

February 15, 2021

Sheriff Roger Langevin
Franklin County Sheriff's Department
St. Albans, Vermont

We have audited the financial statements of the business-type activities of Franklin County Sheriff's Department (the "Department") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, 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 September 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 summarized in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. 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. Management has corrected all such misstatements. 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 February 15, 2021.

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.

Restriction on Use

This information is intended solely for the information and use of the Department's management and the Sheriff 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 - Franklin County Sheriff's Department*
Period Ending: *6/30/2020*
Trial Balance: *3000.00 - TB*
Workpaper: *3700.05 - Adjusting Journal Entries Report*

| Account | Description | Debit | Credit |
|---|--------------------------|-------------------------|-------------------------|
| Adjusting Journal Entries JE # 1 | | | |
| To properly rollforward retained earnings | | | |
| 10000 | PTC Checking Acct | 474.00 | |
| 12000 | Accounts Receivable | 170.00 | |
| 20001 | Accounts Payable | | 35.00 |
| 32000 | Retained Earnings | | 609.00 |
| Total | | <u>644.00</u> | <u>644.00</u> |
| Adjusting Journal Entries JE # 2 | | | |
| To remove FY19's related transactions | | | |
| 32000 | Retained Earnings | 3,800.00 | |
| 55315 | Software Licensing | | 3,228.00 |
| 57261 | Fuel | | 572.00 |
| Total | | <u>3,800.00</u> | <u>3,800.00</u> |
| Adjusting Journal Entries JE # 3 | | | |
| To capitalize purchase of vehicle | | | |
| 16040 | Vehicles | 18,000.00 | |
| 55000 | Administration & General | | 18,000.00 |
| Total | | <u>18,000.00</u> | <u>18,000.00</u> |
| Adjusting Journal Entries JE # 4 | | | |
| To adjust accrued salaries to actual | | | |
| 20161 | Accrued Salary | 27,086.00 | |
| 51101 | Salaries-Contracted | | 27,086.00 |
| Total | | <u>27,086.00</u> | <u>27,086.00</u> |

Adjusting Journal Entries JE # 5

To reflect pay-off of debt account

| | | | |
|--------------|----------------------------|---------------|---------------|
| 55354 | Miscellaneous | 604.00 | |
| 23016 | ALLY Auto (2017 Chev Silv) | | 604.00 |
| Total | | 604.00 | 604.00 |

Adjusting Journal Entries JE # 6

To adjust beginning balance of debt account

| | | | |
|--------------|-------------------------|-----------------|-----------------|
| 23015 | 2017 Ford Loan #9162101 | 6,974.00 | |
| 32000 | Retained Earnings | | 6,974.00 |
| Total | | 6,974.00 | 6,974.00 |

Adjusting Journal Entries JE # 7

To adjust account balance to actual

| | | | |
|--------------|-------------------------|---------------|---------------|
| 55800 | Equipment | 239.00 | |
| 23015 | 2017 Ford Loan #9162101 | | 239.00 |
| Total | | 239.00 | 239.00 |

Adjusting Journal Entries JE # 8

To adjust account balance for revenue earned during the year recorded subsequent to year-end.

| | | | |
|--------------|---------------------|------------------|------------------|
| 12000 | Accounts Receivable | 37,743.00 | |
| 40000 | REVENUES/RECEIPTS | | 8,026.00 |
| 41101 | Patrol | | 7,068.00 |
| 41102 | Court Officer | | 15,686.00 |
| 43502 | NUSI CVOEO SubGrant | | 6,963.00 |
| Total | | 37,743.00 | 37,743.00 |

Adjusting Journal Entries JE # 9

To adjust account balance for revenue earned in 2019 recorded in current year activity

| | | | |
|--------------|----------------------------|------------------|------------------|
| 41102 | Court Officer | 2,245.00 | |
| 41202 | Traffic/Security Contracts | 16,080.00 | |
| 43502 | NUSI CVOEO SubGrant | 4,175.00 | |
| 32000 | Retained Earnings | | 22,500.00 |
| Total | | 22,500.00 | 22,500.00 |

