

December 18, 2015

W. Samuel Hill, Sheriff
Washington County Sheriff's Department

We have audited the financial statements of the business-type activities of the Washington County Sheriff's Department (the "Department") for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 2, 2015. 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 July 2, 2015, 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 October 26, 2015.

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 Washington County Sheriff's 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 2015. 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.

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. The attached schedule summarizes 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 18, 2015.

Management Consultations with Other Independent Accountants

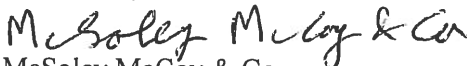
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of 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 Washington 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.

Client: **Vermont Sheriff Departments**
 Engagement: **AUD - Washington County Sheriff's Department**
 Period Ending: **6/30/2015**
 Trial Balance: **TB**
 Workpaper: **1400.10 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To record gain on trade of vehicles				
18021	Vehicle purchases		5,300.00	
60000	Gain (loss) on sale equipment			5,300.00
Total			5,300.00	5,300.00
Adjusting Journal Entries JE # 3				
To adjust vehicle depreciation				
58200	Depreciation - Vehicles		5,664.00	
18022	Accum depreciation - vehicles			5,664.00
Total			5,664.00	5,664.00
Adjusting Journal Entries JE # 4				
Adding back Edson write off done at 6/30/07				
13002	A/R - Edson		15,075.00	
47090	Miscellaneous income			15,075.00
Total			15,075.00	15,075.00
Adjusting Journal Entries JE # 5				
To record payroll paid by the state				
50116	Wages - State Paid Sheriff/Dep		175,589.00	
50121	Employer SS & MED taxes		12,337.00	
50122	Employer SUTA & HC expense		89.00	
50131	Health insurance		51,897.00	
50132	Disability insurance		667.00	
50134	Dental insurance		3,348.00	
50135	Retirement contribution		24,627.00	
47041	Support from State			268,554.00
Total			268,554.00	268,554.00

Washington County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2015

Washington County Sheriff's Department

June 30, 2015

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Independent Auditors' Report

W. Samuel Hill, Sheriff
Washington County Sheriff's Department
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary activities of the Washington County Sheriff's Department of the County of Washington, Vermont (the "Department"), as of and for the year ended June 30, 2015, as listed in the table of contents.

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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Department'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 Department'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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the 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 proprietary activities of the Department as of June 30, 2015, 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 Matter

Washington 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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 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 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 important for assessing the results of our audit.

McSoley McCoy & Co.

December 18, 2015
VT Reg. No. 92-349

Washington County Sheriff's Department
Statement of Net Position
June 30, 2015

Assets:

Current assets

Cash and cash equivalents	\$ 824,172
Accounts receivable	155,962
Prepaid expenses	<u>12,247</u>

Total current assets 992,381

Vehicles and equipment, net of accumulated depreciation 124,408

Total assets 1,116,789

Liabilities:

Current liabilities

Accounts payable	14,235
Unearned revenue	7,865
Accrued payroll and payroll taxes	<u>24,722</u>

Total current liabilities 46,822

Net position:

Unrestricted net position	945,559
Investment in capital assets	<u>124,408</u>

Total net position \$ 1,069,967

The accompanying notes are an integral part of these statements.

Washington County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues:

Services:

Charges for services	\$ 733,776
Process services	156,664
Transport services	94,702
Jail services	4,015
Operating grants	52,663
County support	498,221
Miscellaneous revenues	<u>56,212</u>

Total operating revenues 1,596,253

Operating Expenses:

Contracted services	891,858
Process services	59,131
Vehicle expenses	93,935
Communication expenses	37,366
Administration and general	323,529
Jail expenses	4,015
Depreciation	<u>56,245</u>

Total operating expenses 1,466,079

Net operating income 130,174

Non-operating income (expenses):

Gain of sale of equipment	5,300
Interest income	1,780
Interest expense	<u>(68)</u>

Total non-operating revenues 7,012

Net income 137,186

Net position, beginning of year 932,781

Net position, end of year \$ 1,069,967

The accompanying notes are an integral part of these statements.

Washington County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2015

Operating Activities:

Cash received from customers	\$ 1,557,436
Cash received from operating grants	52,663
Cash payments to suppliers for goods and services	(546,376)
Cash payments to employees for services	<u>(892,208)</u>

Net cash provided by operating activities 171,515

Cash Flows from Capital and Related Financing Activities:

Acquisition of capital assets	(48,554)
Cash proceeds from sale of vehicle	5,300
Interest income	1,780
Interest expense	<u>(68)</u>

Net cash used by capital and related financing activities (41,542)

Net increase in cash 129,973

Cash and equivalents, beginning of year 694,199

Cash and equivalents, end of year \$ 824,172

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Net operating income \$ 130,174

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	56,245
Decrease in accounts receivable	13,846
Increase in prepaid expenses	(1,200)
Decrease in accounts payable	(6,481)
Decrease in accrued payroll and payroll taxes	<u>(21,069)</u>

Total adjustments 41,341

Net cash provided by operating activities \$ 171,515

The accompanying notes are an integral part of these statements.

Washington County Sheriff's Department
Notes to Financial Statements
June 30, 2015

(1) Summary of Significant Accounting Policies

The Washington County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Washington, Vermont. Funding is provided by the State of Vermont and the County of Washington. 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.

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.

Estimated useful lives by major classification are as follows:

Office furniture	5-7 years
Communication equipment	5-10 years
Vehicles	3-5 years

Washington County Sheriff's Department
Notes to Financial Statements
June 30, 2015

Summary of Significant Accounting Policies (continued)

(d) Unrestricted net position

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

(e) Use of estimates

The preparation of 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 30 days. The Department has not recorded an allowance for uncollectible accounts at June 30, 2015.

(g) Subsequent events

The Department evaluated subsequent events through December 18, 2015, 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 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.

Washington County Sheriff's Department
Notes to Financial Statements
June 30, 2015

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, 2015.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 569,781	\$ 582,471
Uninsured deposits	254,172	254,172
Cash on hand	<u>219</u>	<u>-</u>
Total cash deposits	<u>\$ 824,172</u>	<u>\$ 836,643</u>

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2015 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 339,353	\$ 48,552	\$ (41,050)	\$ 346,855
Equipment	<u>173,795</u>	<u>-</u>	<u>-</u>	<u>173,795</u>
Total vehicles and equipment	513,148	48,552	(41,050)	520,650
Less accumulated depreciation	<u>(381,046)</u>	<u>(56,246)</u>	<u>41,050</u>	<u>(396,242)</u>
Vehicles and equipment, net	<u>\$ 132,102</u>	<u>\$ (7,694)</u>	<u>\$ -</u>	<u>\$ 124,408</u>

(4) Cost Sharing

Under Vermont law, Washington County and the State of Vermont are required to cover certain costs of the Washington 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, 2015 has not been determined.

(5) Operating Grants

The Washington 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, 2015, management believes that no material liabilities will result from such audits.

Washington County Sheriff's Department
Notes to Financial Statements
June 30, 2015

(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.

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*

W. Samuel Hill, Sheriff
Washington County Sheriff's Department
Montpelier, Vermont

We have audited the financial statements of the business-type activities of the Washington County Sheriff's Department of the County of Washington, Vermont (the Department) as of and for the year ended June 30, 2015, which comprise the Washington County Sheriff's Department's basic financial statements, and have issued our report thereon dated December 7, 2015. 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.

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.

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*.

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 18, 2015
VT Reg. No. 92-349