

October 28, 2016

To Sheriff Robert Norris  
Franklin County Sheriff's Department

We have audited the financial statements of the governmental activities, the business-type activities of Franklin County Sheriff's Department (the Department) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you during our fieldwork on October 11, 2016. 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, 2016 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 represented, 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.

#### 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, 2016. 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 October 28, 2016.

*Management Consultations with Other Independent Accountants*

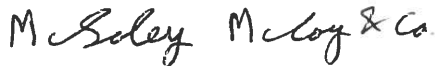
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of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

**Franklin County Sheriff's Department**  
Corrected Misstatements  
June 30, 2016

**Adjusting Journal Entries JE# 1**

To adjust accumulated depreciation to actual.

32000	Retained Earnings	5,578.00	
16050	A/D Vehicles		5,578.00

**Franklin County Sheriff's Department**

Financial Statements  
(With Independent Auditors' Report)

June 30, 2016

**Franklin County Sheriff's Department**  
June 30, 2016

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Independent Auditors' Report

Robert Norris, Sheriff  
Franklin County Sheriff's Department  
St. Albans, Vermont

**Report on the Financial Statements**

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, 2016, and the related notes to the financial statements. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

**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 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 auditor's 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 account 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, 2016 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 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 the 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 the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The 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.

*McSoley McCoy & Co.*

October 28, 2016  
VT Reg. No. 92-349

**Franklin County Sheriff's Department**  
Statement of Net Position  
June 30, 2016

<b>Assets:</b>	
Current assets	
Cash	\$ 92,749
Accounts receivable, net of an allowance of \$2,000	97,711
Prepaid expenses	<u>21,119</u>
Total current assets	211,579
Vehicles and equipment, net of accumulated depreciation	<u>357,278</u>
Total assets	<u>568,857</u>
<b>Liabilities:</b>	
Current liabilities	
Accounts payable	24,464
Accrued payroll and payroll items	48,911
Current portion of long-term debt	<u>37,325</u>
Total current liabilities	110,700
Long-term debt - less current portion	<u>61,408</u>
Total liabilities	<u>172,108</u>
<b>Deferred inflow of resources:</b>	
Uncharged for contracted services	<u>42,050</u>
<b>Net position:</b>	
Net invested in capital assets, net of debt	258,545
Unrestricted	<u>96,154</u>
Total net position	<u>\$ 354,699</u>

The accompanying notes are an integral part of this statement.



**Franklin County Sheriff's Department**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2016

<b>Operating revenues:</b>	
Charges for services	\$ 1,021,415
Operating grants	314,642
County reimbursements	160,698
Miscellaneous revenues	<u>7,873</u>
Total operating revenues	<u>1,504,628</u>
 <b>Operating expenses:</b>	
Contracted services	809,113
Process services	184,600
Administration and general	341,136
Automotive services	103,275
Depreciation	<u>86,639</u>
Total operating expenses	<u>1,524,763</u>
Net operating loss	<u>(20,135)</u>
 <b>Non-operating income (expense):</b>	
Gain on sale of equipment	2,020
Interest expense	<u>(7,294)</u>
Total non-operating income (expense)	<u>(5,274)</u>
Net income (loss)	<u>(25,409)</u>
Net position, beginning of year	<u>380,108</u>
Net position, end of year	<u><u>\$ 354,699</u></u>

The accompanying notes are an integral part of this statement.

**Franklin County Sheriff's Department**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**

**Operating activities:**

Cash received from customers	\$ 1,208,454
Cash received from operating grants	314,642
Cash payments to suppliers for goods and services	(543,846)
Cash payments to employees for services	(891,571)
	(891,571)

Net cash provided by operating activities	87,679
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**Cash flows from capital financing activities:**

Proceeds from sale of equipment	2,020
Purchases of equipment	(56,393)
Interest paid on long-term debt	(7,294)
Payments on long-term debt	(35,077)
	(35,077)

