that occur after the statement of net assets, but before the financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the statement of net assets. Unrecognized subsequent events are events or transactions that provide evidence about conditions that did not exist at the date of the statement of net assets, but arose before the financial statements are issued. Recognized subsequent events are recorded in the statement of net assets and unrecognized subsequent events are excluded from the statement of net assets but are disclosed in the notes to the financial statements if their effect is material. In accordance with FASB ASC 855, the Department evaluated subsequent events through January 15, 2011, 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.

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, 2010.

	Book Balance	Bank Balance
Insured deposits	$ 155,127	$ 168,221
Uninsured deposits	-	-
Cash on hand	100	-
Total cash deposits	$ 155,227	$ 168,221

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2010 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	$ 515,846	$ 45,622	$ (72,764)	$ 488,704
Equipment	113,045	4,179	-	117,224
Total vehicles and equipment	628,891	49,801	(72,764)	605,928
Less accumulated depreciation	(408,249)	(76,500)	73,211	(411,538)
Vehicles and equipment, net	$ 220,642	$ (26,699)	$ 447	$ 194,390

(4) Deferred Compensation Plan

In 1979, the Department established a non-qualified, eligible deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. The plan is a defined contribution plan. Under the plan, an employee may elect to defer the lesser of $7,500 or 33 1/3% of his/her salary plus an additional amount as defined by the Internal Revenue Code Section 457(b)(3). All amounts deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights, remain solely the property and rights of the Department until made available to the participant or his or her beneficiary upon request. Amounts in the plan at June 30, 2010 totaled $92,937 and have been reflected as a non-current asset and liability on the accompany statement of net assets.

(5) Long-Term Debt

Long-term debt as of June 30, 2010 consisted of the following:

TD Banknorth – 3.95%, monthly payments of principal and interest of $3,086, due May 2012 as follows:

Beginning Balance	Increase	Decrease	Current Maturity	Ending Balance
$ 97,318	$ -	$ 29,230	$ 34,972	$ 68,088

Total notes payable	$ 68,088
Less current installments	34,972
Long-term debt, less current installment	$ 33,116

All notes are secured by vehicles.

Maturities on long-term debt for the years after June 30, 2010 are as follows:

Year-ended June 30,	Principal	Interest	Total
2011	$ 34,972	$ 2,061	$ 37,033
2012	33,116	654	33,770
Total	$ 68,088	$ 2,715	$ 70,803

(6) Cost Sharing

Under Vermont law, Rutland County and the State of Vermont are required to cover certain costs of the Rutland 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, 2010 has not been determined.

(7) Operating Grants

The Rutland 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, 2010, management believes that no material liabilities will result from such audits.

(8) 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.

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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

Stephen Bernard, Sheriff
Rutland County Sheriff's Department
Rutland, Vermont

We have audited the financial statements of the business-type activities of the Rutland County Sheriff's Department of the County of Rutland, Vermont (the Department) as of and for the year ended June 30, 2010, which comprise the Department's basic financial statements, and have issued our report thereon dated January 15, 2011. 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 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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*.

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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 these specified parties.

McSoley McCoy & Co.

January 15, 2011
VT Reg. No. 92-349