

Caledonia County Sheriff's Department

Financial Statements

For the Six Month Period Ending December 31, 2011

Caledonia County Sheriff's Department
For the Six Month Period Ending December 31, 2011

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Dean Shatney, 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 December 31, 2011 and for the six month period ending December 31, 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 Caledonia County Sheriff's Department of the County of Caledonia, Vermont, as of December 31, 2011 and the respective changes in financial position and cash flows for the six month period ending December 31, 2011 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 May 1, 2012 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 of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

McSoley McCoy & Co.

May 1, 2012
VT Reg. No. 92-349

Caledonia County Sheriff's Department
Statement of Net Assets
As of December 31, 2011

Assets:

Current assets

Cash	\$ 321,428
Accounts receivable	104,080
Prepaid insurance	<u>42,250</u>

Total current assets 467,758

Vehicles and equipment, net of accumulated depreciation 119,971

Total assets 587,729

Liabilities:

Current Liabilities

Accounts payable	6,466
Accrued payroll and payroll items	<u>7,897</u>

Total current liabilities 14,363

Net assets:

Invested in capital assets	119,971
Unrestricted	<u>453,395</u>

Total net assets \$ 573,366

The accompanying notes are an integral part of this statement.

Caledonia County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Six Month Period Ending December 31, 2011

Operating Revenues:	
Charges for services	\$ 339,935
Operating grants	13,370
Process services	25,538
Transportation	9,801
Miscellaneous revenues	<u>18,254</u>
Total operating revenues	<u>406,898</u>
Operating Expenses:	
Contracted services	189,489
Process services	3,853
Administration and general	122,799
Communications services	3,104
Automotive services	42,079
Grant expenses	9,011
Depreciation	<u>27,369</u>
Total operating expenses	<u>397,704</u>
Net operating income	<u>9,194</u>
Net assets, beginning of period	<u>564,172</u>
Net assets, end of period	<u>\$ 573,366</u>

The accompanying notes are an integral part of this statement.

Caledonia County Sheriff's Department
Statement of Cash Flows
For the Six Month Period Ending December 31, 2011

Operating activities:	
Cash received from customers	\$ 409,992
Cash received from operating grants	13,370
Cash payments to suppliers for goods and services	(122,587)
Cash payments to employees for services	<u>(277,427)</u>
Net cash provided by operating activities	23,348
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,392)</u>
Net increase in cash	16,956
Cash, beginning of period	<u>304,472</u>
Cash, end of period	<u><u>\$ 321,428</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	<u>\$ 9,194</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	27,369
Decrease in accounts receivable	16,464
Increase in prepaid insurance	(27,401)
Decrease in accounts payable	(2,345)
Increase in accrued payroll and payroll taxes	<u>67</u>
Total adjustments	<u>14,154</u>
Net cash provided by operating activities	<u><u>\$ 23,348</u></u>

The accompanying notes are an integral part of this statement.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Six Month Period Ending December 31, 2011

(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 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 new Sheriff was appointed to Caledonia County as of January 1, 2012, due to the retirement of the prior Sheriff. The State of Vermont requires a financial statement audit upon transition of Sheriff.

(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 and 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.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Six Month Period Ending December 31, 2011

Summary of Significant Accounting Policies (continued)

(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.

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.

(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 December 31, 2011, as all amounts are deemed collectible.

(h) Subsequent events

In accordance with FASB ASC 855, the Department evaluated subsequent events through May 1, 2012, the date the Department's financial statements were available to be used and no events or transactions occurred.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Six Month Period Ending December 31, 2011

(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 Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at December 31, 2011.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 321,428	\$ 332,142
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	<u>\$ 321,428</u>	<u>\$ 332,142</u>

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of December 31, 2011 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 268,125	\$ -	\$ -	\$ 268,125
Equipment	<u>129,992</u>	<u>6,392</u>	<u>-</u>	<u>136,384</u>
Total vehicles and equipment	398,117	6,392	-	404,509
Less accumulated depreciation	<u>(257,169)</u>	<u>(27,369)</u>	<u>-</u>	<u>(284,538)</u>
Vehicles and equipment, net	<u>\$ 140,948</u>	<u>\$ (20,977)</u>	<u>\$ -</u>	<u>\$ 119,971</u>

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Six Month Period Ending December 31, 2011

(4) 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 six months ended December 31, 2011 has not been determined.

(5) 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 December 31, 2011, management believes no material liabilities would 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) Deferred Compensation Plan

The Department offers a 457b deferred compensation plan, which allows participants to contribute pre-tax dollars. Currently the Department is not required to make any matching contributions.

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*

Dean Shatney, 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 December 31, 2011 and for the six month period then ended, which comprise the Department's basic financial statements, and have issued our report thereon dated May 1, 2012. 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 control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote 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 internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be 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.

McSOLEY McCOY & CO.

May 1, 2012

VT Reg. No. 92-349