

March 20, 2014

To Sheriff Bill Bohnyak  
Orange County Sheriff's Department

We have audited the financial statements of the business-type activities of Orange 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 Orange 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 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 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 March 20, 2014.

*Management Consultations with Other Independent Accountants*

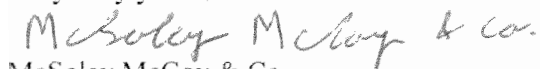
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of 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 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 Orange 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: **Audit - Orange County Sheriff's Department**  
 Period Ending: **6/30/2013**  
 Trial Balance: **3000.05 - TB**  
 Workpaper: **1400.10 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>		<b>3700.15</b>		
To reverse 06/30/2013 journal entry recorded in the wrong period				
43020	TECH Grant #2010-CKWX-0141		36,579.00	
51530	TECH Grant Expenses		7,478.00	
51530	TECH Grant Expenses		22,460.00	
51530	TECH Grant Expenses		36,679.00	
51535	VCOMM Grant		71,565.00	
55270	Deputy Uniform & Equipment		31,450.00	
55525	Miscellaneous		280.00	
57000	Automotive Services		6,415.00	
30020	Retained Earnings			35,609.00
44400	Misc. Income			3,418.00
51530	TECH Grant Expenses			36,579.00
55381	Repairs/Maintenance - Health Ct			10,504.00
55500	Bad Debt Expense			3,680.00
55520	Depreciation Expense - Equipmen			44,816.00
55525	Miscellaneous			5,895.00
57260	Vehicle Supplies & Parts			8,294.00
57530	Depreciation Expense - Vehicle			64,111.00
<b>Total</b>			<b>212,906.00</b>	<b>212,906.00</b>
<b>Adjusting Journal Entries</b>				
To adjust beginning retained earnings				
55525	Miscellaneous		7,521.00	
30020	Retained Earnings			7,521.00
<b>Total</b>			<b>7,521.00</b>	<b>7,521.00</b>
<b>Adjusting Journal Entries</b>		<b>6500.20</b>		
To record new purchase				
16010	Office Equipment		9,601.00	
16030	A/D - Equipment			9,601.00
<b>Total</b>			<b>9,601.00</b>	<b>9,601.00</b>
<b>Adjusting Journal Entries</b>		<b>6500.10</b>		
To record depreciation on equipment				
55520	Depreciation Expense - Equipmen		65,579.00	
16030	A/D - Equipment			65,579.00
<b>Total</b>			<b>65,579.00</b>	<b>65,579.00</b>
<b>Adjusting Journal Entries</b>		<b>6500.10</b>		
To record depreciation on vehicles				



Client: **Vermont Sheriff Departments**  
 Engagement: **Audit - Orange County Sheriff's Department**  
 Period Ending: **6/30/2013**  
 Trial Balance: **3000.05 - TB**  
 Workpaper: **1400.10 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>		<b>5000.15</b>		
To record revenue in proper period				
41000	Charges for Services		78,682.00	
30210	Prior Period Adjustment			78,682.00
<b>Total</b>			<b>78,682.00</b>	<b>78,682.00</b>
<b>Adjusting Journal Entries</b>		<b>5000.15</b>		
To record revenue in proper period				
1200	Accounts Receivable		50,355.00	
41000	Charges for Services			50,355.00
<b>Total</b>			<b>50,355.00</b>	<b>50,355.00</b>
<b>Adjusting Journal Entries</b>		<b>7000.15</b>		
To record expenses in the proper period.				
30210	Prior Period Adjustment		5,240.00	
51110	Wages - Special Detail Services			5,240.00
<b>Total</b>			<b>5,240.00</b>	<b>5,240.00</b>
<b>Adjusting Journal Entries</b>		<b>7000.15</b>		
To record expenses in the proper period.				
51110	Wages - Special Detail Services		5,124.00	
51180	Hospitalization Insurance		3,931.00	
53000	State Fee-15% State Share/Civil		1,245.00	
55255	Office Expenses		5,547.00	
55259	Utilities		387.00	
57270	Gas		5,187.00	
2000	Accounts Payable			21,421.00
<b>Total</b>			<b>21,421.00</b>	<b>21,421.00</b>
<b>Adjusting Journal Entries</b>		<b>8500.25</b>		
To adjust for accrued wages				
65600	Payroll Expenses		3,084.00	
20110	Accrued Wages			3,084.00
<b>Total</b>			<b>3,084.00</b>	<b>3,084.00</b>
<b>Adjusting Journal Entries</b>		<b>6500.10</b>		
To record a loss on retired equipment.				
44300	Sales-Equip-Matrl-Supplies		619.00	
16010	Office Equipment			619.00

