

# *Town of Bolton, Connecticut*

State Compliance Audit

June 30, 2016

*Stephen T. Hopkins, CPA, PC*

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Auditing , Accounting , and Consulting Services

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**Town of Bolton, Connecticut**

June 30, 2016

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# Stephen T. Hopkins, CPA, PC

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## Auditing, Accounting, and Consulting Services

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### Independent Auditors' Report

Board of Finance  
Board of Selectmen  
Town of Bolton, Connecticut

#### **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, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

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

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 controls 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 controls. 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.

#### **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

The financial statements do not include the financial information of an entity determined to be a component unit. Accounting principles generally accepted in the United States of America require that the financial reporting entity consist of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, accounting principles generally accepted in the United State of America require the financial data for component units to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements. Information regarding the assets, liabilities, net position, revenues and expenses of this discretely presented component unit were not provided so therefore the financial effect of this exclusion cannot be determined.

## **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Bolton, Connecticut, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Connecticut, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedule of proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bolton, Connecticut’s basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, on our consideration of the Town of Bolton, Connecticut’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bolton, Connecticut’s internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

Scarborough, Maine  
January 23, 2017

**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

Our discussion and analysis of the Town of Bolton, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

**Financial Highlights - Government-wide financial statements**

- The Town's total assets exceeded its total liabilities by \$34,186,535 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$33,472,667. This represents a favorable increase of \$713,868 or approximately 2.13%
- The Town's net investment in capital assets net position balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total net investment in capital assets net position balance of the Town was \$31,799,119 (93.02% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$31,326,537 (93.59% of total net position). This represents an increase of \$472,582 or approximately 1.51% which is the result of a decrease in the related debt of \$856,063, current year depreciation in the amount of \$1,636,518, and current year capital asset additions in the amount of \$1,253,037.
- The Town's restricted net position is used to account for funds received with constraints imposed by grantors and contributors. This net position balance *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net position balance of the Town was \$859,685 (2.51% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$726,316 (2.17% of total net position). This represents an increase of \$133,369 or approximately 18.36%. This increase is made up of a number of individual increases and decreases in the components of restricted net position which can be seen on the net position comparison section on page 5.
- The Town's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was \$1,527,731 (4.47% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$1,419,814 (4.24% of total net position). This represents a favorable increase of approximately 7.60%. Unrestricted net position is calculated by subtracting the known net investment in capital assets balance and the restricted net position balance from the known total net position balance. Therefore, the change in this balance is a direct correlation of the changes in the other two components.
- The Town's total revenues for its governmental activities were \$23,670,633 for the current fiscal year. This compares to the prior fiscal year balance of \$23,500,704. This represents an increase of \$169,929 or approximately .72%. The Town's total expenses for its governmental activities were \$22,956,765 for the current fiscal year. This compares to the prior fiscal year balance of \$23,119,857. This represents a decrease of \$163,092 or approximately .71%. These changes in revenues and expenses from the prior fiscal year to the current fiscal year are simply an accumulation of increases and decreases in departmental and individual line item expenses. Additional information on this item can be seen on the revenue and expense comparison on page 6 and the budget to actual statement on pages 16 and 17.

**Using this annual report**

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The proprietary fund financial statements consist of a Statement of net position, a Statement of revenues, expenses and changes in net position and a Statement of cash flows which are shown on pages 18 through 20. The proprietary activities of the Town are accounted for within an internal service fund which is used to account for the self funding dental plan of the Town. The remaining statement provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. This statement reports the fiduciary activities of the Town of which the Town only operates in an agency fund capacity which can be found on page 21.

**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**Reporting the Town as a whole**

Our analysis of the Town as a whole begins on page 10 with the Statement of net position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities. These two statements report the Town's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the Town. The net position balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and discretely presented component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public works, public safety, community services, building planning and zoning services, sanitation and waste services, education, and other programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

**Reporting the Town's most significant funds**

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance and the Board of Selectmen of the Town have the authority to establish many other funds which it uses to help control and manage money for particular purposes (such as the cafeteria fund or the recreation round fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended for educational grants). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between the governmental activities and the governmental funds is presented in a reconciliation after each of the applicable fund financials.

**Reporting the Town's other funds - Proprietary funds**

Our analysis of the Town's proprietary funds begin on page 18 with the Statement of net position. The statement of net position presents the financial position of the proprietary funds at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in a classified format to distinguish between current and long-term assets and liabilities. In addition, the assets and liabilities are presented in the order of their relative liquidity. The statement of revenues, expenses and changes in net position is the operating statement of proprietary funds. This statement also segregates revenues and expenses between the category of operating and non-operating. Operating revenues and expenses are subtracted to come up with the operating income or loss from operations. Non-operating revenues and expenses are then shown by line item in a section following the results of the operations. The proprietary funds of the Town will also utilize a statement of cash flows. The purpose of the statement of cash flows is to provide relevant information about the cash receipts and payments made by these funds during each reporting period. The cash flow statement is broken down between different sections. The Town's proprietary funds are governmental funds which focus on the determination of operating income, changes in net position and cash flows and are reported as an internal service fund.

**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**The Town as a trustee**

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is the trustee are agency funds. Agency funds are used by the Town to report resources held by the Town or resources under the tax identification number of the Town and the Board of Education. These resources are held in a purely custodial capacity in which assets equal liabilities. These funds are typically characterized by the receipt, temporary investment, and remittance of the fiduciary resources of other individuals, student groups, private organizations, or other governments. Town agency funds consist of different types of building, planning and zoning bonds being held by the Town until certain requirements have been met by either the individual or company as well as rental escrow funds. The Board of Education fiduciary funds consist of student activity accounts.

**The Town as a whole - Assets, liabilities, and net position**

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 2.44 to 1 compared to the end of the prior fiscal year when the current ratio was 2.22 to 1. This current and prior fiscal year ratio is considered strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$2,509,888. This compares to the prior fiscal year positive balance of \$2,185,817. This represents a favorable increase of approximately 14.82%.

|  | Governmental Activities |                      | Percentage of Total |                |
|--|-------------------------|----------------------|---------------------|----------------|
|  | 2016                    | 2015                 | 2016                | 2015           |
| Current assets                           | \$ 4,247,874            | \$ 3,981,390         | 8.81%               | 8.24%          |
| Other assets                             | 898,261                 | 862,824              | 1.86%               | 1.78%          |
| Capital assets                           | 43,095,378              | 43,478,859           | 89.33%              | 89.98%         |
| Total assets                             | <u>48,241,513</u>       | <u>48,323,073</u>    | <u>100.00%</u>      | <u>100.00%</u> |
| Current and other liabilities            | 1,737,986               | 1,795,573            | 12.37%              | 12.09%         |
| Long-term liabilities outstanding        | 12,316,992              | 13,054,833           | 87.63%              | 87.91%         |
|  | <u>14,054,978</u>       | <u>14,850,406</u>    | <u>100.00%</u>      | <u>100.00%</u> |
| Net position:                            |                         |                      |                     |                |
| Net Investment in capital assets         | 31,799,119              | 31,326,537           | 93.02%              | 93.59%         |
| Restricted                               | 859,685                 | 726,316              | 2.51%               | 2.17%          |
| Unrestricted                             | 1,527,731               | 1,419,814            | 4.47%               | 4.24%          |
|  | <u>\$ 34,186,535</u>    | <u>\$ 33,472,667</u> | <u>100.00%</u>      | <u>100.00%</u> |
| Restricted net position:                 |                         |                      |                     |                |
| Expendable:                              |                         |                      |                     |                |
| Educational grants and programs          | \$ 87,360               | \$ 100,261           |                     |                |
| Town grants and programs                 | 29,996                  | 32,965               |                     |                |
| Bentley memorial library funds           | 32,113                  | 30,149               |                     |                |
| Recreation round fund                    | 188,323                 | 157,313              |                     |                |
| Non-principal portion of permanent funds | 201,493                 | 200,792              |                     |                |
|  | <u>539,285</u>          | <u>521,480</u>       |                     |                |
| Non-expendable:                          |                         |                      |                     |                |
| Non-USDA Inventory                       | 774                     | 1,205                |                     |                |
| Prepaid expenses                         | 125,572                 | 10,452               |                     |                |
| Principal portion of permanent funds     | 194,054                 | 193,179              |                     |                |
|  | <u>320,400</u>          | <u>204,836</u>       |                     |                |
|  | <u>\$ 859,685</u>       | <u>\$ 726,316</u>    |                     |                |

**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**The Town as a whole - Revenues, expenses, and changes in net position**

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to estimate the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. The capital grants and contributions revenue amounts when present are not included in the calculation of the expenses actually financed by the general revenues due to the fact that the majority of the expenses relating to these capital grants and contributions are capitalized as capital assets and therefore the expenses for these items would not be shown below. This amount and percentage is shown at the bottom of this schedule and can be used to give the reader an indication of how the Town's activities were financed during the current fiscal year. The expenses shown below indicates the general make-up of the Town's spending by department and as a percentage of total spending.

|  | Governmental Activities |                      | Percentage of Total |                |
|--|-------------------------|----------------------|---------------------|----------------|
|  | 2016                    | 2015                 | 2016                | 2015           |
| Program revenues                       |                         |                      |                     |                |
| Charges for services                   | \$ 1,265,977            | \$ 1,253,807         | 5.35%               | 5.34%          |
| Operating grants and contributions     | 6,023,571               | 6,582,777            | 25.45%              | 28.01%         |
| Capital grants and contributions       | 168,145                 | 123,975              | 0.71%               | 0.53%          |
| General revenues                       |                         |                      |                     |                |
| Property taxes, interest, and liens    | 15,880,817              | 15,236,257           | 67.09%              | 64.83%         |
| State property tax relief revenues     | 48,047                  | 78,903               | 0.20%               | 0.34%          |
| Other unclassified state revenues      | 106,559                 | 43,923               | 0.45%               | 0.19%          |
| Interest and dividends                 | 5,686                   | 12,152               | 0.02%               | 0.05%          |
| Miscellaneous                          | 171,831                 | 168,910              | 0.73%               | 0.71%          |
| Total revenues                         | <u>23,670,633</u>       | <u>23,500,704</u>    | <u>100.00%</u>      | <u>100.00%</u> |
| Expenses                               |                         |                      |                     |                |
| General government                     | 2,530,194               | 2,668,752            | 11.02%              | 11.54%         |
| Public works                           | 862,617                 | 868,370              | 3.76%               | 3.76%          |
| Public safety                          | 646,272                 | 555,543              | 2.82%               | 2.40%          |
| Building planning and zoning           | 235,531                 | 204,802              | 1.03%               | 0.89%          |
| Community services                     | 579,932                 | 604,236              | 2.52%               | 2.61%          |
| Sanitation and waste                   | 453,008                 | 460,152              | 1.97%               | 1.99%          |
| Education                              | 15,274,176              | 15,219,926           | 66.53%              | 65.83%         |
| Education - on behalf                  | 1,638,180               | 1,718,069            | 7.13%               | 7.43%          |
| Unclassified                           | -                       | 212,204              | -                   | 0.92%          |
| Debt issuance costs                    | 1,000                   | -                    | 0.01%               | -              |
| Bolton Lakes debt assessment           | 140,000                 | -                    | 0.61%               | -              |
| Debt service:                          |                         |                      |                     |                |
| Interest                               | 353,694                 | 377,469              | 1.54%               | 1.63%          |
| Depreciation                           | 242,161                 | 230,334              | 1.06%               | 1.00%          |
| Total expenses                         | <u>22,956,765</u>       | <u>23,119,857</u>    | <u>100.00%</u>      | <u>100.00%</u> |
| Change in net position                 | 713,868                 | 380,847              |                     |                |
| Net position - July 1                  | <u>33,472,667</u>       | <u>33,091,820</u>    |                     |                |
| Net position - June 30                 | <u>\$ 34,186,535</u>    | <u>\$ 33,472,667</u> |                     |                |
| Expenses financed by general revenues: |                         |                      |                     |                |
| Total expenses                         | \$ 22,956,765           | \$ 23,119,857        |                     |                |
| Less program revenues                  | -7,488,194              | -7,960,559           |                     |                |
|  | <u>\$ 15,468,571</u>    | <u>\$ 15,159,298</u> | <u>67.38%</u>       | <u>65.57%</u>  |



**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**Capital assets**

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets and improvements thereto are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets and improvements thereto shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 27 and note 5 on page 34.

|                               | Governmental Activities |                      | Percentage of total |                |
|-------------------------------|-------------------------|----------------------|---------------------|----------------|
|                               | 2016                    | 2015                 | 2016                | 2015           |
| Land and improvements         | \$ 4,365,884            | \$ 4,365,884         | 6.83%               | 6.92%          |
| Buildings and improvements    | 42,055,623              | 42,002,708           | 65.84%              | 66.54%         |
| Vehicles                      | 3,220,891               | 3,460,037            | 5.04%               | 5.48%          |
| Equipment                     | 1,674,407               | 1,476,746            | 2.62%               | 2.34%          |
| Infrastructure                | 12,558,939              | 11,819,289           | 19.67%              | 18.72%         |
| Total historical cost         | <u>63,875,744</u>       | <u>63,124,664</u>    | <u>100.00%</u>      | <u>100.00%</u> |
| Less accumulated depreciation | <u>-20,780,366</u>      | <u>-19,645,805</u>   |                     |                |
| Total capital assets (net)    | <u>\$ 43,095,378</u>    | <u>\$ 43,478,859</u> |                     |                |

**Debt administration**

The types of long-term debt normally incurred by the town include bonds, notes, and capital leases payable and the types of other debt related liabilities or the town include accrued compensated balances (earned vacation and longevity payment balances) in accordance with the established personnel policies of the Town and Board of Education and other post employment benefit liabilities in accordance with generally accepted accounting principles. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The applicable state debt limitations as set forth in the Connecticut General Statutes, Section 7-374 (b) and the towns outstanding balances in comparison to these limitations can be found in the schedule of debt limitations, Sub-schedule C on page 62. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year and due after one year changed based on variations in the applicable payment schedules as well as the incursion of two new notes payable and one new capital lease payable. More detailed information on Town debt can be found in note 6 starting on page 35.

|                                       | Governmental Activities |                      | Percentage of total |                |
|---------------------------------------|-------------------------|----------------------|---------------------|----------------|
|                                       | 2016                    | 2015                 | 2016                | 2015           |
| Outstanding payables:                 |                         |                      |                     |                |
| Portion due within one year           | \$ 854,348              | \$ 855,643           | 6.49%               | 6.15%          |
| Portion due after one year            | 10,441,911              | 11,296,679           | 79.28%              | 81.21%         |
| Other liabilities:                    |                         |                      |                     |                |
| Unamortized bond premiums             | 85,090                  | 90,910               | 0.65%               | 0.65%          |
| Accrued compensated balances - school | 24,886                  | 25,318               | 0.19%               | 0.18%          |
| Accrued compensated balances - town   | 282,304                 | 291,536              | 2.14%               | 2.10%          |
| Other post employment benefits        | 1,482,801               | 1,350,390            | 11.25%              | 9.71%          |
| Total debt                            | <u>\$ 13,171,340</u>    | <u>\$ 13,910,476</u> | <u>100.00%</u>      | <u>100.00%</u> |

**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 12 and the Statement of revenues, expenditures and changes in fund balances on page 14.

**Financial highlights - Fund financial statements**

- The total assets of the Town's governmental funds exceeded the total liabilities by \$4,422,890 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$4,133,507, a favorable increase of \$289,383 or approximately 7.00%. This favorable increase is due in large part to the increase in the general fund of \$441,570 and the non-major governmental funds of \$73,219.
- The total revenues of the Town's governmental funds were \$23,631,479 for the current fiscal year in comparison to \$23,682,976 in the prior fiscal year. This represents a slight decrease of \$51,497 or approximately .22%. This slight decrease is made up of a number of individual line item increase and decreases from an increase in property tax revenues of \$613,317, to a decrease in intergovernmental education revenue of (\$228,380), to a decrease in intergovernmental other revenue of (\$285,299) to a decrease in the recorded miscellaneous revenues of (\$10,454). The increase in tax revenues relates to a higher tax commitment and the decrease in intergovernmental other revenues related to a prior fiscal year fire safety grant in the amount of \$123,975 not present during the current fiscal year and other miscellaneous grant receipts. The total expenditures of the Town's governmental funds were \$23,342,096 for the current fiscal year in comparison to \$23,460,746 in the prior fiscal year. This represents a slight decrease of \$118,650 or approximately .51%. This decrease is made up of a number of individual expenditure account increases and decreases including a decrease in education expenditures of (\$92,224), a decrease in state on-behalf expenditures relating to the States retirement contribution on-behalf of board of education employees of (\$79,889) and an increase in capital outlay expenditures of \$246,299.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$472,071 for the current fiscal year in comparison to a positive \$78,515 for the prior fiscal year. This represents a favorable increase and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$228,080 higher than the budget revenues for the current fiscal year which is a favorable variance in comparison to \$179,643 higher for the prior fiscal year which was also a favorable variance. During the current fiscal year the actual intergovernmental other revenues recorded were \$12,358 higher then the budgeted amount while the actual education tuition revenue amount recorded was \$69,931 higher then the budgeted amount. The recorded property tax revenues amount was \$138,299 higher then the budgeted amount in comparison to \$160,698 higher for the previous year. The actual program expenditures in the Town's general fund were \$1,056,935 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$768,700 lower than the adjusted budgeted expenditures for the prior fiscal year which was also a favorable variance. This current fiscal year under expenditure can be attributed in large part to town building operations which was \$50,124 under the adjusted budget amount, employee benefits which was \$59,348 under the adjusted budget amount, education expenditures which were \$409,565 under the unadjusted budget amount and short-term borrowing repayments which was \$250,477 under the budgeted amount.
- In the current fiscal year the Town budgeted to utilize \$564,608 of its general unassigned fund balance to offset current year expenditures. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year the Town budgeted to utilize \$611,544 of its general unassigned fund balance in a similar manner. In addition, the Town has budgeted a revenue and expense in the amount of \$250,000 for the proceeds and repayment of short-term borrowing. No short-term borrowing occurred in the general fund in either fiscal year.
- The Board of Education of the Town received approximately \$1,124,993 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs, from improving basic programs to enhancing education through technology. This balance was made up entirely of grant dollars recorded within the non-major special revenue funds of the Town. This compares to approximately \$1,332,368 in the prior fiscal year. This decrease is due in large part to the open choice operating and capital grants received by the Board of Education for which the recorded revenue decreased from \$637,446 in the prior fiscal year to \$516,794 in the current fiscal year. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as unearned revenues on the Statement of net position.

**Town of Bolton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**Economic factors and next year's budgets and rates**

The Town believes it has steadily maintained sufficient unrestricted net position and assigned and unassigned general fund balance amounts to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. There are no currently known facts, decisions or conditions that the Town believes will significantly effect the financial position or results of the operations of the Town in the future.

**Contacting the Town's financial management**

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 222 Bolton Center Road, Bolton, Connecticut 06043.

**Town of Bolton, Connecticut**  
Statement of net position  
June 30, 2016

|  | Governmental<br>activities |
|--|----------------------------|
| <b>Assets</b>                            |                            |
| Current assets:                          |                            |
| Cash                                     | \$ 3,731,242               |
| Investments                              | 55,978                     |
| Property taxes receivable                | 212,593                    |
| Intergovernmental accounts receivable    | 99,336                     |
| Other accounts receivable                | 20,597                     |
| Inventories                              | 2,556                      |
| Prepaid items                            | 125,572                    |
| Total current assets                     | 4,247,874                  |
| Capital assets:                          |                            |
| Non-depreciable                          | 4,365,884                  |
| Depreciable (net)                        | 38,729,494                 |
| Total capital assets                     | 43,095,378                 |
| Other assets:                            |                            |
| Restricted cash                          | 621,239                    |
| Restricted investments                   | 233,134                    |
| Long-term accounts receivable            | 43,888                     |
| Total other assets                       | 898,261                    |
| Total Assets                             | 48,241,513                 |
| <b>Liabilities</b>                       |                            |
| Accounts payable                         | 332,680                    |
| Accrued payroll                          | 83,428                     |
| Other liabilities                        | 2,801                      |
| Unearned revenues                        | 464,729                    |
| Long-term debt                           |                            |
| Portion due within one year              | 854,348                    |
| Portion due after one year               | 10,441,911                 |
| Unamortized bond premiums                | 85,090                     |
| Accrued compensated absences             | 307,190                    |
| Other post-employment benefits liability | 1,482,801                  |
| Total liabilities                        | 14,054,978                 |
| <b>Net position</b>                      |                            |
| Net Investment in capital assets         | 31,799,119                 |
| Restricted                               |                            |
| Expendable                               | 539,285                    |
| Non-expendable                           | 320,400                    |
| Unrestricted                             | 1,527,731                  |
| Total net position                       | \$ 34,186,535              |

See the accompanying notes to the basic financial statements.



