

*Town of Bolton, Connecticut*

State Compliance Audit

June 30, 2013

*Stephen T. Hopkins, CPA, PC*

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Auditing, Accounting, and Consulting Services

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Town of Bolton, Connecticut  
 June 30, 2013  
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# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

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### Independent Auditors' Report

Board of Finance  
Board of Selectmen  
Town of Bolton, Connecticut

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 States 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, 2013, 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, 2013, 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 on pages 3 through 9 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 debt limitation, the schedule of property taxes levied, collections and outstanding balances, 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 debt limitation, the schedule of property taxes levied, collections and outstanding balances, 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 December 16, 2013, 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

  
Scarborough, Maine  
December 16, 2013

Town of Bolton, Connecticut  
Management's Discussion and Analysis  
June 30, 2013

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, 2013. 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 \$32,012,821 (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 \$31,948,447. This represents a favorable increase of approximately .20%
- 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 \$30,726,152 (95.98% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$29,836,729 (93.39% of total net position). This represents an increase of approximately 2.98% which is the result of a decrease in the related debt of \$828,995, current year depreciation in the amount of \$1,487,897, and current year cash capital asset additions in the amount of \$1,548,325.
- 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 \$622,906 (1.95% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$585,702 (1.83% of total net position). This represents an increase of \$37,204 or approximately 6.35%. This increase is made up of a number of individual increases and decreases in the components of restricted net position.
- 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 \$663,763 (2.07% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$1,526,016 (4.78% of total net position). This represents an unfavorable decrease of approximately 56.50%. 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 \$21,769,887 for the current fiscal year. This compares to the prior fiscal year balance of \$24,599,544. This represents a decrease of \$2,829,657 or approximately 11.50%. This decrease is due almost entirely to the fact that no State construction revenue was received during the current fiscal year for the Bolton High School construction and renovation project. The Town had received \$3,044,432 in the prior fiscal year with the decrease being due to the substantive completion of the project. The recorded property taxes, interest and liens revenue amount increased by \$453,508 which was a result of a higher assessment than the prior fiscal year and changes in the expected collections rate. 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.
- The Town's total expenses for its governmental activities were \$21,705,513 for the current fiscal year. This compares to the prior fiscal year balance of \$20,861,030. This represents an increase of \$844,483 or approximately 4.05%. This change in expenses from the prior to the current fiscal year is 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 budget to actual statement on pages 16 and 17.
- The Board of Education of the Town received approximately \$759,578 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, to improving basic programs, to enhancing education through technology. This balance was made up entirely of grant dollars recorded within the special revenue funds of the Town. This compares to approximately \$982,936 in the prior fiscal year. This prior year balance included \$804,003 of grant dollars recorded within the special revenue funds of the Town and \$178,933 in education jobs fund grant dollars recorded within the general fund of the Town. 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 deferred revenues on the Statement of net position.

**Town of Bolton, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**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 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. These statements report the fiduciary activities of the Town of which the Town only operates in an agency fund capacity.

**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 year 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 governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.



Town of Bolton, Connecticut  
Management's Discussion and Analysis  
June 30, 2013

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 which are characterized as follows:

- 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 1.64 to 1 compared to the end of the prior fiscal year when the current ratio was 2.30 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 \$1,119,091. This compares to the prior fiscal year positive balance of \$1,782,484. This represents an unfavorable decrease of approximately 62.78%.

	Governmental Activities		Percentage of Total	
	2013	2012	2013	2012
Current assets	\$ 2,868,308	\$ 3,156,669	5.97%	6.53%
Other assets	707,695	766,015	1.47%	1.72%
Capital assets	44,477,477	44,417,049	92.56%	91.75%
	<u>\$ 48,053,480</u>	<u>\$ 48,339,733</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 1,749,217	\$ 1,374,185	10.90%	8.38%
Long-term liabilities outstanding	14,291,442	15,017,101	89.10%	91.62%
	<u>\$ 16,040,659</u>	<u>\$ 16,391,286</u>	<u>100.00%</u>	<u>100.00%</u>
Net position:				
Net Investment in capital assets	\$ 30,726,152	\$ 29,836,729	95.98%	93.39%
Restricted	622,906	585,702	1.95%	1.83%
Unrestricted	663,763	1,526,016	2.07%	4.78%
	<u>\$ 32,012,821</u>	<u>\$ 31,948,447</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net position:				
Expendable:				
Educational grants and programs	\$ 35,442	\$ 18,614		
Town grants and programs	44,202	27,267		
Bentley memorial library funds	28,294	27,889		
Recreation round fund	119,787	106,891		
Non-principal portion of permanent funds	200,486	205,530		
	<u>428,211</u>	<u>386,191</u>		
Non-expendable:				
Non-USDA Inventory	857	3,468		
Prepaid expenses	1,320	9,289		
Principal portion of permanent funds	192,518	186,754		
	<u>194,695</u>	<u>199,511</u>		
	<u>\$ 622,906</u>	<u>\$ 585,702</u>		

**Town of Bolton, Connecticut**  
**Management's Discussion and Analysis**  
 June 30, 2013

**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 amount is 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 have been capitalized as capital assets and therefore the expenses for these items are not 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	
	2013	2012	2013	2012
Program revenues				
Charges for services	\$ 1,432,256	\$ 1,467,943	6.58%	5.97%
Operating grants and contributions	5,597,781	5,800,748	25.71%	23.59%
Capital grants and contributions	-	3,044,432	-	12.38%
General revenues				
Property taxes, interest, and liens	14,445,018	13,991,510	66.35%	56.89%
State property tax relief revenues	79,679	82,067	0.37%	0.33%
Other unclassified state revenues	70,196	86,215	0.32%	0.35%
Interest and dividends	30,000	17,178	0.14%	0.07%
Miscellaneous	114,957	109,451	0.53%	0.42%
<b>Total revenues</b>	<b>21,769,887</b>	<b>24,599,544</b>	<b>100.00%</b>	<b>100.00%</b>
Expenses				
General government	2,453,052	2,252,198	11.30%	10.80%
Public works	764,430	691,578	3.52%	3.31%
Public safety	465,809	440,856	2.15%	2.11%
Building planning and zoning	191,214	186,243	0.88%	0.89%
Community services	498,198	573,815	2.30%	2.75%
Sanitation and waste	457,669	473,447	2.11%	2.27%
Education	14,791,021	14,212,873	68.14%	68.15%
Education - on behalf	1,343,364	1,264,139	6.19%	6.06%
Unclassified	64,941	152,088	0.30%	0.73%
Capital outlay	-	-	-	-
Depreciation	213,099	203,815	0.98%	0.98%
Debt service:				
Interest	462,716	409,978	2.13%	1.95%
<b>Total expenses</b>	<b>21,705,513</b>	<b>20,861,030</b>	<b>100.00%</b>	<b>100.00%</b>
Change in net position	64,374	3,738,514		
Net position - July 1	31,948,447	28,209,933		
Net position - June 30	<u>\$ 32,012,821</u>	<u>\$ 31,948,447</u>		
Expenses financed by general revenues:				
Total expenses	\$ 21,705,513	\$ 20,861,030		
Less charges for services	-1,432,256	-1,467,943		
Less operating grants and contributions	-5,597,781	-5,800,748		
	<u>\$ 14,675,476</u>	<u>\$ 13,592,339</u>	<u>67.61%</u>	<u>65.15%</u>

