McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

December 5, 2014

To Sheriff Roger Marcoux
Lamoille County Sheriff Department

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lamoille County Sheriff Department (the "Department") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 5, 2014 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 18, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period ended June 30, 2014. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates used by management.

The financial statement disclosures are neutral, consistent, and clear.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attached is a schedule summarizing corrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management of Lamoille County Sheriff Department and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

McSoley McCoy & Co.

McSoley McCoy & Co.

Lamoille County Sheriff Department
Corrected Misstatements
June 30, 2014

To properly record vehicle purchases and disposals			
1640.00	Vehicles	$ 16,000	
1651.00	Accumulated Depreciation	86,942	
4431.00	Gain on sale of vehicles		$ 16,000
1601.00	Equipment		2,152
1640.00	Vehicles		84,790
To properly record expenses to the correct period			
5134.10	Police Professional Umbrella Insurance	1,432	
5134.20	Insurance and Bonds	3,936	
5127.20	Fuel Expense	2,739	
5140.00	Travel Expense- Mileage	102	
5527.00	Fuel Oil Expense	638	
5156.10	Repairs and Maintenance	2,116	
5156.11	Repair and Maintenance Detective Equinox	323	
5528.50	Misc Expense	685	
2002.00	Accounts Payable		11,286
3200.00	Unrestricted Net Assets		685
To record this year's depreciation expense			
5580.50	Depreciation Expense	222,735	
1651.00	Accumulated Depreciation		222,735
To adjust prepaids to recognize portion that was used			
5134.20	Insurance & Bonds	2,061	
1505.00	Prepaid Expenses		2,061
To properly record construction in progress at 6/30/14			
1402.00	Due from other Governments	75,000	
1630.00	Construction in Progress	101,036	
2002.00	Accounts Payable		101,036
4300.80	Tower Grant		75,000

Lamoille County Sheriff's Department

Financial Statements

June 30, 2014

(With Independent Auditors' Report)

Lamoille County Sheriff's Department

June 30, 2014

Table of Contents

	Pages
Independent Auditors' Report	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Government Auditing Standards Report:	
Report on Internal Control Over Financial Reporting and Compliance and on 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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Lamoille County Sheriff Department (the Department) of the County of Lamoille, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 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, 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.

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.

December 5, 2014
VT Reg. No. 92-349

Lamoille County Sheriff's Department
Statement of Net Position
June 30, 2014

Assets:		
Current assets		
Cash and cash equivalents	$	1,154,153
Accounts receivable		46,924
Due from other governments		75,000
Prepaid expenses		23,997
Total current assets		1,300,074
Construction in progress		101,036
Vehicles and equipment, net of accumulated depreciation		1,065,356
Cash - restricted		357,319
Total assets		2,823,785
Liabilities:		
Current liabilities		
Accounts payable		128,716
Accrued payroll and payroll items		149,173
Current portion of long-term debt		12,205
Total current liabilities		290,094
Long-term debt - less current portion		32,057
Total liabilities		322,151
Net position:		
Restricted cash		357,319
Invested in capital assets, net of debt		1,122,130
Unrestricted		1,022,185
Total net position	$	2,501,634

See accompanying notes and independent auditors' report.

Lamoille County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

Operating revenues:		
Charges for services	$	2,959,419
Operating grants		26,015
County reimbursements		111,522
Miscellaneous revenues		76,187
Total operating revenues		3,173,143
Operating expenses:		
Contracted services		815,864
Process services		26,093
Transportation services		42,685
Administration and general		649,996
Communications services		1,050,850
Automotive services		98,030
Grant services		241,460
Depreciation		222,735
Total operating expenses		3,147,713
Net operating income		25,430
Non-operating revenues:		
Interest income		2,370
Gain on sale of vehicles		16,000
Income before contributions		43,800
Capital contributions from grants		75,000
Net income		118,800
Net assets, beginning of year		2,382,834
Net assets, end of year	$	2,501,634

See accompanying notes and independent auditors' report.