**Town of Bolton, Connecticut**  
Balance sheet - Governmental funds  
June 30, 2016

|   | General<br>fund     | School<br>construction<br>fund | Town<br>capital<br>funds | Cemetery<br>activity<br>fund | Non-major<br>governmental<br>funds | Total<br>governmental<br>funds |
|---|---------------------|--------------------------------|--------------------------|------------------------------|------------------------------------|--------------------------------|
| <b>Assets</b>   |                     |                                |                          |                              |                                    |                                |
| Cash  | \$ 1,306,839        | \$ 373                         | \$ 859,099               | \$ 869,738                   | \$ 1,234,369                       | \$ 4,270,418                   |
| Investments   | 55,978              | -                              | -                        | -                            | 233,134                            | 289,112                        |
| Receivables (net of allowance)  |                     |                                |                          |                              |                                    |                                |
| Property taxes  | 212,593             | -                              | -                        | -                            | -                                  | 212,593                        |
| Intergovernmental   | 33,563              | -                              | -                        | -                            | 65,773                             | 99,336                         |
| Other   | 20,597              | -                              | -                        | -                            | -                                  | 20,597                         |
| Inventories   | -                   | -                              | -                        | -                            | 2,556                              | 2,556                          |
| Prepaid items   | 107,500             | -                              | -                        | -                            | 18,072                             | 125,572                        |
| Due from other funds  | 2,943,659           | -                              | 637,198                  | -                            | 782,830                            | 4,363,687                      |
| Total assets  | <u>\$ 4,680,729</u> | <u>\$ 373</u>                  | <u>\$ 1,496,297</u>      | <u>\$ 869,738</u>            | <u>\$ 2,336,734</u>                | <u>\$ 9,383,871</u>            |
| <b>Liabilities</b>  |                     |                                |                          |                              |                                    |                                |
| Accounts payable  | \$ 90,648           | \$ 200,520                     | \$ -                     | \$ -                         | \$ 32,222                          | \$ 323,390                     |
| Accrued payroll   | 80,264              | -                              | -                        | -                            | 3,164                              | 83,428                         |
| Other liabilities   | 1,019               | -                              | -                        | -                            | 1,782                              | 2,801                          |
| Unearned revenues   | 800                 | -                              | -                        | -                            | 5,103                              | 5,903                          |
| Due to other funds  | 1,420,028           | 1,303,201                      | 819,709                  | 6,850                        | 813,899                            | 4,363,687                      |
| Total liabilities   | <u>1,592,759</u>    | <u>1,503,721</u>               | <u>819,709</u>           | <u>6,850</u>                 | <u>856,170</u>                     | <u>4,779,209</u>               |
| <b>Deferred inflows of resources</b>                                  |                     |                                |                          |                              |                                    |                                |
| Unavailable revenue -   |                     |                                |                          |                              |                                    |                                |
| Property taxes  | 181,772             | -                              | -                        | -                            | -                                  | 181,772                        |
| Total deferred inflows<br>of resources                                | <u>181,772</u>      | <u>-</u>                       | <u>-</u>                 | <u>-</u>                     | <u>-</u>                           | <u>181,772</u>                 |
| <b>Fund balances</b>  |                     |                                |                          |                              |                                    |                                |
| Nonspendable  | 107,500             | -                              | -                        | -                            | 212,900                            | 320,400                        |
| Restricted  | -                   | -                              | -                        | -                            | 998,111                            | 998,111                        |
| Committed   | 30,000              | -                              | 707,089                  | -                            | 189,170                            | 926,259                        |
| Assigned  | 1,387,152           | -                              | -                        | 862,888                      | 85,472                             | 2,335,512                      |
| Unassigned  | 1,381,546           | -1,503,348                     | -30,501                  | -                            | -5,089                             | -157,392                       |
| Total fund balances   | <u>2,906,198</u>    | <u>-1,503,348</u>              | <u>676,588</u>           | <u>862,888</u>               | <u>1,480,564</u>                   | <u>4,422,890</u>               |
| Total liabilities, deferred inflows<br>of resources and fund balances | <u>\$ 4,680,729</u> | <u>\$ 373</u>                  | <u>\$ 1,496,297</u>      | <u>\$ 869,738</u>            | <u>\$ 2,336,734</u>                | <u>\$ 9,383,871</u>            |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Reconciliation of Statement C to Statement A  
for all governmental funds and activities  
June 30, 2016

|   |             |               |
|---|-------------|---------------|
| Fund balances of governmental funds as shown on Statement C   |             | \$ 4,422,890  |
| <p>Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:</p>   |             |               |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in:  |             |               |
| Cost  | 63,875,744  |               |
| Less accumulated depreciation   | -20,780,366 | 43,095,378    |
| 2 The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred inflows of resources on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:   |             | 181,772       |
| 3 Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting. In addition, Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as unearned revenue. The Town records all revenues as such that are received prior to their normal period of receipt. The government-wide financial statements record revenues on the accrual basis of accounting when they have been earned and therefore these revenue amounts are unearned on Statement A and therefore they must be subtracted out: |             | -458,826      |
| 4 Interfund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:   |             |               |
| Interfund receivables   | 4,363,687   |               |
| Interfund payables  | -4,363,687  | -             |
| 5 Long-term and other certain liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:   |             |               |
| Bonds and payable   | -11,205,000 |               |
| Notes payable   | -14,783     |               |
| Capital leases payable  | -76,476     |               |
| Unamortized bond premiums   | -85,090     |               |
| Accrued compensated balances  | -307,190    |               |
| Other post-employment benefits liability  | -1,482,801  | -13,171,340   |
| 6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable in the fund financial statements however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:  |             | 43,888        |
| 7 The assets, liabilities and net position of the internal service fund are not reported on Statement C however they are reported on Statement A and therefore the net position balance of this fund must be added back in:   |             | 72,773        |
| Net position of governmental activities as shown on Statement A   |             | \$ 34,186,535 |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balances - Governmental funds  
For the year ended June 30, 2016

|   | General fund        | School construction fund | Town capital funds | Cemetery activity fund | Non-major governmental funds | Total governmental funds |
|---|---------------------|--------------------------|--------------------|------------------------|------------------------------|--------------------------|
| <b>Revenues</b>   |                     |                          |                    |                        |                              |                          |
| Property tax revenues                                     | \$ 15,817,931       | \$ -                     | \$ -               | \$ -                   | \$ -                         | \$ 15,817,931            |
| Intergovernmental - education                             | 3,089,717           | -                        | -                  | -                      | 1,124,992                    | 4,214,709                |
| Intergovernmental - on behalf                             | 1,638,180           | -                        | -                  | -                      | -                            | 1,638,180                |
| Intergovernmental - tax relief                            | 48,047              | -                        | -                  | -                      | -                            | 48,047                   |
| Intergovernmental - other                                 | 121,563             | -                        | -                  | -                      | 318,435                      | 439,998                  |
| Education tuition   | 289,135             | -                        | 471,464            | -                      | -                            | 760,599                  |
| Charges for services and fees                             | 210,114             | -                        | -                  | 15,470                 | 279,794                      | 505,378                  |
| Interest and dividends                                    | 60                  | -                        | 1,596              | 1,233                  | 2,797                        | 5,686                    |
| Miscellaneous   | 139,213             | -                        | -                  | 2,693                  | 59,045                       | 200,951                  |
| Total revenues  | 21,353,960          | -                        | 473,060            | 19,396                 | 1,785,063                    | 23,631,479               |
| <b>Expenditures</b>                                       |                     |                          |                    |                        |                              |                          |
| Current:  |                     |                          |                    |                        |                              |                          |
| General government  | 2,474,592           | -                        | -                  | -                      | 17,678                       | 2,492,270                |
| Public works  | 917,508             | -                        | -                  | -                      | 105,752                      | 1,023,260                |
| Public safety   | 459,841             | -                        | 5,453              | -                      | 5,251                        | 470,545                  |
| Building, planning and zoning                             | 237,600             | -                        | -                  | -                      | 6                            | 237,606                  |
| Community services  | 422,607             | -                        | -                  | 22,400                 | 130,622                      | 575,629                  |
| Sanitation and waste                                      | 453,008             | -                        | -                  | -                      | -                            | 453,008                  |
| Education   | 13,058,318          | -                        | -                  | -                      | 1,318,640                    | 14,376,958               |
| Education - on behalf                                     | 1,638,180           | -                        | -                  | -                      | -                            | 1,638,180                |
| Capital outlay  | -                   | 280,691                  | 311,355            | -                      | 172,080                      | 764,126                  |
| Debt issuance costs                                       | 1,000               | -                        | -                  | -                      | -                            | 1,000                    |
| Bolton lakes debt assessment                              | 140,000             | -                        | -                  | -                      | -                            | 140,000                  |
| Debt service:   |                     |                          |                    |                        |                              |                          |
| Principal   | 248,536             | -                        | 561,464            | -                      | -                            | 810,000                  |
| Interest  | 359,514             | -                        | -                  | -                      | -                            | 359,514                  |
| Total expenditures  | 20,410,704          | 280,691                  | 878,272            | 22,400                 | 1,750,029                    | 23,342,096               |
| Excess (deficiency) of revenues over (under) expenditures | 943,256             | -280,691                 | -405,212           | -3,004                 | 35,034                       | 289,383                  |
| Other financing sources (uses)                            |                     |                          |                    |                        |                              |                          |
| Transfers in  | -                   | -                        | 433,000            | -                      | 38,185                       | 471,185                  |
| Transfers out   | -471,185            | -                        | -                  | -                      | -                            | -471,185                 |
| Total other financing sources (uses)                      | -471,185            | -                        | 433,000            | -                      | 38,185                       | -                        |
| Net change in fund balance                                | 472,071             | -280,691                 | 27,788             | -3,004                 | 73,219                       | 289,383                  |
| <b>Fund balance - July 1</b>                              | 2,434,127           | -1,222,657               | 648,800            | 865,892                | 1,407,345                    | 4,133,507                |
| <b>Fund balance - June 30</b>                             | <u>\$ 2,906,198</u> | <u>\$ -1,503,348</u>     | <u>\$ 676,588</u>  | <u>\$ 862,888</u>      | <u>\$ 1,480,564</u>          | <u>\$ 4,422,890</u>      |

See the accompanying notes to the basic financial statements.



**Town of Bolton, Connecticut**  
Reconciliation of Statement D to Statement B  
for all governmental funds and activities  
For the year ended June 30, 2016

|  |            |            |
|--|------------|------------|
| Net changes in governmental fund balances as shown on Statement D  |            | \$ 289,383 |
| <p>Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:</p>  |            |            |
| <p>1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:</p>   |            |            |
| Current year capital asset purchases to be capitalized   | 1,253,037  |            |
| Current year depreciation expense on current and previous capital assets   | -1,636,518 | -383,481   |
| <p>2 Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1G must be added back in or subtracted back out:</p>                           |            |            |
|  |            | 52,757     |
| <p>3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amounts being recognized in Statement D and being recorded as unearned in Statement B:</p> |            |            |
| Prior year unearned revenue amounts to be recognized   | 435,094    |            |
| Current year revenue amounts to be recorded as unearned  | -458,826   | -23,732    |
| <p>4 Interfund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:</p>   |            |            |
| Operating transfers in   | 471,185    |            |
| Operating transfers out  | -471,185   | -          |
| <p>5 Payments on and changes in long-term and other certain liabilities are recorded as current year activities on Statement D however they are shown as a reduction in an already established liability account on in the government-wide financial statements and therefore must not be shown as current year activity:</p>  |            |            |
| Bonds payable principal repayment  | 810,000    |            |
| Notes payable principal repayment  | 9,432      |            |
| Capital lease principal repayment  | 36,631     |            |
| Amortization of bond premiums  | 5,820      |            |
| Accrued compensated absences decrease  | 9,664      |            |
| Other post-employment benefits liability increase  | -132,411   | 739,136    |
| <p>6 Estimated accounts receivable for delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on Statement B and therefore must not be shown as current activity:</p>  |            |            |
| Prior year recorded delinquent interest and lien receivable balance  | -33,759    |            |
| Current year recorded delinquent interest and lien receivable balance  | 43,888     | 10,129     |
| <p>7 Net income from the internal service fund is not reported in Statement D however it is reported in Statement B and therefore must be added back in:</p>   |            |            |
|  |            | 29,676     |
| Change in net position of governmental activities as shown on Statement B  |            | \$ 713,868 |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2016

|                                     | Original<br>budget | Budget<br>revisions | Final<br>budget | Actual        | Variance   |
|-------------------------------------|--------------------|---------------------|-----------------|---------------|------------|
| <b>Revenues</b>                     |                    |                     |                 |               |            |
| Property tax revenues               | \$ 15,679,632      | \$ -                | \$ 15,679,632   | \$ 15,817,931 | \$ 138,299 |
| Intergovernmental - education       | 3,081,665          | -                   | 3,081,665       | 3,089,717     | 8,052      |
| Intergovernmental - tax relief      | 71,375             | -                   | 71,375          | 48,047        | -23,328    |
| Intergovernmental - other           | 109,205            | -                   | 109,205         | 121,563       | 12,358     |
| Education tuition                   | 219,204            | -                   | 219,204         | 289,135       | 69,931     |
| Charges for services and fees       | 183,500            | -                   | 183,500         | 210,114       | 26,614     |
| Interest income                     | 10,000             | -                   | 10,000          | 60            | -9,940     |
| Miscellaneous                       | 133,119            | -                   | 133,119         | 139,213       | 6,094      |
| Total revenues                      | 19,487,700         | -                   | 19,487,700      | 19,715,780    | 228,080    |
| <b>Expenditures</b>                 |                    |                     |                 |               |            |
| General government                  |                    |                     |                 |               |            |
| Board of selectmen                  | 266,437            | -                   | 266,437         | 260,230       | 6,207      |
| Board of finance                    | 2,200              | -                   | 2,200           | 1,373         | 827        |
| Finance                             | 211,865            | -                   | 211,865         | 206,897       | 4,968      |
| Town clerk                          | 119,585            | -                   | 119,585         | 111,081       | 8,504      |
| Tax collector                       | 93,353             | -                   | 93,353          | 85,894        | 7,459      |
| Assessor                            | 67,950             | -                   | 67,950          | 63,934        | 4,016      |
| Elections                           | 30,503             | -                   | 30,503          | 26,043        | 4,460      |
| Town building operations            | 655,086            | -                   | 655,086         | 604,962       | 50,124     |
| Professional and technical services | 215,350            | 10,000              | 225,350         | 184,933       | 40,417     |
| Auditing services                   | 21,000             | -                   | 21,000          | 21,000        | -          |
| Data processing                     | 107,153            | -                   | 107,153         | 104,382       | 2,771      |
| Insurances                          | 116,735            | -                   | 116,735         | 98,214        | 18,521     |
| Employee benefits                   | 639,245            | -                   | 639,245         | 579,897       | 59,348     |
| Payroll taxes                       | 147,516            | -                   | 147,516         | 126,653       | 20,863     |
| Unemployment compensation           | 5,500              | -                   | 5,500           | 564           | 4,936      |
| Probate court                       | 4,650              | -                   | 4,650           | 4,399         | 251        |
| Public building commission          | 540                | -                   | 540             | -             | 540        |
|                                     | 2,704,668          | 10,000              | 2,714,668       | 2,480,456     | 234,212    |
| Public works                        |                    |                     |                 |               |            |
| Highway department                  | 964,550            | -                   | 964,550         | 913,308       | 51,242     |
| Public safety                       |                    |                     |                 |               |            |
| Police protection                   | 285,016            | -                   | 285,016         | 275,507       | 9,509      |
| Fire commission                     | 176,715            | -                   | 176,715         | 167,573       | 9,142      |
| Fire marshal                        | 14,142             | -                   | 14,142          | 13,761        | 381        |
| Canine services                     | 3,750              | -                   | 3,750           | 3,000         | 750        |
|                                     | 479,623            | -                   | 479,623         | 459,841       | 19,782     |
| Building, planning and zoning       |                    |                     |                 |               |            |
| Building and land use               | 241,629            | -                   | 241,629         | 231,122       | 10,507     |
| Planning and zoning commission      | 6,780              | -                   | 6,780           | 1,988         | 4,792      |
| Inland wetlands commission          | 2,235              | -                   | 2,235           | 631           | 1,604      |
| Zoning board of appeals             | 1,440              | -                   | 1,440           | 550           | 890        |
| Economic development commission     | 2,000              | -                   | 2,000           | 1,885         | 115        |
| Conservation commission             | 1,575              | -                   | 1,575           | 1,424         | 151        |
| Open space                          | 645                | -                   | 645             | -             | 645        |
|                                     | 256,304            | -                   | 256,304         | 237,600       | 18,704     |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2016

|  | Original<br>budget | Budget<br>revisions | Final<br>budget   | Actual                     | Variance         |
|--|--------------------|---------------------|-------------------|----------------------------|------------------|
| Community services   |                    |                     |                   |                            |                  |
| Library  | \$ 262,380         | \$ -                | \$ 262,380        | \$ 254,211                 | \$ 8,169         |
| Senior citizens  | 154,258            | -                   | 154,258           | 142,621                    | 11,637           |
| Public health services                                       | 33,100             | -                   | 33,100            | 25,775                     | 7,325            |
|  | <u>449,738</u>     | <u>-</u>            | <u>449,738</u>    | <u>422,607</u>             | <u>27,131</u>    |
| Sanitation and waste   |                    |                     |                   |                            |                  |
| Refuse services  | 503,830            | -15,000             | 488,830           | 453,008                    | 35,822           |
| Education  | 13,467,883         | -                   | 13,467,883        | 13,058,318                 | 409,565          |
| Contingency  | 25,000             | -25,000             | -                 | -                          | -                |
| Debt issuance costs  | 30,000             | -19,000             | 11,000            | 1,000                      | 10,000           |
| Bolton Lakes debt assessment                                 | 140,000            | -                   | 140,000           | 140,000                    | -                |
| Debt service:  |                    |                     |                   |                            |                  |
| Principal  | 454,983            | 44,000              | 498,983           | 248,536                    | 250,447          |
| Interest   | 359,544            | -                   | 359,544           | 359,514                    | 30               |
|  | <u>814,527</u>     | <u>44,000</u>       | <u>858,527</u>    | <u>608,050</u>             | <u>250,477</u>   |
| Total expenditures   | <u>19,836,123</u>  | <u>-5,000</u>       | <u>19,831,123</u> | <u>18,774,188</u>          | <u>1,056,935</u> |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>-348,423</u>    | <u>5,000</u>        | <u>-343,423</u>   | <u>941,592</u>             | <u>1,285,015</u> |
| Other financing sources (uses)                               |                    |                     |                   |                            |                  |
| Proceeds from short term debt issuance                       | 250,000            | -                   | 250,000           | -                          | -250,000         |
| Utilization of un-designated fund balance                    | 564,608            | -                   | 564,608           | -                          | -564,608         |
| Transfers in   | -                  | -                   | -                 | -                          | -                |
| Transfers out  | -466,185           | -5,000              | -471,185          | -471,185                   | -                |
| Total other financing sources (uses)                         | <u>348,423</u>     | <u>-5,000</u>       | <u>343,423</u>    | <u>-471,185</u>            | <u>-814,608</u>  |
| Change in fund balance                                       | -                  | -                   | -                 | 470,407                    | 470,407          |
| Current year encumbrances                                    |                    |                     |                   | 11,651                     |                  |
| Prior year encumbrances                                      |                    |                     |                   | -9,987                     |                  |
| Non-budgeted State on behalf revenue                         |                    |                     |                   | 1,638,180                  |                  |
| Non-budgeted State on behalf expense                         |                    |                     |                   | <u>-1,638,180</u>          |                  |
| Net change in fund balance                                   |                    |                     |                   | 472,071                    |                  |
| <b>Fund Balance - July 1</b>                                 |                    |                     |                   | <u>2,434,127</u>           |                  |
| <b>Fund Balance - June 30</b>                                |                    |                     |                   | <u><u>\$ 2,906,198</u></u> |                  |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of net position  
Proprietary funds - Internal service fund  
June 30, 2016

|                                    | Dental<br>fund |
|------------------------------------|----------------|
| <b>Assets</b>                      |                |
| Cash                               | \$ 82,063      |
| Investments                        | -              |
| Accounts receivable                | -              |
| Due from other funds               | -              |
| Total assets                       | \$ 82,063      |
| <b>Liabilities</b>                 |                |
| Accounts payable                   | \$ 9,290       |
| Accrued payroll                    | -              |
| Other liabilities                  | -              |
| Unearned revenues                  | -              |
| Due to other funds                 | -              |
| Total liabilities                  | 9,290          |
| <b>Net Position:</b>               |                |
| Restricted                         |                |
| Expendable                         | 72,773         |
| Non-expendable                     | -              |
| Unrestricted                       | -              |
| Total net position                 | 72,773         |
| Total liabilities and net position | \$ 82,063      |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of revenues, expenses and changes in net position  
Proprietary funds - Internal service fund  
For the year ended June 30, 2016

|  | Dental<br>fund |
|--|----------------|
| <b>Operating revenues:</b>               |                |
| Charges for services                     | \$ 138,326     |
| Fees                                     | -              |
| Other operating revenues                 | -              |
| Total operating revenues                 | 138,326        |
| <b>Operating expenses:</b>               |                |
| Personal services                        | -              |
| Contractual services                     | 108,650        |
| Administrative costs                     | -              |
| Total operating expenses                 | 108,650        |
| Total operating income (loss)            | 29,676         |
| <b>Nonoperating revenues (expenses):</b> |                |
| Investment earnings                      | -              |
| Fiscal charges                           | -              |
| Interest expense                         | -              |
| Total nonoperating revenues (expenses)   | -              |
| Total Income (loss)                      | 29,676         |
| <b>Contributions and transfers:</b>      |                |
| Capital contributions                    | -              |
| Transfers in                             | -              |
| Transfers out                            | -              |
| Total contributions and transfers        | -              |
| Change in net position                   | 29,676         |
| Net position - July 1                    | 43,097         |
| Net position - June 30                   | \$ 72,773      |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of cash flows  
Proprietary funds - Internal service fund  
For the year ended June 30, 2016

|   | Dental<br>fund |
|---|----------------|
| <b>Cash flows from operating activities:</b>  |                |
| Receipts from employees and town  | \$ 138,326     |
| Receipts from customers and users   | -              |
| Payments for goods and services   | -109,561       |
| Other items   | -              |
| Net cash from operating activities  | 28,765         |
| <br><b>Cash flows from noncapital financing activities:</b>                                     |                |
| Transfers to or from other funds  | -              |
| Interest paid   | -              |
| Net cash from noncapital financial activities   | -              |
| <br><b>Cash flows from capital and related financial activities:</b>                            |                |
| Capital asset additions   | -              |
| Principal payments of long-term debt  | -              |
| Interest payments of long-term debt   | -              |
| Net cash from capital and related financing activities  | -              |
| <br><b>Cash flows from investing activities:</b>  |                |
| Investment additions  | -              |
| Interest and other receipts   | -              |
| Net cash from investing activities  | -              |
| <br>Change in cash and cash equivalents   | 28,765         |
| <b>Cash and cash equivalents - July 1</b>   | 53,298         |
| <b>Cash and cash equivalents - June 30</b>  | \$ 82,063      |
| <br><b>Reconciliation of operating income (loss)<br/>to net cash from operating activities:</b> |                |
| Operating income (loss)   | \$ 29,676      |
| Changes in operating assets and liabilities   |                |
| (Increase) decrease in accounts receivable  | -              |
| (Increase) decrease in due from other funds   | -              |
| Increase (decrease) in accounts payable   | -911           |
| Increase (decrease) in unearned revenues  | -              |
| Increase (decrease) in due to other funds   | -              |
| Net cash from operating activities  | \$ 28,765      |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Statement of net position  
Fiduciary funds  
June 30, 2016

|                                    | Agency<br>funds |
|------------------------------------|-----------------|
| <b>Assets:</b>                     |                 |
| Cash                               | \$ 331,029      |
| Investments                        | -               |
| Accounts receivable                | -               |
| Due from other funds               | -               |
| Total assets                       | \$ 331,029      |
| <b>Liabilities:</b>                |                 |
| Accounts payable                   | \$ -            |
| Unearned revenues                  | -               |
| Due to student groups              | 111,127         |
| Rental escrow funds payable        | 3,702           |
| Maintenance escrow funds payable   | 216,200         |
| Total liabilities                  | 331,029         |
| <b>Net position:</b>               |                 |
| Restricted                         |                 |
| Expendable                         | -               |
| Non-expendable                     | -               |
| Unrestricted                       | -               |
| Total net position                 | -               |
| Total liabilities and net position | \$ 331,029      |

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

The Town of Bolton, Connecticut was incorporated in 1720 under the General Statutes of the State of Connecticut and is located in Tolland County. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

**Note 1 - Summary of significant accounting policies**

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

**A. Reporting entity**

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Bolton Volunteer Fire Department, Inc. (the Department) meets the definition of a component unit due to its fiscal dependence on the Town. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department through the fire commission general fund line items of the Town which funds a portion of its operations. In addition, the Town makes an annual proficiency fund payment to the Department and a fire fighter retention expenditure in the amounts of \$16,065 and \$14,500, respectively, for the current fiscal year. Though the Town does not directly have the authority to approve or modify the budgeted use of funds collected by the Department directly, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis to the fire commission general fund line items. In addition, the fire safety complex, fire trucks and other major equipment items used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the Town considers the nature and significance of the relationship with the primary government as such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The activities of the Department should be shown within the Town's financials statements as a discretely presented component unit as opposed to a blended component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61. Audited financial information of the Department, however, has not been included in the accompanying government-wide financial statements and therefore the independent auditors' report includes an opinion modification.

