

**TOWN OF BOLTON, VERMONT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**TOWN OF BOLTON, VERMONT**

**JUNE 30, 2014**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 8
Financial Statements - Modified Cash Basis:	
Government-wide Financial Statements -	
Statement of Net Position .....	9
Statement of Activities.....	10
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	11 - 12
Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Funds.....	13 - 14
Statement of Revenues and Expenditures - Budget and Actual - General Fund.....	15 - 16
Statement of Net Position - Fiduciary Funds .....	17
Statement of Changes in Net Position - Fiduciary Funds .....	18
Notes to Financial Statements.....	19 - 26
Compliance:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	27 - 28
Schedule of Findings and Responses .....	29

## INDEPENDENT AUDITOR'S REPORT

The Board of Selectmen  
Town of Bolton, Vermont

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Vermont (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

As described in note 1.D. to the financial statements, the Town prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements on the modified cash basis of accounting described in note 1.D.; 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 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 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Vermont as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the basis of accounting described in note 1.D.

## ***Other Information***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the financial statements.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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* in considering the Town's internal control over financial reporting and compliance.

Montpelier, Vermont  
October 20, 2014

*Mudgett, Jennett &  
Krogh-Disner, P.C.*

**TOWN OF BOLTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The following is a discussion and analysis of the Town of Bolton's (the Town) financial performance, including an overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. Readers should consider this information in conjunction with the financial statements, which are located after this analysis. This discussion and analysis provides comparisons between FY 2013 and FY 2014.

**FINANCIAL HIGHLIGHTS**

**Government-wide Highlights**

The Town's assets exceeded its liabilities at June 30, 2014 by \$1,060,823 compared to \$938,057 at June 30, 2013, which represents an increase in net position of \$122,766 or 13.1%. Net position for FY 2013 increased \$41,477.

**Fund Highlights**

At the end of the fiscal year, the Town's governmental funds reported an ending fund equity of \$359,601, an increase of \$118,541 over the fund equity of \$241,060 for the prior year. Of the total fund balance, \$159,421 represents amounts restricted, committed or assigned for specific purposes as shown in note 5 of the financial statements. The result on remaining fund equity is an unassigned fund balance of \$200,180. Of the total fund balance at June 30, 2013, \$120,781 was restricted, committed or assigned for specific purposes leaving an unassigned fund balance of \$120,279.

**Long-term Debt**

The Town's total long-term debt decreased during the fiscal year to \$656,998, a decrease of \$93,002 or 12.4%. During the year the Town did not obtain any new long-term debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Town's financial statements consist of two sections: 1) Management's Discussion and Analysis and 2) Financial Statements.

- **Management's Discussion and Analysis** - An introduction to the financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions or conditions.
- **Financial Statements** - This section of the report includes government-wide financial statements, fund financial statements, and notes to the financial statements.

## Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which helps readers determine whether the Town's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the modified cash basis of accounting, as described in note 1.D. of the financial statements.

- **Statement of Net Position** - This statement presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement focuses on the programs of the Town and presents information showing how the Town's net position changed during the most recent fiscal year.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds are categorized as either governmental or fiduciary.

- **Governmental Funds** - The basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The Town's only governmental fund is the General Fund.
- **Fiduciary Funds** - The Town also reports fiduciary funds, but does not include the fiduciary balances and activity in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government.

## Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same measurement focus. Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The following indicates some of the reporting differences between the government-wide financial statements and the governmental fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures in the fund financial statements.
- Long-term debt proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

## FINANCIAL ANALYSIS

### Government-wide Financial Statements

The Town's assets exceeded its liabilities by \$1,060,823 during FY 2014. The net position of the governmental activities increased by \$122,766 or 13.1% over the previous fiscal year.