Lamoille County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2014

Operating activities:	
Cash received from customers	$ 3,225,674
Cash received from operating grants	26,015
Cash payments to suppliers for goods and services	(942,115)
Cash payments to employees for services	(1,881,812)
Net cash provided by operating activities	427,762
Cash flows from capital and related financing activities:	
Interest income	2,370
Acquisition of capital assets	(167,715)
Principal payments on loans	(11,705)
Net cash used by capital and related financing activities	(177,050)
Net increase in cash and cash equivalents	250,712
Cash and cash equivalents, beginning of year	1,260,760
Cash and cash equivalents, end of year	$ 1,511,472
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	$ 25,430
well	
operating activities	
Depreciation	222,735
Decrease in accounts receivable	78,546
Increase in prepaid expenses	(14,184)
Decrease in accrued payroll and payroll taxes	(9,263)
Increase in accounts payable	124,498
Total adjustments	402,332
Net cash provided by operating activities	$ 427,762
Cash consists of:	
Cash and cash equivalents	$ 1,154,153
Restricted cash	357,319
	$ 1,511,472

See accompanying notes and independent auditors' report.

(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.

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) 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	5-10 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 net assets

Restricted net assets for proprietary funds represent the net assets restricted for specific use under the terms of a revenue sharing agreement.

(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 did not record an allowance for uncollectible accounts at June 30, 2014, as management believes all amounts will be collected.

(i) Subsequent events

In accordance with FASB ASC 855, the Department evaluated subsequent events through December 5, 2014, 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, 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.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2014.

	Book Balance	Bank Balance
Insured deposits	$ 892,501	$ 892,501
Uninsured deposits	618,119	639,331
Cash on hand	852	-
Total cash deposits	$ 1,511,472	$ 1,531,832

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2014 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	$ 585,409	$ 111,942	$ (84,790)	$ 612,561
Equipment	1,827,143	1,390	(2,152)	1,826,381
Leasehold improvements	459,622	-	-	459,622
Total vehicles and equipment	2,872,174	113,332	(86,942)	2,898,564
Less accumulated depreciation	(1,697,415)	(222,735)	86,942	(1,833,208)
Vehicles and equipment, net	$1,174,759	$ (109,403)	$ -	$1,065,356

During the year ended June 30, 2014, the Department began construction of a new communication tower. Total construction costs incurred during the year totaled $101,036. The construction is expected to be completed in 2015.

(4) 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 total amount expended by the County and State during the year ended June 30, 2014 has not been determined.

(5) 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, 2014, 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 Leases

The Department leases storage space and several parcels of land for communication towers. Amounts expensed under these leases totaled $35,421 for the year ended June 30, 2014. Future minimum lease payments are as follows:

Year ending June 30,	
2015	$ 23,674
2016	12,000
2017	12,000
2018	12,000
	$ 59,674

(8) Long-Term Debt

Long-term debt as of June 30, 2014 consists of a notes payable to Toyota Financial Services.

For purchase of vehicle: 0% note due August 1, 2017 as follows:

Beginning Balance	Increases	Decreases	Current Maturities	Ending Balance
$ 25,314	$ -	$ (6,075)	$ 6,075	$ 13,164

For purchase of vehicle: 0% note due September 4, 2019 as follows:

Beginning Balance	Increases	Decreases	Current Maturities	Ending Balance
$ -	$ 30,653	$ (5,630)	$ 6,130	$ 18,893

Maturities on long-term debt for the years after June 30, 2014 are as follows:

Year ended June 30,	
2015	$ 12,205
2016	12,205
2017	12,205
2018	7,144
2019	502
Total	$ 44,262

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 Department
Hyde Park, Vermont

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lamoille County Sheriff Department of the County of Lamoille, Vermont (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting (internal control) to determine our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. 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.

December 5, 2014
VT Reg. No. 92-349