

Lamoille County Sheriff's Department

Financial Statements

June 30, 2010

Lamoille County Sheriff's Department

June 30, 2010

Table of Contents

	<u>Pages</u>
Independent Auditors' Report	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8
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 <i>Government Auditing Standards</i>	

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, 2010, 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, 2010 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 January 15, 2011 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.

January 15, 2011
VT Reg. No. 92-349

Lamoille County Sheriff's Department
Statement of Net Assets
June 30, 2010

Assets:

Current assets

Cash	\$	686,588
Accounts receivable		69,544
Certificate of deposit		71,459
Prepaid expenses		<u>2,294</u>

Total current assets 829,885

Vehicles and equipment, net of accumulated depreciation 966,170

Cash - restricted 222,980

Total assets 2,019,035

Liabilities:

Current liabilities

Accounts payable		13,942
Accrued payroll and payroll items		<u>116,849</u>

Total liabilities 130,791

Net assets:

Restricted cash		222,980
Invested in capital assets		966,170
Unrestricted		<u>699,094</u>

Total net assets \$ 1,888,244

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, 2010

Operating revenues:	
Charges for services	\$ 2,149,238
Operating grants	34,500
County reimbursements	133,313
Miscellaneous revenues	<u>58,553</u>
Total operating revenues	<u>2,375,604</u>
 Operating expenses:	
Contracted services	619,539
Process services	56,097
Transportation services	27,037
Administration and general	426,726
Communications services	720,901
Automotive services	60,458
Grant services	3,440
Depreciation	<u>167,184</u>
Total operating expenses	<u>2,081,382</u>
Net operating income	294,222
 Non-operating revenues:	
Interest income	<u>7,871</u>
Net income	302,093
Net assets, beginning of year	<u>1,586,151</u>
Net assets, end of year	<u><u>\$ 1,888,244</u></u>

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, 2010

Operating activities:

Cash received from customers	\$ 2,312,635
Cash received from operating grants	34,500
Cash payments to suppliers for goods and services	(763,787)
Cash payments to employees for services	<u>(1,161,898)</u>
Net cash provided by operating activities	<u>421,450</u>

Cash flows from capital and related financing activities:

Interest income	7,871
Acquisition of capital assets	<u>(499,894)</u>
Net cash used by capital and related financing activities	<u>(492,023)</u>
Net decrease in cash	(70,573)
Cash, beginning of year	<u>1,051,600</u>
Cash, end of year	<u><u>\$ 981,027</u></u>

Reconciliation of operating income to net cash provided by operating activities:

Net operating income	<u>\$ 294,222</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	167,184
Increase in accounts receivable	(28,467)
Increase in prepaid expenses	(624)
Decrease in accounts payable	(35,344)
Increase in accrued payroll and payroll taxes	<u>24,479</u>
Total adjustments	<u>127,228</u>
Net cash provided by operating activities	<u><u>\$ 421,450</u></u>
Cash consists of:	
Cash and cash equivalents	\$ 758,047
Restricted cash	<u>222,980</u>
	<u><u>\$ 981,027</u></u>

The accompanying notes are an integral part of these statements.

Lamoille County Sheriff's Department
Notes to Financial Statements
June 30, 2010

(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) 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. The Department considers all certificate 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.

Lamoille County Sheriff's Department
Notes to Financial Statements
June 30, 2010

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

(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 receivable are due within one year. The Department did not record an allowance for uncollectible accounts at June 30, 2010, as management believes all amounts will be collected.

(i) Subsequent Events

Effective June 30, 2010, the Department adopted FASB ASC 855, *Subsequent Events*. Under FASB ASC 855, subsequent events are defined as events or transactions that occur after the statement of net assets, but before the financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the statement of net assets. Unrecognized subsequent events are events or transactions that provide evidence about conditions that did not exist at the date of the statement of net assets, but arose before the financial statements are issued. Recognized subsequent events are recorded in the statement of net assets and unrecognized subsequent events are excluded from the statement of net assets but are disclosed in the notes to the financial statements if their effect is material. In accordance with FASB ASC 855, the Department evaluated subsequent events through January 15, 2011, the date the Department's financial statements were available to be used and no events or transactions occurred.

Lamoille County Sheriff's Department
Notes to Financial Statements
June 30, 2010

(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 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, 2010.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 761,814	\$ 761,814
Uninsured deposits	218,713	261,095
Cash on hand	<u>500</u>	<u>-</u>
Total cash deposits	<u>\$ 981,027</u>	<u>\$ 1,022,909</u>

(3) Certificate of Deposit

At June 30, 2010, the Department had \$71,459 invested in a 180-day certificate of deposit, with interest at 0.65%.

(4) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2010 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 475,064	\$ 40,948	\$ -	\$ 516,012
Equipment	1,133,206	97,358	-	1,230,564
Leasehold improvements	<u>-</u>	<u>361,588</u>	<u>-</u>	<u>361,588</u>
Total vehicles and equipment	1,608,270	499,894	-	2,108,164
Less accumulated depreciation	<u>(974,810)</u>	<u>(167,184)</u>	<u>-</u>	<u>(1,141,994)</u>
Vehicles and equipment, net	<u>\$ 633,460</u>	<u>\$ 332,710</u>	<u>\$ -</u>	<u>\$ 966,170</u>

Lamoille County Sheriff's Department
Notes to Financial Statements
June 30, 2010

(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, 2010 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, 2010, 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.

(8) Operating Lease

The Department leases their storage space in addition to tower locations, which expire in 2014. Amounts expensed under these leases totaled \$36,300 for the year ended June 30, 2010. Future minimum payments are as follows:

Year ending <u>June 30,</u>	
2011	\$ 27,300
2012	13,425
2013	2,400
2014	<u>2,400</u>
	<u>\$ 45,525</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

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, 2010, which comprise the Lamoille County Sheriff's Department's basic financial statements, and have issued our report thereon dated January 15, 2011. 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 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 any 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*.

McSOLEY McCOY



Certified Public Accountants and Business Advisors

CO.

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.

January 15, 2011
VT Reg. No. 92-349