**B. Government-wide financial statements**

**1. Basis of presentation**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government as well as the governmental and business-type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.



**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

The statement of net position presents the financial position of the governmental and business-type activities of the primary government of the Town at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the invested in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Internal balances between individual funds within the governmental and business-type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business-type activities (when present) of the primary government of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business-type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business-type activities.

## **2. Measurement focus and basis of accounting**

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business-type activities of the primary government of the Town. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

## **C. Fund financial statements**

### **1. Basis of presentation**

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, a statement of net position - proprietary funds, a statement of revenues, expenses and changes in net position - proprietary funds, a statement of cash flows - proprietary funds, and a statement of fiduciary net position and a statement fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which records cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, proprietary funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund, and other non-major governmental fund types such as special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the main operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets or for the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens.

Proprietary and fiduciary fund reporting focuses on net position and changes in net position. The proprietary funds of the Town consist of an internal service fund which is used to account for the self funding dental activities of the Town. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of agency funds. Agency funds are used to report resources held by the Town in a purely custodial capacity. Agency funds of the Town consist of the student activity accounts located at the Board of Education and rental and maintenance bond escrow funds collected and held until certain events or requirements have been met at which time the funds may be returned.

- e. Internal service funds - Internal service funds can be used for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis when the reporting government is the predominant participant in the activity. The Town uses an internal service fund to account for its self funding dental activities.
- f. Agency funds - Agency funds represent resources held in a purely custodial capacity for individuals, private organizations, or other governments.

The balance sheet is used to report information about the current financial resources (assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1S on pages 29 and 30. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the Town as shown on the government-wide statement of activities.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers. The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position. Given the type of the fiduciary funds of the Town (agency funds), the statement of changes in fiduciary net position is not applicable for the current fiscal year.

## **2. Measurement focus and basis of accounting**

In regard to the governmental activities of the Town, the balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year, when applicable. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

In regard to the proprietary fund activities of the Town, the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

## **D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

## **E. Cash and cash equivalents**

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town. However, the Town may classify money market accounts, certificates of deposit accounts and other higher yielding accounts as investments regardless of maturity when they are used to gain a higher interest rate in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town.

## **F. Investments**

The Town's policy to value investments at their fair value as of the end of the fiscal year. Some types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town may vote to accept investments other than those authorized by the State when they have been donated to the Town. The Town may consider certain money market accounts, certificates of deposit and other higher yielding accounts as investments.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**G. Revenue recognition - property taxes**

The Town's property tax for the current year was levied May 13, 2015 on the grand list as of October 1, 2014, for the real, personal and motor vehicle property located in the Town at a rate of 36.77 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2015. Supplemental motor vehicle taxes were due on January 1, 2016. Interest on unpaid taxes commenced after each due date, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principal property tax assessment with an adjustment being made for the amount of principal expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, the total current year principal assessment is recorded as revenue.

**H. Receivables & allowance for doubtful accounts**

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. The current year fund financial statement accounts receivable balances include property tax principal amounts of \$212,593, intergovernmental amounts of \$99,336 due on state, federal and other grant and awards agreements with \$21,900 relating to school activities and \$77,436 relating to other governmental activities and other receivable balances of \$20,597. The other receivable balance is made up miscellaneous receivable amounts. Government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the active property tax principal amounts. Delinquent interest and fees on suspense tax receivable principal balances are not included. The current year long-term delinquent interest receivable balance is \$43,888. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

**I. Tax acquired property**

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold. The Town does not currently have any property being classified as tax acquired.

**J. Inventories**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used. The Town currently has recorded an inventory amount of \$2,556 as it relates to the school lunch program with \$774 representing the value of non-USDA inventory items and \$1,782 representing the value of USDA inventory items.

**K. Prepaid items**

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature generally to include aggregated similar items not exceeding \$2,500. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants and other governmental fund activities are recorded as prepaid expenses-expenditures regardless of the dollar amount.

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**L. Capital assets**

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town generally maintains a capitalization threshold of \$5,000 for all equipment, \$10,000 for vehicles, \$25,000 for buildings and improvements. Land purchases are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and use. Capital assets are only shown on the government-wide statement of net position.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets used by the Town are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure and improvements thereto. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities.

**M. Interfund receivables and payables**

On the fund financial statements, interfund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances, a portion of the annual tax commitment applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax revenue and other revenues is not deposited into the individual funds but rather into the general fund and accounted for as an interfund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of interfund receivables and interfund payables as shown on the balance sheet must equal. These interfund balances and related activities have been eliminated in the government-wide statement of net position and the statement of activities.

**N. Accounts payable and other liabilities**

The accounts payable balance of the town is used to account for the expenses or expenditures related to goods and services received during the current fiscal year for which the related invoices have not yet been paid as of the end of the current fiscal year. Under both the accrual and modified accrual basis of accounting expenses and expenditures are recorded when they are incurred. The other liabilities balance as shown on both the government-wide and fund financial statements of \$2,801 is made up of the USDA inventory amount of \$1,782 and other miscellaneous items in the amount of \$1,019.

**O. Accrued payroll**

On the government-wide and the fund financial statements, the accrued payroll balance is made up of amounts related to amounts earned through hours worked prior to the end of the fiscal year which were not physically paid until after the end of the fiscal year.

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**P. Unearned revenue and Deferred inflows of resources**

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as unearned revenue. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as unearned revenue. On the government-wide financial statements, the current fiscal year unearned revenue balance of the governmental activities totaled \$464,729. This amount is made up of unearned state, federal and other education grant balances of \$134,876 which will be used in the upcoming fiscal year and balances of \$5,103 which represent unspent and remaining state grant balances due back to the state, unearned state, federal and other governmental program grant balances of \$323,950 and other miscellaneous items of \$800. On the fund financial statements, the current fiscal year unearned revenue balance totaled \$5,903. This amount is made up of unearned state, federal and other education grant balances of \$5,103 which represent unspent and remaining state grant balances due back to the state and other miscellaneous items of \$800. The acquisition of net position or fund balance amounts which apply to future periods will not be recognized as an inflow of resources (revenue) until that time. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) are recorded as deferred inflows of resources. The current fiscal year deferred inflow of resources balance relating to these property taxes receivable is \$181,772.

**Q. Encumbrance accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Bolton does utilize encumbrance accounting. The assigned portion of fund balance at June 30, 2016 relating to encumbrances was \$11,651 for the general fund. The balance relating to the Board of Education was \$0 and the balance for the town general fund was \$11,651 as of the end of the fiscal year.

**R. Major funds - Fund financial statements only**

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. School construction fund - This fund is being used to account for the costs and related revenues associated with the Bolton High School construction and renovation project. These construction activities were financed through State construction grant revenue and bonding by the Town. The Town authorized bonding for this project in the amount of \$26,150,000 to be reduced by project grants received. Bonds issued to date total \$12,695,000 with project grants received to date totaling \$9,757,195 leaving authorized and unissued bonds totaling \$3,697,805 relating to this construction project.
- e. Town capital funds - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments. The activities within this fund are financed through annual appropriations as approved as part of the annual budget and through other miscellaneous grants and revenues. In addition, this fund includes the Board of Education capital fund. This capital fund is used to account for a portion of education tuition revenue which is designed to be used to pay the annual debt service requirements for the school construction related debt or portions thereof.
- f. Cemetery activity fund - This fund is used to account for a portion of the assets which were transferred from the Bolton Cemetery Association, Inc. which was a legally separate organization within the town which maintained the cemeteries within the town. Cemetery lot sales and other related revenues as well as upkeep and maintenance costs are accounted for within this fund.

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**S. Fund balance classification policies and procedures - fund financial statements only**

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. **Nonspendable fund balance** - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable funds balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures when applicable.
- b. **Restricted fund balances** - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and mortgage filing related fees. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the non-principal portion of permanent funds, the residual balance of the recreation round fund and the Bentley memorial library funds as well as education and town grants and program related balances.
- c. **Committed fund balance** - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget may include amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue or capital project fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting. During the current fiscal year the Board of Selectmen created an employment separation fund which is also being shown as a committed fund balance amount.
- d. **Assigned fund balance** - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations, the Board of Selectmen, the Board of Finance or the First Selectman individually as authorized by the Board of Finance. The First Selectman has the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year are classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance are also reported as assigned fund balance amounts of the general fund at the end of the current fiscal year. The Town also internally assigns an amount to be set aside for future unforeseen financial emergencies within the Town.
- e. **Unassigned fund balance** - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. In addition, individual governmental funds whose ending fund balance is negative are also classified as unassigned within the specific fund.

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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet. Additional information on individual fund balance classifications can be found in the individual combining fund schedules starting on page 48.

|   | General<br>fund     | School<br>construction<br>fund | Town<br>capital<br>funds | Cemetery<br>activity<br>fund | Non-major<br>governmental<br>funds | Total<br>governmental<br>funds |
|---|---------------------|--------------------------------|--------------------------|------------------------------|------------------------------------|--------------------------------|
| <b>Fund balances:</b>   |                     |                                |                          |                              |                                    |                                |
| <b>Nonspendable:</b>  |                     |                                |                          |                              |                                    |                                |
| Prepaid   | \$ 107,500          | \$ -                           | \$ -                     | \$ -                         | \$ 18,072                          | \$ 125,572                     |
| Non-USDA inventory  | -                   | -                              | -                        | -                            | 774                                | 774                            |
| Permanent funds principal   | -                   | -                              | -                        | -                            | 194,054                            | 194,054                        |
|   | <u>107,500</u>      | <u>-</u>                       | <u>-</u>                 | <u>-</u>                     | <u>212,900</u>                     | <u>320,400</u>                 |
| <b>Restricted:</b>  |                     |                                |                          |                              |                                    |                                |
| Town aid roads grant  | -                   | -                              | -                        | -                            | 251,836                            | 251,836                        |
| Educational grants  | -                   | -                              | -                        | -                            | 191,293                            | 191,293                        |
| Education programs  | -                   | -                              | -                        | -                            | 30,943                             | 30,943                         |
| Recreation round fund   | -                   | -                              | -                        | -                            | 188,323                            | 188,323                        |
| Bentley memorial library fund                                       | -                   | -                              | -                        | -                            | 32,113                             | 32,113                         |
| Permanent funds non-principal                                       | -                   | -                              | -                        | -                            | 201,493                            | 201,493                        |
| Other grants and programs   | -                   | -                              | -                        | -                            | 102,110                            | 102,110                        |
|   | <u>-</u>            | <u>-</u>                       | <u>-</u>                 | <u>-</u>                     | <u>998,111</u>                     | <u>998,111</u>                 |
| <b>Committed:</b>   |                     |                                |                          |                              |                                    |                                |
| Open space reserve funds  | -                   | -                              | -                        | -                            | 181,074                            | 181,074                        |
| Other governmental funds  | -                   | -                              | -                        | -                            | 8,096                              | 8,096                          |
| Capital reserve fund  | -                   | -                              | 637,198                  | -                            | -                                  | 637,198                        |
| School capital fund   | -                   | -                              | 69,891                   | -                            | -                                  | 69,891                         |
| Employment separation fund  | 30,000              | -                              | -                        | -                            | -                                  | 30,000                         |
|   | <u>30,000</u>       | <u>-</u>                       | <u>707,089</u>           | <u>-</u>                     | <u>189,170</u>                     | <u>926,259</u>                 |
| <b>Assigned:</b>  |                     |                                |                          |                              |                                    |                                |
| Cemetery activity fund  | -                   | -                              | -                        | 862,888                      | -                                  | 862,888                        |
| Buildings and grounds fund  | -                   | -                              | -                        | -                            | 51,166                             | 51,166                         |
| Dog fund  | -                   | -                              | -                        | -                            | 21,468                             | 21,468                         |
| Other programs and funds  | -                   | -                              | -                        | -                            | 12,838                             | 12,838                         |
| Internal assignment of funds for<br>unforseen financial emergencies | 1,375,501           | -                              | -                        | -                            | -                                  | 1,375,501                      |
| Education encumbrances  | -                   | -                              | -                        | -                            | -                                  | -                              |
| Town encumbrances   | 11,651              | -                              | -                        | -                            | -                                  | 11,651                         |
|   | <u>1,387,152</u>    | <u>-</u>                       | <u>-</u>                 | <u>862,888</u>               | <u>85,472</u>                      | <u>2,335,512</u>               |
| <b>Unassigned</b>   |                     |                                |                          |                              |                                    |                                |
| General fund  | 1,381,546           | -                              | -                        | -                            | -                                  | 1,381,546                      |
| School construction fund  | -                   | -1,503,348                     | -                        | -                            | -                                  | -1,503,348                     |
| Capital projects fund   | -                   | -                              | -30,501                  | -                            | -                                  | -30,501                        |
| Education grants and programs                                       | -                   | -                              | -                        | -                            | -5,089                             | -5,089                         |
|   | <u>1,381,546</u>    | <u>-1,503,348</u>              | <u>-30,501</u>           | <u>-</u>                     | <u>-5,089</u>                      | <u>-157,392</u>                |
| <b>Total fund balances</b>  | <u>\$ 2,906,198</u> | <u>\$ -1,503,348</u>           | <u>\$ 676,588</u>        | <u>\$ 862,888</u>            | <u>\$ 1,480,564</u>                | <u>\$ 4,422,890</u>            |



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**T. Long-term obligations and related costs**

Long-term debt and other long-term obligations are reported as liabilities on the governmental-wide statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**U. Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget may call for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment is considered by the Town to be a specific revenue source which is committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. In accordance with the true accounting definition of a special revenue fund, specific revenue sources which in this case would be a portion of the annual tax commitment would be required to be shown as revenue of the specific fund and would therefore cause these revenues and transfers to be shown differently on the budget to actual statement in comparison to the statement of revenues, expenditures and changes in fund balances. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. The Board of Education may transfer unexpended balances from one account to another within its total appropriation in accordance with the General Statutes. Any Town commission, board, agency or office (Town department) may transfer unexpended balances from one account to another within their total appropriation upon approval of the Board of Selectman. The Board of Selectmen may also transfer unexpended balances from one department to another. Supplemental appropriation requests for the Board of Education are submitted to the Board of Finance for action. Supplemental appropriations for any Town department shall be made to the Board of Selectmen who will then submit the request on to the Board of Finance with any comments or recommendations for action. Supplemental appropriation requests may be acted upon by the Board of Finance in that they may approve, lower or reject them. Any supplemental appropriation requests that are individually in excess of \$20,000 or when added to previous requests exceed \$20,000 must be passed on to a special Town meeting for action.

Annually, the Board of Selectmen may require, every Town department supported wholly or in part by Town revenues or appropriations, excluding the Board of Education, shall present the Board of Selectmen with an itemized estimate of all revenues expected to be received, excluding Town appropriations, and all expenditures to be made in the upcoming fiscal year. Each year, on or before March 15<sup>th</sup> the Board of Selectmen shall present to the Board of Finance the operating budget outlining the estimated revenues and expenditures which will include all Town departments in addition to the debt, capital budget and the capital reserve portion. In addition, the Board of Education shall also submit its operating budget outlining the estimated revenues and expenditures to the Board of Finance on or before March 15<sup>th</sup>. The Board of Finance may then revise the total appropriation amount of the Board of Selectman and Board of Education operating budgets as well as the contingency, debt service and capital improvement estimates. The Board of Finance shall hold one or more public hearings on the proposed budget no later than May 1<sup>st</sup>. After the final public hearing the Board of Finance shall, by resolution adopted by an affirmative vote of at least four members, approve the budget. The proposed budget shall be presented to the Annual Budget Referendum to be held no later than May 25<sup>th</sup>. The current fiscal year budget was approved by referendum on May 12, 2015.

|                                  | Revenues             | Expenditures          | Other financing sources (uses) | Net change in fund balance |
|----------------------------------|----------------------|-----------------------|--------------------------------|----------------------------|
| GAAP basis - Statement D         | \$ 21,353,960        | \$ -20,410,704        | \$ -471,185                    | \$ 472,071                 |
| Current fiscal year encumbrances | -                    | -11,651               | -                              | -11,651                    |
| Prior fiscal year encumbrances   | -                    | 9,987                 | -                              | 9,987                      |
| State on-behalf payments         | -1,638,180           | 1,638,180             | -                              | -                          |
| Budgetary basis - Statement E    | <u>\$ 19,715,780</u> | <u>\$ -18,774,188</u> | <u>\$ -471,185</u>             | <u>\$ 470,407</u>          |

**Town of Bolton, Connecticut**  
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**Note 2 - Deposits and investments**

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, 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 formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town’s deposits was \$4,971,605 which is shown in the financial statements as cash balances of \$4,683,510 (\$4,270,418 on Statement C, \$82,063 on Statement F and \$331,029 on Statement I) and investment balances of \$288,095 which represent money market accounts, certificates of deposit and other higher yielding accounts which are a portion of the investments balance shown on Statement C. The corresponding bank balances of these accounts at various financial institutions totaled \$5,403,975 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, approximately \$933,651 were covered by FDIC with the remaining \$4,470,324 representing balances that where not insured but rather collateralized in part by securities held by the pledging financial institutions’ trust department or agent but not in the Town’s name in accordance with and in the amounts and coverage percentages required by State statutes.

The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town’s deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank’s risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**Investments**

The following schedule shows the different types of investments held by the Town, the maturities of those investments and the associated credit ratings as of June 30, 2016.

| Type                          | Fair value        | Maturities in years |             |              | Credit ratings |           |
|-------------------------------|-------------------|---------------------|-------------|--------------|----------------|-----------|
|                               |                   | Less than 1 year    | 1 - 5 years | 6 - 10 years | Moody’s        | S & P     |
| <b>Governmental funds:</b>    |                   |                     |             |              |                |           |
| CT short term investment fund | \$ 1,017          | \$ 1,017            | \$ -        | \$ -         | not rated      | AAAm      |
| Money market and certificates | 288,095           | 288,095             | -           | -            | not rated      | not rated |
|                               | <u>\$ 289,112</u> | <u>\$ 289,112</u>   | <u>\$ -</u> | <u>\$ -</u>  |                |           |

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
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**Note 3 - Interfund receivables, payables, and transfers - fund financial statements only**

**Interfund receivables and payables** - The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for interfund balances is to keep track of each fund's position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents interfund receivables and payables by individual major fund and non-major funds in the aggregate. Separate balances do show up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types may have either a due to or a due from balance. The Town believes it is more beneficial to shown this information separately rather than netted out.

|                                      | Receivable<br>due from | Payable<br>due to |
|--------------------------------------|------------------------|-------------------|
| <b>General fund:</b>                 |                        |                   |
| School construction fund             | \$ 1,303,201           | \$ -              |
| Town capital funds                   | 819,709                | 637,198           |
| Cemetery activity fund               | 6,850                  | -                 |
| Non-major special revenue funds      | 813,899                | 781,505           |
| Non-major permanent funds            | -                      | 1,325             |
|                                      | \$ 2,943,659           | \$ 1,420,028      |
| <br><b>School construction fund:</b> |                        |                   |
| General fund                         | \$ -                   | \$ 1,303,201      |
| <br><b>Town capital funds:</b>       |                        |                   |
| General fund                         | \$ 637,198             | \$ 819,709        |
| <br><b>Cemetery activity fund:</b>   |                        |                   |
| General fund                         | \$ -                   | \$ 6,850          |

**Interfund transfers** - Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents interfund transfers by individual major fund and non-major funds in the aggregate.

|                                  | Transfers in | Transfers out |
|----------------------------------|--------------|---------------|
| <b>General fund:</b>             |              |               |
| Town capital funds               | \$ -         | \$ -433,000   |
| Non-major special revenue funds: | -            | -38,185       |
|                                  | \$ -         | \$ -471,185   |
| <br><b>Town capital funds:</b>   |              |               |
| General fund                     | \$ 433,000   | \$ -          |

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
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**Note 4 - Restricted cash and investments - government-wide financial statements only**

The Town breaks down cash and investments between a regular current asset and an other asset restricted on the government-wide statement of net position. The other assets restricted cash and investments amounts are made up of cash and investment balances which are restricted for a specific purpose in subsequent fiscal years. The current year amounts on the government-wide statement of net position can be broken down as follows.

|   |                   |
|---|-------------------|
| Restricted cash   |                   |
| Unearned state, federal, and other grant program balances | \$ 458,826        |
| Non-spendable balance of non-major permanent funds        | 92,905            |
| Restricted balance of non-major permanent funds           | 69,508            |
|   | <u>\$ 621,239</u> |
|   |                   |
| Restricted investments                                    |                   |
| Nonspendable balance of non-major permanent funds         | \$ 101,149        |
| Restricted balance of non-major permanent funds           | 131,985           |
|   | <u>\$ 233,134</u> |

**Note 5 - Capital assets - government-wide financial statements only**

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2016. Information about the specific accounting policies of the Town in relation to capital assets can be found in note 1L on page 27 of the financial statements.

|  | Balance<br>07/01/15  | Additions           | Retirements          | Balance<br>06/30/16  |
|--|----------------------|---------------------|----------------------|----------------------|
| <b>Governmental activities:</b>              |                      |                     |                      |                      |
| Capital assets not being depreciated:        |                      |                     |                      |                      |
| Land and improvements                        | \$ 4,365,884         | \$ -                | \$ -                 | \$ 4,365,884         |
| Capital assets being depreciated:            |                      |                     |                      |                      |
| Buildings and improvements                   | 42,002,709           | 52,914              | -                    | 42,055,623           |
| Vehicles                                     | 3,460,037            | 262,811             | -501,957             | 3,220,891            |
| Equipment                                    | 1,476,746            | 197,661             | -                    | 1,674,407            |
| Infrastructure                               | 11,819,288           | 739,651             | -                    | 12,558,939           |
| Total at historical value                    | <u>58,758,780</u>    | <u>1,253,037</u>    | <u>-501,957</u>      | <u>59,509,860</u>    |
| Less accumulated depreciation for:           |                      |                     |                      |                      |
| Building and improvements                    | -11,785,774          | -                   | -1,008,836           | -12,794,610          |
| Vehicles                                     | -2,286,786           | 501,957             | -226,908             | -2,011,737           |
| Equipment                                    | -637,248             | -                   | -158,613             | -795,861             |
| Infrastructure                               | -4,935,997           | -                   | -242,161             | -5,178,158           |
| Total accumulated depreciation               | <u>-19,645,805</u>   | <u>501,957</u>      | <u>-1,636,518</u>    | <u>-20,780,366</u>   |
| Total capital assets being depreciated (net) | <u>39,112,975</u>    | <u>1,754,994</u>    | <u>-2,138,475</u>    | <u>38,729,494</u>    |
| Governmental activities capital assets (net) | <u>\$ 43,478,859</u> | <u>\$ 1,754,994</u> | <u>\$ -2,138,475</u> | <u>\$ 43,095,378</u> |

Depreciation expense taken on the governmental activities capital assets of the town are charged by function or department in the government-wide financial statements. During the current fiscal year, depreciation expense was charged to general government - \$91,050, public works - \$106,616, public safety - \$175,727, education - \$997,783, community services - \$23,181 and general infrastructure - \$242,161 for a total current fiscal year depreciation expense amount of \$1,636,518.

