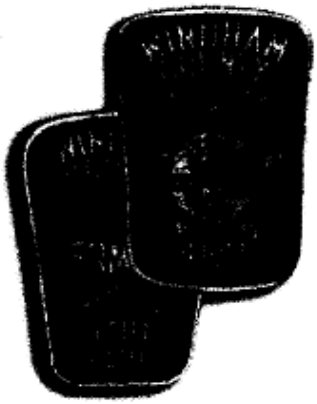

Windham County Sheriff's Department

FINANCIAL STATEMENTS
JUNE 30, 2009

DAVIS & HODGDON
ASSOCIATES

CPAs ▪ PLC

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

Mr. Keith Clark, Sheriff
Windham County Sheriff's Department
Newfane, Vermont

We have audited the accompanying statement of financial position of the business-type activities of the Windham County Sheriff's Department as of June 30, 2009 and the related statement of revenues, expense and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the Windham County Sheriff's Department. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in 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 Windham County Sheriff's Department as of June 30, 2009 and the changes in its net assets and its 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 December 31, 2009, on our consideration of the Windham 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 that 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Windham County Sheriff's Department has not presented the Management's Discussion and Analysis and budgetary comparison, that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Davis & Hodgdon Associates CPAs, PLC

Williston, Vermont
December 31, 2009

Licensed
VT Accounting Firm
#92-0000343

WINDHAM COUNTY SHERIFF'S DEPARTMENT

STATEMENT OF NET ASSETS
June 30, 2009

	2009
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 80,403
Certificate of deposit	10,123
Accounts receivable	105,609
Prepaid insurance	2,836
Total current assets	198,971
PROPERTY AND EQUIPMENT, net	198,804
Total assets	$ 397,775
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 53,640
Accrued expenses	64,932
Current portion of capital lease obligation	45,692
Total current liabilities	164,264
CAPITAL LEASE OBLIGATION, net of current portion	62,710
Total liabilities	226,973
NET ASSETS	
Invested in capital assets, net of related debt	90,402
Unrestricted net assets	80,400
Total net assets	170,802
Total liabilities and net assets	$ 397,775

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

WINDHAM COUNTY SHERIFF'S DEPARTMENT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

	2009
OPERATING REVENUE	
Charges for service	$ 535,837
Operating grants	45,800
Civil process	143,068
Transportation	89,473
Miscellaneous revenue	30,135
Total operating revenue	844,313
OPERATING EXPENSES	
Contracted services	$ 371,191
Process services	37,824
Administration and general	143,882
Communication services	62,629
Automotive services	93,872
Grant expenses	16,208
Interest expenses	3,644
Miscellaneous expenses	17,415
Depreciation	55,589
Total operating expense	802,254
Net operating income	42,059
OTHER INCOME	
Interest income	841
Gain on sale of asset	5,550
Total other income	6,391
Net increase in net assets	48,450
NET ASSETS, beginning of the year	122,352
NET ASSETS, end of the year	$ 170,802

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

WINDHAM COUNTY SHERIFF'S DEPARTMENT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

	2009
OPERATING ACTIVITIES	
Cash received from customers	$ 745,149
Operating grants received	45,800
Cash payments to suppliers for goods and services	(230,309)
Cash payments to employees for services	(473,042)
Net cash provided by operating activities	87,598
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(120,411)
Proceeds from sale of equipment	5,550
Proceeds from issuance of capital lease	80,141
Principal payments on captial lease	(31,207)
Net cash used by capital and related financing activities	(65,927)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment in certificate of deposit	(10,123)
Interest earned	841
Net cash used by investing activities	(9,282)
Net cash increase	12,389
CASH, beginning of the year	68,014
CASH, end of the year	$ 80,403
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating income	$ 42,059
Adjustments to reconcile operating income to net net cash provided by operating activities:	
Depreciation	55,589
Changes in:	
Accounts receivable	(53,363)
Prepaid insurance	(2,836)
Accounts payable	17,982
Accrued expenses	28,168
Total adjustments	45,539
Net cash flow provided by operating activities	$ 87,598

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

WINDHAM COUNTY SHERIFF'S DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

The Windham County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Windham, Vermont. Funding is provided by the State of Vermont and the County of Windham. 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 summary of the Department's significant accounting policies follows:

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.