Town of Bolton, Connecticut  
Management's Discussion and Analysis  
June 30, 2013

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 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 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 starting on page 23 and note 4 on page 29. The decrease in the amount being shown for construction in progress represents the substantive completion of the Bolton High School construction and renovation project as well as renovations and improvements to Heritage Farm barn roof.

	Governmental Activities		Percentage of total	
	2013	2012	2013	2012
Land and improvements	\$ 4,365,884	\$ 4,365,884	7.15%	7.34%
Buildings and improvements	41,657,208	41,309,455	68.25%	69.44%
Vehicles	3,301,309	2,704,780	5.41%	4.55%
Equipment	824,782	683,471	1.35%	1.35%
Infrastructure	10,886,359	10,423,627	17.84%	17.32%
Total historical cost	<u>61,035,542</u>	<u>59,487,217</u>	<u>100.00%</u>	<u>100.00%</u>
Less accumulated depreciation	<u>-16,558,065</u>	<u>-15,070,168</u>		
Total capital assets (net)	<u>\$ 44,477,477</u>	<u>\$ 44,417,049</u>		

Debt administration

The types of debt normally incurred by the town include long-term bonds, notes, and capital leases payable in addition to accrued compensated absences (accumulated vacation and sick time) in accordance with the established personnel policies of the Town and Board of Education. 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 54. 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 for bonds and capital leases payable decreased by approximately 1.70% as a result of the variations between payment schedules and more specifically because one bond was fully paid off during the current fiscal year with a final principal payment of \$245,000 and one bond will have its first annual principal payment during the upcoming fiscal year in the amount of \$190,000. The portion due after one year decreased by approximately 5.92% as a result of the annual payments made on the individual bonds and capital leases payable. More detailed information on Town debt can be found in note 5 on page 30.

	Governmental Activities		Percentage of total	
	2013	2012	2013	2012
Bonds and capital leases payable:				
Portion due within one year	\$ 814,923	\$ 828,995	5.82%	5.57%
Portion due after one year	12,936,402	13,751,325	92.33%	92.39%
Accrued compensated absences - school	21,580	13,672	0.15%	0.09%
Accrued compensated absences - town	238,617	290,278	1.70%	1.95%
Total debt	<u>\$ 14,011,522</u>	<u>\$ 14,884,270</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Bolton, Connecticut  
Management's Discussion and Analysis  
June 30, 2013

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 \$2,744,693 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 \$3,244,224, an unfavorable decrease of \$499,531 or approximately 15.40%. This unfavorable decrease is due to a number of offsetting results of operations including an increase in the general fund of \$210,253, a decrease in the town capital funds of \$469,936 and a decrease in the school construction fund of \$233,102.
- The total revenues of the Town's governmental funds were \$22,006,141, excluding transfers from other funds, for the current fiscal year in comparison to \$24,864,903 in the prior fiscal year. This represents a decrease of \$2,858,762 or approximately 11.50%. This decrease is due almost entirely to the fact that no State construction revenue was received during the current fiscal year for the Bolton High School construction and renovation project. The Town had received \$3,044,432 in the prior fiscal year with the decrease being due to the substantive completion of the project. The recorded property taxes, interest and liens revenue amount increased by \$474,124 which was a result of a higher assessment than the prior fiscal year and changes in the expected collections rate. In addition, the state on-behalf revenue amount relating to the states retirement contribution on-behalf of board of education employees increased by \$79,225 due to an increase in the required contribution rate.
- The total expenditures of the Town's governmental funds were \$22,505,672, excluding transfers to other funds, for the current fiscal year in comparison to \$29,260,387 in the prior fiscal year. This represents a decrease of \$6,754,715 or approximately 23.08%. This decrease is due almost entirely to the current fiscal year Bolton High School construction and renovation project expenditures of \$233,184. The prior fiscal year expenditures for this project were \$7,696,500 which means the prior to current fiscal year decrease in expenditures for this project totaled \$7,463,316. This is the result of the substantive completion of the project during the current fiscal year.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$210,253 for the current fiscal year in comparison to a positive \$415,936 for the prior fiscal year. This represents an unfavorable decrease 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 \$448,033 higher than the budget revenues for the current fiscal year which is a favorable variance in comparison to \$276,226 higher for the prior fiscal year which was also a favorable variance. During the current fiscal year the actual intergovernmental other revenues recorded were \$120,839 higher than the budgeted amount due in part to the receipt of Fema storm damage grants in the amount of \$90,344 and state revenue sharing funds in the amount of \$50,254. The actual revenue amounts received from the State for education cost sharing and other related revenues were \$3,957 lower than the budgeted amount in comparison to \$23,330 higher for the prior fiscal year. In addition, during the current fiscal year the amount recorded for property tax, interest and liens was \$296,317 higher than the budgeted amount in comparison to \$197,165 higher for the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$769,733 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$662,185 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 \$40,620 under the unadjusted budget amount, the highway department which was \$25,932 under the unadjusted budget amount, education expenditures which was \$243,427 under the adjusted budget amount and short-term borrowing repayments which was \$250,010 under the budgeted amount.
- In the current fiscal year the Town budgeted to utilize \$800,131 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 \$288,542 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.

**Town of Bolton, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**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, 2013.

