

Caledonia County Sheriff's Department

Financial Statements

June 30, 2006

Caledonia County Sheriff's Department

June 30, 2006

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Independent Auditors' Report

Michael Bergeron, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

We have audited the accompanying financial statements of the business-type activities of the Caledonia County Sheriff's Department of the County of Caledonia, Vermont, as of and for the year ended June 30, 2006, 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 Caledonia County Sheriff's Department of the County of Caledonia, Vermont, as of June 30, 2006 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 July 24, 2006 on our consideration of the Caledonia 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.

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

MCSolers MCLOR & CO.

July 24, 2006
VT Reg. No. 92-349

Caledonia County Sheriff's Department
Statement of Net Assets
June 30, 2006

	2006
Assets:	
Current assets	
Cash (note 2)	\$ 39,763
Accounts receivable	33,384
Prepaid insurance	5,492
Total current assets	78,639
Vehicles and equipment, net of accumulated depreciation (note 3)	110,314
Total assets	188,953
Liabilities:	
Current Liabilities	
Current installments of long-term debt (note 4)	12,923
Accrued payroll and payroll items	11,904
Total current liabilities	24,827
Long-term debt - less current installments (note 4)	3,389
Total liabilities	28,216
Net assets:	
Invested in capital assets, net of related debt of \$16,312	94,002
Restricted cash	10,220
Unrestricted	56,515
Total net assets	\$ 160,737

The accompanying notes are an integral part of these statements.

Caledonia County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006

	2006
Operating Revenues:	
Charges for services	\$ 275,553
Operating grants	32,801
Civil Process	31,650
Transportation	34,070
Miscellaneous revenues	2,337
Total operating revenues	376,411
Operating Expenses:	
Contracted services	147,841
Process services	19,248
Transportation services	28,827
Administration and general	64,869
Communications services	4,265
Automotive services	39,413
Depreciation	30,542
Total operating expenses	335,005
Net operating income	41,406
Non-operating Expenses:	
Interest expense	1,405
Total non-operating expenses	1,405
Net income	40,001
Net assets, beginning of year	120,736
Net assets, end of year	\$ 160,737

The accompanying notes are an integral part of these statements.

Caledonia County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2006

	2006
Operating activities:	
Cash received from customers	\$ 330,745
Cash received from operating grants	32,801
Cash payments to suppliers for goods and services	(114,079)
Cash payments to employees for services	(191,348)
Net cash provided by operating activities	58,119
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(63,792)
Proceeds from sale of equipment	800
Interest paid on loans	(1,405)
Principal on long-term debt	(12,923)
Net cash used by capital and related financing activities	(77,320)
Net decrease in cash	(19,201)
Cash, beginning of year	58,964
Cash, end of year	\$ 39,763
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	\$ 41,406
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	30,542
Increase in accounts receivable	(12,865)
Increase in prepaid insurance	(5,492)
Increase in accrued payroll and payroll taxes	4,528
Total adjustments	16,713
Net cash provided by operating activities	\$ 58,119
Cash consists of:	
Cash and cash equivalents	\$ 29,543
Restricted cash	10,220
	\$ 39,763

The accompanying notes are an integral part of these statements.

Caledonia County Sheriff's Department
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies

The Caledonia County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Caledonia, Vermont. Funding is provided by the State of Vermont and the County of Caledonia. 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 Caledonia County 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 those deemed insignificant 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, and 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.

(d) 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 a non-operating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$1,000 are capitalized.

Caledonia County Sheriff's Department
Notes to Financial Statements
June 30, 2006

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office Equipment	5-10 years
Department equipment	5-10 years
Vehicles	4 years

(e) Unrestricted Net Assets

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

(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 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, 2006.

(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.

Caledonia County Sheriff's Department
Notes to Financial Statements
June 30, 2006

Cash and Categories of Risk (continued)

The Sheriff Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2006.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 39,763	\$ 42,727
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	<u>\$ 39,763</u>	<u>\$ 42,727</u>

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2006 by major classifications as follows:

Vehicles	\$ 142,747
Equipment	<u>104,752</u>
Total	247,499
Less: accumulated depreciation	<u>(137,185)</u>
Net vehicles and equipment	<u>\$ 110,314</u>

Depreciation expense for the year ended June 30, 2006 amounted to \$30,542.

(4) Long-Term Debt

Long-term debt as of June 30, 2006 consists of the following:

Note payable, Ford Motor Credit Company, 5.90%, monthly payments of principal and interest of \$571, through Nov 15, 2006, secured by vehicle	\$ 2,815
Note payable, Ford Motor Credit Company, 6.05%, monthly payments of principal and interest of \$623, through May 7, 2008, secured by vehicle	<u>13,497</u>
	16,312
Less: current installments	<u>12,923</u>
Long-term debt, less current installments	<u>\$ 3,389</u>

Caledonia County Sheriff's Department
Notes to Financial Statements
June 30, 2006

Long-Term Debt (continued)

Maturities on long-term debt for the years after June 30, 2006 are as follows:

<u>Year-end June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 12,923	\$ 670	\$ 13,593
2008	<u>3,389</u>	<u>202</u>	<u>3,591</u>
Total	<u>\$ 16,312</u>	<u>\$ 872</u>	<u>\$ 17,184</u>

(5) Cost Sharing

Under Vermont law, Caledonia 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, 2006 has not been determined.

(6) Operating Grants

The Caledonia 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, 2006, management believes 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

Michael Bergeron, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

We have audited the financial statements of the business-type activities of the Caledonia County Sheriff's Department of the County of Caledonia, Vermont (the Department) as of and for the year ended June 30, 2006, which comprise the Caledonia County Sheriff's Department's basic financial statements, and have issued our report thereon dated July 24, 2006. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

We also noted a certain additional matter that we have reported to the management of the Department. The other matter is described in the accompanying schedule of findings and questioned costs as item 2006-01.

MCSoley McCoy & Co.

July 24, 2006
VT Reg. No. 92-349

Caledonia County Sheriff's Department
Schedule of Findings and Questioned Costs
June 30, 2006

Internal Control – Other Matter

Finding

2006-01 Bank Reconciliations

The Department reconciles the bank accounts promptly each month. During the 2006 audit we noted that the bank reconciliations had no indication of a review. We recommend that a responsible official outside of the accounting function review the completed bank reconciliations and indicate approval by initialing the form.

Management response: Management agrees with this finding and effective immediately the Sheriff will indicate his review and approval of all bank reconciliations by initialing on the reconciliation.