#### Net Position as of June 30, 2013 and 2014

	2013 Governmental <u>Activities</u>	2014 Governmental <u>Activities</u>
Current Assets	\$ 241,060	\$ 359,601
Capital Assets, net	<u>1,446,997</u>	<u>1,358,220</u>
Total Assets	<u>\$ 1,688,057</u>	<u>\$ 1,717,821</u>
Current Liabilities	\$ 100,000	\$ 94,500
Noncurrent Liabilities	<u>650,000</u>	<u>562,498</u>
Total Liabilities	<u>\$ 750,000</u>	<u>\$ 656,998</u>
Net Position:		
Net investment in capital assets	\$ 696,997	\$ 701,222
Restricted	29,512	34,043
Unrestricted	<u>211,548</u>	<u>325,558</u>
Total Net Position	<u>\$ 938,057</u>	<u>\$ 1,060,823</u>

The largest portion of the Town's net position (66.1%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the Town's net position (3.2%) represents resources that are subject to restrictions specifying how they may be used.

The remaining portion (30.7%) of the Town's net position is unrestricted.

The following condensed financial information was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position.

**Changes in Net Position for the Fiscal Years Ended June 30, 2013 and 2014**

	2013 Governmental <u>Activities</u>	2014 Governmental <u>Activities</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 20,905	\$ 22,668
Grants and Contributions	232,597	170,537
Other	<u>19,943</u>	<u>16,745</u>
	<u>273,445</u>	<u>209,950</u>
General Revenues:		
Taxes - Town & School	2,321,322	2,525,953
Interest Income	<u>565</u>	<u>347</u>
	<u>2,321,887</u>	<u>2,526,300</u>
Total Revenues	<u>2,595,332</u>	<u>2,736,250</u>
Expenses:		
General Government	328,924	289,828
Education	1,563,350	1,698,263
Highway Department	550,203	492,932
Fire Department	87,346	100,644
Interest on Debt	<u>24,032</u>	<u>31,817</u>
Total Expenses	<u>2,553,855</u>	<u>2,613,484</u>
Increase (Decrease) in Net Position	41,477	122,766
Beginning Net Position, July 1	<u>896,580</u>	<u>938,057</u>
Ending Net Position, June 30	<u>\$ 938,057</u>	<u>\$ 1,060,823</u>

Total governmental activity expenses were \$2,553,855 and \$2,613,484 in FY 2013 and FY 2014, respectively. The largest expenses were incurred for education and highway. The expenses do not include capital outlays, which are reflected instead as capital assets.

Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenue from governmental activities was \$273,445 in 2013 and \$209,950 in 2014. Governmental program revenues come from charges for services, which include various licenses, permits and fees. Program revenues in the grants and contributions category include federal, state and local grants that are restricted for program use.

General revenues are all other revenues not categorized as program revenues and include property taxes and interest income. Total general revenues from governmental activities were \$2,321,887 in fiscal 2013 and \$2,526,300 in fiscal 2014. Approximately 99% of the Town's total general revenues came from taxes in 2013 and 2014.

## Fund Financial Statements

The General Fund is the Town's only governmental fund. The fund balance for the General Fund increased from \$241,060 in FY 2013 to \$359,601 in FY 2014, an \$118,541 increase. \$159,421 represents amounts restricted, committed or assigned for specific purposes as shown in note 5 of the financial statements.

General Fund revenues were \$232,987 more than budgeted. Significant variances consisted of delinquent taxes, penalties and interest collections of \$83,173, as well as intergovernmental grant proceeds of \$118,537, due to additional funding in the form of grants from the State of Vermont.

General Fund expenditures were \$114,446 more than budgeted. Significant variances consisted of road maintenance and repair in the highway department of \$66,183.

## Capital Assets

The following is a schedule of capital assets as of June 30, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Land	\$ 331,677	\$ 331,677
Fire Machinery and Equipment	519,508	519,508
Highway Machinery and Equipment	573,460	573,460
Buildings and Improvements	965,001	965,001
Infrastructure	346,518	346,518
Accumulated Depreciation	<u>(1,289,167)</u>	<u>(1,377,944)</u>
Total Net Capital Assets	<u>\$ 1,446,997</u>	<u>\$ 1,358,220</u>

The Town had \$1,446,997 and \$1,358,220 invested in capital assets, net of depreciation, on June 30, 2013 and June 30, 2014, respectively. The net decrease between the two periods amounted to \$88,777, which was depreciation expense. There were no capital asset additions during FY 2014.