	Governmental activities
<b>Assets</b>	
Current assets:	
Cash	\$ 1,270,349
Investments	1,241,353
Property taxes receivable	211,796
Intergovernmental accounts receivable	107,148
Other accounts receivable	33,980
Inventories	2,362
Prepaid items	1,320
Total current assets	2,868,308
Capital assets	
Non-depreciable	4,365,884
Depreciable (net)	40,111,593
Total capital assets	44,477,477
Other assets	
Restricted cash	273,379
Restricted investments	391,687
Long-term accounts receivable	42,629
Total other assets	707,695
<b>Total Assets</b>	<b>\$ 48,053,480</b>
<b>Liabilities</b>	
Accounts payable	\$ 574,110
Accrued payroll	56,707
Other liabilities	11,209
Deferred revenues	292,268
Long-term debt	
Portion due within one year	814,923
Portion due after one year	12,936,402
Accrued compensated absences	260,197
Other post-employment benefits liability	1,094,843
Total liabilities	16,040,659
<b>Net position</b>	
Net Investment in capital assets	30,726,152
Restricted	
Expendable	428,211
Non-expendable	194,695
Unrestricted	663,763
Total net position	32,012,821
<b>Total liabilities and net position</b>	<b>\$ 48,053,480</b>

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
**Statement of activities**  
**For the year ended June 30, 2013**

Primary government:	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
<b>Governmental activities:</b>					Total governmental activities
General government	\$ -2,453,052	\$ 113,106	\$ 27,500	\$ -	\$ -2,312,446
Public works	-764,430	-	90,344	-	-674,086
Public safety	-465,809	1,819	4,090	-	-459,900
Building, planning and zoning	-191,214	99,998	-6,134	-	-97,350
Community services	-498,198	111,942	16,714	-	-369,542
Sanitation and waste	-457,669	-	-	-	-457,669
Education	-14,791,021	846,737	3,925,252	-	-10,019,032
Education - on behalf	-1,343,364	-	1,343,364	-	-
Unclassified	-64,941	-	64,941	-	-
Capital outlay	-	-	131,710	-	131,710
Depreciation					
General infrastructure	-213,099	-	-	-	-213,099
Debt service					
Interest	-462,716	258,654	-	-	-204,062
	<u>\$ -21,705,513</u>	<u>\$ 1,432,256</u>	<u>\$ 5,597,781</u>	<u>\$ -</u>	<u>-14,675,476</u>
<b>General revenues:</b>					
Property tax revenues, interest, and liens					14,445,018
State property tax relief revenues					79,679
Other unclassified state revenues					70,196
Interest and dividends					30,000
Miscellaneous					114,957
Total general revenues					<u>14,739,850</u>
Change in net position					64,374
Net Position - July 1					<u>31,948,447</u>
Net Position - June 30					<u>\$ 32,012,821</u>

See the accompanying notes to the basic financial statements.

Town of Bolton, Connecticut  
Balance sheet  
Governmental funds  
June 30, 2013

	General fund	School construction fund	Town capital funds	Non-major governmental funds	Total governmental funds
<b>Assets</b>					
Cash	\$ 199,329	\$ 37	\$ 754,977	\$ 589,385	\$ 1,543,728
Investments	1,087,713	-	-	545,327	1,633,040
Receivables (net of allowance)					
Property taxes	211,796	-	-	-	211,796
Intergovernmental	85,961	-	-	21,187	107,148
Other	29,383	-	-	4,597	33,980
Inventories	-	-	-	2,362	2,362
Prepaid items	1,320	-	-	-	1,320
Due from other funds	2,151,301	-	1,078,193	473,368	3,702,862
<b>Total assets</b>	<b>\$ 3,766,803</b>	<b>\$ 37</b>	<b>\$ 1,833,170</b>	<b>\$ 1,636,226</b>	<b>\$ 7,236,236</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 556,233	\$ -	\$ -	\$ 17,877	\$ 574,110
Accrued payroll	50,981	-	-	5,726	56,707
Other liabilities	-	-	-	11,209	11,209
Deferred property tax revenues	126,449	-	-	-	126,449
Deferred revenue other	20,206	-	-	-	20,206
Due to other funds	791,611	1,164,030	1,241,356	505,865	3,702,862
<b>Total liabilities</b>	<b>1,545,480</b>	<b>1,164,030</b>	<b>1,241,356</b>	<b>540,677</b>	<b>4,491,543</b>
<b>Fund balances:</b>					
Nonspendable	1,320	-	-	193,375	194,695
Restricted	-	-	-	700,273	700,273
Committed	-	-	591,814	155,276	747,090
Assigned	1,233,967	-	-	63,620	1,297,587
Unassigned	986,036	-1,163,993	-	-16,995	-194,952
<b>Total fund balances</b>	<b>2,221,323</b>	<b>-1,163,993</b>	<b>591,814</b>	<b>1,095,549</b>	<b>2,744,693</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,766,803</b>	<b>\$ 37</b>	<b>\$ 1,833,170</b>	<b>\$ 1,636,226</b>	<b>\$ 7,236,236</b>

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, 2013

Fund balances of governmental funds as shown on Statement C		\$ 2,744,693
<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	61,035,542	
Less accumulated depreciation	-16,558,065	44,477,477
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 revenue 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:		126,449
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 deferred revenue. The Town does defer all revenues that are received prior to their normal receipt period. The government-wide financial statements record revenues when they have been earned, thus these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-272,062
4 Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:		
Inter fund receivables	3,702,862	
Inter fund payables	-3,702,862	-
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 capital leases payable	-13,648,775	
Add: Premium on bonds payable	-102,550	
Accrued compensated balances	-260,197	
Other post-employment benefits liability	-1,094,843	-15,106,365
6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable 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:		42,629
Net position of governmental activities as shown on Statement A		\$ 32,012,821

