Rutland County Sheriff's Department

Financial Statements

For the Year Ended June 30, 2012

Rutland County Sheriff's Department

For the Year Ended June 30, 2012

Table of Contents

	Pages
Independent Auditors' Report	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
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 (the Department), as of and for the year ended June 30, 2012, 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, 2012 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 issued our report dated November 26, 2012 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, 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.

November 26, 2012
VT Reg. No. 92-349

118 TILLEY DRIVE, SUITE 202, SOUTH BURLINGTON, VERMONT 05403
PHONE 802.658.1808 FAX 802.658.1779 WEB WWW.CPAVT.COM

Rutland County Sheriff's Department
Statement of Net Assets
June 30, 2012

Assets:		
Current assets:		
Cash	$	320,398
Restricted cash		213,638
Accounts receivable		143,268
Prepaid expenses		7,817
Total current assets		685,121
Non-current assets:		
Property and equipment, net of accumulated depreciation		404,354
Restricted assets - annuities		129,050
Total assets		1,218,525
Liabilities:		
Current liabilities:		
Accounts payable		48,906
Other current liabilities		16,090
Current installments of long-term debt		46,005
Accrued payroll and other items		98,423
Accrued interest		2,291
Total current liabilities		211,715
Long-term liabilities:		
Long-term debt - less current installments		403,518
Deferred compensation		129,050
Total long-term liabilities		532,568
Total liabilities		744,283
Net assets:		
Invested in capital assets (including restricted cash), net of related debt of $449,523		168,469
Unrestricted		305,773
Total net assets	$	474,242

The accompanying notes are an integral part of this statement.

Rutland County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

Operating revenues:	
Charges for services	$ 1,370,717
Operating grants	230,803
County support	113,849
Miscellaneous revenues	320
Total operating revenues	1,715,689
Operating expenses:	
Contracted services	1,015,219
Process services	18,693
Grant services	32,992
Administration and general	289,198
Communications services	127,398
Automotive services	110,939
Depreciation	78,359
Total operating expenses	1,672,798
Net operating income	42,891
Non-operating income (expenses):	
Loss on sale of equipment	(1,160)
Interest income	312
Interest expense	(3,404)
Total non-operating income (expenses)	(4,252)
Net income	38,639
Net assets, beginning of year	435,603
Net assets, end of year	$ 474,242

The accompanying notes are an integral part of this statement.

Rutland County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2012

Operating activities:	
Cash received from customers	$ 1,488,172
Cash received from operating grants	230,803
Cash payments to suppliers for goods and services	(559,541)
Cash payments to employees for services	(963,099)
Net cash provided by operating activities	196,335
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(208,109)
Proceeds from long-term debt	350,000
Proceeds on sale of equipment	9,575
Loss on sale of equipment	(1,160)
Interest income	312
Interest paid on loans	(3,404)
Principal paid on long-term debt	(61,781)
Net cash provided by capital and related financing activities	85,433
Net increase in cash	281,768
Cash, beginning of year	252,268
Cash, end of year	$ 534,036
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	$ 42,891
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	78,359
Decrease in accounts receivable	3,286
Increase in prepaid expenses	(7,817)
Increase in accounts payable	36,636
Increase in other liabilities	14,679
Increase in accrued payroll and payroll items	26,010
Increase in accrued interest	2,291
Total adjustments	153,444
Net cash provided by operating activities	$ 196,335
Cash consists of:	
Cash	$ 320,398
Restricted cash	213,638
	$ 534,036

Noncash activity:
Long-term debt of $106,840 was incurred when the Department entered into debt agreements for the purchase of four vehicles.

The accompanying notes are an integral part of this statement.

(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) 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 deposits 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.

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) Unrestricted net assets

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

(f) Restricted cash

Restricted cash represents accumulating reserves for building renovation.

(g) 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.

(h) 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, 2012, as management believes all amounts will be collected.

(i) Subsequent events

In accordance with FASB ASC 855, the Department evaluated subsequent events through November 26, 2012, 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 Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2012.

	Bank Balance	Bank Balance
Insured deposits	$ 250,000	$ 250,000
Uninsured deposits	283,935	291,218
Cash on hand	100	-
Total cash deposits	$ 534,035	$ 541,218

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2012 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles & Equipment	$ 641,598	$ 178,673	$ (105,536)	$ 714,735
Building	-	137,551	-	137,551
Total vehicles and equipment	641,598	316,224	(105,536)	852,286
Less accumulated depreciation	(464,373)	(78,360)	94,801	(447,932)
Vehicles and equipment, net	$ 177,225	$ 237,864	$ (10,735)	$ 404,354

(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, 2012 totaled $129,050 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, 2012 consisted of the following:

Ford Motor – 6.70%, annual payments of principal and interest of $6,260, due November 2014 as follows:

Beginning Balance	Increase	Decrease	Current Maturity	Ending Balance
$ 21,350	$ -	$ 4,830	$ 5,154	$ 16,520

Ford Motor – 6.00%, annual payments of principal and interest of $18,841, due January 2014 as follows:

Beginning Balance	Increase	Decrease	Current Maturity	Ending Balance
$ -	$ 53,385	$ 18,841	$ 16,769	$ 34,544

Ford Motor – 5.80%, quarterly payments of principal and interest of $3,714, due March 2016 as follows:

Beginning Balance	Increase	Decrease	Current Maturity	Ending Balance
$ -	$ 53,455	$ 3,714	$ 12,233	$ 49,741

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

Beginning Balance	Increase	Decrease	Current Maturity	Ending Balance
$ -	$ 350,000	$ 1,282	$ 11,849	$ 348,718

Long-Term Debt (continued)

Total notes payable	$ 449,523
Less current installments	46,005
Long-term debt, less current installment	$ 403,518

Maturities on long-term debt for the years after June 30, 2012 are as follows:

Year-ended June 30,	Principal	Interest	Total
2013	$ 46,005	$ 22,333	$ 68,338
2014	52,769	20,946	73,715
2015	37,023	17,857	54,880
2016	29,191	15,712	44,903
2017	19,354	14,406	33,760
Thereafter	265,181	76,554	341,735
Total	$ 449,523	$ 167,808	$ 617,331

(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, 2012 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, 2012, 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.

(9) Commitment

The Department contributes a percentage of employee salaries to the State of Vermont retirement plan. The rate increased from 8.99% in 2011 to 9.87% in 2012. Total contributions for 2012 amounted to $78,412.

McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

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, 2012, which comprise the Department's basic financial statements, and have issued our report thereon dated November 26, 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 in the first paragraph of this section 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 material weaknesses, as defined above.

118 TILLEY DRIVE, SUITE 202, SOUTH BURLINGTON, VERMONT 05403
PHONE 802.658.1808 FAX 802.658.1779 WEB WWW.CPAVT.COM

McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

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.

November 26, 2012
VT Reg. No. 92-349