



November 30, 2014

To Sheriff Ray Allen  
Grand Isle County Sheriff's Department

We have audited the financial statements of the business-type activities of the Grand Isle County Sheriff's 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, and if applicable, government auditing standards, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 28, 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 August 20, 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.

*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 November 30, 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 Department'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 Grand Isle County Sheriff's 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.

Grand Isle County Sheriff's Department  
 Corrected Misstatements  
 June 30, 2014

To remove sold car from assets

16050	Accumulated Depreciation	\$ 22,345	
16040	Vehicles		\$ 22,345

To record prepaid expense

15000	Prepaid Expense	1,000	
75100	Other Expense- R&R Camp		1,000

To record unrecorded liabilities at year end

59275	DPS Port Security Grant	2,577	
71900	Officer- Department Expense	99	
20001	Accounts Payable		2,676

To record this year's depreciation expense

76000	Depreciation Expense	49,299	
16050	Accumulated Depreciation		49,299

To record assets that were expensed

16010	Equipment	58,372	
59280	Grants Homeland Security		57,591
59395	GHSP Equipment Investigation		781

Grand Isle County Sheriff's Department

Financial Statements

June 30, 2014

(With Independent Auditors' Report)

Grand Isle County Sheriff's Department

June 30, 2014

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Independent Auditors' Report

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

**Report on the Financial Statements**

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, 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 statement 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 Grand Isle County Sheriff's Department of the County of Grand Isle, Vermont, 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 30, 2014 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.



November 30, 2014  
VT Reg. No. 92-349

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

**Assets:**

Current assets	
Cash	\$ 72,890
Accounts receivable	106,476
Prepaid expenses	<u>8,069</u>
Total current assets	187,435
Vehicles and equipment, net of accumulated depreciation	166,244
Restricted cash	<u>11,514</u>
Total assets	<u>365,193</u>

**Liabilities:**

Current liabilities	
Accounts payable	3,843
Accrued payroll and related expenses	23,383
Current portion of long-term debt	7,567
Amounts held for others	<u>24,389</u>
Total current liabilities	59,182
Long-term debt - less current portion	<u>14,667</u>
Total liabilities	<u>73,849</u>

**Net Position:**

Net investment in capital assets	144,010
Restricted cash	11,514
Unrestricted	<u>135,820</u>
Total net position	<u>\$ 291,344</u>

See accompanying notes and independent auditors' report.



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

<b>Operating Revenues</b>	
Charges for services	\$ 483,067
Operating grants	121,276
Miscellaneous revenues	<u>12,695</u>
Total operating revenues	<u>617,038</u>
<b>Operating Expenses</b>	
Contracted services	362,094
Operating grants	113,797
Process services	4,042
Administration and general	24,302
Automotive services	55,169
Depreciation	<u>49,299</u>
Total operating expenses	<u>608,703</u>
Net operating income	<u>8,335</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	65
Interest expense	(1,064)
Gain on sale of asset	<u>2,000</u>
Total non-operating revenues (expenses)	<u>1,001</u>
Income before contributions	9,336
Capital contributions from grants	57,591
Change in net position	66,927
Net position, beginning of year	<u>224,417</u>
Net position, end of year	<u><u>\$ 291,344</u></u>

See accompanying notes and independent auditors' report.

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

<b>Operating activities</b>	
Cash received from customers	\$ 459,314
Operating grants received	112,651
Cash payments to suppliers for goods and services	(182,674)
Cash payments to employees for services	<u>(372,732)</u>
Net cash provided by operating activities	<u>16,559</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(92,611)
Proceeds from the sale of equipment	2,000
Proceeds from capital contributions from grants	57,591
Principal payments on loans	(8,848)
Interest paid on loans	<u>(1,064)</u>
Net cash used by capital and related financing activities	<u>(42,932)</u>
<b>Cash flows from investing activities</b>	
Interest earned	<u>65</u>
Net decrease in cash	(26,308)
Cash, beginning of year	<u>110,712</u>
Cash, end of year	<u>\$ 84,404</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Net operating income	\$ <u>8,335</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	49,299
Changes in:	
Increase in receivables	(51,552)
Increase in prepaid expenses	(1,080)
Increase in amounts held for others	6,479
Decrease in accounts payable	(2,139)
Increase in accrued payroll and payroll items	<u>7,217</u>
Total adjustments	<u>8,224</u>
Net cash provided by operating activities	<u>\$ 16,559</u>
Cash consists of:	
Cash	\$ 72,890
Restricted cash	<u>11,514</u>
	<u>\$ 84,404</u>

See accompanying notes and independent auditors' report.

Grand Isle County Sheriff's Department  
Notes to Financial Statements  
June 30, 2014

(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 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) 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.

Grand Isle County Sheriff's Department  
Notes to Financial Statements  
June 30, 2014

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 Position

Unrestricted net position for proprietary funds represent the net position 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, 2014, as the Department believes all accounts will be collected.

(g) Subsequent Events

In accordance with ASC 855, the Department evaluated subsequent events through November 30, 2014, the date the Department's financial statements were available to be used and all such events or transactions have been disclosed.

Grand Isle County Sheriff's Department  
Notes to Financial Statements  
June 30, 2014

(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, 2014.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 84,354	\$ 101,651
Uninsured deposits	-	-
Cash on hand	<u>50</u>	<u>-</u>
Total cash deposits	<u>\$ 84,404</u>	<u>\$ 101,651</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, 2014 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 274,830	\$ 30,218	\$ (22,345)	\$ 282,703
Equipment	<u>82,965</u>	<u>62,393</u>	<u>-</u>	<u>145,358</u>
Total vehicles and equipment	357,795	92,611	(22,345)	428,061
Less accumulated depreciation	<u>(234,863)</u>	<u>(49,299)</u>	<u>22,345</u>	<u>(261,817)</u>
Vehicles and equipment, net	<u>\$ 122,932</u>	<u>\$ 43,312</u>	<u>\$ -</u>	<u>\$ 166,244</u>

Grand Isle County Sheriff's Department  
Notes to Financial Statements  
June 30, 2014

(4) Cost Sharing / Related Parties

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, 2014 has not been determined.

(5) 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.

(6) Long - Term Debt

Long-term debt as of June 30, 2014 consists of notes payable to Merchants Bank:

4.71% note due October 2, 2013 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 1,562	\$ -	\$ (1,562)	\$ -	\$ -

4.07% note due April 19, 2017 as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
\$ 29,520	\$ -	\$ (7,286)	\$ 7,567	\$ 14,667

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

<u>Year ended June 30,</u>	
2016	\$ 7,886
2017	<u>6,781</u>
Total	<u>\$ 14,667</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, 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 Grand Isle County Sheriff's Department of the County of Grand Isle, Vermont (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Grand Isle County Sheriff's Department's basic financial statements, and have issued our report thereon dated November 30, 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 the 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.

  
November 30, 2014  
VT Reg. No. 92-349