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, 2013

	General fund	School construction fund	Town capital funds	Non-major governmental funds	Total governmental funds
<b>Revenues</b>					
Property taxes, interest, and liens	\$ 14,573,921	\$ -	\$ -	\$ -	\$ 14,573,921
Intergovernmental - education	3,268,141	-	-	759,578	4,027,719
Intergovernmental - on behalf	1,343,364	-	-	-	1,343,364
Intergovernmental - tax relief	79,679	-	-	-	79,679
Intergovernmental - other	164,630	-	-	179,379	344,009
Education tuition	297,920	-	633,816	-	931,736
Charges for services and fees	197,466	-	-	296,403	493,869
Interest and dividends	26,132	82	601	3,185	30,000
Miscellaneous	114,957	-	-	66,887	181,844
<b>Total revenues</b>	<b>20,066,210</b>	<b>82</b>	<b>634,417</b>	<b>1,305,432</b>	<b>22,006,141</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	2,341,501	-	11,835	54,839	2,408,175
Public works	841,036	-	7,654	12,033	860,723
Public safety	347,265	-	-	170	347,435
Building, planning and zoning	191,305	-	-	2,339	193,644
Community services	387,634	-	-	127,969	515,603
Sanitation and waste	457,669	-	-	-	457,669
Education	12,736,836	-	14,643	962,678	13,714,157
Education - on behalf	1,343,364	-	-	-	1,343,364
Unclassified	-	-	-	64,941	64,941
Capital outlay	8,000	233,184	950,267	130,434	1,321,885
<b>Debt service:</b>					
Principal	490,000	-	350,000	-	840,000
Interest	179,122	-	258,954	-	438,076
<b>Total expenditures</b>	<b>19,323,732</b>	<b>233,184</b>	<b>1,593,353</b>	<b>1,355,403</b>	<b>22,505,672</b>
Excess (deficiency) of revenues over (under) expenditures	742,478	-233,102	-958,936	-49,971	-499,531
<b>Other financing sources (uses)</b>					
Transfers in	-	-	489,000	80,472	569,472
Transfers out	-532,225	-	-	-37,247	-569,472
<b>Total other financing sources (uses)</b>	<b>-532,225</b>	<b>-</b>	<b>489,000</b>	<b>43,225</b>	<b>-</b>
Net change in fund balance	210,253	-233,102	-469,936	-6,746	-499,531
<b>Fund balance - July 1</b>	<b>2,011,070</b>	<b>-930,891</b>	<b>1,061,750</b>	<b>1,102,295</b>	<b>3,244,224</b>
<b>Fund balance - June 30</b>	<b>\$ 2,221,323</b>	<b>\$ -1,163,993</b>	<b>\$ 591,814</b>	<b>\$ 1,095,549</b>	<b>\$ 2,744,693</b>

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, 2013**

Net changes in governmental fund balances as shown on Statement D		\$	-499,531
<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>			
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:			
Current year capital asset purchases to be capitalized	1,548,325		
Current year depreciation expense on current and previous capital assets	-1,487,897		60,428
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:			-106,371
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 amount being recorded in Statement B and deferred in Statement D.			
Prior year deferred revenue amounts to be recognized	308,570		
Current year revenue amounts to be deferred	-272,062		36,508
4 Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:			
Operating transfers in	569,472		
Operating transfers out	-569,472		-
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:			
Current principal payments on bonds and capital leases payable	853,635		
Less: Deferred amounts on refunding	-30,460		
Add: Amortization of bond premiums	5,820		
Decrease in accrued compensated balances	43,753		
Increase in other post-employment benefits liability	-133,017		739,731
6 Estimated accounts receivable for State long-term liability reimbursements and delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on the government-wide financial statements and therefore must not be shown as current year activity:			
Long-term account receivable from the State for long-term debt reimbursement			
Prior year recorded balance	-143,859		
Current year recorded balance	-		
Prior year recorded delinquent interest and lien receivable balance	-65,161		
Current year recorded delinquent interest and lien receivable balance	42,629		-166,391
Change in net position of governmental activities as shown on Statement B		\$	64,374

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, 2013**

	Original budget	Budget revisions	Final budget	Actual	Variance
<b>Revenues</b>					
Property tax revenues, interest and liens	\$ 14,277,604	\$ -	\$ 14,277,604	\$ 14,573,921	\$ 296,317
Intergovernmental - education	3,272,098	-	3,272,098	3,268,141	-3,957
Intergovernmental - tax relief	80,259	-	80,259	79,679	-580
Intergovernmental - other	41,791	-	41,791	164,630	122,839
Education tuition	293,818	-	293,818	297,920	4,102
Charges for services and fees	169,000	-	169,000	197,466	28,466
Interest and dividends	30,000	-	30,000	26,132	-3,868
Miscellaneous	110,243	-	110,243	114,957	4,714
Total revenues	18,274,813	-	18,274,813	18,722,846	448,033
<b>Expenditures</b>					
<b>General government</b>					
Board of selectmen	224,082	-	224,082	220,519	3,563
Board of finance	2,900	-	2,900	2,755	145
Finance	211,290	-5,000	206,290	193,063	13,227
Town clerk	99,884	-	99,884	94,560	5,324
Tax collector	86,785	-	86,785	85,239	1,546
Assessor	67,048	-	67,048	64,598	2,450
Elections	28,559	-	28,559	26,463	2,096
Town building operations	630,113	-	630,113	589,493	40,620
Professional and technical services	201,500	53,000	254,500	241,746	12,754
Auditing services	20,000	250	20,250	17,250	3,000
Data processing	80,235	-250	79,985	75,829	4,156
Insurances	159,770	-5,350	154,420	138,748	15,672
Employee benefits	503,347	-9,000	494,347	487,365	6,982
Payroll taxes	128,287	-	128,287	126,161	2,126
Unemployment compensation	8,000	9,000	17,000	16,290	710
Probate court	3,500	350	3,850	3,850	-
Public building commission	600	-	600	190	410
Contingency	35,000	-35,000	-	-	-
	2,490,900	8,000	2,498,900	2,384,119	114,781
<b>Public works</b>					
Highway department	866,968	-	866,968	841,036	25,932
<b>Public safety</b>					
Police protection	201,500	-	201,500	197,543	3,957
Fire commission	141,479	-	141,479	133,279	8,200
Fire marshal	13,480	-	13,480	13,443	37
Canine services	4,500	-	4,500	3,000	1,500
	360,959	-	360,959	347,265	13,694
<b>Building, planning and zoning</b>					
Building and land use	175,469	8,000	183,469	182,070	1,399
Planning and zoning commission	5,450	-	5,450	3,961	1,489
Inland wetlands commission	2,060	-	2,060	989	1,071
Zoning board of appeals	1,465	-	1,465	1,142	323
Economic development commission	1,850	-	1,850	1,338	512
Conservation commission	1,750	-	1,750	1,325	425
Open space	720	-	720	480	240
	188,764	8,000	196,764	191,305	5,459

