

Windsor County Sheriff's Department

Financial Statements
(with Independent Auditors' Report)

June 30, 2011

Windsor County Sheriff's Department

June 30, 2011

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Independent Auditors' Report

Michael Chamberlain, Sheriff
Windsor County Sheriff's Department
Woodstock, Vermont

We have audited the accompanying financial statements of the business-type activities of the Windsor County Sheriff's Department of the County of Windsor, Vermont (the Department), as of and for the year ended June 30, 2011, 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 Department as of June 30, 2011 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 December 5, 2011 on our consideration of the 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.

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.

December 5, 2011
VT Reg. No. 92-349

Windsor County Sheriff's Department
Statement of Net Assets
June 30, 2011

Assets:

Current assets

Cash	\$ 868,787
Accounts receivable	58,763
Due from other governments	63,836
Prepaid expenses	<u>20,551</u>

Total current assets 1,011,937

Noncurrent assets

Vehicles and equipment, net of accumulated depreciation	<u>160,491</u>
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Total assets 1,172,428

Liabilities:

Current Liabilities

Accounts payable	2,635
Accrued payroll and payroll taxes	<u>39,666</u>

Total current liabilities 42,301

Net assets:

Invested in capital assets	160,491
Unrestricted	<u>969,636</u>

Total net assets \$ 1,130,127

The accompanying notes are an integral part of these statements.

Windsor County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues:	
Charges for services	\$ 808,028
Operating grants	41,616
Civil process	189,472
Transportation	53,125
County reimbursements	32,783
Miscellaneous revenues	<u>1,174</u>
 Total operating revenues	 <u>1,126,198</u>
Operating Expenses:	
Contracted services	398,264
Process services	54,727
Transportation services	25,593
Administration and general	340,679
Communications services	16,651
Automotive services	109,940
Grant expenses	28,860
Retirement expenses	25,272
Depreciation	<u>90,532</u>
 Total operating expenses	 <u>1,090,518</u>
 Net operating income	 <u>35,680</u>
Non-operating Revenues:	
Interest income	4,064
Gain on sale of equipment	<u>2,500</u>
 Total non-operating revenues	 <u>6,564</u>
 Net income	 42,244
 Net assets, beginning of year	 <u>1,087,883</u>
 Net assets, end of year	 <u>\$ 1,130,127</u>

The accompanying notes are an integral part of these statements.

Windsor County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2011

Operating activities:

Cash received from customers	\$	1,107,980
Cash received from operating grants		41,616
Cash payments to suppliers for goods and services		(362,465)
Cash payments to employees for services		<u>(642,516)</u>
Net cash provided by operating activities		<u>144,615</u>

Cash flows from capital and related financing activities:

Purchases of vehicles and equipment		(71,200)
Sale of equipment		2,500
Interest income		<u>4,064</u>

Net cash used by capital and related financing activities (64,636)

Net increase in cash 79,979

Cash, beginning of year 788,808

Cash, end of year \$ 868,787

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

Net operating income \$ 35,680

Adjustments to reconcile operating income to net cash provided by operating activities

Depreciation		90,532
Decrease in accounts receivable		7,863
Decrease in due from other governments		15,535
Increase in prepaid expenses		(1,080)
Decrease in accounts payable		(1,576)
Decrease in accrued payroll and payroll taxes		<u>(2,339)</u>

Total adjustments 108,935

Net cash provided by operating activities \$ 144,615

The accompanying notes are an integral part of these statements.

Windsor County Sheriff's Department
Notes to Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

The Windsor County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Windsor, Vermont. The State of Vermont and the County of Windsor provide funding. 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, 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) 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.

Windsor County Sheriff's Department
Notes to Financial Statements
June 30, 2011

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 receivable are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2011.

(g) Subsequent events

In accordance with FASB ASC 855, the Department evaluated subsequent events through December 5, 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.

Windsor County Sheriff's Department
Notes to Financial Statements
June 30, 2011

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, 2011.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 250,000	\$ 250,000
Uninsured deposits	618,747	644,433
Cash on hand	<u>40</u>	<u>-</u>
Total cash deposits	<u>\$ 868,787</u>	<u>\$ 894,433</u>

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2011 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 306,221	\$ 66,408	\$ (22,321)	\$ 350,308
Office equipment	61,710	-	-	61,710
Equipment	<u>231,240</u>	<u>4,792</u>	<u>-</u>	<u>236,032</u>
Total vehicles and equipment	599,171	71,200	(22,321)	648,050
Less accumulated depreciation	<u>(419,348)</u>	<u>(90,532)</u>	<u>22,321</u>	<u>(487,559)</u>
Net vehicles and equipment	<u>\$ 179,823</u>	<u>\$ (19,332)</u>	<u>\$ -</u>	<u>\$ 160,491</u>

(4) Cost Sharing

Under Vermont law, Windsor 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, 2011 has not been determined.

Windsor County Sheriff's Department
Notes to Financial Statements
June 30, 2011

(5) 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, 2011, management believes that no material liabilities will result from such audits.

(6) 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.

(7) Contingency

The Department has been named as a defendant in a lawsuit. The Department has engaged legal counsel. The lawsuit is in the early stages and the ultimate outcome is unknown.

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 Chamberlain, Sheriff
Windsor County Sheriff's Department
Woodstock, Vermont

We have audited the financial statements of the business-type activities of the Windsor County Sheriff's Department of the County of Windsor, Vermont (the Department) as of and for the year ended June 30, 2011, which comprise the Windsor County Sheriff's Department's basic financial statements, and have issued our report thereon dated December 5, 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 General 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.

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*.

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.

December 5, 2011
VT Reg. No. 92-349