

TOWN OF BOLTON, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2015
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF BOLTON, VERMONT

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Selectboard
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, 2015, 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, 2015, 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 November 23, 2015 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 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
November 23, 2015

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

**TOWN OF BOLTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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 2014 and FY 2015.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$1,261,792 compared to \$1,046,305 at June 30, 2014, as restated, which represents an increase in net position of \$215,487 or 20.6%. Net position for FY 2014 increased \$122,766 over FY 2013.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported ending fund equity of \$535,143, an increase of \$175,542 over the fund equity of \$359,601 for the prior year. Of the total fund balance, \$207,756 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 \$327,387. Of the total fund balance at June 30, 2014, \$159,421 was restricted, committed or assigned for specific purposes leaving an unassigned fund balance of \$200,180.

Long-term Debt

The Town's total long-term debt decreased during the fiscal year to \$556,262, a decrease of \$100,736 or 15.3%. 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.
- Net pension liability and related deferred outflows of resources and deferred inflows of resources are not included in the fund financial statements. These amounts 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,261,792 during FY 2015. The net position of the governmental activities increased by \$215,487, or 20.6%, over the previous fiscal year.

Net Position as of June 30, 2014 and 2015

	2014 Governmental Activities	2015 Governmental Activities
Current Assets	\$ 359,601	\$ 535,143
Capital Assets, net	<u>1,358,220</u>	<u>1,297,570</u>
Total Assets	<u>\$ 1,717,821</u>	<u>\$ 1,832,713</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 7,013</u>
Current Liabilities	\$ 94,500	\$ 94,286
Noncurrent Liabilities	<u>562,498</u>	<u>466,948</u>
Total Liabilities	<u>\$ 656,998</u>	<u>\$ 561,234</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 16,700</u>
Net Position:		
Net investment in capital assets	\$ 701,222	\$ 741,308
Restricted	34,043	36,380
Unrestricted	<u>325,558</u>	<u>484,104</u>
Total Net Position	<u>\$ 1,060,823</u>	<u>\$ 1,261,792</u>

The largest portion of the Town's net position (58.8%) 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 (2.9%) represents resources that are subject to restrictions specifying how they may be used.

The remaining portion (38.3%) 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, 2014 and 2015

	2014 Governmental <u>Activities</u>	2015 Governmental <u>Activities</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 22,668	\$ 26,642
Grants and Contributions	170,537	87,310
Other	<u>16,745</u>	<u>4,078</u>
	209,950	118,030
General Revenues:		
Taxes - Town & School	2,525,953	2,657,199
Interest Income	<u>347</u>	<u>431</u>
	2,526,300	2,657,630
Total Revenues	<u>2,736,250</u>	<u>2,775,660</u>
Expenses:		
General Government	289,828	275,006
Education	1,698,263	1,829,241
Highway Department	492,932	349,101
Fire Department	100,644	84,214
Interest on Debt	<u>31,817</u>	<u>22,611</u>
Total Expenses	<u>2,613,484</u>	<u>2,560,173</u>
Increase (Decrease) in Net Position	122,766	215,487
Beginning Net Position, July 1, as restated	<u>938,057</u>	<u>1,046,305</u>
Ending Net Position, June 30	<u>\$ 1,060,823</u>	<u>\$ 1,261,792</u>

Total governmental activities expenses were \$2,613,484 and \$2,560,173 in FY 2014 and FY 2015, 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 revenues from governmental activities were \$209,950 in fiscal 2014 and \$118,030 in fiscal 2015. 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 \$2,526,300 in fiscal 2014 and

\$2,657,630 in fiscal 2015. Approximately 99% of the Town's total general revenues came from taxes in 2014 and 2015.

Fund Financial Statements

The General Fund is the Town's only governmental fund. The fund balance for the General Fund increased from \$359,601 in FY 2014 to \$535,143 in FY 2015, a \$175,542 increase. \$207,756 represents amounts restricted, committed or assigned for specific purposes as shown in note 5 of the financial statements.

General Fund revenues were \$96,519 more than budgeted. Significant variances consisted of delinquent taxes, penalties and interest collections of \$69,768, as well as intergovernmental grant proceeds of \$33,754, due to additional funding in the form of grants from the State of Vermont.

General Fund expenditures were \$79,023 less than budgeted. Significant variances consisted of road maintenance and repair in the highway department of \$57,628.