## Long-term Debt

At the end of the fiscal year, the Town had \$656,998 in long-term debt outstanding compared to \$750,000 in the prior year, an approximate 12.4% decrease. A list of outstanding long-term debt follows:

	<u>2013</u>	<u>2014</u>
Bond payable - Notch Road Reconstruction	\$ 300,000	\$ 260,000
Municipal note - Fire Truck	80,000	58,275
Municipal note - Town Office Reconstruction	100,000	79,414
Municipal note - Fire Department Renovations	<u>270,000</u>	<u>259,309</u>
	<u>\$ 750,000</u>	<u>\$ 656,998</u>

## **Fiscal Year 2015 Budget**

The Town's FY 2015 total operating budget is \$849,900 (does not include school taxes). The Town's FY 2014 total operating budget was \$805,000. The increase is \$44,900 or 5.6% over the previous year. The FY 2015 net budget (less anticipated revenues) is \$679,959. The FY 2014 net budget was \$659,255. The increase of \$20,704 is an increase of 3.1% in the amount to be raised by taxes.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of its citizens, taxpayers, customers and creditors. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Town of Bolton, 3045 Theodore Roosevelt Highway, Waterbury, VT 05676.

**TOWN OF BOLTON, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets -	
Cash and cash equivalents	\$ <u>359,601</u>
Noncurrent assets -	
Capital assets	2,736,164
less - accumulated depreciation	<u>(1,377,944)</u>
Total noncurrent assets	<u>1,358,220</u>
Total assets	<u>1,717,821</u>
<b>LIABILITIES:</b>	
Current liabilities -	
Current portion of long-term debt	<u>94,500</u>
Noncurrent liabilities -	
Long-term debt	<u>562,498</u>
Total liabilities	<u>656,998</u>
<b>NET POSITION:</b>	
Net investment in capital assets	701,222
Restricted	34,043
Unrestricted	<u>325,558</u>
Total net position	\$ <u>1,060,823</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

		Program Revenues				
		Grants and	Charges	for	Other	Net (Expense)
FUNCTIONS/PROGRAMS:	Expenses	Contributions	Services			Revenue and
						Change in
						Net Position
Governmental activities -						
General Government	\$ 289,828	\$ 20,604	\$ 21,188	\$ 16,745	\$	(231,291)
Education	1,698,263	-	-	-		(1,698,263)
Highway Department	492,932	149,933	1,480	-		(341,519)
Fire Department	100,644	-	-	-		(100,644)
Interest	31,817	-	-	-		(31,817)
Total governmental activities	\$ <u>2,613,484</u>	\$ <u>170,537</u>	\$ <u>22,668</u>	\$ <u>16,745</u>		<u>(2,403,534)</u>
		GENERAL REVENUES	- PROPERTY TAXES			2,525,953
			- INTEREST INCOME			347
						<u>2,526,300</u>
		CHANGE IN NET POSITION				122,766
		NET POSITION, July 1, 2013				938,057
		NET POSITION, June 30, 2014				\$ <u>1,060,823</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(Page 1 of 2)

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>359,601</u>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	\$ <u>      -</u>
 <b>FUND BALANCES:</b>	
Restricted	16,474
Committed	17,569
Assigned	125,378
Unassigned	<u>200,180</u>
Total fund balances	<u>359,601</u>
Total liabilities and fund equity	\$ <u>359,601</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:

Amount reported on Balance Sheet - Governmental Funds - total fund balance	\$ 359,601
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	2,736,164
Accumulated depreciation	(1,377,944)
Long-term liabilities not due and payable in the current period are not reported in the funds.	
Long-term debt	<u>(656,998)</u>
Net Position of Governmental Activities - Government-wide Statement of Net Position	\$ <u>1,060,823</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(Page 1 of 2)