Client: **Vermont Sheriff Departments**  
 Engagement: **Audit - Orange County Sheriff's Department**  
 Period Ending: **6/30/2013**  
 Trial Balance: **3000.05 - TB**  
 Workpaper: **1400.10 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Total</b>			<u><u>619.00</u></u>	<u><u>619.00</u></u>
<b>Adjusting Journal Entries</b>		<b>7500.10</b>		
	To adjust ending balance for loans			
60000	Interest Expense		4,062.00	
22026	3 Vehicle Loan			2,619.00
22500	Equity Line of Credit			1,443.00
<b>Total</b>			<u><u>4,062.00</u></u>	<u><u>4,062.00</u></u>
<b>Adjusting Journal Entries</b>		<b>6000.05</b>		
	To adjust for prepaid insurance paid in 2013			
15050	Prepaid Insurance		7,904.00	
55183	Workers Comp Ins			7,904.00
<b>Total</b>			<u><u>7,904.00</u></u>	<u><u>7,904.00</u></u>
<b>Adjusting Journal Entries</b>		<b>8500.30</b>		
	To adjust for accrued vacation payroll			
65600	Payroll Expenses		3,970.00	
21000	Payroll Liabilities			3,970.00
<b>Total</b>			<u><u>3,970.00</u></u>	<u><u>3,970.00</u></u>
<b>Adjusting Journal Entries</b>		<b>6500.25</b>		
	To capitalize building improvements			
16015	Building Improvements		28,776.00	
55310	Professional Services/Expenses			17,297.00
55380	Repair/Maintenance-Office/Dept			11,479.00
<b>Total</b>			<u><u>28,776.00</u></u>	<u><u>28,776.00</u></u>
<b>Adjusting Journal Entries</b>		<b>6500.25</b>		
	To capitalize communication equipment			
16011	Communication Equipment		165,435.00	
51538	VT Dept PS 02140-70264V-116			17,918.00
51542	HSG 02140-70264v-113			117,841.00
55270	Deputy Uniform & Equipment			2,449.00
56100	Communication Health Center			1,750.00
57260	Vehicle Supplies & Parts			25,477.00
<b>Total</b>			<u><u>165,435.00</u></u>	<u><u>165,435.00</u></u>

Orange County Sheriff's Department

Financial Statements

June 30, 2013

Orange County Sheriff's Department

June 30, 2013

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Government Auditing Standards Report:

Independent Auditors' 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*



Independent Auditors' Report

Bill Bohnyak, Sheriff  
Orange County Sheriff's Department  
Chelsea, Vermont

***Report on the Financial Statements***

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

***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***

Orange 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 March 20, 2014, 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.



March 20, 2014  
VT Reg. No. 92-349

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

**Assets:**

Current assets	
Cash	\$ 43,780
Accounts receivable	164,149
Prepaid expenses	<u>2,379</u>
Total current assets	210,308
Non-current assets	
Vehicles, building improvements and equipment, net of accumulated depreciation	591,069
Restricted cash	<u>1,903</u>
Total assets	<u>803,280</u>

**Liabilities and Net Assets:**

Current liabilities	
Accounts payable	31,651
Accrued payroll and payroll items	25,089
Current portion of notes payable	169,253
Current portion of capital lease obligation	<u>35,486</u>
Total current liabilities	261,479
Notes payable, net of current portion	60,739
Capital lease obligation, net of current portion	<u>41,067</u>
Total liabilities	<u>363,285</u>

**Net assets:**

Unrestricted	153,568
Restricted cash	1,903
Invested in capital assets, net of related debt of \$306,545	<u>284,524</u>
Total net position	<u>\$ 439,995</u>

See accompanying notes and independent auditors' report.