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, 2013**

	Original budget	Budget revisions	Final budget	Actual	Variance
Community services					
Library	\$ 242,751	\$ -	\$ 242,751	\$ 240,055	\$ 2,696
Senior citizens	144,893	-7,740	137,153	123,590	13,563
Public health services	27,900	-3,000	24,900	23,989	911
	<u>415,544</u>	<u>-10,740</u>	<u>404,804</u>	<u>387,634</u>	<u>17,170</u>
Sanitation and waste					
Refuse services	523,927	-17,000	506,927	457,669	49,258
Education	12,830,263	150,000	12,980,263	12,736,836	243,427
Capital outlay	8,000	-	8,000	8,000	-
Unclassified					
Issuance costs	50,000	-	50,000	-	50,000
Debt service:					
Principal	740,010	-	740,010	490,000	250,010
Interest	179,124	-	179,124	179,122	2
	<u>919,134</u>	<u>-</u>	<u>919,134</u>	<u>669,122</u>	<u>250,012</u>
Total expenditures	<u>18,654,459</u>	<u>138,260</u>	<u>18,792,719</u>	<u>18,022,986</u>	<u>769,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-379,646</u>	<u>-138,260</u>	<u>-517,906</u>	<u>699,860</u>	<u>1,217,766</u>
Other financing sources (uses)					
Proceeds from short term debt issuance	250,000	-	250,000	-	-250,000
Utilization of un-designated fund balance	650,131	150,000	800,131	-	-800,131
Transfers in	-	-	-	-	-
Transfers out	-520,485	-11,740	-532,225	-532,225	-
Total other financing sources (uses)	<u>379,646</u>	<u>138,260</u>	<u>517,906</u>	<u>-532,225</u>	<u>-1,050,131</u>
Change in fund balance	-	-	-	167,635	167,635
Non-budgeted State on behalf revenue				1,343,364	
Non-budgeted State on behalf expenditure				-1,343,364	
Prior year encumbrances				-16,066	
Current year encumbrances				<u>58,684</u>	
Net change in fund balance				210,253	
Fund Balance - July 1				<u>2,011,070</u>	
Fund Balance - June 30				<u>\$ 2,221,323</u>	

See the accompanying notes to the basic financial statements.

Town of Bolton, Connecticut  
Statement of fiduciary assets and liabilities  
Agency funds  
June 30, 2013

Assets	
Cash	\$ 358,858
Investments	-
Receivables (net of allowance)	-
Due from other funds	-
	<hr/>
Total assets	<u>\$ 358,858</u>
Liabilities	
Due to student groups	\$ 120,381
Rental escrow funds payable	11,257
Driveway escrow funds payable	227,220
	<hr/>
Total liabilities	<u>\$ 358,858</u>

See the accompanying notes to the basic financial statements.

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2013

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 \$14,565 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.

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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 invested 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 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. The Town currently does not have any 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, and a statement of 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 record 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 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.



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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. Other non-major governmental fund types used by the Town include 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 such as investment income and transfers from other funds 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.
- 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.

Fiduciary fund reporting focuses on net position and changes in net position. 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 only agency funds which are used to report resources held by the Town in a purely custodial capacity. Fiduciary funds of the Town also consist of the funds of other organizations which use the tax identification numbers of the Town and the Board of Education to open and operate separate cash accounts.

The balance sheet is used to report information about the current financial resources (assets, liabilities, 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 10 on pages 25 and 26. 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.

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.

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

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. 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.

**D. 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.

**E. Investments**

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the 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 in situations where they have been donated to the Town. The Town currently considers the funds held with the State of Connecticut Short-Term Investment Fund along with certain money market accounts, certificates of deposit and other higher yielding accounts as investments.

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

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. Fund financial statement accounts receivable balances include property tax principal amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and tuition amounts due from other municipalities for education tuition. The current year ending property tax receivable balance is \$211,796. The current year intergovernmental receivable balance of \$107,148 is made up of \$64,015 of state, federal and other grant program receivables, \$35,458 in receivables for the state revenue sharing program and \$7,675 of education tuition due from municipalities. The other receivable balance of \$33,980 is made up of \$29,383 due from the Bolton Lakes Regional Water Pollution Control Authority of which the Town is a member and other miscellaneous amounts of \$4,597. 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 balances and planned State construction principal and interest reimbursements to be made to the Town when applicable. These State reimbursements are broken down between current amounts expected to be reimbursed within one year and long-term amounts expected to be reimbursed beyond one year. Delinquent interest and fees on suspense tax receivable principal balances are not included. The current year long-term delinquent interest receivable balance is \$42,629 and the State construction reimbursement receivable is \$0. 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.

**G. 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.

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**H. Revenue recognition - property taxes**

The Town's property tax for the current year was levied June 5, 2012 on the grand list as of October 1, 2011, for the real, personal and motor vehicle property located in the Town at a rate of 29.80 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2012. Supplemental motor vehicle taxes were due on January 1, 2013. 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, only the current year principal assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

**I. 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 \$2,362 as it relates to the school lunch program with \$857 representing the value of non-USDA inventory items and \$1,505 representing the value of USDA inventory items.

**J. Inter fund receivables and payables**

Inter fund 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 funds when the amount has been included in the annual budget document 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 usually deposited into the individual funds but rather into the general fund and accounted for as an inter fund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances and related activities have been eliminated in the government-wide statement of net position and the statement of activities.

**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 to include aggregated similar items not exceeding \$5,000. 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 are recorded as prepaid expenses-expenditures regardless of the dollar amount.

**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 intended use. Capital assets are only shown on the government-wide statement of net position.

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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 are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. 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 and is added to departments as described above.

**M. 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 June 5, 2012.

	GAAP basis Statement D	State on-behalf benefits	Current fiscal year encumbrances	Prior fiscal year encumbrances	Budgetary basis Statement E
Revenues and other financing sources	\$ 20,066,210	\$ -1,343,364	\$ -	\$ -	\$ 18,722,846
Expenditures and other financing uses	-19,855,957	1,343,364	-58,684	16,066	-18,555,211
Net change in fund balance	<u>\$ 210,253</u>	<u>\$ -</u>	<u>\$ -58,684</u>	<u>\$ 16,066</u>	<u>\$ 167,635</u>

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**N. 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, liabilities, 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, liabilities, 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. The construction activities within this fund are currently being 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 with the total bonds issued to date equaling \$12,695,000 and the current amount outstanding equaling \$12,005,000.
- e. Town capital funds - This fund is used to account for capital and non-recurring type projects to be used by the town to plan, purchase and construct capital assets in addition to major renovations and for the purchase of capital assets. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds. In addition, the Town accounts for the Board of Education capital fund within this major fund. This capital fund is used to account for a portion of tuition revenue received by the Board of Education and to be used for Board of Education related capital projects.

**O. 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 or other agreements received from either state, federal or local funding sources or contributions 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.
- 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.