Adjusting Journal Entries JE # 10

To record disposal of assets

| | | | |
|--------------|----------------------------|--------------------------|--------------------------|
| 16030 | A/D Equipment | 59,256.00 | |
| 16050 | A/D Vehicles | 14,272.00 | |
| 80001 | Loss on disposal of assets | 90,380.00 | |
| 16000 | Equipment | | 124,984.00 |
| 16040 | Vehicles | | 38,924.00 |
| Total | | <u>163,908.00</u> | <u>163,908.00</u> |

Adjusting Journal Entries JE # 11

To book depreciation for the year

| | | | |
|--------------|----------------------|--------------------------|--------------------------|
| 55500 | Depreciation Expense | 108,066.00 | |
| 16030 | A/D Equipment | | 40,251.00 |
| 16050 | A/D Vehicles | | 67,815.00 |
| Total | | <u>108,066.00</u> | <u>108,066.00</u> |

Adjusting Journal Entries JE # 12

To adjust account balance for expense transaction recorded as debt

| | | | |
|--------------|-----------------------|------------------------|------------------------|
| 55385 | Maintenance & Repairs | 3,000.00 | |
| 23019 | 2019 Ford SUVs | | 3,000.00 |
| Total | | <u>3,000.00</u> | <u>3,000.00</u> |

Adjusting Journal Entries JE # 13

To true up PTC debt accounts

| | | | |
|--------------|------------------------|------------------------|------------------------|
| 20001 | Accounts Payable | 3,626.00 | |
| 55610 | Interest Expense | 3,339.00 | |
| 23014 | PTC 2016 Ford Ln#70866 | | 1,076.00 |
| 23017 | PTC Loan #71902 | | 2,360.00 |
| 23018 | PTC Loan #72637 | | 3,529.00 |
| Total | | <u>6,965.00</u> | <u>6,965.00</u> |

Adjusting Journal Entries JE # 14

To remove expenses unrelated to FY20 upon search of unrecorded liabilities

| | | | |
|--------------|---------------------|-------------------------|-------------------------|
| 32000 | Retained Earnings | 29,893.00 | |
| 55176 | Employer Retirement | 27,919.00 | |
| 20001 | Accounts Payable | | 27,919.00 |
| 55176 | Employer Retirement | | 19,534.00 |
| 55181 | Medical Insurance | | 7,131.00 |
| 55315 | Software Licensing | | 3,228.00 |
| Total | | <u>57,812.00</u> | <u>57,812.00</u> |

Adjusting Journal Entries JE # 15

To adjust accrued vacation to actual

| | | | |
|--------------|------------------|------------------------|------------------------|
| 55102 | Vacation Expense | 1,309.00 | |
| 20170 | Accrued Vacation | | 1,309.00 |
| Total | | <u>1,309.00</u> | <u>1,309.00</u> |

Adjusting Journal Entries JE # 16

To adjust cash accounts for transaction cleared before year-end

| | | | |
|--------------|-------------------|-------------------------|-------------------------|
| 10000 | PTC Checking Acct | 50,307.00 | |
| 12001 | Undeposited Funds | | 50,307.00 |
| Total | | <u>50,307.00</u> | <u>50,307.00</u> |

Adjusting Journal Entries JE # 17

To adjust account balance for prior year adjustments

| | | | |
|--------------|---------------------|-------------------------|-------------------------|
| 12000 | Accounts Receivable | 19,494.00 | |
| 32000 | Retained Earnings | | 19,494.00 |
| Total | | <u>19,494.00</u> | <u>19,494.00</u> |