	<u>General Fund</u>
<b>REVENUES COLLECTED:</b>	
Property taxes	\$ 2,442,781
Delinquent taxes, penalties and interest	83,173
Licenses, permits and fees	21,668
Intergovernmental	170,537
Interest	347
Miscellaneous	<u>17,744</u>
Total revenues collected	<u>2,736,250</u>
 <b>EXPENDITURES PAID:</b>	
Current -	
General Government	282,052
Highway Department	437,800
Fire Department	74,775
Education	1,698,263
Debt service - Principal	93,002
- Interest	<u>31,817</u>
Total expenditures paid	<u>2,617,709</u>
 NET CHANGE IN FUND BALANCE	 118,541
 FUND BALANCE, July 1, 2013	 <u>241,060</u>
 FUND BALANCE, June 30, 2014	 \$ <u>359,601</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(Page 2 of 2)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:

Net change in fund balance - total Governmental Funds	\$ 118,541
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation	(88,777)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>	
Debt service - Principal	<u>93,002</u>
Change in Net Position of Governmental Activities - Government-wide Statement of Activities	\$ <u>122,766</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(Page 1 of 2)

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES COLLECTED:</b>			
Property taxes, net of school share (\$1,698,263)	\$ 753,000	\$ 744,518	\$ (8,482)
Delinquent taxes, penalties and interest	-	83,173	83,173
Licenses, permits and fees	-	21,668	21,668
Intergovernmental	52,000	170,537	118,537
Interest	-	347	347
Miscellaneous	-	17,744	17,744
Total revenues collected	<u>805,000</u>	<u>1,037,987</u>	<u>232,987</u>
<b>EXPENDITURES PAID:</b>			
General Government -			
Administration	106,600	80,891	25,709
Operational	27,300	50,153	(22,853)
Contracts	40,400	47,880	(7,480)
Refunds/overpayments	-	431	(431)
Insurance	23,000	39,461	(16,461)
Lister expense	18,500	21,758	(3,258)
Prior year education	-	8,694	(8,694)
Miscellaneous	11,400	32,784	(21,384)
Debt service -			
Principal	80,000	71,277	8,723
Interest	19,200	27,542	(8,342)
	<u>326,400</u>	<u>380,871</u>	<u>(54,471)</u>
Highway Department -			
Administration	130,900	137,207	(6,307)
Debt service -			
Principal	18,000	-	18,000
Interest	7,000	-	7,000
Maintenance	78,700	60,368	18,332
Equipment	6,500	3,270	3,230

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(Page 2 of 2)

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>EXPENDITURES PAID (CONTINUED):</b>			
Highway Department (continued) -			
Chemicals	56,000	65,897	(9,897)
Vehicles	13,000	39,634	(26,634)
Road maintenance and repair	59,500	125,683	(66,183)
Reserves	10,000	-	10,000
Supplies	<u>17,000</u>	<u>5,741</u>	<u>11,259</u>
	<u>396,600</u>	<u>437,800</u>	<u>(41,200)</u>
Fire Department -			
Administration	36,200	45,040	(8,840)
Debt service -			
Principal	20,000	21,725	(1,725)
Interest	5,000	4,275	725
Reserves	4,500	-	4,500
Communication	4,500	10,192	(5,692)
Supplies and equipment	6,500	13,358	(6,858)
Maintenance	<u>5,300</u>	<u>6,185</u>	<u>(885)</u>
	<u>82,000</u>	<u>100,775</u>	<u>(18,775)</u>
Total expenditures paid	<u>805,000</u>	<u>919,446</u>	<u>(114,446)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ <u>          -</u></b>	<b>\$ <u>  118,541</u></b>	<b>\$ <u>  118,541</u></b>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<u>Cemetery Fund</u>	<u>Good Citizen Fund</u>	<u>Senior Meals Program Fund</u>	<u>Totals Fiduciary Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ <u>8,295</u>	\$ <u>1,679</u>	\$ <u>1,363</u>	\$ <u>11,337</u>
<b>LIABILITIES</b>				
	<u>-</u>	<u>-</u>	<u>1,363</u>	<u>1,363</u>
<b>NET POSITION:</b>				
Restricted	\$ <u>8,295</u>	\$ <u>1,679</u>	\$ <u>-</u>	\$ <u>9,974</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Cemetery Fund</u>	<u>Good Citizen Fund</u>	<u>Totals Fiduciary Funds</u>
ADDITIONS:			
Interest	\$ 7	\$ -	\$ 7
DEDUCTIONS	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	7	-	7
NET POSITION, July 1, 2013	<u>8,288</u>	<u>1,679</u>	<u>9,967</u>
NET POSITION, June 30, 2014	\$ <u>8,295</u>	\$ <u>1,679</u>	\$ <u>9,974</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies:**