Capital Assets

The following is a schedule of capital assets as of June 30, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Land	\$ 331,677	\$ 331,677
Fire Machinery and Equipment	519,508	545,908
Highway Machinery and Equipment	573,460	573,460
Buildings and Improvements	965,001	965,001
Infrastructure	346,518	346,518
Accumulated Depreciation	<u>(1,377,944)</u>	<u>(1,464,994)</u>
Total Net Capital Assets	<u>\$ 1,358,220</u>	<u>\$ 1,297,570</u>

The Town had \$1,358,220 and \$1,297,570 invested in capital assets, net of depreciation, on June 30, 2014 and June 30, 2015, respectively. The net decrease between the two periods amounted to \$60,650.

Long-term Debt

At the end of the fiscal year, the Town had \$556,262 in long-term debt outstanding compared to \$656,998 in the prior year, an approximate 15.3% decrease. A list of outstanding long-term debt follows:

	<u>2014</u>	<u>2015</u>
Bond payable - Notch Road Reconstruction	\$ 260,000	\$ 220,000
Municipal note - Fire Truck	58,275	35,682
Municipal note - Town Office Reconstruction	79,414	57,723
Municipal note - Fire Department Renovations	<u>259,309</u>	<u>242,857</u>
	<u>\$ 656,998</u>	<u>\$ 556,262</u>

Fiscal Year 2016 Budget

The Town's FY 2016 total operating budget is \$893,927 (does not include school taxes). The Town's FY 2015 total operating budget was \$849,900. The increase is \$44,027 or 5.2% over the previous year. The FY 2016 net budget (less anticipated revenues) is \$723,747. The FY 2015 net budget was \$679,959. The increase of \$43,788 is an increase of 6.4% 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, 2015

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash and cash equivalents	\$ <u>535,143</u>
Noncurrent assets -	
Capital assets	2,762,564
less - accumulated depreciation	<u>(1,464,994)</u>
Total noncurrent assets	<u>1,297,570</u>
Total assets	<u>1,832,713</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>7,013</u>
 LIABILITIES:	
Current liabilities -	
Current portion of long-term debt	<u>94,286</u>
Noncurrent liabilities -	
Long-term debt	461,976
Net pension liability	<u>4,972</u>
Total noncurrent liabilities	<u>466,948</u>
Total liabilities	<u>561,234</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred pension credits	<u>16,700</u>
 NET POSITION:	
Net investment in capital assets	741,308
Restricted	36,380
Unrestricted	<u>484,104</u>
Total net position	\$ <u>1,261,792</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, 2015

		Program Revenues				
	Expenses	Grants and Contributions	Charges for Services	Other		Net (Expense) Revenue and Change in Net Position
FUNCTIONS/PROGRAMS:						
Governmental activities -						
General Government	\$ 275,006	\$ 7,353	\$ 26,082	\$ 3,053		\$ (238,518)
Education	1,829,241	-	-	-		(1,829,241)
Highway Department	349,101	53,557	560	1,025		(293,959)
Fire Department	84,214	26,400	-	-		(57,814)
Interest	<u>22,611</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(22,611)</u>
 Total governmental activities	 \$ <u>2,560,173</u>	 \$ <u>87,310</u>	 \$ <u>26,642</u>	 \$ <u>4,078</u>		 <u>(2,442,143)</u>
 GENERAL REVENUES - PROPERTY TAXES						 2,657,199
- INTEREST INCOME						431
						<u>2,657,630</u>
 CHANGE IN NET POSITION						 215,487
 NET POSITION, July 1, 2014, as restated						 <u>1,046,305</u>
 NET POSITION, June 30, 2015						 \$ <u>1,261,792</u>

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

TOWN OF BOLTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(Page 1 of 2)

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>535,143</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	\$ <u>-</u>
FUND BALANCES:	
Restricted	15,443
Committed	20,937
Assigned	171,376
Unassigned	<u>327,387</u>
Total fund balances	<u>535,143</u>
 Total liabilities and fund equity	 \$ <u>535,143</u>

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

TOWN OF BOLTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(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	\$	535,143
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		2,762,564
Accumulated depreciation		(1,464,994)
Liabilities not due and payable are not reported in the governmental funds.		
Long-term debt		(556,262)
Balances related to net pension asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.		
Pension deferred outflow		7,013
Pension deferred inflow		(16,700)
Net pension liability		<u>(4,972)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>1,261,792</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, 2015

(Page 1 of 2)

	<u>General Fund</u>
REVENUES COLLECTED:	
Property taxes	\$ 2,587,431
Delinquent taxes, penalties and interest	69,768
Licenses, permits and fees	26,642
Intergovernmental	87,310
Interest	431
Miscellaneous	<u>4,078</u>
Total revenues collected	<u>2,775,660</u>
 EXPENDITURES PAID:	
Current -	
General Government	267,089
Highway Department	298,667
Fire Department	55,374
Education	1,829,241
Capital outlay	26,400
Debt service - Principal	100,736
- Interest	<u>22,611</u>
Total expenditures paid	<u>2,600,118</u>
 NET CHANGE IN FUND BALANCE	 175,542
 FUND BALANCE, July 1, 2014	 <u>359,601</u>
 FUND BALANCE, June 30, 2015	 \$ <u>535,143</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, 2015

(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 \$ 175,542

Amounts reported for governmental activities in the Government-wide
Statement of Activities are different because -

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.