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- 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.

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 40.

Fund balances:	General fund	School construction fund	Town capital funds	Non-major governmental funds	Total governmental funds
Nonspendable:					
Prepaid and inventory items	\$ 1,320	\$ -	\$ -	\$ 857	\$ 2,177
Permanent fund principal	-	-	-	192,518	192,518
Restricted:					
Town aid roads grant	-	-	-	198,789	198,789
Educational grants and programs	-	-	-	39,558	39,558
Recreation round fund	-	-	-	119,787	119,787
Bentley memorial library fund	-	-	-	28,294	28,294
Permanent fund non-principal amounts	-	-	-	200,486	200,486
Other town grants and programs	-	-	-	113,359	113,359
Committed:					
Open space reserve funds	-	-	-	155,276	155,276
Capital reserve fund	-	-	428,193	-	428,193
School capital fund	-	-	65,267	-	65,267
Capital projects fund	-	-	98,354	-	98,354
Assigned:					
Buildings and grounds fund	-	-	-	41,311	41,311
Other town programs and funds	-	-	-	22,309	22,309
Internal assignment of funds for future unforeseen financial emergencies	1,175,283	-	-	-	1,175,283
Encumbrances	58,684	-	-	-	58,684
Unassigned					
General fund	986,036	-	-	-	986,036
Bolton high school construction fund	-	-1,163,993	-	-	-1,163,993
Miscellaneous grants and programs	-	-	-	-16,995	-16,995
<b>Total fund balances</b>	<b>\$ 2,221,323</b>	<b>\$ -1,163,993</b>	<b>\$ 591,814</b>	<b>\$ 1,095,549</b>	<b>\$ 2,744,693</b>

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**P. Deferred revenue**

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as deferred revenue. The current year deferred revenue balance of \$292,268 on the government-wide financial statements is made up of unearned education grant balances of \$4,116, unearned town grant balances of \$267,946, education tuition revenue received in advance of \$19,506 and miscellaneous items of \$700. 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) as well as property tax revenue which has been received in advance of the fiscal year to which they apply and other miscellaneous items are recorded as deferred revenue. The current year deferred revenue balance of \$146,655 is made up of deferred property tax revenue in the amount of \$126,449 which is shown separately and education tuition revenue received in advance of \$19,506 and miscellaneous items of \$700 which is shown separately as a total of \$20,206. 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 deferred revenue.

**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, 2013 was \$58,684 for the general fund. The balance relating to the Board of Education was \$0 as of the end of the fiscal year. The balance for the town general fund was \$58,684 and related to four different projects in process as of the end of the fiscal year. This amount has been reported as assigned portions of the Town's general fund balance on the balance sheet as of June 30, 2013.

**R. 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.

**S. Interest expense**

The total interest expense incurred by the Town during the current fiscal year totaled \$438,076 which related to the long-term bonds payable outstanding. In the fund financial statements the entire amount of interest expense incurred was charged to expense. On the government-wide financial statements, the total interest expense amount was increased by \$30,460 relating to a prior fiscal year deferred amount for the defeasement of debt and it 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 these increases and decreases, the interest expense amount shown on the government-wide financial statements totaled \$462,716.

**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 \$3,517,117 which is shown in the financial statements as cash balances of \$1,902,586 (\$1,543,728 on Statement C and \$358,858 on Statement F) and investment balances of \$1,614,531 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 \$3,623,634 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 \$915,676 was covered by FDIC with the remaining \$2,707,958 representing balances that were not insured but rather collateralized 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.

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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, 2013.

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	\$ 18,509	\$ 18,509	\$ -	\$ -	not rated	AAAm
Money market and certificates	1,614,531	1,614,531	-	-	not rated	not rated
	<u>\$ 1,633,040</u>	<u>\$ 1,633,040</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.

**Note 3 - Restricted cash and investments - government-wide financial statements only**

The Town breaks cash down 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**

State, federal, and other grant program deferred balances	\$ 272,062
Restricted balance of non-major permanent funds	1,317
	<u>\$ 273,379</u>

**Restricted investments**

Nonspendable balance of non-major permanent funds	\$ 192,518
Restricted balance of non-major permanent funds	199,169
	<u>\$ 391,687</u>



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**Note 4 - Capital assets - government-wide financial statements only**

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2013. Information about the specific accounting policies of the Town in relation to capital assets can be found in note 1L starting on page 23 of the notes to the financial statements.

Governmental activities:	Balance 07/01/12	Additions	Retirements	Balance 06/30/13
Capital assets not being depreciated:				
Land and improvements	\$ 4,365,884	\$ -	\$ -	\$ 4,365,884
Construction in progress	-	-	-	-
Total at historical value	<u>4,365,884</u>	<u>-</u>	<u>-</u>	<u>4,365,884</u>
Capital assets being depreciated:				
Buildings and improvements	41,309,455	347,753	-	41,657,208
Vehicles	2,704,780	596,529	-	3,301,309
Equipment	683,471	141,311	-	824,782
Infrastructure	10,423,627	462,732	-	10,886,359
Total at historical value	<u>55,121,333</u>	<u>1,548,325</u>	<u>-</u>	<u>56,669,658</u>
Less accumulated depreciation for:				
Building and improvements	-8,800,410	-	-987,347	-9,787,757
Vehicles	-1,634,434	-	-213,092	-1,847,526
Equipment	-365,658	-	-74,359	-440,017
Infrastructure	-4,269,666	-	-213,099	-4,482,765
Total accumulated depreciation	<u>-15,070,168</u>	<u>-</u>	<u>-1,487,897</u>	<u>-16,558,065</u>
Total capital assets being depreciated (net)	<u>40,051,165</u>	<u>1,548,325</u>	<u>-1,487,897</u>	<u>40,111,593</u>
Governmental activities capital assets (net)	<u>\$ 44,417,049</u>	<u>\$ 1,548,325</u>	<u>\$ -1,487,897</u>	<u>\$ 44,477,477</u>

Depreciation expense by function or department:

General government	\$ 91,436
Public works	101,667
Public safety	126,731
Community services	14,796
Education	940,168
General infrastructure depreciation	213,099
	<u>\$ 1,487,897</u>

Capital asset additions by function or department:

General government	\$ 29,366
Public works	184,488
Public safety	8,357
Education	4,230
Capital outlay	1,321,884
	<u>\$ 1,548,325</u>

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Note 5 - Long-term liabilities - government-wide financial statements only