The Town of Bolton, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a five-member Board of Selectmen (the Board). The Town provides various services as authorized and funded by State government or Town voters.

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared on the modified cash basis described in note 1.D., a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

In the Government-wide Statement of Net Position, the financial position of the Town is consolidated and incorporates capital assets as well as long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

C. Basis of presentation (continued) -

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

The Town also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside the Town. The Town's fiduciary funds are the Cemetery Fund, Good Citizen Fund and Senior Meals Program Fund.

- D. Measurement focus and basis of accounting - The government-wide financial statements, the governmental fund financial statements and the fiduciary fund financial statements are reported on a current financial resource measurement focus and the modified cash basis of accounting. Under this method of accounting, revenues and the related assets are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred. Capital assets for governmental activities are recorded and depreciated over their estimated useful lives on the government-wide financial statements. Receivables, payables, accrued revenue and expenditures, which may be material in amount, have not been recognized in the accompanying statements. Accordingly, these financial statements are not intended to present financial position and results of operations in conformity with U.S. GAAP.
- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Board based on the education and municipal grand lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the financial presentation of operations. Formal budgetary integration is employed as a management control during the year for the General Fund. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1<sup>st</sup>. Listers establish a grand list of all property and the Board sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2014 were payable in four installments due September 16<sup>th</sup>, November 18<sup>th</sup>, February 17<sup>th</sup> and May 15<sup>th</sup>.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town 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 others; environmental liability; and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

- I. Cash and cash equivalents - The Town considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.
- J. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed general infrastructure assets as of July 1, 2009. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized when projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Buildings and improvements	30 years
Machinery and equipment	7 - 10 years
Infrastructure	50 years

- K. Compensated absences - The Town has a policy under which employees forfeit their unused vacation at the end of the year. Sick days may not be carried over to the next fiscal year.
- L. Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements, governmental fund types recognize the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- M. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes as authorized by the Board.

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

M. Fund equity (continued) -

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The Town's policy is to apply expenditures against fund balance in the order of restricted, committed, assigned and unassigned unless the Board specifies otherwise.

N. New accounting standard - The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, will be reported as separate sections in the statement of net position and the governmental funds balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The Town does not currently report any deferred outflows of resources or deferred inflows of resources.

**2. Deposits:**

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. As of June 30, 2014, all of the Town's depository accounts were fully insured or collateralized.

**3. Capital assets:**

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, not depreciated:				
Land	\$ 331,677	\$ -	\$ -	\$ 331,677
Capital assets, depreciated:				
Fire machinery and equipment	519,508	-	-	519,508
Highway machinery and equipment	573,460	-	-	573,460
Buildings and improvements	965,001	-	-	965,001
Infrastructure	346,518	-	-	346,518
Total capital assets depreciated	<u>2,404,487</u>	<u>-</u>	<u>-</u>	<u>2,404,487</u>

