

January 31, 2023

Sheriff David Fox  
Rutland County Sheriff's Department  
Rutland, Vermont

We have audited the financial statements of the business-type activities of Rutland County Sheriff's Department (the "Department") for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 26, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes corrected misstatements of the financial statements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 31, 2023.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Department’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of Rutland County Sheriff’s Department and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



McSoley McCoy & Co.

**Rutland County Sheriff's Department**

Financial Statements  
(With Independent Auditors' Report)  
June 30, 2022

# Rutland County Sheriff's Department

For the Year Ended June 30, 2022

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### Government Auditing Standards Report:

Independent Auditors' 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*

## Independent Auditors' Report

David Fox, Sheriff  
Rutland County Sheriff's Department  
Rutland, Vermont

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of the Rutland County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Department as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 9, the Department participates in the Vermont State Retirement System. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*McSoley McCoy & Co.*

South Burlington, Vermont  
January 31, 2023  
VT Reg. No. 92-349

**Rutland County Sheriff's Department**

Statement of Net Position

June 30, 2022

**Assets:**

Current assets:

Cash	\$ 208,363
Accounts receivable, net	152,282
Prepaid expenses	<u>96,427</u>

Total current assets 457,072

Non-current assets:

Property and equipment, net of accumulated depreciation	585,182
Restricted assets - annuities	<u>60,172</u>

Total non-current assets 645,354

Total assets 1,102,426

**Liabilities:**

Current liabilities:

Accounts payable	10,587
Other current liabilities	975
Accrued payroll and related items	165,328
Current installments of long-term debt	<u>68,381</u>

Total current liabilities 245,271

Long-term liabilities:

Long-term debt - less current installments	211,165
Annuities due to employees	<u>60,172</u>

Total long-term liabilities 271,337

Total liabilities 516,608

**Net position:**

Net investment in capital assets	305,636
Unrestricted	<u>280,182</u>

Total net position \$ 585,818

See accompanying notes to the financial statements.



**Rutland County Sheriff's Department**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2022

<b>Operating revenues:</b>	
Charges for services	\$ 1,435,301
Operating grants	375,149
County support	293,701
Miscellaneous revenues	<u>29,737</u>
Total operating revenues	<u>2,133,888</u>
<b>Operating expenses:</b>	
Contracted services	865,109
Process services	7,355
Grant services	238,650
Administration and general	756,338
Communications services	156,298
Automotive services	106,538
Depreciation	<u>156,220</u>
Total operating expenses	<u>2,286,508</u>
Net operating loss	<u>(152,620)</u>
<b>Non-operating income (expenses):</b>	
Gain on sale of equipment	3,200
Interest income	101
Interest expense	<u>(13,745)</u>
Total non-operating income (expenses)	<u>(10,444)</u>
Net loss	<u>(163,064)</u>
Net position, beginning of year	<u>748,882</u>
Net position, end of year	<u><u>\$ 585,818</u></u>

See accompanying notes to the financial statements.

**Rutland County Sheriff's Department**

Statement of Cash Flows

For the Year Ended June 30, 2022

**Cash flows from operating activities:**

Cash received from customers	\$ 1,819,161
Cash received from operating grants	375,149
Cash payments to suppliers for goods and services	(971,315)
Cash payments to employees for services	<u>(1,115,989)</u>
Net cash provided by operating activities	<u>107,006</u>

**Cash flows from capital and related financing activities:**

Acquisition of capital assets	(138,166)
Interest income	101
Interest paid on loans	(13,745)
Borrowings on long-term debt	85,443
Principal paid on long-term debt	<u>(91,471)</u>
Net cash used for capital and related financing activities	<u>(157,838)</u>

Net decrease in cash (50,832)

Cash, beginning of year 259,195

Cash, end of year \$ 208,363

**Reconciliation of operating loss to net cash provided by operating activities:**

Net operating loss \$ (152,620)

Adjustments to reconcile operating loss to net cash provided by operating activities:

Depreciation 156,220

Changes in operating assets and liabilities:

Decrease in prepaid expenses 483

Decrease in accounts receivable 60,422

Decrease in accounts payable (931)

Increase in accrued payroll and payroll items 43,432

Total adjustments 259,626

Net cash provided by operating activities \$ 107,006

See accompanying notes to the financial statements.

**Rutland County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

(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.

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) 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. In addition, the Department considers all certificates of deposit to be cash equivalents.

(d) Property and equipment

Property 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.

**Rutland County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Buildings and improvements	40 years
Office furniture	5 years
Communication equipment	5-7 years
Vehicles	5 years

(e) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

(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 reporting 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 recorded an allowance for uncollectible accounts at June 30, 2022 in the amount of \$202.

(h) Subsequent Events

The Department evaluated subsequent events through January 31, 2023, the date the Department's financial statements were available to be used.

(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.