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**Note 6 - Long-term liabilities - government-wide financial statements only**

The long-term debt and other liabilities of the Town are made up of the following individual debt agreements and amounts. Long-term debt and other liabilities are shown on the government-wide financial statements as governmental activities items.

|                                 | Balance<br>07/1/15   | Additions         | Reductions         | Balance<br>06/30/16  | Amount due<br>within<br>one year |
|---------------------------------|----------------------|-------------------|--------------------|----------------------|----------------------------------|
| <b>Governmental activities:</b> |                      |                   |                    |                      |                                  |
| Outstanding payables:           |                      |                   |                    |                      |                                  |
| \$1,930,000 bond payable        | \$ 470,000           | \$ -              | \$ -235,000        | \$ 235,000           | \$ 235,000                       |
| \$9,000,000 bond payable        | 7,580,000            | -                 | -380,000           | 7,200,000            | 390,000                          |
| \$4,345,000 bond payable        | 3,965,000            | -                 | -195,000           | 3,770,000            | 200,000                          |
| \$20,271 note payable           | 8,446                | -                 | -5,490             | 2,956                | 2,956                            |
| \$15,769 note payable           | 15,769               | -                 | -3,942             | 11,827               | 3,942                            |
| \$57,410 capital lease payable  | 15,086               | -                 | -15,086            | -                    | -                                |
| \$114,783 capital lease payable | 98,021               | -                 | -21,545            | 76,476               | 22,450                           |
| Total outstanding payables      | <u>12,152,322</u>    | <u>-</u>          | <u>-856,063</u>    | <u>11,296,259</u>    | <u>854,348</u>                   |
| Unamortized bond premiums:      |                      |                   |                    |                      |                                  |
| \$9,000,000 bond payable        | 82,968               | -                 | -5,352             | 77,616               |                                  |
| \$4,345,000 bond payable        | 7,942                | -                 | -468               | 7,474                |                                  |
|                                 | <u>90,910</u>        | <u>-</u>          | <u>-5,820</u>      | <u>85,090</u>        |                                  |
| Other liabilities:              |                      |                   |                    |                      |                                  |
| Accrued comp. absences - school | 25,318               | -                 | -432               | 24,886               |                                  |
| Accrued comp. absences - town   | 291,536              | -                 | -9,232             | 282,304              |                                  |
| Other post-employment benefits  | 1,350,390            | 132,411           | -                  | 1,482,801            |                                  |
| Total other liabilities         | <u>1,667,244</u>     | <u>132,411</u>    | <u>-9,664</u>      | <u>1,789,991</u>     |                                  |
| Total long-term liabilities     | <u>\$ 13,910,476</u> | <u>\$ 132,411</u> | <u>\$ -871,547</u> | <u>\$ 13,171,340</u> | <u>\$ 854,348</u>                |

The following is a summary of the terms, conditions, and ending balance as of June 30, 2016 of the outstanding long-term bonds and notes payable of the Town as well as the outstanding principal and interest requirements for the fiscal years ending June 30:

|  |                      |
|--|----------------------|
| \$1,930,000 bond payable issued in June of 2007 to finance general purpose and school improvement items. Annual principal installments range from \$245,000 to \$235,000 through June of 2017. Interest at 4.50%.  | \$ 235,000           |
| \$9,000,000 bond payable issued in August of 2010 to finance a portion of the high school construction and renovation project. Annual principal installments range from \$340,000 to \$610,000 starting in August of 2011 through August of 2031. The coupon interest rates applicable to this bond payable range from 2.00% to 4.00%.   | 7,200,000            |
| \$4,345,000 bond payable issued in May of 2012 to finance a portion of the high school construction and renovation project in the amount of \$3,695,000 and the purchase of a new fire truck in the amount of \$650,000. Annual principal installments range from \$190,000 to \$280,000 starting in May of 2014 through May of 2032. The coupon interest rates applicable to this bond payable range from 2.00% to 2.95%. | 3,770,000            |
| \$20,271 note payable issued in January of 2013 to finance a portion of the costs for a energy conservation lighting and other items project at the center school. This is a non-interest bearing note with monthly principal payments of \$422 through January of 2017.   | 2,956                |
| \$15,769 note payable issued in June of 2015 to finance a portion of the costs for a energy conservation lighting and other items project at the high school. This is a non-interest bearing note with monthly principal payments of \$329 through June of 2019.   | 11,827               |
|  | <u>\$ 11,219,783</u> |

**Town of Bolton, Connecticut**  
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The following is a summary of the total outstanding principal and interest cash flow requirements for the aforementioned bonds and notes payable of the Town for the fiscal years ending June 30:

|             | Principal            | Interest            | Total                |
|-------------|----------------------|---------------------|----------------------|
| 2017        | \$ 831,898           | \$ 335,439          | \$ 1,167,337         |
| 2018        | 603,942              | 313,014             | 916,956              |
| 2019        | 618,943              | 300,407             | 919,350              |
| 2020        | 625,000              | 285,427             | 910,427              |
| 2021        | 640,000              | 269,157             | 909,157              |
| 2022 - 2026 | 3,500,000            | 1,067,626           | 4,567,626            |
| 2027 - 2031 | 4,120,000            | 443,597             | 4,563,597            |
| 2032 - 2036 | 280,000              | 8,260               | 288,260              |
|             | <u>\$ 11,219,783</u> | <u>\$ 3,022,927</u> | <u>\$ 14,242,710</u> |

**Amortization of bond premiums**

The \$9,000,000 bond payable issued in August of 2010 was issued at a premium which means that the Town received proceeds in excess of the face amount of the bond. The Town actually received \$9,115,750 in proceeds from this bond with \$107,052 representing the premium amount and \$8,698 representing an accrued interest amount. The bond premium amount will be amortized over the life of the bond on a straight line basis at a rate of \$2,676 for each interest payment made. The \$4,345,000 bond payable issued in May of 2012 was issued at a premium which means that the Town received proceeds in excess of the face amount of the bond. The Town actually received \$4,354,916 in proceeds from this bond with \$9,346 representing the premium amount and \$570 representing an accrued interest amount. The bond premium amount will be amortized over the life of the bond on a straight line basis at a rate of \$234 for each interest payment made. The following is a summary of the actual interest expense which will be recognized by the Town in the government-wide financial statements when adding the actual cash payments made for the interest due on its annual bonds and then subtracting out the aforementioned annual amortization of the bond premium for the fiscal years ending June 30:

|             | Interest<br>payments | Premium<br>on bond<br>issuance | Interest<br>expense<br>total |
|-------------|----------------------|--------------------------------|------------------------------|
| 2017        | \$ 335,439           | \$ -5,820                      | \$ 329,619                   |
| 2018        | 313,014              | -5,820                         | 307,194                      |
| 2019        | 300,407              | -5,819                         | 294,588                      |
| 2020        | 285,427              | -5,819                         | 279,608                      |
| 2021        | 269,157              | -5,819                         | 263,338                      |
| 2022 - 2026 | 1,067,626            | -29,095                        | 1,038,531                    |
| 2027 - 2031 | 443,597              | -26,431                        | 417,166                      |
| 2032 - 2036 | 8,260                | -467                           | 7,793                        |
|             | <u>\$ 3,022,927</u>  | <u>\$ -85,090</u>              | <u>\$ 2,937,837</u>          |

**Interest expense**

The total interest expense incurred by the Town during the current fiscal year totaled \$363,758 which related to the long-term bonds payable outstanding in the amount of \$359,514, the Town capital lease payable outstanding in the amount of \$517 and the Board of Education capital lease payable outstanding in the amount of \$3,727. In the fund financial statements the entire amount of interest expense incurred was charged to expense with \$359,514 being shown as interest expense, \$517 being recorded as a portion the public works budget line item and \$3,727 being shown as part of the education budget line item. On the government-wide financial statements, the total interest expense amount was decreased by \$5,820 relating to the current portion of amortization of the premium on prior bonding agreements entered into by the Town. As a result of this premium amortization, the interest expense amount shown on the government-wide financial statements totaled \$357,938.

**Town of Bolton, Connecticut**  
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**Capital leases payable**

The Town had a capital lease in part for a New Holland 6020 tractor with an over the rail mower which was purchased in January of 2009 and a Brush bandit chipper purchased in April of 2012. The gross amount of the tractor recorded as a vehicle type capital asset is \$103,509 and the gross amount of the chipper recorded as an equipment type capital assets is \$40,155. These two items were rolled into the existing lease agreement for the tractor which had an outstanding balance of \$27,565 with the amount being rolled in for the purchase of the chipper being a non-cash amount of \$29,845. These items are being amortized over a 10 year period and the accumulated amortization (depreciation) taken as of June 30, 2016 was \$72,457 and \$17,068 respectively. The final payment on this lease was made during the current fiscal year.

The Board of Education of the Town has a capital lease related to a lease purchase agreement for photocopiers. This lease purchase agreement runs from December of 2014 through December of 2019 with quarterly payments of \$6,318 which includes interest at a rate of approximately 4.00%. The gross amount of the photocopiers recorded as an equipment type capital asset is \$114,783. These items are being amortized over a 5 year period and the accumulated amortization (depreciation) taken as of June 30, 2016 was \$40,174. The annual payments on this lease over the next five fiscal years are equal to approximately \$82,134. The amount of these payments representing interest is equal to approximately \$5,658 leaving the net present value of future minimum lease payments equaling \$76,476.

**Accrued compensated absences**

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires once certain age and or years of service requirements have been met rather than simply when the employee leaves. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2016, school accumulated sick balances for those who would receive the benefits if they retired as of June 30, 2016 based on reaching the required age and or years of service requirements totaled approximately \$250,200. A current portion of these recorded liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

**Note 7 - Net position balances - Net investment in capital assets**

The net investment in capital assets net position amount on the government-wide statement of net position consisted of the following items as of June 30, 2016.

|  | Governmental<br>activities |
|--|----------------------------|
| Recorded value of capital assets       | \$ 63,875,744              |
| Less accumulated depreciation          | -20,780,366                |
| Book value of capital assets           | 43,095,378                 |
| Less capital assets related debt       | -11,296,259                |
| Total net investment in capital assets | \$ 31,799,119              |

**Town of Bolton, Connecticut**  
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**Note 8 - Assigned general fund balance**

The management of the Town of Bolton, at the direction of the Board of Finance, sets aside a portion of the Town's unassigned general fund balance to provide required resources to meet operating needs during unforeseen future financial emergencies and to allow for other unforeseen needs of an emergency nature. During the current fiscal year the Town took the ending assigned fund balance amount as of June 30, 2015 which was \$1,325,441, added the general fund interest earned during the fiscal year on the prior year balance in the amount of \$60, added the remaining budgeted contingency amount of \$0 and then added an annual principal addition of \$50,000 as set forth in the annual operating budget approved at town referendum. This current year activity brings the assigned general fund balance amount as of June 30, 2016 to \$1,375,501.

**Note 9 - Deficit fund balances**

In accordance with generally accepted accounting principles, all deficit fund balances and their nature must be disclosed. The school construction fund currently has a deficit of \$1,503,348 which is anticipated to be covered in part by additional grant funds expected to be received from the State of Connecticut once an audit of the project has been completed. The town capital projects fund currently has a deficit of \$30,501. This fund is used to account for a number of town and school projects normally funded through the issuance of bonds. The current deficit relates to projects for which town meeting approval was received to issue bonds in the amount of \$505,000 on November 5, 2015. These authorized bonds have not yet been issued. The following individual non-major special revenue funds currently have deficit fund balances totaling \$5,089. This deficit total includes the 07-09 Idea Part B section 611 grant of \$12, the 07-08 open choice grant of \$416, the 11-12 PACT grant of \$478, the 13-14 PACT grant of \$46, the 15-17 Title I grant of \$4,128 and the 15-17 Title II-A grant of \$9. It is anticipated that additional grant dollars as well as subsequent fiscal year transfers will clear out any remaining deficit balances in these non-major special revenue funds.

**Note 10 - Unclassified program expenditures**

The Town uses a departmental expenditure category labeled unclassified program to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories of the Town. During the prior fiscal year the town used this designation to report the amounts passed through to the Bolton Lakes Regional WPCA for a grant received from the State.

**Note 11 - Subsequent events**

The Town has evaluated subsequent events through January 23, 2017, the date to which the financial statements were available to be issued. There were no recognized subsequent events that would require adjustments to the financial statements and there were no non-recognized subsequent events that would require disclosure in the notes to the financial statements.

**Note 12 - Town employee benefit plans**

The employees of the Town are covered under a Deferred Compensation Plan. The plan allows employees to defer a portion of their salaries through payroll deductions into the Plan and invest it, on a tax-deferred basis. The Plan is administered by ICMA RC and is authorized under Section 457 of the Internal Revenue Code. Plans of deferred compensation described in IRC section 457 are available for certain state and local governments and non-governmental entities tax exempt under IRC 501. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years.

Funds in the Deferred Compensation Plan are not subject to taxes until they are withdrawn from the Plan. At the time of withdrawal normal income taxes are due, but there is no IRS penalty, regardless of age. Because of the tax-deferred status of the funds in the Deferred Compensation Plan, Federal law strictly limits access to these funds and under normal circumstances prohibits participants from withdrawing these funds while employed with the Town. Employers or employees through salary reductions are allowed to contribute up to the standard IRC 402 (g) limit of \$18,000 in 2016 and \$18,000 in 2015 on behalf of participants under the plan. In addition to employee elective deferrals, the Town also contributes 10% of the wages of one employee, 8% of the wages of another employee, and 5% of the wages for the remaining covered employees. During the fiscal year ended June 30, 2016, approximately 25 employees participated in the plan at some point during the year. Total payroll for Town employees (excluding the Board of Education) was approximately \$1,756,086 of which approximately \$1,299,732 represented wages attributable to plan participants. For the fiscal year ended June 30, 2016, the Town contributed approximately \$71,040 to the plan on-behalf of the plan participants.



**Town of Bolton, Connecticut**  
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**Note 13 - Board of Education non-certified employee benefit plans**

The employees of the Board of Education are covered under a Simplified Employee Pension Plan and a Tax sheltered annuity plan. These plans cover non-certified personnel such as secretaries, custodians, instructional aides, and certain administrative staff. Tax-Sheltered Annuity (TSA) arrangements are a form of defined contribution retirement plan available under Section 403(b) of the Internal Revenue Code. They are available to employees of Code Section 501(C)(3) tax-exempt organizations such as public colleges, universities and school systems. Subject to various limitations and restrictions, IRC §403(b) allows tax-deferred contributions to be made for the employees through salary reduction contributions of the employees. IRC §403(b) contributions must be invested in annuity contracts issued by life insurance companies or in shares of regulated investment companies (mutual funds) held in custodial accounts for the employee. Under the arrangement, a portion of the employee's compensation (determined by the employee within the limitations imposed by the Internal Revenue Code) is applied on a before-tax basis to an annuity contract or mutual fund shares owned by the employee. These amounts, together with any investment earnings, are not subject to federal income tax until they are paid to the employee (or beneficiary) in the form of benefits, normally during retirement. The Board of Education contributes between 3.80% and 12.0% of the covered employees wages. For the fiscal year ended June 30, 2016, approximately 10 employees participated in the plan at some point during the year. Total payroll for all employees including those eligible for the plan and those covered by other plans was approximately \$9,165,334, of which approximately \$915,952, represented the wages attributable to plan participants. For the fiscal year ended June 30, 2016, the Board of Education contributed \$42,613 to the plan on-behalf of the plan participants.

A simplified employee pension plan is an employer sponsored, tax-favored retirement plan. Unlike a traditional qualified plan, a SEP plan doesn't need an extensive written plan document and has minimal reporting and disclosure requirements for compliance. Any type of business entity (sole proprietorship, partnership or corporation), as well as certain tax-exempt organizations, can establish a SEP plan for its employees. Each eligible employee opens a SEP IRA account with an approved custodian and the employer makes contributions to those accounts on behalf of the employees. To be valid for any given tax year, the SEP plan document must be executed and the SEP IRA accounts established and funded by the due date of the employer's tax return, including extensions. A SEP plan is funded by the employer and is 100% vested at all times. The SEP contribution limit is 25% of an individual employee's compensation or \$53,000 in 2016 and \$53,000 in 2015 and is generally allocated on a straight salary ratio basis. Any employee who is at least 21 years old and has worked for the employer in any three of the preceding five years must have contributions made on his or her behalf, provided that in the year they become eligible, they earn in excess of the minimum indexed compensation amount (\$500 in 2016 and 2015). This includes part-time employees. The employer may set less restrictive age or service requirements, but the eligibility rules must be applied on a consistent basis to all employees. The Board of Education contributes between 6% and 13% of the covered employees wages. For the fiscal year ended June 30, 2016, approximately 50 employees participated in the plan at some point during the year. Total payroll for all employees including those eligible for the plan and those covered by other plans was approximately \$9,165,334, of which approximately \$1,666,805, represented the wages attributable to plan participants. For the fiscal year ended June 30, 2016, the Board of Education contributed \$119,197 to the plan on-behalf of the plan participants.

**Note 14 - On-behalf payments**

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Bolton Board of Education teachers for the fiscal year ended June 30, 2016. The pension contributions made by the State are determined on an actuarial reserve basis in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2016, the Bolton Board of Education's total covered payroll was approximately \$6,705,600 and the applicable on-behalf payment percentage or appropriation for the period was 24.43%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$1,638,180 and an education expenditure of \$1,638,180 have been included in the general fund on Statement D (GAAP basis) and have not been included in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of \$1,638,180 and an expense in the governmental activities section under a separate education function line item of \$1,638,180 have been included on Statement B of the government-wide financial statements. There is no effect on the net position fund balance at the end of the year. The above State appropriation percentage of 24.43% compares to 25.60% during the prior fiscal year. The above State on-behalf payment of \$1,638,178 compares to \$1,718,069 during the prior fiscal year.

**Town of Bolton, Connecticut**  
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**Note 15 - Defined benefit pension plan**

*Connecticut Teachers' Retirement System*

**Plan description** - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefits provided** - The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. In relation to normal retirement, retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of 1% contributions made prior to July 1, 1989 and voluntary contributions are payable. In relation to early retirement, employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4%, per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year as retirement precedes normal retirement date. In relation to disability retirement, employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for non-service related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

In relation to minimum benefits, effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement. In relation to prorated benefits, A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age 60. In relation to pre-retirement death benefits, the plan also offers a lump sum return of contribution with interest or surviving spouse benefit depending on the length of service.

**Contribution requirements** - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. School District employers are not required to make contributions to the plan. Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** - The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100%, of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2016, the Town recognized pension revenue and expense of \$1,638,180 as shown in Note 14 for on-behalf amounts for the benefits provided by the State.

|   |               |
|---|---------------|
| Town's proportionate share of the net pension liability                           | \$ -          |
| State's proportionate share of the net pension liability associated with the Town | 18,187,832    |
| Total   | \$ 18,187,832 |

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement::

|                           |  |
|---------------------------|--|
| Inflation                 | 3.00%  |
| Salary increases          | 3.75% to 7.00%, including inflation                                |
| Investment rate of return | 8.50%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

Future Cost-of-Living increases for members who retire on or after September 1, 1992 are assumed to receive an annual cost-of-living adjustment of 2%. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for by Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1%.

**Long-term rate of return** - The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset class                 | Target<br>allocation | Long-term<br>expected real<br>rate of return |
|-----------------------------|----------------------|--|
| Large cap U.S. equities     | 21.0%                | 5.8%   |
| Developed non U.S. equities | 18.0%                | 6.6%   |
| Emerging markets (non U.S.) | 9.0%                 | 8.3%   |
| Core fixed income           | 7.0%                 | 1.3%   |
| Inflation linked bond fund  | 3.0%                 | 1.0%   |
| Emerging markets bond fund  | 5.0%                 | 3.7%   |
| High yield bonds            | 5.0%                 | 3.9%   |
| Real estate                 | 7.0%                 | 5.1%   |
| Private equity              | 11.0%                | 7.6%   |
| Alternative investments     | 8.0%                 | 4.1%   |
| Liquidity fund              | 6.0%                 | 0.4%   |
| Total                       | <u>100.0%</u>        |  |

**Discount rate** - The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Sensitivity of the Town's proportionate share of the net pension liabilities to changes in the discount rate** - The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**Other Information** - Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

**Note 16 - Other Post Employment Benefits - OPEB**

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post-employment benefits other than pension benefits. The Town was required to implement this standard for the fiscal year beginning after December 15, 2007 which was the Town's fiscal year ended June 30, 2009. The objective of Statement No. 43 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other post-employment benefit plans (OPEB plans). OPEB plans are plans that provide post-employment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education and the Town provide a benefits to certain employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Schools. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy.

