

December 5, 2014

To Sheriff Trevor Colby  
Essex County Sheriff's Department

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Essex County Sheriff's Department (the "Department") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. 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 August 5, 2014 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 November 10, 2014.

#### 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 the 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 the period ended June 30, 2014. 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.

The financial statement disclosures are neutral, consistent, and clear.

*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. Attached is a schedule summarizing 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 5, 2014.

*Management Consultations with Other Independent Accountants*

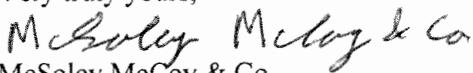
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of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

Essex County Sheriff's Department  
Corrected Misstatements  
June 30, 2014

Adjusting Journal Entries JE # 1  
To adjust accrued payroll expense to actual.

24000	Payroll Liabilities	\$	16,373		
53000	Payroll Expenses			\$	16,373

Adjusting Journal Entries JE # 2  
To adjust accounts payable for entries recorded twice.

20000	Accounts Payable		795		
56137	Ammo				795

Adjusting Journal Entries JE # 3  
To adjust accounts payable to actual.

5610	Auto Expense		3,314		
20000	Accounts Payable				3,314

Adjusting Journal Entries JE # 4  
To record revenue in the correct period.

11000	Accounts Receivable		34,615		
4010.1	Contracted Services		2,750		
40105	Budget Reimbursement		32,627		
40110	Court Security		4,025		
30020	Retained Earnings				39,402
40105	Budget Reimbursement				6,738
40110	Court Security				4,516
40147.2	Town Appropriation : Town of Granby				23,361

Adjusting Journal Entries JE # 5  
To record COPS grant revenue.

11000	Accounts Receivable		32,487		
4110	Grants				32,487

Adjusting Journal Entries JE # 6

To adjust prior year worker's comp

30020	Retained Earnings	1,839	
55001	Worker's Compensation		1,839

Adjusting Journal Entries JE # 7

To capitalize fixed assets.

16100	Office Equipment	1,018	
56106	Communications		1,018

Adjusting Journal Entries JE # 8

To record auto expense from capitalized asset

56100	Auto Expense	2,154	
16201	Original Cost		2,154

Adjusting Journal Entries JE # 9

To record write off fixed asset

13000	AD Equipment	16,603	
13001	AD Office	2,551	
13002	AD Vehicles	18,408	
16100	Office Equipment		2,551
16200	Equipment		16,603
16300	Vehicle		18,408

Adjusting Journal Entries JE # 10

To record A/R aging over 90 days (ECSD)

30020	Retained Earnings	17,102	
11000	Accounts Receivable		17,102

Adjusting Journal Entries JE # 11

To record 2013 depreciation expense.

30020	Retained Earnings	15,657	
13000	AD Equipment		6,054
13002	AD Office		9,603

Adjusting Journal Entries JE # 12

To close out 2014 loan balance.

56116	Miscellaneous Expense	10	
23003	Passumpsic (Dodge Charger)		10

Adjusting Journal Entries JE # 13

To capitalize 2014 fixed assets.

16200	Equipment	12,273	
15050	Vehicle	20,325	
23003	Retained Earnings		32,598

Adjusting Journal Entries JE # 14

To record 2014 depreciation expense.

70000	Depreciation	21,922	
13000	AD Equipment		9,927
13001	AD Office		85
13002	AD Vehicles		11,910

Essex County Sheriff's Department

Financial Statements

For the Year Ended June 30, 2014  
(With Independent Auditors' Report)

Essex County Sheriff's Department

For the Year Ended June 30, 2014

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## Independent Auditors' Report

Trevor Colby, Sheriff  
Essex County Sheriff's Department  
Guildhall, Vermont

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

We have audited the accompanying financial statements of the business-type activities of the Essex County Sheriff's Department (the Department) of the County of Essex, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements 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 the 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 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 our 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 business-type activities of the Department, as of June 30, 2014 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**

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the Essex County Sheriff's Department of the County of Essex, Vermont'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* in considering Essex County Sheriff's Department of the County of Essex, Vermont's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads 'McSoley McCoy & Co.'.

December 5, 2014  
VT Reg. No. 92-349

Essex County Sheriff's Department  
Statement of Net Position  
June 30, 2014

**Assets:**

Current assets

Cash	\$ 137,910
Accounts receivable, net of an allowance of \$1,000	88,851
Prepaid expenses	<u>274</u>

Total current assets 227,035

Vehicles and equipment, net of accumulated depreciation 68,063

Total assets 295,098

**Liabilities:**

Current liabilities

Accounts payable	3,314
Accrued payroll and payroll items	<u>1,509</u>

Total liabilities 4,823

**Net position:**

Net investment in capital assets	68,063
Unrestricted	<u>222,212</u>

Total net position \$ 290,275

The accompanying notes are an integral part of this statement.

Essex County Sheriff's Department  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2014

<b>Operating revenues:</b>	
Charges for services	\$ 194,611
Operating grants	54,470
Miscellaneous revenues	<u>1,651</u>
Total operating revenues	<u>250,732</u>
<b>Operating expenses:</b>	
Contracted services	179,237
Administration and general	20,388
Automotive services	27,594
Depreciation	<u>21,922</u>
Total operating expenses	<u>249,141</u>
Net operating income	1,591
Net position, beginning of year	251,282
Prior period adjustment	<u>37,402</u>
Net position, end of year	<u>\$ 290,275</u>

The accompanying notes are an integral part of this statement.