Adjusting Journal Entries JE # 18

To adjust payoff of line of credit account

| | | | |
|--------------|------------------------|------------------------|------------------------|
| 32000 | Retained Earnings | 5,776.00 | |
| 59501 | Line of Credit Paydown | | 5,776.00 |
| Total | | <u>5,776.00</u> | <u>5,776.00</u> |

Adjusting Journal Entries JE # 19

To adjust revenue account for revenue earned subsequent to year-end

| | | | |
|--------------|------------------|-------------------------|-------------------------|
| 41101 | Patrol | 38,194.00 | |
| 22000 | Deferred Revenue | | 38,194.00 |
| Total | | <u>38,194.00</u> | <u>38,194.00</u> |

Adjusting Journal Entries JE # 20

To remove account balance

| | | | |
|--------------|--------------------------|-------------------------|-------------------------|
| 20162 | Med Insurance Payable | 39,518.00 | |
| 55170 | Employer Social Security | 45,654.00 | |
| 20160 | Payroll Tax Liabilities | | 45,654.00 |
| 55181 | Medical Insurance | | 39,518.00 |
| Total | | <u>85,172.00</u> | <u>85,172.00</u> |

Franklin County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

For the Year Ended June 30, 2020

Franklin County Sheriff's Department
Financial Statements
June 30, 2020

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Independent Auditors' Report

Roger Langevin, Sheriff
Franklin County Sheriff's Department
St. Albans, Vermont

We have audited the accompanying financial statements of the business-type activities of the Franklin County Sheriff's Department (the "Department") of the County of Franklin, Vermont, as of and for the year ended June 30, 2020, 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 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.

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, 2020 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.

Emphasis of Matter

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 9, the Department participants in the Vermont Municipal Employees' Retirement System. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.



South Burlington, Vermont
February 15, 2021
VT Reg. No. 92-349

Franklin County Sheriff's Department

Statement of Net Position

June 30, 2020

Assets:

Current assets

| | | |
|---|----|----------------|
| Cash | \$ | 42,281 |
| Accounts receivable, net of an allowance of \$2,000 | | <u>139,996</u> |

| | | |
|----------------------|--|---------|
| Total current assets | | 182,277 |
|----------------------|--|---------|

| | | |
|---|--|----------------|
| Vehicles and equipment, net of accumulated depreciation | | <u>206,685</u> |
|---|--|----------------|

| | | |
|--------------|--|----------------|
| Total assets | | <u>388,962</u> |
|--------------|--|----------------|

Liabilities:

Current liabilities

| | | |
|-----------------------------------|--|---------------|
| Accounts payable | | 61,635 |
| Deferred revenue | | 38,194 |
| Accrued payroll and payroll items | | 31,212 |
| Current portion of long-term debt | | <u>44,105</u> |

| | | |
|---------------------------|--|---------|
| Total current liabilities | | 175,146 |
|---------------------------|--|---------|

| | | |
|---------------------------------------|--|---------------|
| Long-term debt - less current portion | | <u>61,199</u> |
|---------------------------------------|--|---------------|

| | | |
|-------------------|--|----------------|
| Total liabilities | | <u>236,345</u> |
|-------------------|--|----------------|

Net position:

| | | |
|---|--|---------------|
| Net invested in capital assets, net of debt | | 101,381 |
| Unrestricted | | <u>51,236</u> |

| | | |
|--------------------|----|-----------------------|
| Total net position | \$ | <u><u>152,617</u></u> |
|--------------------|----|-----------------------|

See accompanying notes to the financial statements.