**Rutland County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

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, 2022:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 208,263	\$ 255,410
Cash on hand	<u>100</u>	<u>-</u>
Total cash deposits	<u>\$ 208,363</u>	<u>\$ 255,410</u>

(3) Property and Equipment

The following is a summary of changes, by major classifications, in capital assets for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Property and equipment	\$ 1,255,823	\$ 134,403	\$ (23,938)	\$ 1,366,288
Building and improvements	<u>508,945</u>	<u>37,300</u>	<u>-</u>	<u>546,245</u>
Total property and equipment at historical cost	<u>1,764,768</u>	<u>171,703</u>	<u>(23,938)</u>	<u>1,912,533</u>
Less accumulated depreciation for:				
Property and equipment	(909,852)	(122,487)	23,668	(1,008,671)
Building and improvements	<u>(284,947)</u>	<u>(33,733)</u>	<u>-</u>	<u>(318,680)</u>
Total accumulated depreciation	<u>(1,194,799)</u>	<u>(156,220)</u>	<u>23,668</u>	<u>(1,327,351)</u>
Total property and equipment, net	<u>\$ 569,969</u>	<u>\$ 15,483</u>	<u>\$ (270)</u>	<u>\$ 585,182</u>

(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. Under the plan, an employee may elect to defer the lesser of \$7,500 or 33 1/3% of their 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 their beneficiary upon request. Amounts in the plan at June 30, 2022 totaled \$72,501 and have been reflected as a non-current asset and liability on the accompanying statement of net position.

**Rutland County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

(5) Long-Term Debt

Long-term debt as of June 30, 2022 consisted of the following:

Ford Motor – 5.99%, quarterly payments of principal and interest of \$4,435, due April 2025 as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Current Maturity</u>	<u>Ending Balance</u>
<u>\$ 62,681</u>	<u>\$ -</u>	<u>\$ (18,546)</u>	<u>\$ (15,177)</u>	<u>\$ 28,958</u>

Ford Motor – 7.20%, quarterly payments of principal and interest of \$1,685, due January 2022 as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Current Maturity</u>	<u>Ending Balance</u>
<u>\$ 8,351</u>	<u>\$ -</u>	<u>\$ (8,351)</u>	<u>\$ -</u>	<u>\$ -</u>

Ford Motor – 4.95%, quarterly payments of principal and interest of \$3,466, due August 2022 as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Current Maturity</u>	<u>Ending Balance</u>
<u>\$ 16,703</u>	<u>\$ -</u>	<u>\$ (9,898)</u>	<u>\$ (6,805)</u>	<u>\$ -</u>

Ford Motor – 6.99%, quarterly payments of principal and interest of \$6,062, due March 2026 as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Current Maturity</u>	<u>Ending Balance</u>
<u>\$ -</u>	<u>\$ 85,443</u>	<u>\$ (6,607)</u>	<u>\$ (19,194)</u>	<u>\$ 59,642</u>

Mt Tabor – 0%, monthly payments of principal and interest of \$943, due June 2022 as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Current Maturity</u>	<u>Ending Balance</u>
<u>\$ 22,500</u>	<u>\$ -</u>	<u>\$ (22,500)</u>	<u>\$ -</u>	<u>\$ -</u>

Mark Foley – 5.25%, monthly payments of principal and interest of \$2,814, due May 2027 as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Current Maturity</u>	<u>Ending Balance</u>
<u>\$175,338</u>	<u>\$ -</u>	<u>\$ (25,568)</u>	<u>\$ (27,205)</u>	<u>\$122,565</u>

**Rutland County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

Long-Term Debt (continued)

Total long-term debt	\$ 279,546
Less current installments	<u>68,381</u>
 Long-term debt, less current installments	 <u><u>\$ 211,165</u></u>

Maturities on long-term debt for the years after June 30, 2022 are as follows:

Year-Ended June 30,	
2023	\$ 68,381
2024	65,346
2025	65,109
2026	48,856
2027	<u>31,854</u>
 Total	 <u><u>\$ 279,546</u></u>

(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, mortgage payments, certain automotive expenses and others. The amount expended by the County and State during the year ended June 30, 2022 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, 2022, management believes that no material liabilities will result from such audits.

(8) 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.

**Rutland County Sheriff's Department**  
Notes to Financial Statements  
For the Year Ended June 30, 2022

(9) Retirement Plan

The Department contributes to the Vermont State Employees' Retirement System, under group F, a public pension plan provided by the State of Vermont for State employees. Vermont state statutes (VSA Title 24, Chapter 125) provide the authority under which benefit provisions are established. The Department contributes 10.48% and the employees contribute 6.65%. Total contributions made by the Department for the year ended June 30, 2022 were \$170,779.

The State of Vermont issues an audited financial report that includes financial statements and required disclosures that include information regarding this plan. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.



INDEPENDENT AUDITOR'S 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*

David Fox, Sheriff  
Rutland County Sheriff's Department  
Rutland, Vermont

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Rutland County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated January 31, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



South Burlington, Vermont  
January 31, 2023  
VT Reg. No. 92-349