Lamoille County Sheriff's Department

Financial Statements

June 30, 2008

Lamoille County Sheriff's Department

June 30, 2008

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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*

McSOLEY McCOY

Certified Public Accountants and Business Advisors

Independent Auditors' Report

Roger Marcoux, Sheriff
Lamoille County Sheriff's Department
Hyde Park, Vermont

We have audited the accompanying financial statements of the business-type activities of the Lamoille County Sheriff's Department of the County of Lamoille, Vermont, as of and for the year ended June 30, 2008, 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 Lamoille County Sheriff's Department of the County of Lamoille, Vermont, as of June 30, 2008 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 12, 2008 on our consideration of the Lamoille 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.

Lamoille 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 12, 2008
VT Reg. No. 92-349

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Lamoille County Sheriff's Department
Statement of Net Assets
June 30, 2008

Assets:		
Current assets		
Cash (note 2)	$	552,609
Accounts receivable		46,175
Certificate of deposit (notes 2 and 3)		69,295
Prepaid expenses		19,676
Total current assets		687,755
Vehicles and equipment, net of accumulated depreciation (note 4)		679,885
Cash - restricted		217,437
Total assets		1,585,077
Liabilities:		
Current liabilities		
Accounts payable		37,060
Accrued payroll and payroll items		90,999
Total liabilities		128,059
Net assets:		
Restricted cash		217,437
Unrestricted		1,239,581
Total net assets		1,457,018
Total net assets and liabilities	$	1,585,077

The accompanying notes are an integral part of these statements.

Lamoille County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008

Operating revenues:	
Charges for services	$ 1,756,072
Operating grants	28,637
County reimbursements	65,055
Miscellaneous revenues	101,629
Total operating revenues	1,951,393
Operating expenses:	
Contracted services	521,339
Process services	30,953
Transportation services	3,960
Administration and general	395,577
Communications services	633,403
Automotive services	51,577
Depreciation	135,793
Total operating expenses	1,772,602
Net operating income	178,791
Non-operating revenues (expenses):	
Gain on disposal of equipment	4,971
Net income	183,762
Net assets, beginning of year	1,273,256
Net assets, end of year	$ 1,457,018

The accompanying notes are an integral part of these statements.

Lamoille County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2008

Operating activities:	
Cash received from customers	$ 1,919,874
Cash received from operating grants	28,637
Cash payments to suppliers for goods and services	(625,883)
Cash payments to employees for services	(1,016,477)
Net cash provided by operating activities	306,151
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(170,599)
Sale of equipment	6,500
Net cash used by capital and related financing activities	(164,099)
Net increase in cash	142,052
Cash, beginning of year	697,289
Cash, end of year	$ 839,341
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	$ 178,791
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	135,793
Increase in accounts receivable	(2,882)
Increase in prepaid expenses	(17,822)
Decrease in accounts payable	(10,722)
Increase in accrued payroll and payroll taxes	22,993
Total adjustments	127,360
Net cash provided by operating activities	$ 306,151
Cash consists of:	
Cash and cash equivalents	$ 621,904
Restricted cash	217,437
	$ 839,341

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

The Lamoille County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Lamoille, Vermont. Funding for the Department is provided by the State of Vermont and the County of Lamoille. 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	5 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 did not record an allowance for uncollectible accounts at June 30, 2008.

(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, SPIC 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, 2008.

	Book Balance	Bank Balance
Insured deposits	$ 420,631	$ 420,631
Uninsured deposits	418,210	395,069
Cash on hand	500	-
Total cash deposits	$ 839,341	$ 815,700

(3) Certificate of Deposit

At June 30, 2008, the Department had $69,295 invested in a 180-day certificate of deposit, with interest at 2.30%.

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2008 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	$ 436,532	$ 111,027	$ (89,848)	$ 457,711
Equipment	1,012,686	74,571	(4,725)	1,082,532
Total vehicles and equipment	1,449,218	185,598	(94,573)	1,540,243
Less accumulated depreciation	(802,610)	(135,793)	78,045	(860,358)
Vehicles and equipment, net	$ 646,608	$ 49,805	$ (16,528)	$ 679,885

(5) Cost Sharing

Under Vermont law, Lamoille County and the State of Vermont are required to cover certain costs of the Lamoille 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, 2008 has not been determined.

(6) Operating Grants

The Lamoille 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, 2008, management believes that no material liabilities will result from such audits.

(7) 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.

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

Roger Marcoux, Sheriff
Lamoille County Sheriff's Department
Hyde Park, Vermont

We have audited the financial statements of the business-type activities of the Lamoille County Sheriff's Department of the County of Lamoille, Vermont (the Department) as of and for the year ended June 30, 2008, which comprise the Lamoille County Sheriff's Department's basic financial statements, and have issued our report thereon dated November 12, 2008. 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 note be used by anyone other than these specified parties.

McSoley McCoy & Co

November 12, 2008
VT Reg. No. 92-349