Grand Isle County Sheriff's Department

Financial Statements

June 30, 2010

Grand Isle County Sheriff's Department

June 30, 2010

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	5-9

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

Connie Allen, Sheriff
Grand Isle County Sheriff's Department
North Hero, Vermont

We have audited the accompanying financial statements of the business-type activities of the Grand Isle County Sheriff's Department of the County of Grand Isle, Vermont, as of and for the year ended June 30, 2010, 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 Grand Isle County Sheriff's Department of the County of Grand Isle, Vermont, as of June 30, 2010 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 January 7, 2011 on our consideration of the Grand Isle 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.

Grand Isle 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.

January 7, 2011
VT Reg. No. 92-349

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Grand Isle County Sheriff's Department
Statement of Net Assets
June 30, 2010

Assets:	
Current assets	
Cash	$ 212,338
Accounts receivable, net of allowance for doubtful accounts of $18,925	43,721
Prepaid expenses	7,225
Total current assets	263,284
Vehicles and equipment, net of accumulated depreciation	128,522
Total assets	391,806
Liabilities:	
Current liabilities	
Accounts payable	2,812
Accrued payroll and related expenses	10,337
Deferred revenue	1,713
Current portion long-term debt	5,616
Total current liabilities	20,478
Long-term debt - less current portion	13,615
Total liabilities	34,093
Net Assets:	
Invested in capital assets, net of related debt of $19,231	109,291
Unrestricted	248,422
Total net assets	$ 357,713

The accompanying notes are an integral part of these statements.

Grand Isle County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

Operating Revenues	
Charges for services	$ 476,459
Operating grants	42,721
Miscellaneous revenues	22,936
Total operating revenues	542,116
Operating Expenses	
Contracted services	305,222
Operating grants	34,098
Process services	6,637
Transportation services	4,853
Administration and general	36,843
Automotive services	47,761
Depreciation	41,716
Bad debt expense	18,925
Total operating expenses	496,055
Net operating income	46,061
Non-operating revenues (expenses)	
Interest income	1,375
Interest expense	(736)
Gain on sale of asset	3,251
Total non-operating revenues (expenses)	3,890
Net income	49,951
Net assets, beginning of year	307,762
Net assets, end of year	$ 357,713

The accompanying notes are an integral part of these statements.

Grand Isle County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2010

Operating activities		
Cash received from customers	$	485,958
Operating grants received		42,721
Cash payments to suppliers for goods and services		(93,207)
Cash payments to employees for services		(344,383)
Net cash provided by operating activities		91,089
Cash flows from capital and related financing activities		
Acquisition of capital assets		(69,923)
Proceeds on sale of equipment		7,800
Net borrowings (principal payments on loans)		19,231
Interest expense on loans		(736)
Net cash used by capital and related financing activities		(43,628)
Cash flows from investing activities		
Interest earned		1,375
Net increase in cash		48,836
Cash, beginning of year		163,502
Cash, end of year	$	212,338
Reconciliation of operating income to net cash provided by operating activities		
Net operating income	$	46,061
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		41,716
Change in allowance for bad debt		18,925
Changes in:		
Increase in receivables		(7,414)
Increase in prepaid expenses		(775)
Decrease in deferred revenue		(6,023)
Decrease in accounts payable		(1,216)
Decrease in accrued expenses		(185)
Total adjustments		45,028
Net cash provided by operating activities	$	91,089

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

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

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office furniture	7 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 receivables are due within one year. The Department has recorded an allowance for uncollectible accounts of $18,925 at June 30, 2010.

(g) Subsequent Events

Effective June 30, 2010, the Department adopted Accounting Standards Codification No. 855, *Subsequent Events* (formerly SFAS 165). Under ASC 855, subsequent events are defined as events or transactions that occur after the statement of net assets date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the statement of net assets. Unrecognized subsequent events are events or transactions that provide evidence about conditions that did not exist at the date of the statement of net assets, but arose before the financial statements are issued. Recognized subsequent events are recorded in the statement of financial condition and unrecognized subsequent events are excluded from the statement of financial condition, but are disclosed in the notes to the financial statements if their effect is material. In accordance with ASC 855, the Department evaluated subsequent events through January 7, 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.

The Sheriff's Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2010.

	Book Balance	Bank Balance
Insured deposits	$ 212,138	$ 221,960
Uninsured deposits	-	-
Cash on hand	200	-
Total cash deposits	$ 212,338	$ 221,960

The Federal Deposit Insurance Corporation (FDIC) currently insures amounts on deposit with each financial institution up to $250,000.

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2010 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	$ 167,631	$ 59,471	$ (33,245)	$ 193,857
Equipment	56,226	10,452	(7,582)	59,096
Total vehicles and equipment	223,857	69,923	(40,827)	252,953
Less accumulated depreciation	(118,993)	(41,716)	36,278	(124,431)
Vehicles and equipment, net	$ 104,864	$ 28,207	$ (4,549)	$ 128,522

(4) Cost Sharing

Under Vermont law, Grand Isle and the State of Vermont are required to cover certain costs of the Grand Isle 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, 2010 has not been determined.

(5) Operating Grants

The Grand Isle 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, 2010, management believes that no material liabilities will result from such audits.

(6) 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.

(7) Operating Lease

The Department leases a copier under an operating lease agreement, which expires in 2012. Future minimum payments are as follows:

Year ending June 30:	
2011	$ 1,782
2012	288
	$ 2,070

(8) Long - Term Debt

Long-term debt as of June 30, 2010 consists of a note payable to Merchants Bank, 4.170% due October 2, 2013. Future minimum payments are as follows:

Beginning Balance	Increases	Decreases	Current Maturities	Ending Balance
$ -	$ 23,297	$ (4,066)	$ (5,616)	$ 13,615

Maturities on long-term debt for the years after June 30, 2010 are as follows:

Year ended June 30,	
2011	$ 5,616
2012	5,886
2013	6,170
2014	1,559
Total	$ 19,231

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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

Connie Allen, Sheriff
Grand Isle County Sheriff's Department
North Hero, Vermont

We have audited the financial statements of the business-type activities of the Grand Isle County Sheriff's Department of the County of Grand Isle, Vermont (the Department) as of and for the year ended June 30, 2010, which comprise the Department's basic financial statements, and have issued our report thereon dated January 7, 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 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 be material weaknesses, as defined above.

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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.

January 7, 2011
VT Reg. No. 92-349