**Plan description**

The Board of Education and the Town maintain a single employer defined benefit OPEB Plan. Town supervisors are eligible for medical and dental coverage upon retirement on or after age 60 with 15 years of service. Board of Education certified employees are eligible for medical and dental coverage upon retirement under the State of Connecticut Teachers Retirement Board system. The normal retirement under this system is the earlier of age 60 with 20 years of service or 35 years of service. Early retirement is the earliest of 60 with 10 years of service, 55 with 20 years of service or 25 years of service. Board of Education non-certified employees are eligible for medical and dental coverage upon retirement. Retirees are able to purchase medical insurance for self and spouse. Insurance is 100% paid by the retiree and the spouse may continue coverage in the event of the retiree's death as long as they pay the cost of the insurance. The available plan of coverage is Anthem fully insured medical and pharmaceutical plans. Dental is self insured. The provisions of the Plan were established by the Board of Education and the Town along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Plan therefore would be amended through the action of these same groups. The Plan does not issue stand-alone financial statements.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Funding policy and annual OPEB cost**

The provisions of the Plan were established by the Board of Education and the Town along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education and the Town do not contribute directly to the Plan but rather contribute in the form of an implicit rate subsidy as described in paragraph two above. Retirees under this Plan are required to pay the full amount of the health insurance premiums that are applicable to their particular coverage option. The retiree portion is, however, reduced by an amount contributed by the State of Connecticut Teachers Retirement Board when applicable. The current amount contributed by the State for each applicable retiree is \$110 per month for a single coverage plan and \$220 per month for a dual coverage plan. The State can modify the amount contributed at any time in accordance with applicable State statutes. GASB Statement No. 45 does not mandate that a post-employment benefit liability be pre-funded by an organization it simply mandates that the liability be recorded and that certain related information be disclosed. The Board of Education of the Town currently plans to fund these benefits on a pay-as-you-go basis. As a result, no assets of the Town have been segregated and restricted to fund or provide these post-employment benefits. The annual required contribution (ARC), which is an actuarial determined amount, represents a level amount of funding, which if paid on an ongoing basis, would be projected to cover the normal cost each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

**Funding status**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as it relates to the OPEB Plan of the Board of Education of the Town for the fiscal year ended June 30, 2016 are as follows.

|  |    |           |
|--|----|-----------|
| Annual required contribution (ARC)                   | \$ | 224,500   |
| Interest on beginning NOO (B) at 4.00%               |    | 54,016    |
| Adjustment to ARC beginning NOO (B) divided by 17.98 |    | -75,105   |
| Annual OPEB Cost                                     |    | 203,411   |
| Amount contributed                                   |    | -71,000   |
| <br>   |    |           |
| Increase in Net OPEB Obligation                      |    | 132,411   |
| <br>   |    |           |
| Net OPEB Obligation as of June 30, 2015 (B)          |    | 1,350,390 |
| <br>   |    |           |
| Net OPEB Obligation as of June 30, 2016              | \$ | 1,482,801 |

**Actuarial methods and assumptions**

The projections of benefits associated with the Plan are based on the substantive Plan (this is the plan as it is understood by the employer and the plan members) and include the types of benefits available at the valuation date and the pattern of sharing the cost of these benefits between the Board of Education of the Town and the members of the Plan. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions made in making the applicable actuarial calculations are as follows.

|                            |   |
|----------------------------|---|
| Actuarial valuation date   | 07/01/15  |
| Actuarial cost method      | Projected unit credit cost method   |
| Amortization method        | 30 years, level dollar, open  |
| Asset valuation method     | None  |
| Actuarial assumptions      |   |
| Interest rate              | 3.75%   |
| Inflation                  | 3.00%   |
| Projected salary increases | 3.00%   |
| Medical inflation rate     | 8.00% for 2015, decreasing .50% per year, to an ultimate rate of 5.00% for 2021 and later |

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Schedule of funding progress**

Actuarial valuations involve a number of estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions based on actual results as compared to past expectations and new estimates based on expected future events and conditions. The required schedule of funding progress presented below provides multi-year trend information (only one year is currently available) intended to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

| Actuarial valuation date | Actuarial value of plan assets (a) | Actuarial accrued liability (AAL) entry age (b) | Unfunded AAL (UAAL) (a - b) | Funded ratio (a / b) | Covered payroll (c) | UAAL as a percentage of covered payroll ((b - a) / c) |
|--------------------------|------------------------------------|---|-----------------------------|----------------------|---------------------|---|
| 07/01/09                 | \$ -                               | \$ 2,109,000                                    | \$ 2,109,000                | 0.00%                | N/A                 | N/A   |
| 07/01/11                 | \$ -                               | \$ 2,356,000                                    | \$ 2,356,000                | 0.00%                | N/A                 | N/A   |
| 07/01/13                 | \$ -                               | \$ 2,775,000                                    | \$ 2,775,000                | 0.00%                | \$ 9,376,000        | 30%   |
| 07/01/15                 | \$ -                               | \$ 2,900,000                                    | \$ 2,900,000                | 0.00%                | \$ 10,586,000       | 27%   |

**Schedule of employer contributions**

The following schedule shows the Board of Educations annual OPEB cost, its annual contributions, the percentage of the annual OPEB costs contributed and the Net OPEB Obligation.

| Fiscal year ending | Annual required contribution (ARC) | Actual contributions | Percentage of AOC contributed | Net OPEB Obligation (NOO) |
|--------------------|------------------------------------|----------------------|-------------------------------|---------------------------|
| 06/30/11           | \$ 210,099                         | \$ 98,000            | 47%                           | \$ 846,572                |
| 06/30/12           | \$ 222,000                         | \$ 108,000           | 49%                           | \$ 961,826                |
| 06/30/13           | \$ 231,594                         | \$ 98,577            | 43%                           | \$ 1,094,843              |
| 06/30/14           | \$ 219,500                         | \$ 70,700            | 32%                           | \$ 1,226,545              |
| 06/30/15           | \$ 222,000                         | \$ 79,000            | 36%                           | \$ 1,350,390              |
| 06/30/16           | \$ 224,500                         | \$ 71,000            | 32%                           | \$ 1,482,801              |

**Note 17 - Commitments and contingencies - Operating leases and contingent debt**

The Town and more specifically the Board of Education of the Town leases a photocopier under a lease which is classified an operating lease. For leases to be classified as capital leases they must meet at least one of the following four criteria: 1)The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreement, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copier will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. This lease agreement runs from December of 2011 through December of 2016. Monthly payments under this lease agreement are \$222 which equals annual payments of \$2,664.

During April of 2003, an enacting ordinance was adopted by the Towns of Bolton and Vernon creating the Bolton Lakes Regional Water Pollution Control Authority (the Authority). This entity was established for the purpose of constructing and operating a regional sewage system that would benefit the two municipalities. In connection with this enacting ordinance, the two Towns entered into a financing agreement during 2005 whereby each would guarantee its proportionate shares of debt service costs on bonding secured for the systems construction. As of June 30, 2016, long-term financing through the State of Connecticut Clean Water Fund has been established. The outstanding debt of the Authority as supplied by the Authority totaled \$8,849,010 as of June 30, 2016. The Towns percentage of this debt is approximately 71% for a total contingent debt amount of \$6,282,797 as of June 30, 2016.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 18 - Commitments and contingencies - Risk management and other**

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town is a member in the Connecticut Inter-local Risk Management Agency (CIRMA), a public entity risk management program pursuant to the provisions of Section 7-479a of the Connecticut General Statutes for workers compensation pool coverage. The Town pays annual premiums for its coverage. CIRMA is designed to be self-sustaining through member premium's, however it does reinsure for each claim occurrence in excess of \$1,000,000. Members may be subject to supplemental assessments in the event of fund deficiencies, however, these potential supplemental assessments are limited pursuant to its by-laws. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years. Town management and legal counsel are unaware of any litigation, pending litigation, claims or disputes that would have a direct and material affect on the Town's financial position.

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2016 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

The Town and the Board of Education have entered into a joint agreement with the Capital Regional Education Council for computer system maintenance and technical services. An original three year agreement for these services was entered into and ran from July 1, 2005 through June 30, 2008. This agreement was extended annually over the subsequent eight year period running from July 1, 2008 through June 30, 2016. This agreement has also been extended for the upcoming one year period of July 1, 2016 through June 30, 2017 at an annual fee of \$119,526. The Town has entered into an agreement with Quality Data Service, Inc. for the use of software, data conversion, training and the related support services. This agreement is for a five year period from July 1, 2015 through June 30, 2020 or until terminated by the Town in accordance with the parameters of the agreement. The amount due for year one under this agreement was \$22,182 with the amount due for years two through five under this agreement being \$15,382 per year. The Board of Education has entered into a bus transportation agreement with M&J Bus, Inc. for the purpose of providing transportation services for the school children of the Town of Bolton in compliance with local policies and legal requirements. This agreement runs from July 1, 2016 through June 30, 2021. The base costs associated with this lease for conventional buses and Type II wheelchair lift school buses are \$275, \$283, \$291, \$300 and \$308, respectively, per bus per day. The number of vehicles needed under this agreement will vary. Additional hourly rates are included within the agreement for athletics, field trips and other trips during regular route hours and during non-route hours.

**Note 19 - Recently issued accounting standards**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

**Town of Bolton, Connecticut**  
Schedule of Town's proportionate share of the net pension liability  
Connecticut Teachers' Retirement System  
Last ten fiscal years (for all years available)

|  | 2016          | 2015          |
|--|---------------|---------------|
| Town's proportion of the net pension liability   | 0.165765%     | 0.165765%     |
| Town's proportionate share of the net pension liability  | \$ -          | \$ -          |
| State's proportionate share of the net pension liability associated with the Town                    | 18,187,832    | 16,811,006    |
| Total  | \$ 18,187,832 | \$ 16,811,006 |
| <br>   |               |               |
| Town's covered-employee payroll  | \$ 6,705,600  | \$ 6,711,207  |
| Town's proportion share of the net pension liability as a percentage of its covered-employee payroll | 0.00%         | 0.00%         |
| Plan fiduciary net position as a percentage of the total pension liability                           | 59.50%        | 61.51%        |

**Notes to schedule:**

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Methods and assumptions used in calculations of actuarial determined contributions:

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

|                                       |  |
|---------------------------------------|--|
| Actuarial cost method                 | Entry age                                    |
| Amortization method                   | Level percent of pay, closed                 |
| Single equivalent amortization period | 22.4 years                                   |
| Asset valuation method                | 4-year smoothed market                       |
| Investment rate of return             | 8.5% net of pension plan investment expense, |
| Salary increases                      | 3.75% - 7.00%, including inflation           |
| Inflation                             | 3.00%  |



**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major governmental funds  
As of and for the year ended June 30, 2016

