

November 25, 2013

To Sheriff Michael Chamberlain  
Windsor County Sheriff's Department

We have audited the financial statements of the business-type activities of Windsor County Sheriff's Department (the Department) for the year ended June 30, 2013. 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 29, 2013. 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 29, 2013, our responsibility, as described by professional standards, is to express opinions 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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the audit. We will also communicate any internal control related matters that are required to be communicated under professional standards.

#### 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 Windsor 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 2013. We noted no transactions entered into by the governmental unit 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 trivial, and communicate them to the appropriate level of management. The attached schedules summarize corrected misstatements of the financial statements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 25, 2013.

*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 governmental unit'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 governmental unit'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 Windsor 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 McCloy & Co.

Client: **Vermont Sheriff Departments**  
 Engagement: **AUD - Windsor County Sheriff's Department**  
 Period Ending: **6/30/2013**  
 Trial Balance: **TB**  
 Workpaper: **3700.10 - Adjusting Journal Entries**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
		<b>6500.10</b>		
To match the depreciation schedule				
16010	Equipment		458.00	
16020	Accumulated Dep - Equipment		170.00	
16030	Office Equipment		257.00	
16050	Accumulated Dep - Vehicles		15,623.00	
39000	Retained Earnings		1,826.00	
16035	Accum. Depr.-Office Equipment			1,111.00
16040	Vehicles			715.00
39000	Retained Earnings			16,508.00
<b>Total</b>			<b>18,334.00</b>	<b>18,334.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
		<b>7000.17</b>		
To write off credit balance in A/P per discussion with Bruce				
55450	Miscellaneous Expense		75.00	
20001	Accounts Payable			75.00
<b>Total</b>			<b>75.00</b>	<b>75.00</b>

Windsor County Sheriff's Department

Financial Statements  
(with Independent Auditors' Report)

June 30, 2013

Windsor County Sheriff's Department

June 30, 2013

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## Independent Auditors' Report

Michael Chamberlain, Sheriff  
Windsor County Sheriff's Department  
Woodstock, Vermont

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Windsor County Sheriff's Department of the County of Windsor, Vermont (the "Department"), as of and for the year ended June 30, 2013, 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 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 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.

***Unmodified 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 Department as of June 30, 2013, 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***

Windsor 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 November 25, 2013, 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.*

November 25, 2013  
VT Reg. No. 92-349

Windsor County Sheriff's Department  
Statement of Net Position  
June 30, 2013

**Assets:**

Current assets

Cash	\$ 927,805
Accounts receivable	67,973
Due from other governments	48,594
Prepaid expenses	<u>21,738</u>

Total current assets 1,066,110

Vehicles and equipment, net of accumulated depreciation 256,272

Total assets 1,322,382

**Liabilities:**

Current Liabilities

Accounts payable	29,285
Accrued payroll and payroll taxes	<u>36,101</u>

Total current liabilities 65,386

**Net Position:**

Invested in capital assets	256,272
Unrestricted	<u>1,000,724</u>

Total net position \$ 1,256,996

The accompanying notes are an integral part of these statements.



Windsor County Sheriff's Department  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2013

<b>Operating Revenues:</b>	
Charges for services	\$ 752,821
Operating grants	33,291
Civil process	191,913
Transportation	68,891
County reimbursements	93,896
Miscellaneous revenues	<u>2,383</u>
Total operating revenues	<u>1,143,195</u>
<b>Operating Expenses:</b>	
Contracted services	389,009
Process services	69,005
Transportation services	25,722
Administration and general	485,554
Communications services	21,097
Automotive services	103,185
Grant expenses	22,962
Depreciation	<u>82,333</u>
Total operating expenses	<u>1,198,867</u>
Net operating income	<u>(55,672)</u>
<b>Non-operating Revenues:</b>	
Interest income	1,135
Gain on sale of equipment	<u>11,000</u>
Total non-operating revenues	<u>12,135</u>
Net income	(43,537)
Net position beginning of year	<u>1,300,533</u>
Net position end of year	<u>\$ 1,256,996</u>

The accompanying notes are an integral part of these statements.

Windsor County Sheriff's Department  
Statement of Cash Flows  
For the Year Ended June 30, 2013

**Operating activities:**

Cash received from customers	\$ 1,078,332
Cash received from operating grants	33,291
Cash payments to suppliers for goods and services	(437,475)
Cash payments to employees for services	<u>(660,459)</u>

Net cash provided by operating activities 13,689

**Cash flows from capital and related financing activities:**

Purchases of vehicles and equipment	(186,570)
Sale of equipment	11,000
Interest income	<u>1,135</u>

Net cash used by capital and related financing activities (174,435)

Net decrease in cash (160,746)

Cash, beginning of year 1,088,551

Cash, end of year \$ 927,805

**Reconciliation of operating loss to net cash provided by operating activities:**

Net operating loss \$ (55,672)

Adjustments to reconcile operating loss to net cash provided by operating activities

Depreciation	82,333
Increase in accounts receivable	(18,120)
Increase in due from other governments	(13,452)
Decrease in prepaid expenses	136
Increase in accounts payable	10,491
Increase in accrued payroll and payroll taxes	<u>7,973</u>

Total adjustments 69,361

Net cash provided by operating activities \$ 13,689

The accompanying notes are an integral part of these statements.

Windsor County Sheriff's Department  
Notes to Financial Statements  
June 30, 2013

(1) Summary of Significant Accounting Policies

The Windsor County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Windsor, Vermont. The State of Vermont and the County of Windsor provide funding. 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, and 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 years
Communication equipment	5-7 years
Vehicles	5 years

Windsor County Sheriff's Department  
Notes to Financial Statements  
June 30, 2013

Summary of Significant Accounting Policies (continued)

(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 not recorded an allowance for uncollectible accounts at June 30, 2013.

(g) Subsequent events

In accordance with FASB ASC 855, the Department evaluated subsequent events through November 25, 2013, 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.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2013.

	Book Balance	Bank Balance
Insured deposits	\$ 250,000	\$ 250,000
Uninsured deposits	677,734	689,148
Cash on hand	71	-
Total cash deposits	\$ 927,805	\$ 939,148

Windsor County Sheriff's Department  
Notes to Financial Statements  
June 30, 2013

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2013 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 332,485	\$ 156,688	\$ (95,891)	\$ 393,282
Office equipment	60,026	1,269	-	61,295
Equipment	<u>257,219</u>	<u>28,614</u>	<u>-</u>	<u>285,833</u>
Total vehicles and equipment	649,730	186,571	(95,891)	740,410
Less accumulated depreciation	<u>(552,152)</u>	<u>(27,877)</u>	<u>95,891</u>	<u>(484,138)</u>
Net vehicles and equipment	<u>\$ 97,578</u>	<u>\$ 158,694</u>	<u>\$ -</u>	<u>\$ 256,272</u>

(4) Cost Sharing

Under Vermont law, Windsor County and the State of Vermont are required to cover certain costs of the 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, 2013 has not been determined.

(5) Operating Grants

The 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, 2013, management believes that no material liabilities will result from such audits.

(6) 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.

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

Michael Chamberlain, Sheriff  
Windsor County Sheriff's Department  
Woodstock, Vermont

We have audited the financial statements of the business-type activities of the Windsor County Sheriff's Department of the County of Windsor, Vermont (the Department) as of and for the year ended June 30, 2013, which comprise the Windsor County Sheriff's Department's basic financial statements, and have issued our report thereon dated November 25, 2013. 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*.

McSOLEY McCOY



CO.

Certified Public Accountants and Business Advisors

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.*

November 25, 2013

VT Reg. No. 92-349