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**3. Capital assets (continued):**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>
Less accumulated depreciation for:				
Fire machinery and equipment	428,122	25,869	-	453,991
Highway machinery and equipment	443,817	30,045	-	473,862
Buildings and improvements	401,982	25,933	-	427,915
Infrastructure	15,246	6,930	-	22,176
Total accumulated depreciation	<u>1,289,167</u>	<u>88,777</u>	<u>-</u>	<u>1,377,944</u>
Total capital assets depreciated, net	<u>1,115,320</u>	<u>(88,777)</u>	<u>-</u>	<u>1,026,543</u>
Capital assets, net	\$ <u>1,446,997</u>	\$ <u>(88,777)</u>	\$ <u>-</u>	\$ <u>1,358,220</u>

Depreciation expense of \$88,777 for governmental activities was charged to expenses of the General Government (\$7,776), Highway Department (\$55,132) and the Fire Department (\$25,869) based on capital assets assigned to those functions.

**4. Debt:**

Long-term - Outstanding long-term debt as of June 30, 2014 is as follows:

Governmental activities -

Bond payable, Vermont Municipal Bond Bank - 2010 Series 2, various interest rates, currently at 1.033%. Annual principal payment ranging from \$20,000 to \$40,000. Matures December 2020. \$ 260,000

Note payable to Merchants Bank for the purchase of a fire truck. Annual principal payments of \$20,000 plus interest at 5.25% due through March 2017. 58,275

Note payable to Merchants Bank for the construction of new Town offices. Annual principal payments of \$20,000 plus interest at 5.35% due through August 2017. 79,414

Note payable to Merchants Bank for fire station renovations. Annual principal payments of \$14,500 plus interest at 3.61% due annually through November 2015 and a final payment of \$226,500 due November 2016. 259,309

Total governmental activities \$ 656,998

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**4. Debt (continued):**

Long-term debt activity for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
2010 Series 2 Bond	\$ 300,000	\$ -	\$ 40,000	\$ 260,000	\$ 40,000
N/P - Merchants Bank, interest at 5.25%	80,000	-	21,725	58,275	20,000
N/P - Merchants Bank, interest at 5.35%	100,000	-	20,586	79,414	20,000
N/P - Merchants Bank, interest at 3.61%	<u>270,000</u>	<u>-</u>	<u>10,691</u>	<u>259,309</u>	<u>14,500</u>
	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 93,002</u>	<u>\$ 656,998</u>	<u>\$ 94,500</u>

Debt service requirements to maturity are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 94,500	\$ 22,261
2016	94,500	18,776
2017	308,584	15,263
2018	59,414	4,024
2019	40,000	2,040
2020-2021	<u>60,000</u>	<u>1,298</u>
	<u>\$ 656,998</u>	<u>\$ 63,662</u>

**5. Fund balances:**

For the year ended June 30, 2014, the changes in the General Fund's restricted, committed and assigned fund balances were as follows:

	<u>Balance</u> <u>July 1,</u> <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Interest</u> <u>Earned</u>	<u>Balance</u> <u>June 30,</u> <u>2014</u>
Restricted:					
Public works - road cut repairs	\$ 2,035	\$ 1,000	\$ 1,025	\$ 2	\$ 2,012
Restoration	1,822	1,181	-	3	3,006
Education Scholarship	4,446	-	-	5	4,451
Emberley Scholarship	1,811	-	-	3	1,814
Wheeler surplus	2,407	-	-	3	2,410
Watershed	<u>2,777</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>2,781</u>
Total restricted	<u>\$ 15,298</u>	<u>\$ 2,181</u>	<u>\$ 1,025</u>	<u>\$ 20</u>	<u>\$ 16,474</u>

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**5. Fund balances (continued):**