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.

Cash and cash equivalents

The Department considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Accounts receivable

Significant receivables include amounts due from state, town, and other contracts. These receivables are due within one year.

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts

The department has adopted the direct write-off method to recognize bad debts. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. The effect of using the direct write-off method is not considered materially different from the results that would have been obtained under the allowance method at June 30, 2009.

Property and equipment

Property 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.

Estimated useful lives by major classification are as follows:

Office furniture	5 years
Communication equipment	5-7 years
Vehicles	5 years

Net asset classification

Unrestricted net assets for proprietary funds represent the net assets available for future operations or distributions.

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.

Note 2. Certificate of Deposit

On June 30, 2009 the Department had $10,123 invested in a 210-day certificate of deposit, with interest at 1.4%. Interest earned and reinvested for the year ended June 30, 2009 amounted to $11.

Note 3. Property and Equipment

Property and equipment are summarized as of June 30, 2009 by major classification as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Vehicles	$ 475,330	$ 116,436	$ (71,696)	$ 520,070
Office equipment	111,313	--	--	111,313
Communication equipment	291,772	--	--	291,772
Patrol equipment	71,553	3,975	--	75,528
Total property and equipment	949,968	120,411	(71,696)	998,683
Less accumulated depreciation	(815,986)	(55,589)	71,696	(799,879)
Property and equipment, net	$ 133,982	$ 64,822	$ --	$ 198,804

Note 4. Capital Leases

The Department leases vehicles under agreements that are classified as capital leases due to a bargain purchase option at the completion of the leases. The cost of equipment under the capital leases is included in the statement of financial position as property and equipment and totaled $163,017 at June 30, 2009 Accumulated amortization of the leased equipment at June 30, 2009 was $20,718. Amortization of assets under capital leases is included in depreciation expense.

Future minimum lease payments under the agreement are as follows:

2010	$ 45,692
2011	$ 48,679
2012	14,031
Total	$ 108,402

Note 5. Cost Sharing

Under Vermont law, Windham County (the County) and the State of Vermont (the State) are required to cover certain costs of the Windham 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 Department and reimbursed by the County and State during the year ended June 30, 2009 has not been determined.

Note 6. Operating Grants

The Windham 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, 2009, management believes that no material liabilities will result from such audits.

Note 7. Risk Management

The 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 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.

Note 8. Related Party Transaction

Certain family members of the Sheriff perform services for the Department. All are considered to be within normal course of business. Related party transactions totaled $36,405 as of June 30, 2009

Note 9. Prior Period Restatement

During the year ended June 30, 2009 three changes were made to the Department's net assets to properly account for their prepaid expenses and their accrued wages. These adjustments increased current assets by $32,576 and current liabilities by $17,247 and increased net assets by $15,329.

SUPPLEMENTAL INFORMATION

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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.

Mr. Keith Clark, Sheriff
Windham County Sheriff's Department
Newfane, Vermont

We have audited the financial statements of the business-type activities of Windham County Sheriff's Department (the "Department") as of and for the year ended June 30, 2009, which comprise the Department's basic financial statements and have issued our report thereon dated December 31, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the business-type activities of Windham County Sheriff's Department as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Deficiency Noted

There is not staff at the Department that has the requisite experience necessary to prepare the Department's financial statements, including the related footnote disclosures, in accordance with generally accepted accounting principles. Under the Statement on Auditing Standards (SAS) No. 112, this is considered a significant control deficiency for the year ended June 30, 2009

Management's Response

Management has evaluated the results of the deficiency and after considering factors such as (1) Risk associated with not employing an internal member of staff with sufficient knowledge and skills to prepare financial statements in accordance with generally accepted accounting principles, (2) cost associated with the retention of such an employee, and (3) alternative controls in place to mitigate exposure to the Department and the process of preparing and reviewing complete and accurate financial statements. Management feels appropriate alternative controls are in place to mitigate risk and reduce exposure to an acceptable level and had decided not to employ such an individual at this time. Management will continue to monitor and periodically review this decision and take appropriate additional action in the future, if deemed necessary.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Windham County Sheriff's Department financial statements are free of material misstatement, 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 the 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.

Davis & Hodgdon Associates CPAs PLC

Williston, Vermont
December 31, 2009