Capital outlay, net	26,400
Depreciation	(87,050)

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.

Debt service - principal	100,736
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Changes in net pension asset or liability and related deferred outflows/inflows of
resources will increase or decrease the amounts reported in the government-wide
statements, but are only recorded as an expenditure when paid in the
governmental funds.

Net increase (decrease) in net pension expense	<u>(141)</u>
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Change in net position of governmental activities - Government-wide Statement of Activities	<u>\$ 215,487</u>
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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, 2015

(Page 1 of 2)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
REVENUES COLLECTED:			
Property taxes, net of school share (\$1,829,241)	\$ 796,344	\$ 758,190	\$ (38,154)
Delinquent taxes, penalties and interest	-	69,768	69,768
Licenses, permits and fees	-	26,642	26,642
Intergovernmental	53,556	87,310	33,754
Interest	-	431	431
Miscellaneous	-	4,078	4,078
Total revenues collected	<u>849,900</u>	<u>946,419</u>	<u>96,519</u>
 EXPENDITURES PAID:			
General Government -			
Administration	71,440	78,182	6,742
Operational	45,494	67,123	21,629
Contracts	49,531	48,047	(1,484)
Refunds/overpayments	-	2,166	2,166
Insurance	33,500	27,893	(5,607)
Lister expense	22,750	21,939	(811)
Miscellaneous	15,300	21,739	6,439
Debt service -			
Principal	80,000	78,143	(1,857)
Interest	19,200	20,204	1,004
	<u>337,215</u>	<u>365,436</u>	<u>28,221</u>
 Highway Department -			
Administration	130,560	129,333	(1,227)
Maintenance	81,100	60,680	(20,420)
Equipment	6,500	2,098	(4,402)
Chemicals	66,000	64,329	(1,671)
Vehicles	13,200	21,558	8,358
Road maintenance and repair	69,500	11,872	(57,628)

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, 2015

(Page 2 of 2)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
EXPENDITURES PAID (CONTINUED):			
Highway Department (continued) -			
Reserves	45,000	-	(45,000)
Supplies	<u>19,000</u>	<u>8,797</u>	<u>(10,203)</u>
	<u>430,860</u>	<u>298,667</u>	<u>(132,193)</u>
Fire Department -			
Administration	36,275	37,931	1,656
Communication	4,500	3,233	(1,267)
Supplies and equipment	6,250	6,739	489
Maintenance	5,300	7,471	2,171
Reserves	4,500	-	(4,500)
Capital outlay	-	26,400	26,400
Debt service -			
Principal	20,000	22,593	2,593
Interest	<u>5,000</u>	<u>2,407</u>	<u>(2,593)</u>
	<u>81,825</u>	<u>106,774</u>	<u>24,949</u>
 Total expenditures paid	 <u>849,900</u>	 <u>770,877</u>	 <u>(79,023)</u>
 NET CHANGE IN FUND BALANCE	 \$ <u><u>-</u></u>	 \$ <u><u>175,542</u></u>	 \$ <u><u>175,542</u></u>

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

**TOWN OF BOLTON, VERMONT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Cemetery Fund</u>	<u>Good Citizen Fund</u>	<u>Senior Meals Program Fund</u>	<u>Totals Fiduciary Funds</u>
ASSETS:				
Cash and cash equivalents	\$ <u>8,295</u>	\$ <u>1,679</u>	\$ <u>1,025</u>	\$ <u>10,999</u>
LIABILITIES				
	<u>-</u>	<u>-</u>	<u>1,025</u>	<u>1,025</u>
NET POSITION:				
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, 2015

	<u>Cemetery Fund</u>	<u>Good Citizen Fund</u>	<u>Totals Fiduciary Funds</u>
ADDITIONS	\$ -	\$ -	\$ -
DEDUCTIONS	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	-	-	-
NET POSITION, July 1, 2014	<u>8,295</u>	<u>1,679</u>	<u>9,974</u>
NET POSITION, June 30, 2015	\$ <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, 2015

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 Selectboard (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 all 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, 2015

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 revenues 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 1st. 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, 2015 were payable in four installments due September 15th, November 17th, February 17th and May 18th.
- 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, 2015**

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 and 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. Deferred outflows/inflows of resources - 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, are reported as separate sections in the Government-wide Statement of Net Position and the Balance Sheet - Governmental Funds. 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.
- L. 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.
- M. Long-term obligations - In the government-wide financial statements, governmental activities report long-term debt and other long-term obligations as liabilities in the Statement of Net Position. In the fund financial statements, governmental fund types report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- N. 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.