	Balance July 1, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	Interest <u>Earned</u>	Balance June 30, <u>2014</u>
Committed:					
Land conservation	\$ <u>14,214</u>	\$ <u>4,334</u>	\$ <u>1,000</u>	\$ <u>21</u>	\$ <u>17,569</u>
Assigned:					
Hardship	\$ 1,090	\$ -	\$ -	\$ 1	\$ 1,091
Public works - equipment	5,548	25,000	-	38	30,586
Public works - buildings	10,057	10,000	-	25	20,082
Public works - resurfacing/guardrails	10,155	5,000	-	19	15,174
Public works - Notch Road surplus	25,198	-	-	32	25,230
Public works - FEMA surplus	10,547	-	10,547	-	-
Fire Department - equipment	22,987	2,000	-	31	25,018
Fire Department - building	-	2,500	-	3	2,503
Fire Department - hose	<u>5,687</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>5,694</u>
Total assigned	\$ <u>91,269</u>	\$ <u>44,500</u>	\$ <u>10,547</u>	\$ <u>156</u>	\$ <u>125,378</u>

**6. Budgetary basis of accounting:**

These financial statements include totals for General Fund revenues and expenditures on the Town's budgetary accounting basis, which vary from the totals of revenues and expenditures recognized on the modified cash basis, which is a comprehensive basis of accounting other than U.S. GAAP.

	Revenues <u>Collected</u>	Expenditures <u>Paid</u>
Modified cash basis	\$ 2,736,250	\$ 2,617,709
School/state taxes	<u>(1,698,263)</u>	<u>(1,698,263)</u>
Budget basis	\$ <u>1,037,987</u>	\$ <u>919,446</u>

**7. Pension plan:**

Vermont Municipal Employees' Retirement System -

Plan description: The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6901 or by calling (802) 828-2305.

**TOWN OF BOLTON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**7. Pension plan (continued):**

Vermont Municipal Employees' Retirement System (continued) -

Funding policy: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.625% (Group B), 9.50% (Group C) or 11.125% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.125% (Group B), 6.75% (Group C) or 9.625% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2014, 2013, and 2012 were \$6,979, \$7,103, and \$6,580, respectively for the Defined Benefit Plan.

The July 1, 2013 actuarial valuation of VMERS reports asset actuarial value of \$446,235,922 and actuarial accrued liability of \$528,426,358, leaving an unfunded accrued liability of \$82,190,436.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Selectmen  
Town of Bolton, 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 governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Vermont (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated October 20, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and other deficiencies that we consider to be a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-001 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and

grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town's Response to Findings**

Management's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

### **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 report is not suitable for any other purpose.

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*

Montpelier, Vermont  
October 20, 2014

**TOWN OF BOLTON, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2014**

***Material Weaknesses***

**2014-001 Segregation of duties:**

As reported in the prior year, we found that current procedures provide limited segregation of duties in the processing of cash receipts and disbursements. The Town Clerk/Treasurer deposits receipts at the bank, has sole access to the general ledger, signs checks and reconciles the bank statements. Segregation of duties between accounting and treasury functions is a material control and can prevent fraud. We recommend the Town continue to implement mitigating controls such as designating an individual other than the Town Clerk/Treasurer to perform monthly bank reconciliations and other oversight tasks.

Management's response - This ongoing material weakness was reviewed during the FY 14-15 budget planning process in 2013 and addressed by implementing a plan for segregation of duties between accounting and treasury functions. At the start of FY 14-15, a contract was awarded to an independent financial consultant whose duties include; full monthly reconciliations of all bank statements and accounts, access to the general ledger and all other NEMRC modules to reconcile/validate postings as needed, and assisting with development of standards and policies to cure audit report deficiencies.

***Significant Deficiencies***

**2014-002 Capital assets and long-term debt accounting:**

As reported in the prior year, we proposed adjusting journal entries to record capital assets, depreciation and accumulated depreciation, and long-term debt. While capital outlays for property and equipment, as well as principal and interest payments have been properly recorded as operating expenditures, transactions and balances of capital assets, depreciation, and liabilities are not recorded in separate accounts in the general ledger. The presentation of this activity is required for complete financial reporting. We recommend that the Town record all capital assets and financing activity throughout the year.

Management's response - This ongoing significant deficiency is being addressed by the Bolton Board of Selectman. The Board is currently working to develop a plan, as recommended by the auditor, to record capital assets, depreciation, and long-term debt in the general ledger annually for complete financial reporting.