Governmental activities:	Balance 07/1/12	Additions	Reductions	Balance 06/30/13	Amount due within one year
<b>Outstanding payables:</b>					
\$5,895,000 bond payable	\$ 245,000	\$ -	\$ -245,000	\$ -	\$ -
Less: Deferred amount on refunding	-30,460	-	30,460	-	-
\$1,930,000 bond payable	1,195,000	-	-245,000	950,000	245,000
\$9,000,000 bond payable	8,660,000	-	-350,000	8,310,000	360,000
Add: Premium on bond payable	99,024	-	-5,352	93,672	5,352
\$4,345,000 bond payable	4,345,000	-	-	4,345,000	190,000
Add: Premium on bond payable	9,346	-	-468	8,878	468
\$57,410 capital lease payable	57,410	-	-13,635	43,775	14,103
Total outstanding payables	<u>14,580,320</u>	<u>-</u>	<u>-828,995</u>	<u>13,751,325</u>	<u>814,923</u>
<b>Other liabilities:</b>					
Accrued comp. absences - school	13,672	7,908	-	21,580	
Accrued comp. absences - town	290,278	-	-51,661	238,617	
Total other liabilities	<u>303,950</u>	<u>7,908</u>	<u>-51,661</u>	<u>260,197</u>	
<b>Total long-term liabilities</b>	<u>\$ 14,884,270</u>	<u>\$ 7,908</u>	<u>\$ -880,656</u>	<u>\$ 14,011,522</u>	<u>\$ 814,923</u>

The following sections outline the terms, conditions, and ending balance of the outstanding bonds, capital leases and accrued compensated balances of the Town as of June 30, 2013:

**A. Bonds payable**

\$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 starting in June of 2010 through June of 2017. Interest at 4.50%.	\$ 950,000
\$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%.	8,310,000
\$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%.	<u>4,345,000</u> <u>\$ 13,605,000</u>

**B. Capital leases payable**

The capital lease of the Town is 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 is 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, 2013 was \$46,424 and \$32,057 respectively. The annual payments on this lease for the next three fiscal years is equal to \$46,810 or approximately \$15,603 per year. The amount of these payments representing interest is equal to \$3,035 leaving the net present value of future minimum lease payments equaling \$43,775.

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The following is a summary of the total outstanding bonds payable principal and interest cash flow requirements for the above referenced bonds payable for the fiscal years ending June 30.:

	Principal	Interest	Total
2014	\$ 795,000	\$ 407,214	\$ 1,202,214
2015	795,000	383,289	1,178,289
2016	810,000	359,514	1,169,514
2017	825,000	335,439	1,160,439
2018	600,000	313,014	913,014
2019 - 2023	3,220,000	1,341,994	4,561,994
2024 - 2028	3,720,000	845,860	4,565,860
2029 - 2033	2,840,000	186,620	3,026,620
	<u>\$ 13,605,000</u>	<u>\$ 4,172,944</u>	<u>\$ 17,777,944</u>

The \$5,895,000 bond payable issued in November of 2002 represented a refunding of previously outstanding bonds. As a result of this refunding or defeasement of these previously outstanding bonds, a deferred refunding amount of \$335,000 was recognized by the Town. This deferred refunding amount was being amortized over the life of the refunding bond on a straight line basis at a rate of \$30,454 per fiscal year. This amortization amount is applied as an increase to the annual interest expense payments actually made by the Town. 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 accrued interest amount was eliminated when the first interest payment was made in February of 2011. 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 accrued interest amount was eliminated in the first year of the bond. 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, then adding in the aforementioned annual amortization of the deferred refunding amount and then subtracting out the aforementioned annual amortization of the bond premium for the fiscal years ending June 30.:

	Interest payments	Premium on bond issuance	Interest expense total
2014	\$ 407,214	\$ -5,820	\$ 401,394
2015	383,289	-5,820	377,469
2016	359,514	-5,820	353,694
2017	335,439	-5,820	329,619
2018	313,014	-5,820	307,194
2019 - 2023	1,341,994	-29,095	1,312,899
2024 - 2028	845,860	-29,095	816,765
2029 - 2033	186,620	-15,260	171,360
	<u>\$ 4,172,944</u>	<u>\$ -102,550</u>	<u>\$ 4,070,394</u>

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**C. 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, 2013, school accumulated sick balances for those who would receive the benefits if they retired as of June 30, 2013 based on reaching the required age and or years of service requirements totaled approximately \$174,999. 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 6 - 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, 2013.

	Governmental activities
Recorded value of capital assets	\$ 61,035,542
Less accumulated depreciation	-16,558,065
Book value of capital assets	44,477,477
Less capital assets related debt	-13,751,325
Total net investment in capital assets	\$ 30,726,152

**Note 7 - 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, 2012 which was \$1,118,128, added an estimated amount for interest earned during the fiscal year on the prior year balance in the amount of \$7,155, 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, 2013 to \$1,175,283.

**Note 8 - 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 \$1,163,993 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 following individual non-major special revenue funds had deficit fund balances as of June 30, 2013. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The 07-09 Idea Part B section 611 grant has a deficit of \$12, the 07-08 open choice grant has a deficit of \$416, the 12-14 Title I grant has a deficit of \$1,350, the 11-12 PACT grant has a deficit of \$480, the heritage farm milk shed grant has a deficit of \$2,339, the senior contingency needs grant has a deficit of \$550 and the vibrant communities grant has a deficit of \$11,848. It is anticipated that in addition to grant dollars remaining to be received, amounts will need to be transferred in subsequent fiscal years to clear out any remaining deficit balances in these individual non-major special revenue funds.

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**Note 9 - Inter fund receivables, payables, and transfers - fund financial statements only**

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 inter fund 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 inter fund 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 show this information separately rather than netted out.

	<u>Receivable due from</u>	<u>Payable due to</u>
<b>General fund:</b>		
School construction fund	\$ 514,030	\$ -
Town capital funds	1,241,356	428,193
Non-major special revenue funds	395,915	362,101
Non-major permanent funds	-	1,317
	<u>\$ 2,151,301</u>	<u>\$ 791,611</u>
 <b>School construction fund:</b>		
General fund	\$ -	\$ 514,030
Capital reserves fund	-	650,000
	<u>\$ -</u>	<u>\$ 1,164,030</u>
 <b>Capital reserves fund:</b>		
General fund	\$ 428,193	\$ 1,241,356
School construction fund	650,000	-
	<u>\$ 1,078,193</u>	<u>\$ 1,241,356</u>

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 inter fund transfers by individual major fund and non-major funds in the aggregate.

