Franklin County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

June 30, 2018

Franklin County Sheriff's Department
June 30, 2018

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McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

Independent Auditors' Report

Sheriff Robert Norris
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, 2018, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2018 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

McSoley McCoy & Co.

South Burlington, Vermont
December 31, 2018
VT Reg. No. 92-349

Franklin County Sheriff's Department
Statement of Net Position
June 30, 2018

Assets:	
Current assets	
Cash	$ 82,697
Accounts receivable, net of an allowance of $2,000	126,407
Prepaid expenses	61,702
Total current assets	270,806
Vehicles and equipment, net of accumulated depreciation	429,750
Total assets	700,556
Liabilities:	
Current liabilities	
Accounts payable	38,707
Accrued payroll and payroll items	51,609
Current portion of long-term debt	36,969
Total current liabilities	127,285
Long-term debt - less current portion	103,060
Total liabilities	230,345
Deferred inflow of resources:	
Uncharged for contracted services	25,892
Net position:	
Net invested in capital assets, net of debt	289,721
Unrestricted	154,598
Total net position	$ 444,319

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, 2018

Operating revenues:		
Charges for services	$	1,374,816
Operating grants		184,203
County reimbursements		174,142
Miscellaneous revenues		1,000
Total operating revenues		1,734,161
Operating expenses:		
Contracted services		1,064,894
Process services		43,647
Administration and general		330,921
Automotive services		113,442
Depreciation		113,685
Total operating expenses		1,666,589
Net operating income		67,572
Non-operating income:		
Gain on sale of equipment		8,000
Interest expense		(5,509)
Total non-operating income		2,491
Net income		70,063
Net position, beginning of year		374,256
Net position, end of year	$	444,319

See accompanying notes to the financial statements.

Franklin County Sheriff's Department

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from customers	$ 1,506,670
Cash received from operating grants	184,203
Cash payments to suppliers for goods and services	(549,842)
Cash payments to employees for services	(982,252)
Net cash provided by operating activities	158,779
Cash flows from financing activities:	
Proceeds from sale of equipment	8,000
Proceeds from issuance of debt	88,786
Purchases of equipment	(163,489)
Interest paid on long-term debt	(5,509)
Payments on long-term debt	(82,653)
Net cash used by financing activities	(154,865)
Net increase in cash	3,914
Cash, beginning of year	78,783
Cash, end of year	$ 82,697
Reconciliation of net operating income to net cash provided by operating activities:	
Net operating income	$ 67,572
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	113,685
Increase in accounts receivable	(31,592)
Increase in prepaid expenses	(6,938)
Increase in accounts payable	5,034
Increase in accrued payroll and payroll items	22,714
Decrease in uncharged for contracted services	(11,696)
Total adjustments	91,207
Net cash provided by operating activities	$ 158,779

See accompanying notes to the financial statements.

(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, 2018.

(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.

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 December 31, 2018, the date the Department's financial statements were available to be used.

(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, 2018:

	Book Balance	Bank Balance
Insured deposits	$ 82,596	$ 118,846
Uninsured deposits	-	-
Cash on hand	101	101
Total cash deposits	$ 82,697	$ 118,947

Franklin County Sheriff's Department
Notes to Financial Statements
June 30, 2018

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2018 by major classifications as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	$ 412,570	$ 123,890	$ (73,488)	$ 462,972
Equipment	559,029	39,599	-	598,628
Total vehicles and equipment	971,599	163,489	(73,488)	1,061,600
Less accummulated depreciation	(591,653)	(113,685)	73,488	(631,850)
Net vehicles and equipment	$ 379,946	$ 49,804	$ -	$ 429,750

(4) Long-term Debt

Long-term debt as of June 30, 2018 consists of the following:

	Beginning Balance	Increases	Decreases	Current Maturities	Remaining Balance
Peoples Trust Company					
6.50% note due July, 2019	$ 24,615	$ -	$ 24,615	$ -	$ -
6.50% note due March, 2019	$ 19,270	$ -	$ 19,270	$ -	$ -
6.25% note due July, 2021	$ 45,328	$ -	$ 10,057	$ (10,703)	$ 24,568
5.95% note due July, 2021	$ -	$ 56,862	$ 3,221	$ (9,645)	$ 43,996
Ford Motor Credit Company					
5.45% note due June, 2018	$ 10,327	$ -	$ 10,327	$ -	$ -
5.95% note due June, 2020	$ 31,955	$ -	$ 9,962	$ (10,640)	$ 11,353

Long-term Debt (continued)

	Beginning Balance	Increases	Decreases	Current Maturities	Remaining Balance
Ally Auto					
3.93% note due January, 2023	$ -	$ 31,924	$ 2,800	$ (5,981)	$ 23,143
Total	$ 131,495	$ 88,786	$ 80,252	$ (36,969)	$ 103,060

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

Year ending June 30:	
2019	$ 36,969
2020	38,370
2021	27,999
2022	16,430
2023	14,845
Thereafter	5,416
	$ 140,029

(5) 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, 2018 has not been determined.

(6) 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, 2018, management believes that no material liabilities will result from such audits.

(7) 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.

(8) Retirement Plan

The Department participates in the Vermont State Retirement System. The Department contributes 10.54% of eligible compensation for all employees deferring the required 6.65% of eligible compensation.

(9) Occupancy

The Department rents office space under a five-year agreement expiring in 2022. Rent expense for the year ended June 30, 2018 amounted to $40,800. Total future minimum payments under the rent agreement as of June 30, 2018 are as follows:

2019	$ 40,800
2020	40,800
2021	40,800
2022	40,800
	$ 163,200

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

In planning and performing our audit of the financial statements of the business-type activities of Franklin County Sheriff's Department (the "Department") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) as a basis for designing 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.

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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

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.

McSoley McCoy & Co.

South Burlington, Vermont
December 31, 2018
VT Reg. No. 92-349