|  | Non-major<br>special revenue<br>funds | Non-major<br>permanent<br>funds | Totals              |
|--|---------------------------------------|---------------------------------|---------------------|
| <b>Assets</b>  |                                       |                                 |                     |
| Cash   | \$ 1,073,281                          | \$ 161,088                      | \$ 1,234,369        |
| Investments  | -                                     | 233,134                         | 233,134             |
| Accounts receivable  | 65,773                                | -                               | 65,773              |
| Inventories and prepaid items                                | 20,628                                | -                               | 20,628              |
| Due from other funds   | 781,505                               | 1,325                           | 782,830             |
| Total assets   | <u>1,941,187</u>                      | <u>395,547</u>                  | <u>2,336,734</u>    |
| <b>Liabilities</b>   |                                       |                                 |                     |
| Accounts payable   | 32,222                                | -                               | 32,222              |
| Other liabilities  | 10,049                                | -                               | 10,049              |
| Due to other funds   | 813,899                               | -                               | 813,899             |
| Total liabilities  | <u>856,170</u>                        | <u>-</u>                        | <u>856,170</u>      |
| <b>Fund balance</b>  |                                       |                                 |                     |
| Nonspendable   | 18,846                                | 194,054                         | 212,900             |
| Restricted   | 796,618                               | 201,493                         | 998,111             |
| Committed  | 189,170                               | -                               | 189,170             |
| Assigned   | 85,472                                | -                               | 85,472              |
| Unassigned   | -5,089                                | -                               | -5,089              |
| Total fund balance   | <u>1,085,017</u>                      | <u>395,547</u>                  | <u>1,480,564</u>    |
| Total liabilities and fund balance                           | <u>\$ 1,941,187</u>                   | <u>\$ 395,547</u>               | <u>\$ 2,336,734</u> |
| <b>Revenues</b>  |                                       |                                 |                     |
| Intergovernmental  | \$ 1,443,427                          | \$ -                            | \$ 1,443,427        |
| Charges for services   | 279,794                               | -                               | 279,794             |
| Interest income  | 658                                   | 2,139                           | 2,797               |
| Miscellaneous  | 59,045                                | -                               | 59,045              |
| Total revenues   | <u>1,782,924</u>                      | <u>2,139</u>                    | <u>1,785,063</u>    |
| <b>Expenditures</b>  |                                       |                                 |                     |
| Salary and wages   | 687,691                               | -                               | 687,691             |
| Program operating costs                                      | 809,327                               | 563                             | 809,890             |
| Capital outlay   | 252,448                               | -                               | 252,448             |
| Total expenditures   | <u>1,749,466</u>                      | <u>563</u>                      | <u>1,750,029</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>33,458</u>                         | <u>1,576</u>                    | <u>35,034</u>       |
| <b>Other financing sources (uses)</b>                        |                                       |                                 |                     |
| Transfers in   | 38,185                                | -                               | 38,185              |
| Transfers out  | -                                     | -                               | -                   |
| Total other financing sources (uses)                         | <u>38,185</u>                         | <u>-</u>                        | <u>38,185</u>       |
| Net change in fund balance                                   | 71,643                                | 1,576                           | 73,219              |
| <b>Fund balance - July 1</b>                                 | <u>1,013,374</u>                      | <u>393,971</u>                  | <u>1,407,345</u>    |
| <b>Fund balance - June 30</b>                                | <u>\$ 1,085,017</u>                   | <u>\$ 395,547</u>               | <u>\$ 1,480,564</u> |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Buildings<br>and grounds<br>Fund 2821 | Mers<br>documentation<br>fees fund<br>Fund 2822 | Historic<br>documentation<br>fees fund<br>Fund 2822 | Historic<br>documentation<br>grant<br>Fund 2822 | Connecticard<br>library<br>grant<br>Fund 2822 |
|--|---------------------------------------|---|---|---|---|
| <b>Assets</b>  |                                       |   |   |   |   |
| Cash   | \$ 51,166                             | \$ -  | \$ -  | \$ -  | \$ -  |
| Investments  | -                                     | -   | -   | -   | -   |
| Accounts receivable  | -                                     | -   | -   | -   | -   |
| Inventories and prepaid items                                | -                                     | -   | -   | -   | -   |
| Due from other funds   | -                                     | 2,350   | 12,499  | 1,500   | 1,054   |
| Total assets   | 51,166                                | 2,350   | 12,499  | 1,500   | 1,054   |
| <b>Liabilities</b>   |                                       |   |   |   |   |
| Accounts payable   | -                                     | -   | -   | -   | -   |
| Other liabilities  | -                                     | -   | -   | -   | -   |
| Due to other funds   | -                                     | -   | -   | -   | -   |
| Total liabilities  | -                                     | -   | -   | -   | -   |
| <b>Fund balance</b>  |                                       |   |   |   |   |
| Nonspendable   | -                                     | -   | -   | -   | -   |
| Restricted   | -                                     | 2,350   | 12,499  | 1,500   | 1,054   |
| Committed  | -                                     | -   | -   | -   | -   |
| Assigned   | 51,166                                | -   | -   | -   | -   |
| Unassigned   | -                                     | -   | -   | -   | -   |
| Total fund balance   | 51,166                                | 2,350   | 12,499  | 1,500   | 1,054   |
| Total liabilities and fund balance                           | \$ 51,166                             | \$ 2,350  | \$ 12,499   | \$ 1,500  | \$ 1,054                                      |
| <b>Revenues</b>  |                                       |   |   |   |   |
| Intergovernmental  | \$ -                                  | \$ -  | \$ -  | \$ 3,000  | \$ 979  |
| Charges for services   | 3,475                                 | 770   | 1,228   | -   | -   |
| Interest income  | 115                                   | -   | -   | -   | -   |
| Miscellaneous  | 1,277                                 | -   | -   | -   | -   |
| Total revenues   | 4,867                                 | 770   | 1,228   | 3,000   | 979   |
| <b>Expenditures</b>  |                                       |   |   |   |   |
| Salary and wages   | -                                     | -   | -   | -   | -   |
| Program operating costs                                      | 1,277                                 | -   | -   | 3,000   | 3,587   |
| Capital outlay   | -                                     | -   | -   | -   | -   |
| Total expenditures   | 1,277                                 | -   | -   | 3,000   | 3,587   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 3,590                                 | 770   | 1,228   | -   | -2,608  |
| <b>Other financing sources (uses)</b>                        |                                       |   |   |   |   |
| Transfers in   | -                                     | -   | -   | -   | -   |
| Transfers out  | -                                     | -   | -   | -   | -   |
| Total other financing sources (uses)                         | -                                     | -   | -   | -   | -   |
| Net change in fund balance                                   | 3,590                                 | 770   | 1,228   | -   | -2,608  |
| <b>Fund balance - July 1</b>                                 | 47,576                                | 1,580   | 11,271  | 1,500   | 3,662   |
| <b>Fund balance - June 30</b>                                | \$ 51,166                             | \$ 2,350  | \$ 12,499   | \$ 1,500  | \$ 1,054                                      |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Connecticut<br>library<br>grant<br>Fund 2822 | Rt. 44 housing<br>incentive<br>grant<br>Fund 2822 | Lower<br>Bolton lakes<br>grant<br>Fund 2822 | Nutmeg<br>network<br>grant<br>Fund 2822 | East coast<br>greenway<br>grant<br>Fund 2822 |
|--|--|---|---|---|--|
| <b>Assets</b>  |  |   |   |   |  |
| Cash   | \$ -   | \$ -  | \$ -  | \$ -                                    | \$ -   |
| Investments  | -  | -   | -   | -                                       | -  |
| Accounts receivable  | -  | -   | 23,473                                      | -                                       | 20,400                                       |
| Inventories and prepaid items                                | -  | -   | -   | -                                       | -  |
| Due from other funds   | 4,629  | 9,285   | -   | 4,662                                   | -  |
| Total assets   | 4,629  | 9,285   | 23,473                                      | 4,662                                   | 20,400                                       |
| <b>Liabilities</b>   |  |   |   |   |  |
| Accounts payable   | -  | -   | 7,250                                       | -                                       | 20,400                                       |
| Other liabilities  | -  | -   | -   | -                                       | -  |
| Due to other funds   | -  | -   | 16,223                                      | -                                       | -  |
| Total liabilities  | -  | -   | 23,473                                      | -                                       | 20,400                                       |
| <b>Fund balance</b>  |  |   |   |   |  |
| Nonspendable   | -  | -   | -   | -                                       | -  |
| Restricted   | 4,629  | 9,285   | -   | 4,662                                   | -  |
| Committed  | -  | -   | -   | -                                       | -  |
| Assigned   | -  | -   | -   | -                                       | -  |
| Unassigned   | -  | -   | -   | -                                       | -  |
| Total fund balance   | 4,629  | 9,285   | -   | 4,662                                   | -  |
| Total liabilities and fund balance                           | \$ 4,629                                     | \$ 9,285  | \$ 23,473                                   | \$ 4,662                                | \$ 20,400                                    |
| <b>Revenues</b>  |  |   |   |   |  |
| Intergovernmental  | \$ 1,088                                     | \$ -  | \$ 61,752                                   | \$ -                                    | \$ 44,000                                    |
| Charges for services   | -  | -   | -   | -                                       | -  |
| Interest income  | -  | -   | -   | -                                       | -  |
| Miscellaneous  | -  | -   | -   | -                                       | -  |
| Total revenues   | 1,088  | -   | 61,752                                      | -                                       | 44,000                                       |
| <b>Expenditures</b>  |  |   |   |   |  |
| Salary and wages   | -  | -   | -   | -                                       | -  |
| Program operating costs                                      | 30   | -   | 61,752                                      | 36                                      | 44,000                                       |
| Capital outlay   | -  | -   | -   | -                                       | -  |
| Total expenditures   | 30   | -   | 61,752                                      | 36                                      | 44,000                                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,058  | -   | -   | -36                                     | -  |
| <b>Other financing sources (uses)</b>                        |  |   |   |   |  |
| Transfers in   | -  | -   | -   | -                                       | -  |
| Transfers out  | -  | -   | -   | -                                       | -  |
| Total other financing sources (uses)                         | -  | -   | -   | -                                       | -  |
| Net change in fund balance                                   | 1,058  | -   | -   | -36                                     | -  |
| <b>Fund balance - July 1</b>                                 | 3,571  | 9,285   | -   | 4,698                                   | -  |
| <b>Fund balance - June 30</b>                                | \$ 4,629                                     | \$ 9,285  | \$ -  | \$ 4,662                                | \$ -   |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | High risk<br>rural roads<br>grant<br>Fund 2822 | Eversource<br>efficiency<br>grant<br>Fund 2822 | Resident<br>assistance<br>Fund 2860 | Open<br>space<br>Fund 2870 | Bolton<br>founders day<br>Fund 2872 |
|--|--|--|-------------------------------------|----------------------------|-------------------------------------|
| <b>Assets</b>  |  |  |                                     |                            |                                     |
| Cash   | \$ -   | \$ -   | \$ -                                | \$ 181,074                 | \$ -                                |
| Investments  | -  | -  | -                                   | -                          | -                                   |
| Accounts receivable  | -  | -  | -                                   | -                          | -                                   |
| Inventories and prepaid items                                | -  | -  | -                                   | -                          | -                                   |
| Due from other funds   | -  | -  | 15,147                              | -                          | 8,096                               |
| Total assets   | -  | -  | 15,147                              | 181,074                    | 8,096                               |
| <b>Liabilities</b>   |  |  |                                     |                            |                                     |
| Accounts payable   | -  | -  | -                                   | -                          | -                                   |
| Other liabilities  | -  | -  | -                                   | -                          | -                                   |
| Due to other funds   | -  | -  | -                                   | -                          | -                                   |
| Total liabilities  | -  | -  | -                                   | -                          | -                                   |
| <b>Fund balance</b>  |  |  |                                     |                            |                                     |
| Nonspendable   | -  | -  | -                                   | -                          | -                                   |
| Restricted   | -  | -  | 15,147                              | -                          | -                                   |
| Committed  | -  | -  | -                                   | 181,074                    | 8,096                               |
| Assigned   | -  | -  | -                                   | -                          | -                                   |
| Unassigned   | -  | -  | -                                   | -                          | -                                   |
| Total fund balance   | -  | -  | 15,147                              | 181,074                    | 8,096                               |
| Total liabilities and fund balance                           | \$ -   | \$ -   | \$ 15,147                           | \$ 181,074                 | \$ 8,096                            |
| <b>Revenues</b>  |  |  |                                     |                            |                                     |
| Intergovernmental  | \$ 5,108                                       | \$ -   | \$ -                                | \$ -                       | \$ -                                |
| Charges for services   | -  | -  | -                                   | -                          | -                                   |
| Interest income  | -  | -  | -                                   | 322                        | -                                   |
| Miscellaneous  | -  | 1,396  | 3,300                               | 10,729                     | 716                                 |
| Total revenues   | 5,108  | 1,396  | 3,300                               | 11,051                     | 716                                 |
| <b>Expenditures</b>  |  |  |                                     |                            |                                     |
| Salary and wages   | -  | -  | -                                   | -                          | -                                   |
| Program operating costs                                      | 5,108  | 1,396  | 8,267                               | -                          | -                                   |
| Capital outlay   | -  | -  | -                                   | -                          | -                                   |
| Total expenditures   | 5,108  | 1,396  | 8,267                               | -                          | -                                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | -  | -  | -4,967                              | 11,051                     | 716                                 |
| <b>Other financing sources (uses)</b>                        |  |  |                                     |                            |                                     |
| Transfers in   | -  | -  | -                                   | -                          | 5,000                               |
| Transfers out  | -  | -  | -                                   | -                          | -                                   |
| Total other financing sources (uses)                         | -  | -  | -                                   | -                          | 5,000                               |
| Net change in fund balance                                   | -  | -  | -4,967                              | 11,051                     | 5,716                               |
| <b>Fund balance - July 1</b>                                 | -  | -  | 20,114                              | 170,023                    | 2,380                               |
| <b>Fund balance - June 30</b>                                | \$ -   | \$ -   | \$ 15,147                           | \$ 181,074                 | \$ 8,096                            |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Conservation<br>activities<br>Fund 2873 | Bentley<br>memorial<br>library<br>Fund 2875 | Economic<br>development<br>trust<br>Fund 2880 | Town aid<br>roads<br>Fund 2963 | Heritage<br>farm<br>Fund 2967 |
|--|---|---|---|--------------------------------|-------------------------------|
| <b>Assets</b>  |   |   |   |                                |                               |
| Cash   | \$ -                                    | \$ 32,686                                   | \$ 4,029                                      | \$ 171,906                     | \$ 49,835                     |
| Investments  | -                                       | -   | -   | -                              | -                             |
| Accounts receivable  | -                                       | -   | -   | -                              | -                             |
| Inventories and prepaid items                                | -                                       | -   | -   | -                              | -                             |
| Due from other funds   | 4,046                                   | -   | -   | 79,930                         | 1,149                         |
| Total assets   | 4,046                                   | 32,686                                      | 4,029   | 251,836                        | 50,984                        |
| <b>Liabilities</b>   |   |   |   |                                |                               |
| Accounts payable   | -                                       | -   | -   | -                              | -                             |
| Other liabilities  | -                                       | -   | -   | -                              | -                             |
| Due to other funds   | -                                       | 573   | -   | -                              | -                             |
| Total liabilities  | -                                       | 573   | -   | -                              | -                             |
| <b>Fund balance</b>  |   |   |   |                                |                               |
| Nonspendable   | -                                       | -   | -   | -                              | -                             |
| Restricted   | -                                       | 32,113                                      | -   | 251,836                        | 50,984                        |
| Committed  | -                                       | -   | -   | -                              | -                             |
| Assigned   | 4,046                                   | -   | 4,029   | -                              | -                             |
| Unassigned   | -                                       | -   | -   | -                              | -                             |
| Total fund balance   | 4,046                                   | 32,113                                      | 4,029   | 251,836                        | 50,984                        |
| Total liabilities and fund balance                           | \$ 4,046                                | \$ 32,686                                   | \$ 4,029                                      | \$ 251,836                     | \$ 50,984                     |
| <b>Revenues</b>  |   |   |   |                                |                               |
| Intergovernmental  | \$ -                                    | \$ -  | \$ -  | \$ 200,349                     | \$ 2,159                      |
| Charges for services   | 2,598                                   | -   | -   | -                              | -                             |
| Interest income  | -                                       | 74  | 8   | -                              | 112                           |
| Miscellaneous  | -                                       | 1,909                                       | 880   | -                              | 2,307                         |
| Total revenues   | 2,598                                   | 1,983                                       | 888   | 200,349                        | 4,578                         |
| <b>Expenditures</b>  |   |   |   |                                |                               |
| Salary and wages   | -                                       | -   | -   | -                              | -                             |
| Program operating costs                                      | 1,615                                   | 19  | -   | -                              | -                             |
| Capital outlay   | -                                       | -   | -   | 168,145                        | -                             |
| Total expenditures   | 1,615                                   | 19  | -   | 168,145                        | -                             |
| Excess (deficiency) of revenues<br>over (under) expenditures | 983                                     | 1,964                                       | 888   | 32,204                         | 4,578                         |
| <b>Other financing sources (uses)</b>                        |   |   |   |                                |                               |
| Transfers in   | -                                       | -   | -   | -                              | -                             |
| Transfers out  | -                                       | -   | -   | -                              | -                             |
| Total other financing sources (uses)                         | -                                       | -   | -   | -                              | -                             |
| Net change in fund balance                                   | 983                                     | 1,964                                       | 888   | 32,204                         | 4,578                         |
| <b>Fund balance - July 1</b>                                 | 3,063                                   | 30,149                                      | 3,141   | 219,632                        | 46,406                        |
| <b>Fund balance - June 30</b>                                | \$ 4,046                                | \$ 32,113                                   | \$ 4,029                                      | \$ 251,836                     | \$ 50,984                     |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Recreation<br>round<br>Fund 2970 | Dog<br>fund<br>Fund 2971 | Reimbursable<br>building<br>fees<br>Fund 2988 | Maintenance<br>escrow<br>Fund 2990 | Rental<br>escrow<br>Fund 2992 |
|--|----------------------------------|--------------------------|---|------------------------------------|-------------------------------|
| <b>Assets</b>  |                                  |                          |   |                                    |                               |
| Cash   | \$ 368,210                       | \$ 24,543                | \$ -  | \$ 3,514                           | \$ 7,611                      |
| Investments  | -                                | -                        | -   | -                                  | -                             |
| Accounts receivable  | -                                | -                        | -   | -                                  | -                             |
| Inventories and prepaid items                                | -                                | -                        | -   | -                                  | -                             |
| Due from other funds   | -                                | -                        | 1,623   | 150                                | -                             |
| Total assets   | <u>368,210</u>                   | <u>24,543</u>            | <u>1,623</u>                                  | <u>3,664</u>                       | <u>7,611</u>                  |
| <b>Liabilities</b>   |                                  |                          |   |                                    |                               |
| Accounts payable   | 892                              | 3,075                    | -   | 550                                | -                             |
| Other liabilities  | 2,876                            | -                        | -   | -                                  | -                             |
| Due to other funds   | 176,119                          | -                        | -   | -                                  | 7,585                         |
| Total liabilities  | <u>179,887</u>                   | <u>3,075</u>             | <u>-</u>                                      | <u>550</u>                         | <u>7,585</u>                  |
| <b>Fund balance</b>  |                                  |                          |   |                                    |                               |
| Nonspendable   | -                                | -                        | -   | -                                  | -                             |
| Restricted   | 188,323                          | -                        | -   | -                                  | -                             |
| Committed  | -                                | -                        | -   | -                                  | -                             |
| Assigned   | -                                | 21,468                   | 1,623   | 3,114                              | 26                            |
| Unassigned   | -                                | -                        | -   | -                                  | -                             |
| Total fund balance   | <u>188,323</u>                   | <u>21,468</u>            | <u>1,623</u>                                  | <u>3,114</u>                       | <u>26</u>                     |
| Total liabilities and fund balance                           | <u>\$ 368,210</u>                | <u>\$ 24,543</u>         | <u>\$ 1,623</u>                               | <u>\$ 3,664</u>                    | <u>\$ 7,611</u>               |
| <b>Revenues</b>  |                                  |                          |   |                                    |                               |
| Intergovernmental  | \$ -                             | \$ -                     | \$ -  | \$ -                               | \$ -                          |
| Charges for services   | 114,929                          | 1,833                    | -   | -                                  | 7,650                         |
| Interest income  | -                                | -                        | -   | 1                                  | 26                            |
| Miscellaneous  | -                                | -                        | 6,161   | -                                  | -                             |
| Total revenues   | <u>114,929</u>                   | <u>1,833</u>             | <u>6,161</u>                                  | <u>1</u>                           | <u>7,676</u>                  |
| <b>Expenditures</b>  |                                  |                          |   |                                    |                               |
| Salary and wages   | 72,163                           | -                        | -   | -                                  | -                             |
| Program operating costs                                      | 44,941                           | 143                      | 4,319   | 6                                  | 7,650                         |
| Capital outlay   | -                                | -                        | -   | -                                  | -                             |
| Total expenditures   | <u>117,104</u>                   | <u>143</u>               | <u>4,319</u>                                  | <u>6</u>                           | <u>7,650</u>                  |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>-2,175</u>                    | <u>1,690</u>             | <u>1,842</u>                                  | <u>-5</u>                          | <u>26</u>                     |
| <b>Other financing sources (uses)</b>                        |                                  |                          |   |                                    |                               |
| Transfers in   | 33,185                           | -                        | -   | -                                  | -                             |
| Transfers out  | -                                | -                        | -   | -                                  | -                             |
| Total other financing sources (uses)                         | <u>33,185</u>                    | <u>-</u>                 | <u>-</u>                                      | <u>-</u>                           | <u>-</u>                      |
| Net change in fund balance                                   | 31,010                           | 1,690                    | 1,842   | -5                                 | 26                            |
| <b>Fund balance - July 1</b>                                 | <u>157,313</u>                   | <u>19,778</u>            | <u>-219</u>                                   | <u>3,119</u>                       | <u>-</u>                      |
| <b>Fund balance - June 30</b>                                | <u>\$ 188,323</u>                | <u>\$ 21,468</u>         | <u>\$ 1,623</u>                               | <u>\$ 3,114</u>                    | <u>\$ 26</u>                  |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Special<br>education<br>excess costs<br>Fund 2625 | School<br>lunch<br>program<br>Fund 2650 | Idea Part B<br>section 611<br>14-16<br>Fund 2651 | Idea Part B<br>section 611<br>15-17<br>Fund 2651 | Idea Part B<br>section 619<br>14-16<br>Fund 2651 |
|--|---|---|--|--|--|
| <b>Assets</b>  |   |   |  |  |  |
| Cash   | \$ -  | \$ 173,490                              | \$ 37,660  | \$ -14,133                                       | \$ -3,152  |
| Investments  | -   | -                                       | -  | -  | -  |
| Accounts receivable  | -   | 11,137                                  | -  | -  | -  |
| Inventories and prepaid items                                | -   | 2,556                                   | -  | -  | -  |
| Due from other funds   | 1   | -                                       | -  | 15,776   | 3,663  |
| Total assets   | 1   | 187,183                                 | 37,660   | 1,643  | 511  |
| <b>Liabilities</b>   |   |   |  |  |  |
| Accounts payable   | -   | -                                       | 55   | -  | -  |
| Other liabilities  | -   | 1,782                                   | 3,423  | -  | 511  |
| Due to other funds   | -   | 153,684                                 | 34,182   | -  | -  |
| Total liabilities  | -   | 155,466                                 | 37,660   | -  | 511  |
| <b>Fund balance</b>  |   |   |  |  |  |
| Nonspendable   | -   | 774                                     | -  | -  | -  |
| Restricted   | 1   | 30,943                                  | -  | 1,643  | -  |
| Committed  | -   | -                                       | -  | -  | -  |
| Assigned   | -   | -                                       | -  | -  | -  |
| Unassigned   | -   | -                                       | -  | -  | -  |
| Total fund balance   | 1   | 31,717                                  | -  | 1,643  | -  |
| Total liabilities and fund balance                           | \$ 1  | \$ 187,183                              | \$ 37,660  | \$ 1,643   | \$ 511   |
| <b>Revenues</b>  |   |   |  |  |  |
| Intergovernmental  | \$ 120,268  | \$ 86,352                               | \$ 21,699  | \$ 130,640                                       | \$ 3,054   |
| Charges for services   | -   | 147,311                                 | -  | -  | -  |
| Interest income  | -   | -                                       | -  | -  | -  |
| Miscellaneous  | -   | 1,250                                   | -  | -  | -  |
| Total revenues   | 120,268   | 234,913                                 | 21,699   | 130,640  | 3,054  |
| <b>Expenditures</b>  |   |   |  |  |  |
| Salary and wages   | -   | 133,086                                 | 300  | 64,298   | -  |
| Program operating costs                                      | 120,268   | 104,480                                 | 27,358   | 64,699   | 3,152  |
| Capital outlay   | -   | 3,935                                   | -  | -  | -  |
| Total expenditures   | 120,268   | 241,501                                 | 27,658   | 128,997  | 3,152  |
| Excess (deficiency) of revenues<br>over (under) expenditures | -   | -6,588                                  | -5,959   | 1,643  | -98  |
| <b>Other financing sources (uses)</b>                        |   |   |  |  |  |
| Transfers in   | -   | -                                       | -  | -  | -  |
| Transfers out  | -   | -                                       | -  | -  | -  |
| Total other financing sources (uses)                         | -   | -                                       | -  | -  | -  |
| Net change in fund balance                                   | -   | -6,588                                  | -5,959   | 1,643  | -98  |
| <b>Fund balance - July 1</b>                                 | 1   | 38,305                                  | 5,959  | -  | 98   |
| <b>Fund balance - June 30</b>                                | \$ 1  | \$ 31,717                               | \$ -   | \$ 1,643   | \$ -   |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Title I<br>14-16<br>Fund 2651 | Title I<br>15-17<br>Fund 2651 | Title II-A<br>14-16<br>Fund 2651 | Title II-A<br>15-17<br>Fund 2651 | Sheff<br>settlement<br>15-16<br>Fund 2651 |
|--|-------------------------------|-------------------------------|----------------------------------|----------------------------------|---|
| <b>Assets</b>  |                               |                               |                                  |                                  |   |
| Cash   | \$ -9,548                     | \$ -5,782                     | \$ -                             | \$ -1,700                        | \$ -19,800                                |
| Investments  | -                             | -                             | -                                | -                                | -   |
| Accounts receivable  | -                             | -                             | -                                | -                                | -   |
| Inventories and prepaid items                                | -                             | -                             | -                                | -                                | -   |
| Due from other funds   | 9,548                         | 1,654                         | -                                | 1,691                            | 19,800                                    |
| Total assets   | -                             | -4,128                        | -                                | -9                               | -   |
| <b>Liabilities</b>   |                               |                               |                                  |                                  |   |
| Accounts payable   | -                             | -                             | -                                | -                                | -   |
| Other liabilities  | -                             | -                             | -                                | -                                | -   |
| Due to other funds   | -                             | -                             | -                                | -                                | -   |
| Total liabilities  | -                             | -                             | -                                | -                                | -   |
| <b>Fund balance</b>  |                               |                               |                                  |                                  |   |
| Nonspendable   | -                             | -                             | -                                | -                                | -   |
| Restricted   | -                             | -                             | -                                | -                                | -   |
| Committed  | -                             | -                             | -                                | -                                | -   |
| Assigned   | -                             | -                             | -                                | -                                | -   |
| Unassigned   | -                             | -4,128                        | -                                | -9                               | -   |
| Total fund balance   | -                             | -4,128                        | -                                | -9                               | -   |
| Total liabilities and fund balance                           | \$ -                          | \$ -4,128                     | \$ -                             | \$ -9                            | \$ -                                      |
| <b>Revenues</b>  |                               |                               |                                  |                                  |   |
| Intergovernmental  | \$ 8,477                      | \$ 10,978                     | \$ 1,455                         | \$ 17,188                        | \$ 170,225                                |
| Charges for services   | -                             | -                             | -                                | -                                | -   |
| Interest income  | -                             | -                             | -                                | -                                | -   |
| Miscellaneous  | -                             | -                             | -                                | -                                | -   |
| Total revenues   | 8,477                         | 10,978                        | 1,455                            | 17,188                           | 170,225                                   |
| <b>Expenditures</b>  |                               |                               |                                  |                                  |   |
| Salary and wages   | 1,515                         | 4,820                         | 1,916                            | 15,497                           | 150,425                                   |
| Program operating costs                                      | 4,987                         | 10,286                        | -                                | 1,700                            | 19,800                                    |
| Capital outlay   | -                             | -                             | -                                | -                                | -   |
| Total expenditures   | 6,502                         | 15,106                        | 1,916                            | 17,197                           | 170,225                                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,975                         | -4,128                        | -461                             | -9                               | -   |
| <b>Other financing sources (uses)</b>                        |                               |                               |                                  |                                  |   |
| Transfers in   | -                             | -                             | -                                | -                                | -   |
| Transfers out  | -                             | -                             | -                                | -                                | -   |
| Total other financing sources (uses)                         | -                             | -                             | -                                | -                                | -   |
| Net change in fund balance                                   | 1,975                         | -4,128                        | -461                             | -9                               | -   |
| <b>Fund balance - July 1</b>                                 | -1,975                        | -                             | 461                              | -                                | -   |
| <b>Fund balance - June 30</b>                                | \$ -                          | \$ -4,128                     | \$ -                             | \$ -9                            | \$ -                                      |



**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Open choice<br>program<br>14-15<br>Fund 2651 | Open choice<br>program<br>15-16<br>Fund 2651 | High quality<br>schools<br>15-16<br>Fund 2651 | Perkins<br>technology<br>15-16<br>Fund 2651 | PACT<br>grant<br>15-16<br>Fund 2651 |
|--|--|--|---|---|-------------------------------------|
| <b>Assets</b>  |  |  |   |   |                                     |
| Cash   | \$ -168,601                                  | \$ -248,575                                  | \$ -18,414                                    | \$ -13,181                                  | \$ -5,710                           |
| Investments  | -  | -  | -   | -   | -                                   |
| Accounts receivable  | -  | -  | -   | -   | 7,795                               |
| Inventories and prepaid items                                | 8,072  | 10,000                                       | -   | -   | -                                   |
| Due from other funds   | 168,601                                      | 379,568                                      | 18,414  | 14,350                                      | -                                   |
| Total assets   | 8,072  | 140,993                                      | -   | 1,169                                       | 2,085                               |
| <b>Liabilities</b>   |  |  |   |   |                                     |
| Accounts payable   | -  | -  | -   | -   | -                                   |
| Other liabilities  | -  | 288  | -   | 1,169                                       | -                                   |
| Due to other funds   | -  | -  | -   | -   | 2,085                               |
| Total liabilities  | -  | 288  | -   | 1,169                                       | 2,085                               |
| <b>Fund balance</b>  |  |  |   |   |                                     |
| Nonspendable   | 8,072  | 10,000                                       | -   | -   | -                                   |
| Restricted   | -  | 130,705                                      | -   | -   | -                                   |
| Committed  | -  | -  | -   | -   | -                                   |
| Assigned   | -  | -  | -   | -   | -                                   |
| Unassigned   | -  | -  | -   | -   | -                                   |
| Total fund balance   | 8,072  | 140,705                                      | -   | -   | -                                   |
| Total liabilities and fund balance                           | \$ 8,072                                     | \$ 140,993                                   | \$ -  | \$ 1,169                                    | \$ 2,085                            |
| <b>Revenues</b>  |  |  |   |   |                                     |
| Intergovernmental  | \$ -   | \$ 516,793                                   | \$ 18,414                                     | \$ 16,481                                   | \$ -                                |
| Charges for services   | -  | -  | -   | -   | -                                   |
| Interest income  | -  | -  | -   | -   | -                                   |
| Miscellaneous  | -  | 13,500                                       | -   | -   | 7,795                               |
| Total revenues   | -  | 530,293                                      | 18,414  | 16,481                                      | 7,795                               |
| <b>Expenditures</b>  |  |  |   |   |                                     |
| Salary and wages   | -  | 229,824                                      | -   | 3,300                                       | 2,085                               |
| Program operating costs                                      | 139,867                                      | 97,903                                       | 5,690   | 7,398                                       | 5,710                               |
| Capital outlay   | -  | 61,861                                       | 12,724  | 5,783                                       | -                                   |
| Total expenditures   | 139,867                                      | 389,588                                      | 18,414  | 16,481                                      | 7,795                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | -139,867                                     | 140,705                                      | -   | -   | -                                   |
| <b>Other financing sources (uses)</b>                        |  |  |   |   |                                     |
| Transfers in   | -  | -  | -   | -   | -                                   |
| Transfers out  | -  | -  | -   | -   | -                                   |
| Total other financing sources (uses)                         | -  | -  | -   | -   | -                                   |
| Net change in fund balance                                   | -139,867                                     | 140,705                                      | -   | -   | -                                   |
| <b>Fund balance - July 1</b>                                 | 147,939                                      | -  | -   | -   | -                                   |
| <b>Fund balance - June 30</b>                                | \$ 8,072                                     | \$ 140,705                                   | \$ -  | \$ -  | \$ -                                |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2016

|  | Eastconn<br>team mentor<br>15-16<br>Fund 2651 | ERASE<br>grant<br>15-16<br>Fund 2651 | College<br>pathways<br>15-16<br>Fund 2651 | Medicaid<br>funds<br>15-16<br>Fund 2651 | Prior years<br>program<br>balances<br>Fund 2651 | Totals       |
|--|---|--------------------------------------|---|---|---|--------------|
| <b>Assets</b>  |   |                                      |   |   |   |              |
| Cash   | \$ 2,500                                      | \$ 166                               | \$ 27                                     | \$ 59,971                               | \$ 413,489                                      | \$ 1,073,281 |
| Investments  | -   | -                                    | -   | -                                       | -   | -            |
| Accounts receivable  | -   | -                                    | -   | 2,968                                   | -   | 65,773       |
| Inventories and prepaid items                                | -   | -                                    | -   | -                                       | -   | 20,628       |
| Due from other funds   | -   | -                                    | -   | -                                       | 2,319   | 781,505      |
| Total assets   | 2,500   | 166                                  | 27  | 62,939                                  | 415,808   | 1,941,187    |
| <b>Liabilities</b>   |   |                                      |   |   |   |              |
| Accounts payable   | -   | -                                    | -   | -                                       | -   | 32,222       |
| Other liabilities  | -   | -                                    | -   | -                                       | -   | 10,049       |
| Due to other funds   | 2,500   | -                                    | -   | 6,744                                   | 414,204   | 813,899      |
| Total liabilities  | 2,500   | -                                    | -   | 6,744                                   | 414,204   | 856,170      |
| <b>Fund balance</b>  |   |                                      |   |   |   |              |
| Nonspendable   | -   | -                                    | -   | -                                       | -   | 18,846       |
| Restricted   | -   | 166                                  | 27  | 56,195                                  | 2,556   | 796,618      |
| Committed  | -   | -                                    | -   | -                                       | -   | 189,170      |
| Assigned   | -   | -                                    | -   | -                                       | -   | 85,472       |
| Unassigned   | -   | -                                    | -   | -                                       | -952  | -5,089       |
| Total fund balance   | -   | 166                                  | 27  | 56,195                                  | 1,604   | 1,085,017    |
| Total liabilities and fund balance                           | \$ 2,500                                      | \$ 166                               | \$ 27                                     | \$ 62,939                               | \$ 415,808                                      | \$ 1,941,187 |
| <b>Revenues</b>  |   |                                      |   |   |   |              |
| Intergovernmental  | \$ -  | \$ -                                 | \$ -                                      | \$ 2,968                                | \$ -  | \$ 1,443,427 |
| Charges for services   | -   | -                                    | -   | -                                       | -   | 279,794      |
| Interest income  | -   | -                                    | -   | -                                       | -   | 658          |
| Miscellaneous  | 2,500   | 2,875                                | 2,450                                     | -                                       | -   | 59,045       |
| Total revenues   | 2,500   | 2,875                                | 2,450                                     | 2,968                                   | -   | 1,782,924    |
| <b>Expenditures</b>  |   |                                      |   |   |   |              |
| Salary and wages   | 2,500   | -                                    | -   | 5,962                                   | -   | 687,691      |
| Program operating costs                                      | -   | 2,709                                | 2,423                                     | 3,751                                   | -   | 809,327      |
| Capital outlay   | -   | -                                    | -   | -                                       | -   | 252,448      |
| Total expenditures   | 2,500   | 2,709                                | 2,423                                     | 9,713                                   | -   | 1,749,466    |
| Excess (deficiency) of revenues<br>over (under) expenditures | -   | 166                                  | 27  | -6,745                                  | -   | 33,458       |
| <b>Other financing sources (uses)</b>                        |   |                                      |   |   |   |              |
| Transfers in   | -   | -                                    | -   | -                                       | -   | 38,185       |
| Transfers out  | -   | -                                    | -   | -                                       | -   | -            |
| Total other financing sources (uses)                         | -   | -                                    | -   | -                                       | -   | 38,185       |
| Net change in fund balance                                   | -   | 166                                  | 27  | -6,745                                  | -   | 71,643       |
| <b>Fund balance - July 1</b>                                 | -   | -                                    | -   | 62,940                                  | 1,604   | 1,013,374    |
| <b>Fund balance - June 30</b>                                | \$ -  | \$ 166                               | \$ 27                                     | \$ 56,195                               | \$ 1,604  | \$ 1,085,017 |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2016

