

December 5, 2016

To Sheriff Donald Keeler  
Addison County Sheriff's Department

We have audited the financial statements of the business-type activities of the Addison County Sheriff's Department (the Department) for the year ended June 30, 2016, and have issued our report thereon dated December 5, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 29, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 25, 2016.

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 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.

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 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 5, 2016.

*Management Consultations with Other Independent Accountants*

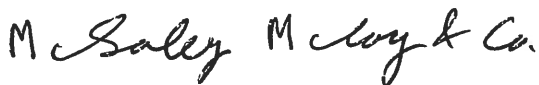
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of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

**Addison County Sheriff's Department**

Corrected Misstatements

For the Year Ended June 30, 2016

To record dispatch service expense to the proper period			
15555	Prepaid Expense	\$ 3,600	
64301	Dispatch Services		\$ 3,600
To adjust accrued salaries to actual			
66000	Payroll Expenses	2,716	
20110	Accrued Salaries		2,716
To adjust accrued vacation to actual			
66000	Payroll Expenses	4,902	
21400	Accrued Vacation		4,902
To record current year depreciation.			
70001	Depreciation- Office Equip	596	
70002	Depreciation- Comm equip	34,266	
70003	Depreciation- Portable comm equip	2,942	
70004	Depreciation- Vehicles	62,674	
70005	Depreciation- Jail Equip	463	
70006	Depreciation- Surveillance equip	1,431	
70007	Depreciation- Leasehold Improvements	2,198	
16110	Accum Depr - Office Equipment		596
16210	Accum Depr - Communication Equipment		34,266
16310	Accum Depr - Portable Communication Equip		2,942
16410	Accum Depr - Vehicles		62,674
16510	Accum Depr - Jail Equipment		463
16610	Accum Depr-Surveillance Equip		1,431
16710	Accum Depr - Leasehold Improvements		2,198
To expense assets that should not have been capitalized			
56240	Communications - Supplies	818	
57200	Vehicle Expense	910	
15115	Radios - Radar Equipment		459
16200	Communication Equipment		359
16400	Vehicles		910
To capitalize assets that were expensed			
16100	Office Equipment	1,999	
16400	Vehicles	2,995	
63000	Office Expense		1,999
58380	Vehicle Expense: 58380 + Vehicles - Repairs		2,995
To record county support funds for insurance			
57340	General COGS: 57340 + Insurance Expense	9,577	
44950	Other Dept Income: 44950 + County Support Funds		9,577

**Addison County Sheriff's Department**

**Financial Statements**

**For the Year Ended June 30, 2016**

**Addison County Sheriff's Department**

For the Year Ended June 30, 2016

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Government Auditing Standards Report:

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

Independent Auditors' Report

Donald Keeler, Sheriff  
Addison County Sheriff's Department  
Middlebury, Vermont

We have audited the accompanying financial statements of the business-type activities of the Addison County Sheriff's Department (the "Department"), as of and for the year ended June 30, 2016, and the related notes to the financial statements.

**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 the *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.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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 Matter**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 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 the 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.

*McSoley McCoy & Co.*

December 5, 2016  
VT Reg. No. 92-349

**Addison County Sheriff's Department**

**Statement of Net Position**

June 30, 2016

**Assets:**

Current assets

Cash	\$ 258,691
Accounts receivable	114,959
Prepaid expenses	5,579
Inventory	<u>10,539</u>

Total current assets 389,768

Vehicles and equipment, net of accumulated depreciation 345,300

Cash - restricted 80

Total assets 735,148

**Liabilities:**

Current liabilities

Accounts payable	5,189
Accrued payroll and payroll items	<u>37,815</u>

Total current liabilities 43,004

**Net position:**

Net investment in capital assets	345,300
Unrestricted	346,764
Restricted	<u>80</u>

Total net position \$ 692,144

The accompanying notes are an integral part of this financial statement.



**Addison 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	\$ 672,243
Process services	44,178
County reimbursements	76,187
Transportation revenues	13,937
Miscellaneous revenues	<u>26,603</u>
 Total operating revenues	 <u>833,148</u>
<b>Operating Expenses:</b>	
Contracted services	409,520
Administration and general	254,318
Process services	3,408
Building expenses	7,228
Automotive services	63,466
Depreciation	<u>104,570</u>
 Total operating expenses	 <u>842,510</u>
 Net operating loss	 (9,362)
<b>Non-Operating Revenues:</b>	
Interest income	70
Gain on sale of vehicles	<u>500</u>
 Total non-operating revenue	 <u>570</u>
 Capital contributions from grants	 <u>8,000</u>
 Net loss	 (792)
 Net position, beginning of year	 <u>692,936</u>
 Net position, end of year	 <u>\$ 692,144</u>

The accompanying notes are an integral part of this financial statement.