Net cash used by capital financing activities	(96,744)
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Net decrease in cash	(9,065)
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Cash, beginning of year	101,814
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Cash, end of year	\$ 92,749
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**Reconciliation of net operating loss to net cash provided by operating activities:**

Net operating loss	\$ (20,135)
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Adjustments to reconcile net operating income to net cash provided by operating activities:

Depreciation	86,639
Decrease in accounts receivable	5,718
Decrease in prepaid expenses	5,912
Decrease in accounts payable	(9,530)
Increase in accrued payroll and payroll items	6,324
Increase in uncharged for contracted services	12,751
	12,751

Total adjustments	107,814
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Net cash provided by operating activities	\$ 87,679
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**Franklin County Sheriff's Department**  
Notes to Financial Statements  
June 30, 2016

(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.

(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) 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, 2016.

(d) 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.

**Franklin County Sheriff's Department**  
Notes to Financial Statements  
June 30, 2016

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Vehicles	5 years
Equipment	5- 7 years

(e) Unrestricted net assets

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

(f) 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.

(g) Subsequent Events

The Department evaluated subsequent events through October 28, 2016, the date the Department's financial statements were available to be used and no events or transactions occurred.

(2) Cash and Categories of Risk

There are three categories of credit risk that apply to the Department's balance:

1. Insured by the FDIC or collateralized with securities held by the Department or by the Department's agent in the Department's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.
3. Uncollateralized.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2016:

	Book Balance	Bank Balance
Insured deposits	\$ 92,648	\$ 136,161
Uninsured deposits	-	-
Cash on hand	101	101
Total cash deposits	\$ 92,749	\$ 136,262

**Franklin County Sheriff's Department**  
Notes to Financial Statements  
June 30, 2016

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2016 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	\$ 366,855	\$ 38,213	\$ (63,266)	\$ 341,802
Equipment	<u>525,393</u>	<u>18,185</u>	<u>-</u>	<u>543,578</u>
Total vehicles and equipment	892,248	56,398	(63,266)	885,380
Less accumulated depreciation	<u>(504,728)</u>	<u>(86,640)</u>	<u>63,266</u>	<u>(528,102)</u>
Net vehicles and equipment	<u>\$ 387,520</u>	<u>\$ (30,242)</u>	<u>\$ -</u>	<u>\$ 357,278</u>

(4) Long-term Debt

Long-term debt as of June 30, 2016 consists of the following:

	Beginning Balance	Increases	Decreases	Current Maturities	Remaining Balance
Peoples Trust Company					
6.5% note due July, 2019	<u>\$ 45,289</u>	<u>\$ -</u>	<u>\$ (9,965)</u>	<u>\$ (10,691)</u>	<u>\$ 24,633</u>
6.50% note due March, 2019	<u>\$ 38,736</u>	<u>\$ -</u>	<u>\$ (9,411)</u>	<u>\$ (10,055)</u>	<u>\$ 19,270</u>
Ford Motor Credit Company					
5.45% note due June, 2018	<u>\$ 49,785</u>	<u>\$ -</u>	<u>\$ (15,701)</u>	<u>\$ (16,579)</u>	<u>\$ 17,505</u>

(5) Line of Credit

The Department has a line of credit with the Peoples Trust Company of \$32,000 at June 30, 2016, which expires on April 23, 2017. Interest is payable at 8%. The line of credit is secured substantially by all assets of the Department. There is no outstanding balance as of June 30, 2016.

**Franklin County Sheriff's Department**  
Notes to Financial Statements  
June 30, 2016

(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 year ended June 30, 2016 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, 2016, 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 Retirement System. The Department contributes 10.68% of eligible compensation for all employees deferring the required 6.40% of eligible compensation.

(10) Occupancy

The Department rents office space under a five-year agreement expiring in 2017. Rent expense for the year ended June 30, 2016 amounted to \$39,193. Rent expense for the year 2017 will be \$39,232.

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*

Robert Norris, 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 of the County of Franklin, Vermont (the Department) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

#### **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. 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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McSoley McRoy & Co.*

October 28, 2016  
VT Reg. No. 92-349