Windham County Sheriff's Department

Financial Statements

For the Five Months Ended June 30, 2007

Windham County Sheriff's Department

For the Five Months Ended June 30, 2007

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Schedule of Findings and Questioned Costs

McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities of the Windham County Sheriff's Department of the County of Windham, Vermont, as of and for the five months ended June 30, 2007, 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 Windham County Sheriff's Department of the County of Windham, Vermont, as of June 30, 2007 and the respective changes in financial position and cash flows for the five months 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 February 22, 2008, 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 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.

Windham 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.

February 22, 2008
VT Reg. No. 92-349

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Windham County Sheriff's Department
Statement of Net Assets
June 30, 2007

Assets:		
Current assets		
Cash (note 2)	$	47,089
Accounts receivable		65,761
Due from other governments		25,521
Prepaid expenses		14,806
Total current assets		153,177
Vehicles and equipment, net of accumulated depreciation (note 3)		96,072
Total assets		249,249
Liabilities:		
Current Liabilities		
Accounts payable		49,839
Accrued payroll and payroll taxes		32,847
Total liabilities		82,686
Net assets:		
Invested in capital assets		96,072
Unrestricted		70,491
Total net assets	$	166,563

The accompanying notes are an integral part of these statements.

Windham County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Assets
For the Five Months Ended June 30, 2007

Operating Revenues:	
Charges for services	$ 242,497
Operating grants	53,509
Civil process	38,737
Transportation	47,294
Miscellaneous revenues	7,653
Total operating revenues	389,690
Operating Expenses:	
Contracted services	154,540
Process services	20,485
Administration and general	107,838
Communications services	13,177
Automotive services	49,681
Grant expenses	1,227
Miscellaneous expenses	8,551
Depreciation	30,350
Total operating expenses	385,849
Net operating gain	3,841
Non-operating Revenues (Expenses):	
Gain on sale of equipment	150
Interest income	240
Interest expense	(463)
Total non-operating revenues (expenses)	(73)
Net gain	3,768
Net assets, beginning of period	162,795
Net assets, end of period	$ 166,563

The accompanying notes are an integral part of these statements.

Windham County Sheriff's Department
Statement of Cash Flows
For the Five Months Ended June 30, 2007

Operating activities:	
Cash received from customers	$ 281,961
Cash received from operating grants	53,509
Cash payments to suppliers for goods and services	(151,637)
Cash payments to employees for services	(184,073)
Net cash used by operating activities	(240)
Cash flows from capital and related financing activities:	
Sale of equipment	150
Interest income	240
Interest paid on loans	(463)
Net cash used by capital and related financing activities	(73)
Net decrease in cash	(313)
Cash, beginning of period	47,402
Cash, end of period	$ 47,089
Reconciliation of operating gain to net cash used by operating activities:	
Net operating gain	$ 3,841
Adjustments to reconcile operating gain to net cash used by operating activities	
Depreciation	30,350
Increase in accounts receivable	(62,278)
Decrease in grant receivable	11,002
Decrease in prepaid expense	5,626
Increase in accrued payroll	23,679
Decrease in other liabilities	(20,951)
Increase in accounts payable	8,491
Total adjustments	(4,081)
Net cash used by operating activities	$ (240)

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

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) 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 has recorded an allowance in the amount of $5,000 for uncollectible accounts at June 30, 2007.

(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.

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, 2007.

	Book Balance	Bank Balance
Insured deposits	$ 47,064	$ 63,100
Uninsured deposits	-	-
Cash on hand	25	-
Total cash deposits	$ 47,089	$ 63,100

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2007 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	$ 446,215	$ -	$ (11,900)	$ 434,315
Office equipment	110,081	-	-	110,081
Communication equipment	291,772	-	-	291,772
Patrol equipment	71,553	-	-	71,553
Total vehicles and equipment	919,621	-	(11,900)	907,721
Less accumulated depreciation	(793,199)	(30,350)	11,900	(811,649)
Vehicles and equipment, net	$ 126,422	$ (30,350)	$ -	$ 96,072

(4) Cost Sharing

Under Vermont law, Windham County and the State of Vermont 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 County and State during the five months ended June 30, 2007 has not been determined.

(5) 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, 2007, 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.

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

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

We have audited the financial statements of the business-type activities of the Windham County Sheriff's Department of the County of Windham, Vermont (the Department) as of and for the five months ended June 30, 2007, which comprise the Windham County Sheriff's Department's basic financial statements, and have issued our report thereon dated February 22, 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 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 on 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 in a timely manner. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to record, process, summarize, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a 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. The significant deficiency is described in the accompanying schedule of findings and questioned costs as 2007-01.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

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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.

This report 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.

February 22, 2008
VT Reg. No. 92-349

Windham County Sheriff's Department
Schedule of Findings and Questioned Costs
For the Five Months Ended June 30, 2007

Internal Control – Significant Deficiency

Finding

2007-01 Approval of Payroll Summary and Timesheets

The State of Vermont Uniform Accounting Manual for County Sheriff Departments requires that the Sheriff approve the deputies' timesheets or payroll summary. Our review of payroll summary for the period under audit indicated that the Sheriff was not always documenting his approval of timesheets. We recommend that the Sheriff document his approval of all timesheets.

Management Response

The Department will delegate the task of approving the payroll summary and timesheets to a responsible employee. The Department's Sheriff will also review the payroll summary and timesheets periodically to ensure approval is being documented.