|  | David<br>Taylor<br>trust fund<br>Fund 5199 | Metcalf<br>Cemetery<br>trust fund<br>Fund 5199 | Phebe<br>Talcott<br>library trust<br>Fund 5199 | Elizabeth<br>Steele<br>library trust<br>Fund 5199 | Frank<br>Sumner<br>library trust<br>Fund 5199 |
|--|--|--|--|---|---|
| <b>Assets</b>  |  |  |  |   |   |
| Cash   | \$ 1,450                                   | \$ 870   | \$ 178   | \$ 854  | \$ 5,203                                      |
| Investments  | -  | -  | -  | -   | -   |
| Accounts receivable  | -  | -  | -  | -   | -   |
| Inventories and prepaid items                                | -  | -  | -  | -   | -   |
| Due from other funds   | 12   | 7  | 1  | 7   | 43  |
| Total assets   | <u>1,462</u>                               | <u>877</u>                                     | <u>179</u>                                     | <u>861</u>  | <u>5,246</u>                                  |
| <b>Liabilities</b>   |  |  |  |   |   |
| Accounts payable   | -  | -  | -  | -   | -   |
| Other liabilities  | -  | -  | -  | -   | -   |
| Due to other funds   | -  | -  | -  | -   | -   |
| Total liabilities  | <u>-</u>                                   | <u>-</u>                                       | <u>-</u>                                       | <u>-</u>  | <u>-</u>                                      |
| <b>Fund balance</b>  |  |  |  |   |   |
| Nonspendable   | 835  | 500  | 100  | 500   | 3,000   |
| Restricted   | 627  | 377  | 79   | 361   | 2,246   |
| Committed  | -  | -  | -  | -   | -   |
| Assigned   | -  | -  | -  | -   | -   |
| Unassigned   | -  | -  | -  | -   | -   |
| Total fund balance   | <u>1,462</u>                               | <u>877</u>                                     | <u>179</u>                                     | <u>861</u>  | <u>5,246</u>                                  |
| Total liabilities and fund balance                           | <u>\$ 1,462</u>                            | <u>\$ 877</u>                                  | <u>\$ 179</u>                                  | <u>\$ 861</u>                                     | <u>\$ 5,246</u>                               |
| <b>Revenues</b>  |  |  |  |   |   |
| Intergovernmental  | \$ -                                       | \$ -   | \$ -   | \$ -  | \$ -  |
| Charges for services   | -  | -  | -  | -   | -   |
| Interest income  | 3  | 2  | 1  | 2   | 10  |
| Miscellaneous  | -  | -  | -  | -   | -   |
| Total revenues   | <u>3</u>                                   | <u>2</u>                                       | <u>1</u>                                       | <u>2</u>  | <u>10</u>                                     |
| <b>Expenditures</b>  |  |  |  |   |   |
| Salary and wages   | -  | -  | -  | -   | -   |
| Program operating costs                                      | -  | -  | -  | -   | -   |
| Capital outlay   | -  | -  | -  | -   | -   |
| Total expenditures   | <u>-</u>                                   | <u>-</u>                                       | <u>-</u>                                       | <u>-</u>  | <u>-</u>                                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>3</u>                                   | <u>2</u>                                       | <u>1</u>                                       | <u>2</u>  | <u>10</u>                                     |
| <b>Other financing sources (uses)</b>                        |  |  |  |   |   |
| Transfers in   | -  | -  | -  | -   | -   |
| Transfers out  | -  | -  | -  | -   | -   |
| Total other financing sources (uses)                         | <u>-</u>                                   | <u>-</u>                                       | <u>-</u>                                       | <u>-</u>  | <u>-</u>                                      |
| Net change in fund balance                                   | 3  | 2  | 1  | 2   | 10  |
| <b>Fund balance - July 1</b>                                 | <u>1,459</u>                               | <u>875</u>                                     | <u>178</u>                                     | <u>859</u>  | <u>5,236</u>                                  |
| <b>Fund balance - June 30</b>                                | <u>\$ 1,462</u>                            | <u>\$ 877</u>                                  | <u>\$ 179</u>                                  | <u>\$ 861</u>                                     | <u>\$ 5,246</u>                               |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2016

|  | Herrick<br>library<br>trust fund<br>Fund 5199 | Herrick<br>park<br>trust fund<br>Fund 5199 | Krutainis<br>& Lacis<br>school trust<br>Fund 5203 | Erna<br>Loomis<br>school trust<br>Fund 5203 | Totals            |
|--|---|--|---|---|-------------------|
| <b>Assets</b>  |   |  |   |   |                   |
| Cash   | \$ 34,215                                     | \$ 118,318                                 | \$ -  | \$ -  | \$ 161,088        |
| Investments  | -   | -  | 208,113   | 25,021                                      | 233,134           |
| Accounts receivable  | -   | -  | -   | -   | -                 |
| Inventories and prepaid items                                | -   | -  | -   | -   | -                 |
| Due from other funds   | 281   | 974  | -   | -   | 1,325             |
| Total assets   | <u>34,496</u>                                 | <u>119,292</u>                             | <u>208,113</u>                                    | <u>25,021</u>                               | <u>395,547</u>    |
| <b>Liabilities</b>   |   |  |   |   |                   |
| Accounts payable   | -   | -  | -   | -   | -                 |
| Other liabilities  | -   | -  | -   | -   | -                 |
| Due to other funds   | -   | -  | -   | -   | -                 |
| Total liabilities  | <u>-</u>                                      | <u>-</u>                                   | <u>-</u>  | <u>-</u>                                    | <u>-</u>          |
| <b>Fund balance</b>  |   |  |   |   |                   |
| Nonspendable   | 19,733  | 68,237                                     | 76,149  | 25,000                                      | 194,054           |
| Restricted   | 14,763  | 51,055                                     | 131,964   | 21  | 201,493           |
| Committed  | -   | -  | -   | -   | -                 |
| Assigned   | -   | -  | -   | -   | -                 |
| Unassigned   | -   | -  | -   | -   | -                 |
| Total fund balance   | <u>34,496</u>                                 | <u>119,292</u>                             | <u>208,113</u>                                    | <u>25,021</u>                               | <u>395,547</u>    |
| Total liabilities and fund balance                           | <u>\$ 34,496</u>                              | <u>\$ 119,292</u>                          | <u>\$ 208,113</u>                                 | <u>\$ 25,021</u>                            | <u>\$ 395,547</u> |
| <b>Revenues</b>  |   |  |   |   |                   |
| Intergovernmental  | \$ -  | \$ -                                       | \$ -  | \$ -  | \$ -              |
| Charges for services   | -   | -  | -   | -   | -                 |
| Interest income  | 68  | 239  | 1,751   | 63  | 2,139             |
| Miscellaneous  | -   | -  | -   | -   | -                 |
| Total revenues   | <u>68</u>                                     | <u>239</u>                                 | <u>1,751</u>                                      | <u>63</u>                                   | <u>2,139</u>      |
| <b>Expenditures</b>  |   |  |   |   |                   |
| Salary and wages   | -   | -  | -   | -   | -                 |
| Program operating costs                                      | -   | -  | 500   | 63  | 563               |
| Capital outlay   | -   | -  | -   | -   | -                 |
| Total expenditures   | <u>-</u>                                      | <u>-</u>                                   | <u>500</u>  | <u>63</u>                                   | <u>563</u>        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>68</u>                                     | <u>239</u>                                 | <u>1,251</u>                                      | <u>-</u>                                    | <u>1,576</u>      |
| <b>Other financing sources (uses)</b>                        |   |  |   |   |                   |
| Transfers in   | -   | -  | -   | -   | -                 |
| Transfers out  | -   | -  | -   | -   | -                 |
| Total other financing sources (uses)                         | <u>-</u>                                      | <u>-</u>                                   | <u>-</u>  | <u>-</u>                                    | <u>-</u>          |
| Net change in fund balance                                   | 68  | 239  | 1,251   | -   | 1,576             |
| <b>Fund balance - July 1</b>                                 | <u>34,428</u>                                 | <u>119,053</u>                             | <u>206,862</u>                                    | <u>25,021</u>                               | <u>393,971</u>    |
| <b>Fund balance - June 30</b>                                | <u>\$ 34,496</u>                              | <u>\$ 119,292</u>                          | <u>\$ 208,113</u>                                 | <u>\$ 25,021</u>                            | <u>\$ 395,547</u> |

**Town of Bolton, Connecticut**  
Combining Balance sheet and Statement of revenues, expenditures  
and changes in fund balances - Town capital funds  
As of and for the year ended June 30, 2016

|  | Capital<br>reserve<br>fund<br>Fund 2960 | School<br>capital<br>fund<br>Fund 3452 | Capital<br>projects<br>fund<br>Fund 3521 | Totals              |
|--|---|--|--|---------------------|
| <b>Assets</b>  |   |  |  |                     |
| Cash   | \$ -                                    | \$ 859,099                             | \$ -                                     | \$ 859,099          |
| Investments  | -                                       | -                                      | -  | -                   |
| Accounts receivable  | -                                       | -                                      | -  | -                   |
| Inventories and prepaid items                                | -                                       | -                                      | -  | -                   |
| Due from other funds   | 637,198                                 | -                                      | -  | 637,198             |
| Total assets   | <u>637,198</u>                          | <u>859,099</u>                         | <u>-</u>                                 | <u>1,496,297</u>    |
| <b>Liabilities</b>   |   |  |  |                     |
| Accounts payable   | -                                       | -                                      | -  | -                   |
| Other liabilities  | -                                       | -                                      | -  | -                   |
| Due to other funds   | -                                       | 789,208                                | 30,501                                   | 819,709             |
| Total liabilities  | <u>-</u>                                | <u>789,208</u>                         | <u>30,501</u>                            | <u>819,709</u>      |
| <b>Fund balance</b>  |   |  |  |                     |
| Nonspendable   | -                                       | -                                      | -  | -                   |
| Restricted   | -                                       | -                                      | -  | -                   |
| Committed  | 637,198                                 | 69,891                                 | -  | 707,089             |
| Assigned   | -                                       | -                                      | -  | -                   |
| Unassigned   | -                                       | -                                      | -30,501                                  | -30,501             |
| Total fund balance   | <u>637,198</u>                          | <u>69,891</u>                          | <u>-30,501</u>                           | <u>676,588</u>      |
| Total liabilities and fund balance                           | <u>\$ 637,198</u>                       | <u>\$ 859,099</u>                      | <u>\$ -</u>                              | <u>\$ 1,496,297</u> |
| <b>Revenues</b>  |   |  |  |                     |
| Intergovernmental  | \$ -                                    | \$ -                                   | \$ -                                     | \$ -                |
| Charges for services   | -                                       | 471,464                                | -  | 471,464             |
| Interest income  | -                                       | 1,596                                  | -  | 1,596               |
| Miscellaneous  | -                                       | -                                      | -  | -                   |
| Total revenues   | <u>-</u>                                | <u>473,060</u>                         | <u>-</u>                                 | <u>473,060</u>      |
| <b>Expenditures</b>  |   |  |  |                     |
| Salary and wages   | -                                       | -                                      | -  | -                   |
| Program operating costs                                      | 95,453                                  | 471,464                                | -  | 566,917             |
| Capital outlay   | 182,500                                 | -                                      | 128,855                                  | 311,355             |
| Total expenditures   | <u>277,953</u>                          | <u>471,464</u>                         | <u>128,855</u>                           | <u>878,272</u>      |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>-277,953</u>                         | <u>1,596</u>                           | <u>-128,855</u>                          | <u>-405,212</u>     |
| <b>Other financing sources (uses)</b>                        |   |  |  |                     |
| Transfers in   | 433,000                                 | -                                      | -  | 433,000             |
| Transfers out  | -                                       | -                                      | -  | -                   |
| Total other financing sources (uses)                         | <u>433,000</u>                          | <u>-</u>                               | <u>-</u>                                 | <u>433,000</u>      |
| Net change in fund balance                                   | 155,047                                 | 1,596                                  | -128,855                                 | 27,788              |
| <b>Fund balance - July 1</b>                                 | <u>482,151</u>                          | <u>68,295</u>                          | <u>98,354</u>                            | <u>648,800</u>      |
| <b>Fund balance - June 30</b>                                | <u>\$ 637,198</u>                       | <u>\$ 69,891</u>                       | <u>\$ -30,501</u>                        | <u>\$ 676,588</u>   |

**Town of Bolton, Connecticut**  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2016

| Grand<br>list | Uncollected<br>taxes<br>06/30/15 | Current<br>year<br>taxes levied | Lawful corrections |                   | Net<br>taxes<br>collectable |
|---------------|----------------------------------|---------------------------------|--------------------|-------------------|-----------------------------|
|               |                                  |                                 | Additions          | Deductions        |                             |
| 2014          | \$ -                             | \$ 15,835,804                   | \$ 25,524          | \$ -38,168        | \$ 15,823,160               |
| 2013          | 112,043                          | -                               | 76                 | -6,110            | 106,009                     |
| 2012          | 20,796                           | -                               | -                  | -1,489            | 19,307                      |
| 2011          | 7,227                            | -                               | -                  | -1,433            | 5,794                       |
| 2010          | 3,808                            | -                               | 1                  | -1,411            | 2,398                       |
| 2009          | 2,758                            | -                               | -                  | -1,393            | 1,365                       |
| 2008          | 1,321                            | -                               | -                  | -                 | 1,321                       |
| 2007          | 428                              | -                               | 6                  | -                 | 434                         |
| 2006          | 91                               | -                               | 12                 | -                 | 103                         |
| 2005          | -                                | -                               | 8                  | -                 | 8                           |
| 2004          | -                                | -                               | 27                 | -                 | 27                          |
| 2003          | -                                | -                               | -                  | -                 | -                           |
| 2002          | -                                | -                               | -                  | -                 | -                           |
| 2001          | -                                | -                               | 3                  | -                 | 3                           |
| 2000          | -                                | -                               | 10                 | -                 | 10                          |
|               | <u>\$ 148,472</u>                | <u>\$ 15,835,804</u>            | <u>\$ 25,667</u>   | <u>\$ -50,004</u> | <u>\$ 15,959,939</u>        |

**Town of Bolton, Connecticut**  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2016

| Grand list | Collections during the fiscal year |                  |               |  | Total                | Adjustments       | Uncollected taxes 06/30/16 |
|------------|------------------------------------|------------------|---------------|--|----------------------|-------------------|----------------------------|
|            | Taxes                              | Interest         | Lien fees     |  |                      |                   |                            |
| 2014       | \$ 15,652,602                      | \$ 41,276        | \$ 204        |  | \$ 15,694,082        | \$ -              | \$ 170,558                 |
| 2013       | 68,557                             | 18,628           | 276           |  | 87,461               | -4,175            | 33,277                     |
| 2012       | 10,636                             | 2,567            | 72            |  | 13,275               | -4,791            | 3,880                      |
| 2011       | 2,418                              | 1,416            | 24            |  | 3,858                | -750              | 2,626                      |
| 2010       | 1,059                              | 683              | 24            |  | 1,766                | -339              | 1,000                      |
| 2009       | 213                                | 1,395            | -             |  | 1,608                | -274              | 878                        |
| 2008       | 966                                | 405              | 24            |  | 1,395                | -158              | 197                        |
| 2007       | 7                                  | -                | -             |  | 7                    | -250              | 177                        |
| 2006       | 12                                 | -                | -             |  | 12                   | -91               | -                          |
| 2005       | 8                                  | -                | -             |  | 8                    | -                 | -                          |
| 2004       | 27                                 | -                | -             |  | 27                   | -                 | -                          |
| 2003       | -                                  | -                | -             |  | -                    | -                 | -                          |
| 2002       | -                                  | -                | -             |  | -                    | -                 | -                          |
| 2001       | 3                                  | -                | -             |  | 3                    | -                 | -                          |
| 2000       | 10                                 | -                | -             |  | 10                   | -                 | -                          |
|            | <u>\$ 15,736,518</u>               | <u>\$ 66,370</u> | <u>\$ 624</u> |  | <u>\$ 15,803,512</u> | <u>\$ -10,828</u> | <u>\$ 212,593</u>          |

A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property tax revenues balance on Statement D, Statement E, or Sub-Schedule C. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule C.

|                      |  |
|----------------------|--|
| \$ 15,835,804        | Current year taxes levied from page 60   |
| 66,370               | Tax interest collections during the current fiscal year from above                 |
| 624                  | Tax lien fee collections during the current fiscal year from above                 |
| -10,828              | Account balance adjustments as items transferred to suspense from above            |
| -                    | Account balance adjustments as items written off in accordance with state statutes |
| 3,055                | Suspense collections during the current fiscal year                                |
| 25,667               | Lawful correction increases made during the current fiscal year from page 60       |
| -50,004              | Lawful correction decreases made during the current fiscal year from page 60       |
| -52,757              | The unearned tax revenue adjustment made as described in item number 2 on page 15  |
| <u>\$ 15,817,931</u> | Property tax revenues per Statement D, Statement E and Sub-Schedule C              |

B - Operation of Law - No tax can be collected 15 years after the original due date.

C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$1,528 was collected on principal suspense tax balances owed and \$1,527 of interest on said balances. During the current fiscal year \$0 of lawful correction were made to accounts which had already been transferred to suspense. In addition, refunds in the amount of \$0 were given relating to suspense account balances.

**Town of Bolton, Connecticut**  
 Schedule of debt limitation  
 Connecticut General Statutes, Section 7-374 (b)  
 For the year ended June 30, 2016

|   |                             |
|---|-----------------------------|
| Total tax collections (including interest and lien fees) for the current fiscal year.   | \$ 15,817,931               |
| Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year. | -                           |
| Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)   | <u>32,159</u>               |
| Total base  | <u><u>\$ 15,850,090</u></u> |

| <b>Debt limitation:</b> | General purposes  | Schools           | Sewers            | Urban renewal     | Pension deficit   |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2 1/4 times base        | \$ 35,662,702     | \$ -              | \$ -              | \$ -              | \$ -              |
| 4 1/2 times base        | -                 | 71,325,405        | -                 | -                 | -                 |
| 3 3/4 times base        | -                 | -                 | 59,437,837        | -                 | -                 |
| 3 1/4 times base        | -                 | -                 | -                 | 51,512,792        | -                 |
| 3 times base            | -                 | -                 | -                 | -                 | 47,550,270        |
| Total debt limitation   | <u>35,662,702</u> | <u>71,325,405</u> | <u>59,437,837</u> | <u>51,512,792</u> | <u>47,550,270</u> |

**Indebtedness:**

|  |                             |                             |                             |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Bonds payable  | 800,500                     | 10,404,500                  | -                           | -                           | -                           |
| Prior authorized and unissued bonds  | 30,236                      | 3,700,669                   | -                           | -                           | -                           |
| Current authorized and unissued bonds  | 715,000                     | 645,000                     | -                           | -                           | -                           |
| Notes payable  | -                           | 14,783                      | -                           | -                           | -                           |
| Capital leases payable   | -                           | 76,476                      | -                           | -                           | -                           |
| Town portion of Bolton Lakes Regional Water Pollution Control Authority debt | -                           | -                           | 6,282,797                   | -                           | -                           |
| Accrued compensated absences:  |                             |                             |                             |                             |                             |
| School employees   | -                           | 24,886                      | -                           | -                           | -                           |
| Town employees   | 282,304                     | -                           | -                           | -                           | -                           |
| Total indebtedness   | <u>1,828,040</u>            | <u>14,866,314</u>           | <u>6,282,797</u>            | <u>-</u>                    | <u>-</u>                    |
| Debt limitation in excess of outstanding and authorized debt                 | <u><u>\$ 33,834,662</u></u> | <u><u>\$ 56,459,091</u></u> | <u><u>\$ 53,155,040</u></u> | <u><u>\$ 51,512,792</u></u> | <u><u>\$ 47,550,270</u></u> |

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$110,950,630 which is well above the \$22,977,151 current amount of outstanding and authorized and unissued debt of the Town. The prior authorized and unissued bond amounts relating to general purpose items as of June 30, 2016 equal \$9,386 for facilities improvements, \$10,850 for an Aerial fire truck and \$10,000 for property acquisition. The prior authorized and unissued bond amounts relating to the school as of June 30, 2016 are made up of \$3,697,805 for the current Bolton High School construction and renovation project and \$2,864 for facilities improvements. The Town authorized bonding for this construction and renovation project in the amount of \$26,150,000 to be reduced by project grants received. Bonds issued to date total \$12,695,000 with project grants received to date totaling \$9,757,195 leaving authorized and unissued bonds totaling \$3,697,805 relating to this construction project. The current authorized and unissued bond amounts relating to general purpose items include replacements, repairs and improvements to the Bolton Heritage Farm barn in the amount of \$200,000 and funds for the acquisition of a tanker fire truck in the amount of \$515,000. The current authorized and unissued bond amounts relating to the schools include two resolutions to fund a number of different school facility improvements in the amounts of \$305,000 and \$340,000. These authorized and unissued bond amounts have been included above due to the fact that the Town's interpretation that the reasons for excluding certain types of debt from inclusion in this schedule as outlined in the Connecticut General Statutes Section 7-374(b), do not apply to these items of authorized and unissued bond amounts.