TOWN OF BOLTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of significant accounting policies (continued):

N. Fund equity (continued) -

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.

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.

- O. New accounting standard - The Town has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the Town's proportionate share of the Vermont Municipal Employees' Retirement System's (VMERS) net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. Fund financial statements have not been affected by this change.

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, 2015, all of the Town's depository accounts were fully insured or collateralized.

3. Capital assets:

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not depreciated:				
Land	\$ 331,677	\$ -	\$ -	\$ 331,677
Capital assets, depreciated:				
Fire machinery and equipment	519,508	26,400	-	545,908
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>26,400</u>	<u>-</u>	<u>2,430,887</u>

**TOWN OF BOLTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

3. Capital assets (continued):

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>
Less accumulated depreciation for:				
Fire machinery and equipment	453,991	28,840	-	482,831
Highway machinery and equipment	473,862	25,344	-	499,206
Buildings and improvements	427,915	25,933	-	453,848
Infrastructure	<u>22,176</u>	<u>6,933</u>	<u>-</u>	<u>29,109</u>
Total accumulated depreciation	<u>1,377,944</u>	<u>87,050</u>	<u>-</u>	<u>1,464,994</u>
Total capital assets depreciated, net	<u>1,026,543</u>	<u>(60,650)</u>	<u>-</u>	<u>965,893</u>
Capital assets, net	\$ <u>1,358,220</u>	\$ <u>(60,650)</u>	\$ <u>-</u>	\$ <u>1,297,570</u>

Depreciation expense of \$87,050 for governmental activities was charged to expenses of the General Government (\$7,776), Highway Department (\$50,434) and the Fire Department (\$28,840) based on capital assets assigned to those functions.

4. Debt:

Long-term - Outstanding long-term debt as of June 30, 2015 is as follows:

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.	\$ 220,000
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.	35,682
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.	57,723
Note payable to Merchants Bank for fire station renovations. Annual principal payments of \$14,286 plus interest at 2.917% due through October 2031.	<u>242,857</u>
	\$ <u>556,262</u>

TOWN OF BOLTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. Debt (continued):

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
2010 Series 2 Bond	\$ 260,000	\$ -	\$ 40,000	\$ 220,000	\$ 40,000
N/P - Merchants Bank, interest at 5.25%	58,275	-	22,593	35,682	20,000
N/P - Merchants Bank, interest at 5.35%	79,414	-	21,691	57,723	20,000
N/P - Merchants Bank, interest at 2.917%	<u>259,309</u>	<u>-</u>	<u>16,452</u>	<u>242,857</u>	<u>14,286</u>
	<u>\$ 656,998</u>	<u>\$ -</u>	<u>\$ 100,736</u>	<u>\$ 556,262</u>	<u>\$ 94,286</u>

Debt service requirements to maturity are as follows:

Years ending June 30,	Principal	Interest
2016	\$ 94,286	\$ 20,289
2017	89,968	13,390
2018	72,009	10,185
2019	54,286	7,457
2020	54,286	6,037
2021-2025	91,427	19,014
2026-2030	71,429	8,334
2031-2032	<u>28,571</u>	<u>417</u>
	<u>\$ 556,262</u>	<u>\$ 85,123</u>

5. Fund balances:

For the year ended June 30, 2015, the changes in the General Fund's fund balances were as follows:

	Balance July 1, 2014	Increase	Decrease	Interest Earned	Balance June 30, 2015
Restricted:					
Public works - road cut repairs	\$ 2,012	\$ 1,000	\$ 1,000	\$ 2	\$ 2,014
Restoration	3,006	1,362	-	5	4,373
Education Scholarship	4,451	-	-	5	4,456
Emberley Scholarship	1,814	-	-	2	1,816
Wheeler surplus	2,410	-	2,410	-	-
Watershed	<u>2,781</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>2,784</u>
Total restricted	<u>\$ 16,474</u>	<u>\$ 2,362</u>	<u>\$ 3,410</u>	<u>\$ 17</u>	<u>\$ 15,443</u>