Orange 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	\$ 561,865
Jail revenue	1,825
Operating grants	494,043
County reimbursements	121,447
Miscellaneous revenues	<u>29,784</u>
 Total operating revenues	 <u>1,208,964</u>
<b>Operating Expenses:</b>	
Contracted services	323,063
Process services	19,992
Jail services	3,917
Grant expenses	74,237
Transportation services	18,951
Administration and general	554,541
Communications services	26,700
Automotive services	120,596
Depreciation	<u>132,656</u>
 Total operating expenses	 <u>1,274,653</u>
 Net operating loss	 <u>(65,689)</u>
<b>Non-operating expense:</b>	
Interest expense	(5,512)
Gain on the sale of equipment	<u>9,228</u>
 Net loss	 <u>(61,973)</u>
 Net position, beginning of year, before prior period reinstatement	 428,527
Prior period restatement	<u>73,441</u>
 Net position, beginning of year, after prior period reinstatement	 <u>501,968</u>
 Net position, end of year	 <u>\$ 439,995</u>

See accompanying notes and independent auditors' report.

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

**Operating activities:**

Cash received from customers	\$ 722,004
Cash received from operating grants	494,043
Cash payments to suppliers for goods and services	(419,701)
Cash payments to employees for services	<u>(692,906)</u>

Net cash used by operating activities 103,440

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

Acquisition of capital assets	(300,260)
Principal payments on notes payable	(18,806)
Principal payments on capital lease	(32,214)
Cash proceeds from notes payables	75,000
Interest expense	(5,512)
Proceeds from the sale of equipment	33,521
Gain on sale of equipment	<u>9,228</u>

Net cash used by capital and related financing activities (239,043)

Net decrease in cash (135,603)

Cash, beginning of year 181,286

Cash, end of year \$ 45,683

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

Net operating loss \$ (65,689)

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

Depreciation	132,656
Increase in accounts receivable	12,323
Increase in prepaid expenses	656
Increase in accounts payable	15,046
Increase in accrued payroll and payroll items	<u>8,448</u>

Total adjustments 169,129

Net cash provided by operating activities \$ 103,440

Cash consists of:

Cash and cash equivalents	\$ 43,780
Restricted cash	<u>1,903</u>

\$ 45,683

See accompanying notes and independent auditors' report.

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

(1) Summary of Significant Accounting Policies

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

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.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

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

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

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

(d) Unrestricted and restricted net assets

Unrestricted net assets for proprietary funds represent the net assets available for future operations or distributions. Restricted net assets represent net assets available for the DARE program fund.

(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 receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2013, as all amounts are deemed collectible.

(g) Subsequent events

The Department evaluated subsequent events through March 20, 2014, 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.

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

(2) 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, 2013.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 36,556	\$ 56,238
Undeposited funds	9,027	-
Cash on hand	100	-
Total cash funds	\$ 45,683	\$ 56,238

(3) Vehicles, Building Improvements and Equipment

Vehicles, building improvements 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	\$ 356,825	\$ 176,243	\$ (132,270)	\$ 400,798
Building improvements	-	28,776	-	28,776
Equipment	474,579	175,036	(1,855)	676,536
Total	831,404	380,055	(134,125)	1,077,334
Less accumulated depreciation	(462,005)	(132,656)	108,396	(485,140)
Net	\$ 369,399	\$ 247,399	\$ (25,729)	\$ 591,069