Franklin County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

| | |
|-------------------------------------|------------------------------|
| Operating revenues: | |
| Charges for services | \$ 1,195,160 |
| Operating grants | 91,474 |
| County support | 156,172 |
| Miscellaneous revenues | <u>6,088</u> |
| Total operating revenues | <u>1,448,894</u> |
| Operating expenses: | |
| Contracted services | 990,116 |
| Process services | 46,041 |
| Administration and general | 373,241 |
| Automotive services | 107,050 |
| Depreciation | <u>108,066</u> |
| Total operating expenses | <u>1,624,514</u> |
| Net operating loss | (175,620) |
| Non-operating gain/loss: | |
| Sale of assets | 33,400 |
| Loss on disposal of asset | (90,380) |
| Interest expense | <u>(3,703)</u> |
| Total non-operating loss | <u>(60,683)</u> |
| Net loss | (236,303) |
| Net position, beginning of year | <u>388,920</u> |
| Net position, end of year | <u><u>\$ 152,617</u></u> |

See accompanying notes to the financial statements.

Franklin County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash flows from operating activities:

| | |
|---|------------------|
| Cash received from customers | \$ 1,441,386 |
| Cash received from operating grants | 91,474 |
| Cash payments to suppliers for goods and services | (710,224) |
| Cash payments to employees for services | <u>(805,556)</u> |

Net cash provided by operating activities 17,080

Cash flows from financing activities:

| | |
|---------------------------------|-----------------|
| Proceeds from sale of assets | 33,400 |
| Purchase of asset | (18,000) |
| Interest paid on long-term debt | (3,703) |
| Payments on line of credit | (5,776) |
| Payments on long-term debt | <u>(76,451)</u> |

Net cash used by financing activities (70,530)

Net decrease in cash (53,450)

Cash, beginning of period 95,731

Cash, end of period \$ 42,281

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

Net operating loss \$ (175,620)

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

| | |
|---|-----------------|
| Depreciation | 108,066 |
| Increase in accounts receivable | 33,714 |
| Increase in account payable | 61,635 |
| Increase in deferred revenue | 38,194 |
| Decrease in accrued payroll and payroll items | <u>(48,909)</u> |

Total adjustments 192,700

Net cash provided by operating activities \$ 17,080

See accompanying notes to the financial statements.

Franklin County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

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

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. The Department was deemed an essential business under the Governor's Stay Home Stay Safe order and incurred expenses to ensure the Department's staff were safe while conducting normal business, and, as a result, focused on curtailing expenses to the greatest extent possible.

(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, 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) 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.

Franklin County Sheriff's Department

Notes to Financial Statements

June 30, 2020

Summary of Significant Accounting Policies (continued)

(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 deposit to be cash equivalents.

(e) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department recorded \$2,000 in allowance for uncollectible accounts at June 30, 2020.

(f) 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 non-operating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$2,000 are capitalized.

Estimated useful lives by major classification are as follows:

| | |
|-----------|-------------|
| Vehicles | 5 years |
| Equipment | 5 - 7 years |

(g) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 represents the net position available for future operations or distributions.

(h) Unrestricted net assets

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

(i) Subsequent events

The Department evaluated subsequent events through February 15, 2021, the date the Department's financial statements were available to be used.

Franklin County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(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, 2020:

| | <u>Book Balance</u> | <u>Bank Balance</u> |
|-------------------------|-------------------------|-------------------------|
| Insured deposits | \$ 39,194 | \$ 51,912 |
| Cash on hand | 3,087 | - |
| Uninsured deposits | <u>-</u> | <u>-</u> |
| Total cash deposits | <u>\$ 42,281</u> | <u>\$ 51,912</u> |

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2020 by major classifications as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|--------------------|--------------------|---------------------------|
| Vehicles | \$ 539,687 | \$ 18,000 | \$ (38,924) | \$ 518,763 |
| Equipment | <u>598,628</u> | <u>-</u> | <u>(123,946)</u> | <u>474,682</u> |
| Total vehicles and equipment | 1,138,315 | 18,000 | (162,870) | 993,445 |
| Less accumulated depreciation | <u>(752,222)</u> | <u>(108,066)</u> | <u>73,528</u> | <u>(786,760)</u> |
| Net vehicles and equipment | <u>\$ 386,093</u> | <u>\$ (90,066)</u> | <u>\$ (89,342)</u> | <u>\$ 206,685</u> |