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

**Operating activities:**

Cash received from customers	\$ 801,726
Cash payments to suppliers for goods and services	(230,934)
Cash payments to employees for services	<u>(508,160)</u>

Net cash provided by operating activities	<u>62,632</u>
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**Cash flows from capital and related financing activities:**

Acquisition of capital assets	(80,500)
Cash proceeds from sale of equipment	500
Proceeds from capital contributions from grants	8,000
Interest income	<u>70</u>

Net cash used by capital and related financing activities	<u>(71,930)</u>
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Net decrease in cash	(9,298)
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Cash, beginning of year	<u>267,989</u>
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Cash, end of year	<u>\$ 258,691</u>
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**Reconciliation of operating loss to net cash provided by operating activities:**

Net operating loss	<u>\$ (9,362)</u>
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Adjustments to reconcile operating loss to net cash provided by operating activities:

Depreciation	104,570
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Changes in operating assets and liabilities

Change in accounts receivable	(31,442)
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Change in restricted cash	20
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Change in prepaid expenses	(3,600)
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Change in accounts payable	(5,795)
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Change in accrued payroll and payroll taxes	<u>8,241</u>
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Total adjustments	<u>71,994</u>
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Net cash provided by operating activities	<u>\$ 62,632</u>
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The accompanying notes are an integral part of this financial statement.

## Addison County Sheriff's Department

### Notes to Financial Statements

June 30, 2016

#### (1) Summary of Significant Accounting Policies

The Addison County Sheriff's Department (the Department) is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Addison, Vermont. Funding for the Department is provided by the State of Vermont and the County of Addison. Operating revenue is generated by service charges, some of which are set by state statute and others are set by the Department. Included among the duties performed by the Department are contracting to provide law enforcement services; security services; control dispatching and other centralized support services; service of lawful writs, warrants and processes; and transportation of prisoners and the mentally disabled.

##### (a) Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The Department's revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources, as needed.

##### (b) Basis of presentation

The Department accounts for ongoing operations and activities using proprietary fund accounting, a method developed with the economic resources measurement focus. This focus is similar to accounting methods used in the private sector.

##### (c) 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.

##### (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 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.

**Addison 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:

Jail equipment	3-10 years
Department equipment	5-10 years
Vehicles	5 years
Leasehold improvements	5-39 years

(e) Net position

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

(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) Accounts receivable

Significant receivables include amounts due from state, town, contractor contracts, and the US Marshall. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2016, as the Department believes all accounts will be collected.

(h) Inventory

Inventory is stated at cost and consists primarily of weapons.

(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.

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

Cash and Categories of Risk (continued)

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	\$ 250,000	\$ 250,000
Uninsured deposits	8,421	9,997
Cash on hand	350	-
Total cash deposits	\$ 258,771	\$ 259,997

(3) Vehicles and Equipment

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

	Beginning Balance	Additions	Disposals	Ending Balance
Vehicles	\$ 509,971	\$ 65,409	\$ (76,110)	\$ 499,270
Equipment	414,563	15,091	(1,415)	428,239
Leasehold improvements	56,828	-	-	56,828
Total vehicles and equipment	981,362	80,500	(77,525)	984,337
Accumulated depreciation	(611,992)	(104,570)	77,525	(639,037)
Net vehicles and equipment	\$ 369,370	\$ (24,070)	\$ -	\$ 345,300

(4) Cost Sharing

Under Vermont law, Addison County and the State of Vermont are required to cover certain costs of the Addison County Sheriff's Department. Such costs include the Sheriff's salary and benefits, administrative salary and benefits, office space, certain automotive expenses and others. The amount expended by the County and State during the period ended June 30, 2016 has not been determined.

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

(5) Operating Grants

The Addison County Sheriff's Department received grants from the U.S. Government and other grantors. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability of the Department. As of June 30, 2016, management believes that no material liabilities will result from such audits.

(6) Risk Management

The Sheriff's Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Sheriff's Department maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

(7) Subsequent Events

The Department evaluated subsequent events through December 5, 2016, the date the Department's financial statements were available to be used and no events or transactions occurred.

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*

Donald Keeler, Sheriff  
Addison County Sheriff's Department  
Middlebury, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Addison County Sheriff's Department of the County of Addison, Vermont (the Department) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 5, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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. 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify 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 Department's internal control and compliance. This communication is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than these specified parties.

*McSoley McCoy & Co.*

December 5, 2016  
VT Reg. No. 92-349