(4) Long-term Debt

Long-term debt as of June 30, 2013 consists of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Current Maturities</u>	<u>Ending Balance</u>
Mascoma Savings Bank:					
2.50% interest only note due May 12, 2014 as follows:					
	\$ 75,000	\$ 75,000	\$ -	\$ 150,000	\$ 150,000
4.00% interest note due May 22, 2017 as follows:					
	\$ 98,798	\$ -	\$ 18,806	\$ 19,253	\$ 79,992



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

Long-term Debt (continue)

Future maturities of long-term debt are presented in the following table:

Year ending June 30:	
2014	\$ 169,253
2015	20,038
2016	20,854
2017	<u>19,847</u>
	<u>\$ 229,992</u>

(5) Capital Leases

The Department leases vehicles under agreements that are classified as capital leases due to a bargain purchase option at the completion of the leases. The cost of vehicles under the capital leases is \$134,517 at June 30, 2013. Accumulated depreciation at June 30, 2013 was \$24,898. Depreciation of assets under capital leases is included in depreciation expense. Future minimum lease payments under the agreement are as follows:

Year Ending <u>June 30:</u>	
2014	\$ 35,486
2015	28,177
2016	<u>21,763</u>
	85,426
Amount representing interest	<u>(8,873)</u>
	<u>\$ 76,553</u>

(6) Cost Sharing

Under Vermont law, Orange 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 fully expended by the County and State during the year ended June 30, 2013 has not been determined.

(7) 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.

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

(8) 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.

Independent Auditors' 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*

Bill Bohnyak, Sheriff  
Orange County Sheriff's Department  
Chelsea, Vermont

We have audited the financial statements of the business-type activities of the Orange County Sheriff's Department of the County of Orange, Vermont (the Department) as of and for the year ended June 30, 2013, which comprise the Orange County Sheriff's Department's basic financial statements, and have issued our report thereon dated March 20, 2014. 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2013-01, 2013-02 and 2013-03 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

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.*

March 20, 2014  
VT Reg. No. 92-349

Orange County Sheriff's Department  
Schedule of Findings and Questioned Costs  
June 30, 2013

Internal Control – Significant Deficiencies

Findings

**2013-01** Supporting documentation:

During our audit procedures, we noted a number of instances where supporting documentation could not be provided. There were a number of credit card expenses for which there was no support. There was also one contract that the Department was unable to provide to support for the rates being charged. It is imperative that supporting documentation is maintained for all expenses and contracts.

We recommend that supporting documentation be maintained in the future for better controls and tracking over the Department activity to provide evidence and approval of the financial reporting process.

Management's Response

Management agrees with this finding and will review internal control procedures to determine appropriate changes that should be made.

**2013-02** Revenue and expenses recognition:

The accrual basis of accounting requires that revenue and expenses be recognized when revenue is earned or becomes realizable and when expenses are incurred. During our audit we noted that revenue and expenses for several services performed and received were recorded to the incorrect fiscal year.

We recommend that management implement procedures to ensure all revenue and expenses be recognized to the proper period and are correctly classified. This should include reviewing invoices to determine that charges are billed for the same period the service was rendered, reviewing invoices to determine if there are prepaid amounts for coverage after year end, and reviewing invoices that are received after year end to ensure they are recorded to the proper period.

Management's Response

Management agrees with this finding and will begin reviewing revenue and expense transactions to ensure proper cutoff.

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**2013-03** Capitalization of assets:

The Department has a policy of capitalizing assets with a useful life of at least one year costing greater than \$1,000. We noted that several disbursements meeting this threshold were expensed. In addition, similar assets purchased with grant funds or received through other sources should also be considered as a capital asset with the corresponding revenue recorded, as applicable.

We recommend that the Department adhere to their capitalization policy.

Management's Response

Management agrees with this finding and will develop and implement procedures that will enhance what is already being done to recognize capital purchases. Furthermore, management of Orange County Sheriff Department will review and update its "Accounting Policies and Practices" policy to account for currently accepted practices.