Franklin County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(4) Long-term Debt

Long-term debt as of June 30, 2020 consists of the following:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Current Maturities</u> | <u>Remaining Balance</u> |
|--|------------------------------|------------------|------------------|-------------------------------|------------------------------|
| Peoples Trust Company | | | | | |
| 6.25% note due July 2021, secured by vehicles | \$ 24,578 | \$ - | \$ 11,385 | \$ (13,193) | \$ - |
| 6.75% note due February 2023, secured by vehicles | 43,532 | - | 10,814 | (13,431) | 19,287 |
| 5.25% note due March 2024, secured by vehicles | 73,345 | - | 13,952 | (17,481) | 41,912 |
| Ford Motor Credit Company | | | | | |
| 5.57% note due June 2020, secured by vehicle | 4,299 | - | 4,299 | - | - |
| Ally Auto | | | | | |
| 3.93% note due January 2023, secured by vehicle | <u>23,370</u> | <u>-</u> | <u>23,370</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 169,124</u> | <u>\$ -</u> | <u>\$ 63,820</u> | <u>\$ (44,105)</u> | <u>\$ 61,199</u> |

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

| | |
|-----------------|-------------------|
| Year ending | |
| <u>June 30:</u> | |
| 2021 | \$ 44,105 |
| 2022 | 30,912 |
| 2023 | 23,337 |
| 2024 | <u>6,950</u> |
| | <u>\$ 105,304</u> |

(5) Line of Credit

The Department has a short-term line of credit with Peoples Trust Company for \$100,000, expiring May 29, 2021. Interest is currently payable at the rate of 4.97%. The line of credit is secured by substantially all assets. There were no outstanding borrowings under the line of credit at June 30, 2020.

Franklin County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(6) Cost Sharing

Under Vermont law, Franklin 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 period ended June 30, 2020 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, 2020, management believes that no material liabilities will result from such audits.

(8) Risk Management / Contingencies

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.

(9) Retirement Plan

The Department participates in the Vermont State Employees' Retirement System. The Department contributes 11.7% of eligible compensation for all employees deferring the required 6.65% of eligible compensation.

GASB 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. The Department has not determined the impact of adopting GASB 68.

Vermont state statutes (VSA Title 24, Chapter 125) provide the authority under which benefit provisions are established. The State of Vermont issues an audited financial report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Franklin County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(10) Occupancy / Related Party Transaction

The Department rents office space under a five-year agreement expiring in 2022. Rent expense for the period ended June 30, 2020 amounted to \$17,000 which is paid to a construction company owned by a related party of the side judge of the County of Franklin. Additionally, the rent expense incurred by the Department is reimbursed by the County of Franklin. The accompanying financial statements do not reflect the expense and related reimbursement. Total future minimum payments under the rent agreement as of June 30, 2020 are as follows:

| | |
|------|------------------|
| 2021 | \$ 40,800 |
| 2022 | <u>40,800</u> |
| | <u>\$ 81,600</u> |

During the year ended June 30, 2020, the Department purchased a vehicle from the Department's Sheriff. The cost of this purchase was \$18,000.

(11) Uncertainty

COVID-19 continues to cause financial market unrest as the economy slowly begins to open back up. The ultimate impact of this event on the Department's operations and financial statements is unknown as of the date of the auditors' report.

INDEPENDENT AUDITOR'S 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*

Roger Langevin, Sheriff
Franklin County Sheriff's Department
St. Albans, Vermont

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Franklin County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated February 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, and 2020-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, 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*.

The Franklin County Sheriff's Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



South Burlington, Vermont
February 15, 2021
VT Reg. No. 92-349

Franklin County Sheriff's Department
Schedule of Findings and Questioned Costs
June 30, 2020

Finding 2020-001: Accounting Function

Condition:

The Department's accounting is not operating consistently and effectively. During our audit, we proposed several adjusting journal entries. The magnitude and scope of these adjustments makes it difficult to produce timely and accurate internal financial information in accordance with U.S. GAAP on which management can rely. We also believe it hinders management to properly perform its financial role and properly operate the Department. It also increases the Department's exposure to fraud and irregularities.

