Grand Isle County Sheriff's Department

Financial Statements

June 30, 2006

Grand Isle County Sheriff's Department

June 30, 2006

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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*

Schedule of Findings and Questioned Costs

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, 2006, 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, 2006 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 November 30, 2006 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

November 30, 2006
VT Reg. No. 92-349

Grand Isle County Sheriff's Department
Statement of Net Assets
June 30, 2006

	2006
Assets:	
Current assets	
Cash (note 2)	$ 68,625
Accounts receivable	16,076
Grants receivable	12,761
Prepaid expenses	6,143
Total current assets	103,605
Vehicles and equipment, net of accumulated depreciation (note 3)	62,907
Total assets	166,512
Liabilities:	
Current liabilities	
Accounts payable	2,016
Accrued payroll and related expenses	12,665
Deferred revenue	5,084
Capital lease payable, current portion (note 4)	-
Total current liabilities	19,765
Net assets:	
Invested in capital assets	62,907
Unrestricted	83,840
Total net assets	$ 146,747

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, 2006

	2006
Operating Revenues	
Charges for services	$ 250,879
Operating grants	103,186
Miscellaneous revenues	1,244
Total operating revenues	355,309
Operating Expenses	
Contracted services	180,753
Operating grants	83,067
Process services	3,230
Transportation services	6,672
Administration and general	15,419
Automotive services	30,124
Depreciation	20,673
Total operating expenses	339,938
Net operating income	15,371
Non-operating revenues (expenses)	
Interest income	771
Interest expense	(153)
Gain on sale of asset	250
Total non-operating revenues (expenses)	868
Net income	16,239
Net assets, beginning of year	130,508
Net assets, end of year	$ 146,747

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, 2006

	2006
Operating activities	
Cash received from customers	$ 256,482
Operating grants received	98,710
Cash payments to suppliers for goods and services	(106,497)
Cash payments to employees for services	(207,388)
Net cash provided by operating activities	41,307
Cash flows from capital and related financing activities	
Acquisition of capital assets	(20,400)
Proceeds on sale of equipment	250
Principal payments on loans	(7,910)
Interest expense on loans	(153)
Net cash used by capital and related financing activities	(28,213)
Cash flows from investing activities	
Interest earned	770
Net cash provided by investing activities	770
Net increase in cash	13,864
Cash, beginning of year	54,761
Cash, end of year	$ 68,625
Reconciliation of operating income to net cash provided by operating activities	
Net operating income	$ 15,371
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	20,673
Decrease in receivables	4,359
Increase in grant receivables	(4,476)
Increase in prepaid expenses	(1,431)
Increase in deferred revenue	992
Increase in accounts payable	2,016
Decrease in other current liability	(3,603)
Increase in accrued payroll and related expenses	7,406
Total adjustments	25,936
Net cash provided by operating activities	$ 41,307

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 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.

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 receivable are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2006.

(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.

Cash and Categories of Risk (continued)

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, 2006.

	Book Balance	Bank Balance
Insured deposits	$ 68,625	$ 79,665
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	$ 68,625	$ 79,665

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2006 by major classifications as follows:

Vehicles	$ 89,011
Equipment	48,644
Total	137,655
Less: accumulated depreciation	(74,748)
Net vehicles and equipment	$ 62,907

Depreciation expense for the year ended June 30, 2006 amounted to $20,673.

(4) Cost Sharing

Under Vermont law, Grand Isle County 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, 2006 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, 2006, 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.

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, 2006, which comprise the Grand Isle County Sheriff's Department's basic financial statements, and have issued our report thereon dated November 30, 2006. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

We also noted certain additional matters that we have reported to the management of the Department. The other matters are described in the accompanying schedule of findings and questioned costs as items 2006-01 and 2006-02.

McSoley McCoy & Co.

November 30, 2006
VT Reg. No. 92-349

Grand Isle County Sheriff's Department
Schedule of Findings and Questioned Costs
June 30, 2006

Internal Control – Other Matters

Findings

2006-01 Financial Statement Review

Meaningful financial reports are the final product of any sound accounting system. They are a crucial tool in assisting management in making sound budgeting, financial, and operational decisions. The Department's current accounting system has the capabilities to produce a full set of financial statements that can assist the Sheriff in managing the Department. We recommend that the Department institute a written month end closing routine that culminates with the Office Manager reviewing the financial statements with the Sheriff and other Department management personnel.

Management Response: Management agrees with this finding. Effective immediately the Sheriff and the Office Manager will review current financial statements regularly.

2006-02 Capitalization Policy

During the audit we noted the Department did not capitalize equipment with a value greater than $1,000. The Department should follow the established capitalization policy and capitalize fixed assets whose value is greater than $1,000.

Management Response: Management agrees with this finding. Effective immediately the Department will ensure that expenditures greater than $1,000 with a useful life of more than one year be considered for a capital addition.