Essex County Sheriff's Department  
Statement of Cash Flows  
For the Year Ended June 30, 2014

<b>Operating activities:</b>	
Cash received from customers	\$ 156,047
Cash received from operating grants	54,470
Cash payments to suppliers for goods and services	(90,670)
Cash payments to employees for services	<u>(136,560)</u>
Net cash used by operating activities	<u>(16,713)</u>
 <b>Cash flows from capital and financing activities:</b>	
Purchases of fixed assets	<u>(48,300)</u>
Net decrease in cash	(65,013)
Cash, beginning of year	<u>202,923</u>
Cash, end of year	<u><u>\$ 137,910</u></u>
 <b>Reconciliation of operating income to net cash used by operating activities:</b>	
Net operating income	<u>\$ 1,591</u>
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	21,922
Increase in accounts receivable	(39,903)
Increase in accounts payable	11
Decrease in accrued payroll and payroll items	<u>(334)</u>
Total adjustments	<u>(18,304)</u>
Net cash used by operating activities	<u><u>\$ (16,713)</u></u>

The accompanying notes are an integral part of this statement.

Essex County Sheriff's Department  
Notes to Financial Statements  
For the Year Ended June 30, 2014

(1) Summary of Significant Accounting Policies

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

(d) 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. In addition, the Department considers all certificates of deposits to be cash equivalents.

Essex County Sheriff's Department  
Notes to Financial Statements  
For the Year Ended June 30, 2014

Summary of Significant Accounting Policies (continued)

(e) 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

(f) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position for proprietary funds represent the net position available for future operations or distributions.

(g) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has recorded an allowance of \$1,000 for uncollectible accounts at June 30, 2014.

(h) Subsequent events

The Department evaluated subsequent events through December 5, 2014, the date the Department's financial statements were available to be used and no events or transactions occurred.

Essex County Sheriff's Department  
Notes to Financial Statements  
For the Year Ended June 30, 2014

(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, 2014.

	Book Balance	Bank Balance
Insured deposits	\$ 137,910	\$ 141,446
Uninsured deposits	-	-
Total cash deposits	\$ 137,910	\$ 141,446

(3) Capital Assets

Vehicles and equipment are summarized as of June 30, 2014 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	\$ 154,072	\$ 22,825	\$ 18,408	\$ 158,489
Equipment	188,451	25,475	19,154	194,772
Total vehicles and equipment	342,523	48,300	37,562	353,261
Less accumulated depreciation	(318,662)	(4,098)	(37,562)	(285,198)
Vehicles and equipment, net	\$ 23,861	\$ 44,202	\$ -	\$ 68,063

(4) Cost Sharing

Under Vermont law, Essex County and the State of Vermont are required to cover certain costs of the Essex 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, 2014 has not been determined.

Essex County Sheriff's Department  
Notes to Financial Statements  
For the Year Ended June 30, 2014

(5) Operating Grants

The Essex 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, 2014, 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.

(7) Related Party Transaction

The Sheriff's father is an employee of the Department. The amount paid to the Sheriff's father during the year ended June 30, 2014 was \$5,396.

(8) Prior Period Adjustment

During 2014, the Department discovered that certain revenues and expenses were not recorded in the proper year, resulting in a restatement of the previous June 30, 2013 compiled financial statements with a decrease in net position of \$19,836.

Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Trevor Colby, Sheriff  
Essex County Sheriff's Department  
Guildhall, Vermont

We have audited, 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, the financial statements of the the business-type activities of the Essex County Sheriff's Department of the County of Essex, Vermont (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting (internal control) to determine our audit procedures that are appropriate in the circumstances 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. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2014-01, 2014-02, 2014-03 and 2014-04.

**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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance.

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.

A handwritten signature in cursive script that reads "McSoley McCoy & Co".

December 5, 2014  
VT Reg. No. 92-349

Essex County Sheriff's Department  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2014

Internal Control – Significant Deficiencies

Findings

2014-01 Segregation of Duties

We noted a lack of segregation of duties within the cash receipt and disbursement and recordkeeping areas due to the small size of the department. Separating these closely related functions in the cash receipts and disbursement system will improve internal control in these particular areas. The following procedures could be enacted to improve segregation of duties over cash receipts and disbursements and recordkeeping:

- The Sheriff, who is not involved in the accounting function, should open the mail, maintain the list of all receipts, and restrictively endorse all items received as “for deposit only”. This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited. This process would also allow the Sheriff to review the bank statement prior to the reconciliation process.
- Someone other than the check preparer and signor should mail all payments. This will ensure that all checks reach their approved designated party.
- During our audit, we also noted that the Sheriff has unlimited access to the recordkeeping function. This duty needs to be delegated to the bookkeeper only. This will prevent the Sheriff from providing other recordkeeping services to the Department.

2014-02 Employee Manual

The Department currently does not have established procedures for an employee work week, vacation leave, sick leave, compensated holidays, and other fringe benefits. The Department should establish a policy and adhere to the approved policy.

2014-03 Authorization of Invoices and Time Sheets

During our audit procedures, we noted instances when signatures or supporting documentation authorizing the invoices and employee time sheets were missing. We recommend that all invoices and time sheets are documented as approved to provide evidence of the financial reporting process and approval.

2014-04 Revenue Cutoff

During our audit, we noted that revenue was recorded when billed instead of when the services were performed. Revenue should be recorded based on when services were performed. A reliable cutoff is critical to the accuracy and reliability of the financial statements.

We suggest that a review be performed by the Department's bookkeeper to verify that year-end cutoff is performed during the months following year-end.