Recommendation:

We recommend the Department place more emphasis on the importance of the accounting function and accuracy of financial reporting, especially with debt, accruals, revenue and fixed assets.

Finding 2020-002: Management of Cash Accounts

Condition:

The Department does not perform a proper review and approval of bank account reconciliations and record keeping. During our audit, we identified a material variance between the Department accounting and supporting documentation, which resulted in a \$50,307 adjustment to cash.

Recommendation:

We recommend the Department adheres to policies and procedures in place to ensure account balances are properly reflected in the Department's internal financial statements. Transactions should be entered into accounting software as incurred and bank accounts should be properly reconciled at each month-end.

Finding 2020-003: Lack of Supporting Documentation and Proper Approval

Condition:

The Department does not properly maintain records to support accounts such as undeposited funds and payroll related accruals. We also noted reconciliation of cash accounts are not properly reviewed for reconciliation to accounting software. Additionally, the Department does not have a formal process in place to approve expenses incurred. These issues increase the risks associated with incorrectly and inappropriately recorded transactions.

Recommendation:

We recommend the Department establish procedures to retain documentation relevant to the financial statements and adhere to their policy regarding the proper approval of disbursements and timesheets.

Finding 2020-004: Lack of Segregation of Duties

Condition:

Due to the small size of the Department, there is a lack of segregation of duties within the cash receipts, disbursements and record keeping areas.

Recommendation:

We recommend the Department separate these closely related functions to improve internal control in these particular areas. The following procedures could be enacted to improve segregation of duties over cash receipts, 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.
- Payments and use of accounts should be restricted to the authorized signer or a second approval should be required for this type of transactions to avoid potential misappropriation of the Department’s assets.



FRANKLIN COUNTY **SHERIFF**

Roger Langevin
Sheriff

Lieutenant Chad Miles
Field Force Commander

Sergeant James Lynch
SRO Supervisor

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(802) 524-2121 – Office
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Captain John Grismore
Chief Deputy / Operations Director

Lieutenant Paul Morits
Support Services Commander

Cindy Larned
Office Manager

Franklin County Sheriff's Department Management's Corrective Action Plan For the Year Ended June 30, 2020

2020-001: Accounting Function

The Office disagrees with the auditor(s) findings as stated. There were errors related to the fiscal year changeover – when funds were paid and when those transactions were logged in the accounting management software. Simple date corrections are necessary.

Going forward, the Office will solicit the inclusion of a pre-audit review to ensure that simple dates are captured correctly as they relate to the fiscal year transition.

2020-002: Management of Cash Accounts

The Office disagrees with the auditor(s) findings as stated. There were errors related to the fiscal year changeover – when funds were paid and when those transactions were logged in the accounting management software. Simple date corrections are necessary.

Going forward, the Office will solicit the inclusion of a pre-audit review to ensure that simple dates are captured correctly as they relate to the fiscal year transition.

2020-003: Lack of Supporting Documentation and Proper Approval

The Office disagrees with the auditor(s) findings as stated. There is a process in place whereby the Sheriff approves all spending, payroll and other expenses.

Going forward, the Office will solicit the inclusion of a pre-audit review to ensure that simple dates are captured correctly as they relate to the fiscal year transition.

2020-004: Lack of Segregation of duties

The Office disagrees with the auditor(s) findings as stated. The Sheriff is involved in the accounting function on a daily basis and approves all spending. Further, the Sheriff reviews and physically makes all deposits for the Office. The Sheriff reviews every bank reconciliation prior to final submission.

Going forward, the Office will solicit the inclusion of a pre-audit review to ensure that simple dates are captured correctly as they relate to the fiscal year transition.