

September 15, 2016

To Sheriff Shatney
Caledonia County Sheriff's Department

We have audited the financial statements of the business-type activities of the Caledonia County Sheriff's Department (the "Department") for the year ended June 30, 2016, and have issued our report thereon dated September 15, 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 letter to you dated August 1, 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, 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 presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 23, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. 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. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates used by management.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes corrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the 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 September 15, 2016.

Management Consultations with Other Independent Accountants

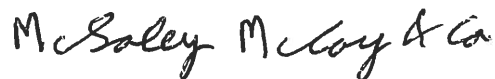
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of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

Caledonia County Sheriff's Department
Corrected Misstatements
June 30, 2016

To adjust accumulated depreciation

		<u>Debit</u>	<u>Credit</u>
16018	A/D Department Equipment	\$ 24	
69999	Depreciation Expense	94	
16020	A/D Vehicles		\$ 118

Caledonia County Sheriff's Department

Financial Statements

For the Year Ending June 30, 2016

Caledonia County Sheriff's Department

For the Year Ending June 30, 2016

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Independent Auditors' Report

Dean Shatney, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Department as of June 30, 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

Caledonia County Sheriff's Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 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 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.

September 15, 2016
VT Reg. No. 92-349

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

Assets:

Current assets

Cash	\$ 342,907
Accounts receivable	119,467
Prepaid insurance	<u>24,606</u>

Total current assets 486,980

Vehicles and equipment, net of accumulated depreciation 202,303

Total assets 689,283

Liabilities:

Current liabilities

Accounts payable	2,436
Accrued payroll and payroll items	<u>24,457</u>

Total current liabilities 26,893

Net Position:

Investment in capital assets	202,303
Unrestricted	<u>460,087</u>

Total net position \$ 662,390

See accompanying notes and independent auditors' report.

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

Operating Revenues:	
Charges for services	\$ 591,338
Operating grants	27,895
Process services	50,969
Transportation	17,446
Miscellaneous revenues	<u>75,066</u>
 Total operating revenues	 <u>762,714</u>
Operating Expenses:	
Contracted services	471,598
Process services	10,034
Administration and general	225,343
Communications services	10,083
Automotive services	41,927
Grant expenses	4,943
Depreciation	<u>62,583</u>
 Total operating expenses	 <u>826,511</u>
 Net operating loss	 <u>(63,797)</u>
Other Income:	
Gain on sale of property	<u>3,301</u>
 Total loss	 (60,496)
 Net position, beginning of year	 <u>722,886</u>
 Net position, end of year	 <u><u>\$ 662,390</u></u>

See accompanying notes and independent auditors' report.

Caledonia County Sheriff's Department
Statement of Cash Flows
For the Year Ending June 30, 2016

Operating activities:

Cash received from customers	\$ 717,988
Cash received from operating grants	27,895
Cash payments to suppliers for goods and services	(282,617)
Cash payments to employees for services	<u>(502,103)</u>
Net cash used by operating activities	(38,837)

Cash flows from capital and related financing activities:

Acquisition of capital assets	(85,232)
Disposal of assets	<u>301</u>
Net cash used by financing activities	(84,931)
Net decrease in cash	(123,768)
Cash, beginning of year	<u>466,675</u>
Cash, end of year	<u><u>\$ 342,907</u></u>

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

Net operating loss	\$ <u>(63,797)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	62,583
Increase in accounts receivable	(16,828)
Increase in prepaid insurance	(2,611)
Decrease in accounts payable	(5,687)
Decrease in accrued payroll and payroll items	<u>(12,497)</u>
Total adjustments	<u>24,960</u>
Net cash used by operating activities	<u><u>\$ (38,837)</u></u>

See accompanying notes and independent auditors' report.

Caledonia County Sheriff's Department

Notes to Financial Statements

For the Year Ending June 30, 2016

(1) Summary of Significant Accounting Policies

The Caledonia County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Caledonia, Vermont. Funding is provided by the State of Vermont and the County of Caledonia. Operating revenue is generated by service charges, some of which are set by state statute and others 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 and 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) 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 a non-operating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$1,000 are capitalized.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2016

Summary of Significant Accounting Policies (continued)

Estimated useful lives by major classification are as follows:

Office equipment	5-10 years
Department equipment	5-10 years
Vehicles	4 years

(e) Unrestricted net assets

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

(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 period. Actual results could differ from those estimates.

(g) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has not recorded an allowance for uncollectible accounts at June 30, 2016, as all amounts are deemed collectible.

(h) Subsequent events

The Department evaluated subsequent events through September 15, 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.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2016

Cash and Categories of Risk (continued)

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 342,907	\$ 466,675
Uninsured deposits	-	-
Cash on hand	-	-
Total cash deposits	<u>\$ 342,907</u>	<u>\$ 466,675</u>

(3) Vehicles and Equipment

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 348,743	\$ 69,130	\$ 54,925	\$ 362,948
Equipment	<u>238,943</u>	<u>19,105</u>	<u>-</u>	<u>258,048</u>
Total vehicles and equipment	587,686	88,235	54,925	620,996
Less accumulated depreciation	<u>(411,035)</u>	<u>(62,583)</u>	<u>54,925</u>	<u>(418,693)</u>
Vehicles and equipment, net	<u>\$ 176,651</u>	<u>\$ 25,652</u>	<u>\$ -</u>	<u>\$ 202,303</u>

(4) Cost Sharing

Under Vermont law, Caledonia 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.

(5) Operating Grants

The Caledonia 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 no material liabilities would result from such audits.

Caledonia County Sheriff's Department
Notes to Financial Statements
For the Year Ending June 30, 2016

(6) Risk Management

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 to cover 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) Deferred Compensation Plan

The Department offers a 457b deferred compensation plan, which allows participants to contribute pre-tax dollars. Currently the Department is not required to make any matching contributions.

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*

Dean Shatney, Sheriff
Caledonia County Sheriff's Department
St. Johnsbury, Vermont

We have audited the financial statements of the business-type activities of the Caledonia County Sheriff's Department of the County of Caledonia, Vermont (the "Department") as of and for the year ended June 30, 2016 which comprise the Caledonia County Sheriff's Department's basic financial statements, and have issued our report thereon September 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting 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 control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This communication is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than these specified parties.

M. Soley Mcloy & Co.

September 15, 2016
VT Reg. No. 92-349