**TOWN OF BOLTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. Fund balances (continued):

	Balance July 1, <u>2014</u>	<u>Increase</u>	<u>Decrease</u>	Interest <u>Earned</u>	Balance June 30, <u>2015</u>
Committed:					
Land conservation	\$ 17,569	\$ 3,344	\$ -	\$ 24	\$ 20,937
Assigned:					
Hardship	\$ 1,091	\$ -	\$ -	\$ 1	\$ 1,092
Public works - equipment	30,586	35,000	-	76	65,662
Public works - buildings	20,082	10,000	-	35	30,117
Public works - resurfacing/guardrails	15,174	-	-	17	15,191
Public works - Notch Road surplus	25,230	-	-	29	25,259
Fire Department - equipment	25,018	2,500	-	32	27,550
Fire Department - building	2,503	2,500	-	6	5,009
Fire Department - hose	5,694	-	4,200	2	1,496
Total assigned	\$ 125,378	\$ 50,000	\$ 4,200	\$ 198	\$ 171,376

6. Restatements:

The Town has restated beginning net position of the governmental activities on the government-wide financial statements from \$1,060,823 to \$1,046,305, due to the change in accounting principles in connection with the implementation of GASB Statement No. 68.

7. 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	\$ 2,775,660	\$ 2,600,118
School/state taxes	<u>(1,829,241)</u>	<u>(1,829,241)</u>
Budget basis	\$ <u>946,419</u>	\$ <u>770,877</u>

8. 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. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit

**TOWN OF BOLTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. Pension plans (continued):

Vermont Municipal Employees' Retirement System (continued) -

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. Information can also be obtained online by visiting the following web address: <http://www.vermonttreasurer.gov/retirement/municipal-vmers>.

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the four groups included in the plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.75% (Group B), 9.625% (Group C) or 11.25% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.375% (Group B), 7.0% (Group C) or 9.75% (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, 2015, 2014, and 2013 were \$7,013, \$7,027, and \$7,103, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: In 2015, the Town implemented a change in governmental accounting and reporting which was mandated by the Governmental Accounting Standards Board in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the Town's proportionate share of the VMERS' net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. Financial statements of the individual funds have not been affected by the change in 2015, but may be affected by certain estimates or accruals in future years. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on their calculation of the Town's .0545% proportionate share of the VMERS Defined Benefit Plan.

Town's share of	
VMERS net pension liability	\$ <u>4,972</u>
Deferred outflow of resources -	
Deferred pension expense	\$ <u>7,013</u>
Deferred inflow of resources -	
Deferred pension credits	\$ <u>16,700</u>

**TOWN OF BOLTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. Pension plans (continued):

Vermont Municipal Employees' Retirement System (continued) -

Other information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

Required supplementary information: Implementation of GASB Statement No. 68 requires reporting of ten years of historical pension information by employers. This information will be built up by year for the next ten years in schedules of the *Town's Proportionate Share of Net Pension Liability of VMERS* and *Town Contributions to VMERS*. The required information the year ended June 30, 2015 is as follows:

Town's proportion of the net pension liability	<u>0.0545%</u>
Town's proportionate share of the net pension liability	\$ <u>4,972</u>
Town's covered-employee payroll	\$ <u>145,856</u>
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>3.41%</u>
VMERS net position as a percentage of the total pension liability	<u>98.32%</u>
Contractually required contribution (fully paid)	\$ <u>7,013</u>
Contributions as a percentage of covered-employee payroll	<u>4.81%</u>

**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 Selectboard
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, 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated November 23, 2015.

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 2015-001 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 2015-002 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 Responses 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.

Montpelier, Vermont
November 23, 2015

*Mudgett, Jennette &
Krogh-Wasner, P.C.*

TOWN OF BOLTON, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015

Material Weakness

2015-001 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 and signs checks. 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 and other oversight tasks.

Management's response - The Town will continue to assess how to best further implement mitigating controls with respect to segregation of duties between accounting and treasury functions. Currently, as recommended in the 2014 audit, an independent financial consultant performs full monthly reconciliations of all bank statements, and has access to the general ledger and all other NEMRC modules to reconcile and/or validate postings. In addition, the Bolton Select Board reviews and approves all expenditures, and are provided with monthly expenditure and revenue reports. It is the Town's understanding that further segregation of duties is difficult due to the simple fact that as a small town, Bolton has only two office staff to perform all accounting and treasury functions. Fully curing this material weakness and implementing mitigating controls could require hiring additional staff to act in a supervisory manner; reviewing and approving all accounting and treasury functions, at an additional expense, which will be considered by the Select Board.

Significant Deficiency

2015-002 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 - The Town will continue to work toward curing this ongoing significant deficiency by working to develop, with support of the auditing firm or other outside agency, a plan to record capital assets, depreciation, and long-term debt in the general ledger periodically for complete financial reporting.