# Stephen T. Hopkins, CPA, PC

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## Auditing, Accounting, and Consulting Services

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Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Finance  
Board of Selectmen  
Town of Bolton, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement 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, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bolton, Connecticut's basic financial statements, and have issued our report thereon dated January 23, 2017, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Bolton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of an entity determined to be a component unit. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Bolton, Connecticut'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 of Bolton, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bolton, Connecticut'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 questioned costs, we identified certain deficiencies in internal control that we considered to be significant deficiencies.

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 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 do not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 do consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. These significant deficiencies are noted in the aforementioned schedule as item numbers 16-01 through 16-05.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town of Bolton, Connecticut's financial statements are free of 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 reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

## **The Town of Bolton, Connecticut's Responses to Findings**

The Town of Bolton, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Bolton, Connecticut'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 Town of Bolton, Connecticut'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 Town of Bolton, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC

*Stephen J. Hopkins, CPA, PC*

Scarborough, Maine  
January 23, 2017

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs  
June 30, 2016

**16-01 - Accounting policies and procedures manual**

Criteria and condition:

The management of the Town and the Board of Education are responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

As part of the audit I was provided with a copy of a document labeled - Town of Bolton Connecticut Policies and Procedures Manual (Proposed) Draft Document. This manual was reviewed to determine that the policies and procedures contained within the manual were approved, when they were approved, the adequacy of the policies and procedures and whether or not it appeared as though the policies and procedures were being followed. In reviewing the manual it does appear as though it is a very comprehensive document which does cover a number of policies and procedures which would be applicable to a municipal finance office. However, it does not appear as though the manual was ever approved nor does it appear as though the manual has been updated in the last several years. It also appears as though the manual does not cover a number of additional accounting policies and procedures which are important in ensuring that the financial information available throughout the fiscal year is accurate and presents the true financial position of the Town. The only account that the manual appears to address from a reconciliation point of view are the bank accounts of the Town. Though it is important to have a bank reconciliation policy in place, the current policy does not address the time period in which each account reconciliation should be prepared and reviewed after the applicable period end date. One of the main goals of bank reconciliations is to determine whether or not there are any transactions that have either physically occurred or been recorded in the town's trial balance which are either incorrect or irregular in nature and to research and or correct them in a timely manner. With no time frame referenced in the current policy, there is no assurance that any such items will be detected and or corrected in a timely manner thus providing no assurance that the financial balances of the town at any point in time are accurate and present the true financial picture of the Town. There are no sections within the manual addressing the reconciliation requirements for other asset and liability accounts of the Town such as taxes and other receivables, due to and due from accounts, accounts payables and other payroll withholding accounts. Without a policy in place describing the required reconciliation procedures for these other asset and liability accounts there is no assurance that either the reconciliations are being completed or that the balances as shown on the trial balance are accurate. In addition, there is no section addressing the documentation of revenue and expenditure account detail reviews to ensure that transactions are not mis-posted nor is there any section outlining how the Town will track and account for capital asset purchases and disposals. Though the Town does have an unapproved policies and procedures manual, it would appear that in its current form it is incomplete in regard to certain aspects as mentioned above. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context and effect:

This type of manual is used to provide a general description of the functions and duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts, the steps necessary to process payroll and to be followed in reconciling certain accounts of the Town. The two main goals of developing and adequately documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of internal controls, checks and balances which safeguard the assets of the Town.

Cause and recommendation:

The manual has not been updated or approved because of personnel turnover in the Finance Department including the CFO. Additionally, in 2014 the Town acquired a new financial management system which is shared with the Board of Education. Implementation of this system was delayed because of turnover with the CFO position. We do recommend that the manual continue to evolve and implement some of the items noted above that don't appear to have been adequately addressed at this time. In addition, we recommend that all of the policies and procedures within this manual be followed and documented and that periodically a designated individual outside of the municipal finance office review and document the completion of these procedures to ensure that they are being followed and effectively applied.

Views of responsible officials and planned corrective actions:

As had been stated in previous audit reports, the Town recognizes the importance of implementing and continuously updating a policy and procedures manual. The Town plans to update the manual and present for approval to the Board of Selectmen during the 2017 fiscal year, once the software system has been fully implemented.

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-02 - Student activity fund cash accounts fiduciary and non-fiduciary activity and balances**

Criteria:

The Board of Education administers student activity fund cash accounts which are designed to account for the financial activity and balances of a number of different student groups rather than requiring each different student group to have its own cash account and process its own financial activity. These student activity fund cash accounts are fiduciary in nature as the revenues, expenditures and remaining balances do not belong to the Board of Education but rather belong to the different student groups. Revenues are collected by the different student groups and these funds are forwarded to the individual responsible for the student activity fund cash account for deposit and recording. Withdrawal requests and the associated invoices are also forwarded to the individual responsible for the student activity fund cash account so that the checks can be written, signed and disbursed. Given the number of different student group accounts within each student activity fund and the material cash balances and amount of cash transactions, it is important that an adequate system of internal controls be in place to ensure that these funds are correctly accounted for and that the underlying assets are being safeguarded.

Condition:

The Board of Education accounts for certain revenues and expenditures that are not fiduciary in nature within the student activity fund cash accounts. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town or the Board of Education's own programs. These non fiduciary funds which are being accounted for within the fiduciary accounts maintained by the Board of Education represent funds that do not belong to others and therefore can and are used to support the Board of Education's own programs.

Context and effect:

This policy and these funds are in contrast to the policy of the Town in that all town department related revenues are deposited into the general fund to fund the activities and expenditures of the Town as a whole. Program revenue in relation to fees, charges for services and other miscellaneous amounts collected by Town departments are not allowed to increase the amount of budgeted expenditures which in effect is the nature of these non fiduciary funds administered by the Board of Education.

Cause:

This Board of Education practice of accounting for both fiduciary and non fiduciary funds within the student activity fund cash accounts would appear to be a practice that has been in place for a number of years.

Recommendation:

We recommend that all non fiduciary accounts be recorded in accordance with the general policy of the Town with any variation on this policy being accepted by the Board of Selectmen of the Town. One variation that the Town could explore would be requiring the Board of Education to create and submit a listing of all non fiduciary activities and receipts taken in and accounted for within the student activity fund cash accounts and the related expenditures funded by these receipts. The Board of Selectmen could then vote to approve the balances of these non fiduciary funds to carry from year to year and be accounted for within the annual financial statements as non-major special revenue funds. This would not significantly change how the funds are accounted for within the student activity fund cash accounts but would simply change their accounting and presentation within the annual financial statements.

Views of responsible officials and planned corrective actions:

To address this issue, the Board of Selectmen Finance and Administration Subcommittee is currently working on the development of a fund based on information from the Board of Education. It is expected that this process will be finalized before June 30, 2107.

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-03 - The timely preparation of monthly bank account reconciliations**

Criteria:

The management of the Town and the Board of Education are responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

The Town and the Board of Education implemented a new financial management system and a new chart of accounts during the current fiscal year. The implementation of the new chart of accounts was designed to follow the parameters prescribed by the State of Connecticut Office of Policy and Management. Seemingly as a result of the additional work required during this implementation process, the bank reconciliations performed by the Town were not prepared in a timely manner. Therefore, there could be no reasonable level of assurance during the current fiscal year that the cash balances being reported on the trial balances of the Town were accurate. We do consider this condition to have represented a significant deficiency in internal controls over financial reporting during the current fiscal year.

Context:

The Town has a number of bank accounts for which monthly account reconciliations are prepared. In the past, bank reconciliations were performed as part of two separate semi-manual processes. The Town Treasurer would perform monthly reconciliations on each bank account which consisted of comparing the reported expenditure and deposit activity to that which was reflected on the bank statements. These reconciliations were dated though they did not specifically document any comparison of the bank statement balances to the general ledger balances. The finance office would also prepare monthly reconciliations on each bank account which did consist of comparing the actual bank statement balances to the general ledger balances though they were not dated. Together these two separate but connected reconciliation processes did appear adequate. Since the cash accounts of the Town represent assets of the Town, certain internal controls should be in place and followed in order to ensure the safeguarding of these assets. The Town does appear to have an adequate system of internal controls in place regarding bank account reconciliations. However, during the current fiscal year a review of the monthly bank reconciliations indicated that they were not followed in a timely manner. An emphasis on the timely manner of bank reconciliations attempts to provide a reasonable level of assurance that any errors or differences that may be present between the bank statements and the trial balance can be detected and corrected in a timely manner.

Effect and cause:

Without monthly bank reconciliations being prepared in a timely manner, it is difficult to provide that a reasonable level of assurance was present that an accurate financial picture of the assets of the Town was available at all times during the current fiscal year. Without an accurate financial picture, there can be no reasonable level of assurance present that the Town's specific objectives are being achieved or that its' specific assets are being safeguarded. This condition would seemingly have been the result of the additional work required during the aforementioned financial management system implementation process.

Recommendation:

As this implementation process is completed, we recommend that the Town utilize the bank reconciliation module within the new financial management system to prepare all Town bank account reconciliations rather than continuing to utilize two semi-manual processes. We also recommend that an emphasis be place on preparing the bank reconciliations in a timely manner and that all completed bank reconciliations be signed and dated by the individual preparing them and then be forwarded to an individual outside of the transaction processing function for reviews which would also be signed and dated by the individual reviewing them.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding and has fully implement the automated system during the 2017 fiscal year.

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-04 - The timely posting of physical and electronic deposits to the trial balance**

Criteria:

The management of the Town and the Board of Education are responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

The Town and the Board of Education implemented a new financial management system and a new chart of accounts during the current fiscal year. The implementation of the new chart of accounts was designed to follow the parameters prescribed by the State of Connecticut Office of Policy and Management. Seemingly as a result of the additional work required during this implementation process, not all of the physical deposits made by the finance office of the Town or the electronic payments received and directly posted to the bank statements of the Town were posted to the trial balances of the Town in a timely manner. Therefore, there could be no reasonable level of assurance during the current fiscal year that the cash balances being reported on the trial balances of the Town were accurate. We do consider this condition to have represented a significant deficiency in internal controls over financial reporting during the current fiscal year.

Context:

The Town has a number of activities for which funds are collected by different departments and then forwarded to the finance department for deposit and posting to the trial balance. The individual departments are responsible for providing the finance department with adequate documentation so that the funds can be deposited into the correct bank account and so that those deposits can be posted to the correct accounts within the trial balance. The documentation provided by the individual departments should provide an adequate level of assurance that the funds collected by each department are being forwarded to the finance office for deposit and posting in a timely manner. The financial management system of the Town assigns each posted transaction with a sequential transaction number regardless of the posting date used for each transaction. This system feature is in part designed to provide a reasonable level of assurance that transactions are being posted to the trial balance in a timely manner. Since the deposits of the Town represent assets of the Town, certain internal controls should be in place and followed in order to ensure the safeguarding of these assets. The Town does appear to have an adequate system of internal controls in place regarding the processing and posting of deposits. However, during the current fiscal year a comparison of the transaction numbers within the trial balances to the actual deposit dates on the bank statements indicated that they were not followed in a timely manner. An emphasis on the timely manner of bank deposit postings to the trial balance attempts to provide a reasonable level of assurance that the cash balances of the Town as reflected within the trial balances of the Town are as accurate as possible during the fiscal year.

Effect and cause:

Without bank deposits being posted to the trial balance in a timely manner, it is difficult to provide that a reasonable level of assurance was present that an accurate financial picture of the assets of the Town was available at all times during the current fiscal year. Without an accurate financial picture, there can be no reasonable level of assurance present that the Town's specific objectives are being achieved or that its' specific assets are being safeguarded. This condition would seemingly have been the result of the additional work required during the aforementioned financial management system implementation process.

Recommendation:

As this implementation process is completed, we recommend that the Town attempt to more closely adhere to the internal control procedures already in place regarding the timely posting of physical bank deposits and electronic bank deposits to the trial balance.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding and has corrected this during the 2017 fiscal year.

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-05 - Cash disbursement account postings**

Criteria:

The management of the Town and the Board of Education are responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition and context:

As part of the Town expenditure and internal control testing for the current fiscal year audit, a number of invoices were requested to be pulled in order to review of a number of items. These reviewed items included but were not limited to whether the invoices were posted to the correct accounting period, whether the correct amount was being paid, whether items were being paid from actual invoices, whether items were being posted to the appropriate expenditure account and whether or not individual invoices were initialed as being approved. During this review it was noted that a number of invoices for services being provided by vendors to the Bolton Lakes Regional Water Pollution Control Authority were being paid by the Town and posted to Town departmental budgeted expenditure line items. A review of the approved annual budget for the current fiscal year did not seem to note any specific departments to post these expenditures to nor did it seem to note that these related organization invoices would be included within the Town departmental budgeted expenditures line items. As a result of the fact that we were unable to determine whether these related organization invoices were intended to be included within the Town departmental budgeted expenditure line items we do consider this condition to have represented a significant deficiency in internal controls over financial reporting during the current fiscal year.

The Bolton Lakes Regional Water Pollution Control Authority is a legally separate organization for which the Towns of Bolton and Vernon are members. During previous fiscal years the Town would pay the annual auditing and insurance invoices for the Authority and they were posted to the applicable Town departmental budgeted expenditure line items. However, as part of the audit and based on the direction provided by the finance department of the Town these expenditures were reclassified from the expenditure line items to a receivable account with the intent that the funds would either be repaid to the Town in the future or they would be used to reduce future Town appropriations to the Authority. During the current fiscal year this accumulated receivable balance due from the Authority was written off by the Town and recorded as bad debt expense within the financial statements. In addition to the above noted invoices it was also determined that the financial and administrative staff of the Town do incur costs to varying degrees and amounts related to the accounting and administrative functions of the Authority which are posted as normal costs to the town payroll expenditure line items. Though it does appear reasonable that the Town would pay certain invoices and incur certain payroll costs related to the Authority given its relationship to the organization, we were unable to locate any documented direction, motion or acknowledgment from either the Board of Selectmen or the Board of Finance that these expenditures were indeed intended to be included within the Town operating budget.

Effect and cause:

Without being able to determine whether these related organization costs are indeed intended to be included within the Town operating budget it creates a situation where it appears that the true operating costs of the Town are not being reflected within the annual financial statements and thus the users of these financial statements may not have an accurate financial picture of the Town. It would appear as though this current situation has resulted in part due to the fact that the previous fiscal years expenditures of the Authority paid by the Town had always appeared to have been reclassified to a receivable account.

Recommendation:

We recommend that the Board of Selectmen and or the Board of Finance make an official motion within a meeting acknowledging that the aforementioned related organization costs of the Bolton Lakes Regional Water Pollution Control Authority are indeed intended to be including within the Town operating budget.

Views of responsible officials and planned corrective actions:

The Town of Bolton, by ordinance, has financial obligations to the Bolton Lakes Regional Water Pollution Control Authority. As a result, part of the support for the Authority has been funded by the Town operating budget. While this has been discussed at budget meetings, it has not been reflected in minutes or motions. To address the issue, the Board of Selectmen will incorporate an acknowledgment in its budget adoption process this year.

# Stephen T. Hopkins, CPA, PC

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## Auditing, Accounting, and Consulting Services

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214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors Report on Compliance for each major state program and  
Internal control over compliance and the Schedule of expenditures of state  
financial assistance required by the State Single Audit Act

Board of Finance  
Board of Selectmen  
Town of Bolton, Connecticut

### Report on Compliance for Each Major State Program

We have audited the Town of Bolton, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Bolton, Connecticut's major state programs for the year ended June 30, 2016. The Town of Bolton, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Bolton, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Bolton, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Bolton, Connecticut's compliance.

### Opinion on Each Major State Program

In our opinion, the Town of Bolton, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.



## **Report on Internal Control Over Compliance**

Management of the Town of Bolton, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Bolton, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Bolton, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purposes.

## **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bolton, Connecticut's basic financial statements, and have issued our report thereon dated January 23, 2017, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Bolton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of an entity determined to be a component unit. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bolton, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

*Stephen J. Hopkins, CPA, PC*

Scarborough, Maine  
January 23, 2017

**Town of Bolton, Connecticut**  
Schedule of expenditures of state financial assistance  
For the year ended June 30, 2016

| State grantor/pass through<br>Grantor/program title             | State grant program<br>Core-CT number | Expenditures        |
|---|---------------------------------------|---------------------|
| <b><u>Office of Policy and Management:</u></b>                  |                                       |                     |
| Payment in lieu of taxes (PILOT) on state owned property        | 11000-OPM20600-17004-2016             | \$ 9,017            |
| Disabled program  | 11000-OPM20600-17011-2016             | 805                 |
| Property tax relief for elderly and totally disabled homeowners | 11000-OPM20600-17018-2016             | 32,159              |
| Property tax relief for veterans                                | 11000-OPM20600-17024-2016             | 6,067               |
| Municipal purposes & projects                                   | 12052-OPM20600-43587-2016             | 24,859              |
| <b><u>Department of Administrative Services:</u></b>            |                                       |                     |
| School construction principle                                   | 13010-DAS27636-40901-2016             | 31,246              |
| <b><u>Department of Education:</u></b>                          |                                       |                     |
| Sheff settlement  | 11000-SDE64370-12457-2016             | 170,225             |
| Child nutrition program   | 11000-SDE64370-16211-2016             | 2,480               |
| Adult education   | 11000-SDE64370-17030-2016             | 4,099               |
| School breakfast program  | 11000-SDE64370-17046-2016             | 6,125               |
| Open choice program   | 11000-SDE64370-17053-2016             | 529,456             |
| High quality schools start-up                                   | 12052-SDE64370-43538-2016             | 18,414              |
| <b><u>Connecticut State Library:</u></b>                        |                                       |                     |
| State Grants to Public Libraries                                | 11000-CSL66051-17003-2016             | 1,088               |
| Connecticard Payments   | 11000-CSL66051-17010-2016             | 979                 |
| Historic documents preservation grant                           | 12060-CSL66094-35150-2016             | 3,000               |
| <b><u>Department of Transportation:</u></b>                     |                                       |                     |
| Bus operations  | 12001-DOT57931-12175-2016             | 11,494              |
| Town aid road grants  | 12052-DOT57131-43455-2016             | 168,145             |
| <b><u>Department of Environmental Protection:</u></b>           |                                       |                     |
| Small town economic assistance program (STEAP)                  | 12052-DEP43720-40531-2016             | 61,752              |
| <b><u>Other Departments miscellaneous awards:</u></b>           |                                       |                     |
| FAD - Temporary holding account                                 | 34003-DCP39930-42350-2016             | 5                   |
| Other expenses  | 11000-DRS16312-10020-2016             | 50                  |
| Other expenses  | 11000-DSS60439-10020-2016             | 20                  |
| Non-budgeted operating appropriations                           | 34001-JUD95162-40001-2016             | 3,510               |
| Total State Financial Assistance before exempt programs         |                                       | <u>\$ 1,084,995</u> |

**Town of Bolton, Connecticut**  
Schedule of expenditures of state financial assistance (continued)  
For the year ended June 30, 2016

| State grantor/pass through<br>Grantor/program title | State grant program<br>Core-CT number | Expenditures |
|---|---------------------------------------|--------------|
| Exempt Programs                                     |                                       |              |
| <b><u>State Department of Education:</u></b>        |                                       |              |
| Transportation for school children                  | 11000-SDE64370-17027-2016             | \$ 28,394    |
| Education equalization grants program 82010         | 11000-SDE64370-17041-2016             | 3,057,224    |
| Special Education excess costs                      | 11000-SDE64370-17047-2016x            | 120,268      |
| <b><u>Office of Policy and Management:</u></b>      |                                       |              |
| Mashantucket Pequot Grant                           | 12009-OPM20600-17005-2016             | 17,277       |
| Total Exempt Programs                               |                                       | 3,223,163    |
| Total Expenditures of State Financial Assistance    |                                       | \$ 4,308,158 |

**Town of Bolton, Connecticut**  
Notes to Schedule of expenditures of state financial assistance  
For the year ended June 30, 2016

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Bolton, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Bolton, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Bolton, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of expenditures of state financial assistance.

**Town of Bolton, Connecticut**  
 Schedule of findings and questioned costs  
 For the year ended June 30, 2016

**I. Summary of Audit Results**

**Financial Statements**

Type of auditor's report issued: Modified

Internal control over financial reporting:

- |   |                 |     |                 |               |
|---|-----------------|-----|-----------------|---------------|
| • Material weakness (es) identified?                        | <u>        </u> | yes | <u>X</u>        | no            |
| • Significant deficiency (ies) identified?                  | <u>X</u>        | yes | <u>        </u> | none reported |
| • Noncompliance material to the financial statements noted? | <u>        </u> | yes | <u>X</u>        | no            |

**State Financial Assistance**

Type of auditors' report issued on compliance for major programs Unmodified

Internal control over major programs:

- |   |                 |     |          |               |
|---|-----------------|-----|----------|---------------|
| • Material weakness (es) identified?  | <u>        </u> | yes | <u>X</u> | no            |
| • Significant deficiency (ies) identified?  | <u>        </u> | yes | <u>X</u> | none reported |
| • Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | <u>        </u> | yes | <u>X</u> | no            |

**Major State Programs and percentage of coverage**

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Bolton, Connecticut's non-exempt expenditures of state financial assistance amount of \$1,084,995, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds the larger of \$200,000 or two percent (2%) of the non-state entity's total nonexempt state financial assistance program expenditures. The Town of Bolton has one Type A program for the current fiscal year based on the \$200,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has five Type B programs for which a risk assessment must be performed considering the Type B programs with expenditures in excess of \$25,000.

In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A programs of the Town to determine whether they should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's Type A program was determined to be high-risk and therefore was audited as a major program. Two of the five Type B programs for which a risk assessment was required were determined to be high-risk and therefore were audited as a major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$1,084,995. The programs tested as major and shown below represent approximately 70% of the total non-exempt state financial assistance expended.

| State grantor and program                      | State grant program<br>Core-CT number | Expenditures |
|--|---------------------------------------|--------------|
| Open choice program                            | 11000-SDE64370-17053-2016             | \$ 529,456   |
| Town aid road grants                           | 12052-DOT57131-43455-2016             | 168,145      |
| Small town economic assistance program (STEAP) | 12052-DEP43720-40531-2016             | 61,752       |
|  |                                       | \$ 759,353   |

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 200,000

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs (continued)  
For the year ended June 30, 2016

**II. Financial Statement Findings**

- We issued our report, dated January 23, 2017, 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*.
- Our report on internal control over financial reporting indicated nine significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs referenced to as item numbers 16-01 through 16-05 starting on page 65. We do not consider any of these significant deficiencies to be material weaknesses.
- Our report on compliance and other matters indicated no reportable instances of noncompliance.

**III. State Financial Assistance Findings and Questioned Costs**

- No findings or questioned costs are being reported relating to State financial assistance programs.

**IV. Summary Schedule of Prior Audit Findings**

- There were no findings and questioned costs related to state financial assistance award programs reported in the audit report for the auditee for the year ended June 30, 2015. Therefore, no schedule has been included.