

Grand Isle County Sheriff's Department

Financial Statements

For the Period of August 10, 2011 to June 30, 2012

Grand Isle County Sheriff's Department
For the Period of August 10, 2011 to June 30, 2012

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Independent Auditors' Report

Ray 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 June 30, 2012 and for the period from August 10, 2011 to 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 Grand Isle County Sheriff's Department of the County of Grand Isle, Vermont, as of June 30, 2012 and the respective changes in financial position and cash flows for the period from August 10, 2011 to June 30, 2012 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 October 25, 2012 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.

A handwritten signature in cursive script that reads 'McSoley McCoy & Co.'.

October 25, 2012
VT Reg. No. 92-349

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

Assets:

Current assets	
Cash	\$ 116,895
Accounts receivable	45,985
Prepaid insurance	<u>5,602</u>
Total current assets	168,482
Vehicles and equipment, net of accumulated depreciation	164,528
Restricted cash	<u>1,721</u>
Total assets	<u>334,731</u>

Liabilities:

Current liabilities	
Accounts payable	6,521
Accrued payroll and related expenses	16,457
Deferred revenue	12,495
Current portion long-term debt	<u>13,152</u>
Total current liabilities	48,625
Long-term debt - less current portion	<u>31,073</u>
Total liabilities	<u>79,698</u>

Net Assets:

Restricted cash	1,721
Invested in capital assets, net of related debt of \$44,225	120,303
Unrestricted	<u>133,009</u>
Total net assets	<u>\$ 255,033</u>

The accompanying notes are an integral part of this statement.

Grand Isle County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Period of August 10, 2011 to June 30, 2012

Operating Revenues	
Charges for services	\$ 347,455
Operating grants	99,160
Miscellaneous revenues	<u>2,527</u>
 Total operating revenues	 <u>449,142</u>
Operating Expenses	
Contracted services	280,620
Operating grants	114,570
Process services	3,946
Administration and general	22,913
Automotive services	57,134
Depreciation	<u>38,218</u>
 Total operating expenses	 <u>517,401</u>
 Net operating loss	 <u>(68,259)</u>
Non-operating revenues (expenses)	
Interest income	432
Interest expense	(679)
Loss on sale of asset	<u>(844)</u>
 Total non-operating revenues (expenses)	 <u>(1,091)</u>
 Net loss	 (69,350)
Net assets, beginning of period	<u>324,383</u>
Net assets, end of period	<u>\$ 255,033</u>

The accompanying notes are an integral part of this statement.

Grand Isle County Sheriff's Department
Statement of Cash Flows
For the Period of August 10, 2011 to June 30, 2012

Operating activities	
Cash received from customers	\$ 350,794
Operating grants received	103,979
Cash payments to suppliers for goods and services	(198,850)
Cash payments to employees for services	<u>(283,250)</u>
Net cash used by operating activities	<u>(27,327)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(42,319)
Proceeds from the sale of equipment	14,500
Principal payments on loans	(6,583)
Interest paid on loans	<u>(679)</u>
Net cash used by capital and related financing activities	<u>(35,081)</u>
Cash flows from investing activities	
Interest earned	<u>432</u>
Net decrease in cash	(61,976)
Cash, beginning of period	<u>180,592</u>
Cash, end of period	<u><u>\$ 118,616</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Net operating loss	<u>\$ (68,259)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	38,218
Changes in:	
Increase in receivables	(6,864)
Increase in prepaid expenses	(2,818)
Increase in deferred revenue	12,495
Decrease in accounts payable	(8,214)
Increase in accrued expenses	<u>8,115</u>
Total adjustments	<u>40,932</u>
Net cash used by operating activities	<u><u>\$ (27,327)</u></u>
Cash consists of:	
Cash	<u>\$ 116,895</u>
Restricted cash	<u>1,721</u>
	<u><u>\$ 118,616</u></u>

The accompanying notes are an integral part of this statement.

Grand Isle County Sheriff's Department
Notes to Financial Statements
For the Period of August 10, 2011 to June 30, 2012

(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 new Sheriff was elected into office effective August 9, 2011, due to the passing away of the prior Sheriff. As required by the State of Vermont a financial statement audit was performed upon the transition of the Sheriff; a forty day audit was performed covering the period from July 1, 2011 through August 9, 2011. This audit covers the period from August 10, 2011 through June 30, 2012.

(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

Grand Isle County Sheriff's Department
Notes to Financial Statements
For the Period of August 10, 2011 to June 30, 2012

Summary of Significant Accounting Policies (continued)

(c) Vehicles and equipment (continued)

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.

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 not recorded an allowance for uncollectible accounts at June 30, 2012, as the Department believes all accounts will be collected.

(g) Subsequent events

In accordance with ASC 855, the Department evaluated subsequent events through October 25, 2012, the date the Department's financial statements were available to be used and no events or transactions occurred.

Grand Isle County Sheriff's Department
Notes to Financial Statements
For the Period of August 10, 2011 to June 30, 2012

(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, 2012.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 118,566	\$ 126,069
Uninsured deposits	-	-
Cash on hand	<u>50</u>	<u>-</u>
Total cash deposits	<u>\$ 118,616</u>	<u>\$ 126,069</u>

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, 2012 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 224,293	\$ 75,135	\$ (28,770)	\$ 270,658
Equipment	<u>78,113</u>	<u>4,852</u>	<u>-</u>	<u>82,965</u>
Total vehicles and equipment	302,406	79,987	(28,770)	353,623
Less accumulated depreciation	<u>(164,301)</u>	<u>(38,218)</u>	<u>13,424</u>	<u>(189,095)</u>
Vehicles and equipment, net	<u>\$ 138,105</u>	<u>\$ 41,769</u>	<u>\$ (15,346)</u>	<u>\$ 164,528</u>

Grand Isle County Sheriff's Department
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For the Period of August 10, 2011 to June 30, 2012

(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 period ended June 30, 2012 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, 2012, 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.

(8) Long - Term Debt

Long-term debt as of June 30, 2012 consists of two notes payable to Merchants Bank, one with a principal amount of \$7,728 at 4.170% due October 2, 2013 and the second one with a principal amount of \$36,497 at 4.070% due on April 20, 2017. Future minimum payments are as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 13,142	\$ 37,666	\$ (6,583)	\$ (13,152)	\$ 31,073

Grand Isle County Sheriff's Department
Notes to Financial Statements
For the Period of August 10, 2011 to June 30, 2012

Long - Term Debt (continued)

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

<u>Year ended</u> <u>June 30,</u>		
2013	\$	13,152
2014		8,831
2015		7,573
2016		7,886
2017		<u>6,783</u>
Total	\$	<u>44,225</u>

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

Ray 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 period ended June 30, 2012, which comprise the Department's basic financial statements, and have issued our report thereon dated October 25, 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

The Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Department's 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify 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

October 25, 2012
VT Reg. No. 92-349