	<u>Transfers in</u>	<u>Transfers out</u>
<b>General fund:</b>		
Town capital funds:		
Capital reserve fund	\$ -	\$ -489,000
Non-major special revenue funds:		
Recreation round fund	-	-31,485
Residents assistance fund	-	-10,740
Bolton founders day fund	-	-1,000
	<u>\$ -</u>	<u>\$ -532,225</u>
 <b>Town capital reserves fund:</b>		
General fund	<u>\$ 489,000</u>	<u>\$ -</u>

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**Note 10 - 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 3.75% and 11.0% of the covered employees wages. For the fiscal year ended June 30, 2013, approximately 12 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 \$8,709,756, of which approximately \$776,725, represented the wages attributable to plan participants. For the fiscal year ended June 30, 2013, the Board of Education contributed \$34,367 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 \$51,000 in 2013 and \$50,000 in 2012 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 2013 and 2012). 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, 2013, approximately 48 employees participated in the plan. Total payroll for all employees including those eligible for the plan and those covered by other plans was approximately \$8,709,756, of which approximately \$1,460,664, represented the wages attributable to plan participants. For the fiscal year ended June 30, 2013, the Board of Education contributed \$94,546 to the plan on-behalf of the plan participants.

**Note 11 - 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 Hartford Life Insurance 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 your 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 IRC 402(g) limit of \$17,500 in 2013 and \$17,000 in 2012 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, 2013, approximately 24 employees participated in the plan at some point during the year. Total payroll for Town employees (excluding the Board of Education) was approximately \$1,713,729 of which approximately \$1,200,479, represented wages attributable to plan participants. For the fiscal year ended June 30, 2013, the Town contributed approximately \$66,491 to the plan on-behalf of the plan participants.

Town of Bolton, Connecticut  
Notes to the basic financial statements  
June 30, 2013

**Note 12 - Board of Education certified employee benefit plans**

The Bolton Board of Education participates in the Connecticut State Teacher's Retirement System which is administered by the Teachers' Retirement Board. The provisions of the Teachers' Retirement System are contained in Chapter 167a of the Connecticut General Statutes to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. Covered employees of the plan include any teacher, principal, superintendent or supervisor engaged in service of public schools, plus professional employees at State schools of higher education if they choose to be covered. The benefits of the program are funded by employee contributions, state appropriations and investment income. The Bolton Board of Education does not contribute to the plan. Employees covered by the plan are required to contribute 7.25% of their annual earnings into the plan. Of this required employee contribution rate, 6.00% applies to each covered employees pension benefit account with the remaining 1.25% being applied to the health insurance fund. The State's required contribution percentage is determined in accordance with 10-183z which reflects public act 79-436 as amended. The required contribution percentages to the plan are made up of a percentage for the normal cost of the plan and a percentage for the unfunded accrued liability of the plan. An actuarial valuation of the plan is performed on a bi-annual basis with the most recent valuation being performed as of June 30, 2012. Based on that actuarial valuation, the contribution percentage for the normal cost of the plan was 9.73% and the contribution percentage for the accrued liability cost of the plan was 20.40% for a total required contribution percentage of 30.13%. The covered employees required contribution percentage was 6.00% leaving the required contribution percentage of the State as 24.13%. Additional information on the plan can be obtained from the Teachers' Retirement Board, 765 Asylum Avenue, Hartford, Connecticut 06105.

**Note 13 - 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, 2013. 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, 2013, the Bolton Board of Education's total covered payroll was approximately \$6,406,124 and the applicable on-behalf payment percentage for the period was 20.97%. 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 \$1,343,364 and an education expenditure of \$1,343,364 have been included in the general fund on Statement D (GAAP basis) and have not been reported 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 \$1,343,364 and an expense in the governmental activities section under a separate education function line item of \$1,343,364 have been included on Statement B of the government-wide financial statements. There is no effect on the net position balance at the end of the year. The above State funding percentage of 20.97% compares to 20.54% during the prior fiscal year. The above State on-behalf payment of \$1,343,364 compares to \$1,264,139 during the prior fiscal year.

**Note 14 - Commitments and contingencies - Operating leases**

The Town and more specifically the Board of Education of the Town lease a number of photocopiers under leases which are classified operating leases. For these 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 agreements, 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 copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. The school copier lease which is classified as an operating lease encompasses a number of copiers in a number of locations. This lease agreement runs from November 2009 through August 2014. Quarterly payments under this lease agreement are \$5,560 which equals annual payments of \$22,240. The Town also had an operating lease for a photocopier which ran from April 2010 through June 2013 with monthly payments of \$99.

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 four year period running from July 1, 2008 through June 30, 2013. This agreement has also been extended for the upcoming one year period of July 1, 2013 through June 30, 2014 at an annual fee of \$111,000. The Board of Education has entered into a bus transportation agreement with First Student, 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, 2011 through June 30, 2016.

Town of Bolton, Connecticut  
Notes to the basic financial statements  
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**Note 15 - 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, 2013 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.

**Note 16 - Commitments and contingencies - Contingent debt**

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, 2013, interim financing through the State of Connecticut Clean Water Fund has been established with the amount of the outstanding loan increasing with each draw down from the Clean Water Fund. As of June 30, 2013, permanent long-term bonding of the project has been issued and is outstanding in connection with this project through Rural Development in the amount of \$1,716,500 for phase I, \$2,924,000 for phase II and \$2,440,000 for phase III. The proceeds of these long-term bonding's were used to pay down the interim funding through the Clean Water Fund. Additional long-term bonding will occur at the completion of each remaining and approved phase of the project. These additional bonding's through Rural Development will also be used to pay down the balance of the interim funding. More information regarding the Authority can be found in the Authority's annual financial statements. As a member of the Authority, the Town is contingently liable for its proportionate share of any defaulted debt by the Authority. The outstanding debt numbers shown below are based on information provided by the Authority. As of June 30, 2013, the Town's share of this outstanding debt was approximately:

Member entities	Outstanding Debt	Town's Percentage	Town's Share
Bolton Lakes Regional Water Pollution Control Authority			
Clean water funds interim financing	\$ 2,399,413	71%	\$ 1,703,583
Rural development long-term bonding - Phase I	1,716,500	71%	1,218,715
Rural development long-term bonding - Phase II	2,924,000	71%	2,076,040
Rural development long-term bonding - Phase III	2,440,000	71%	1,732,400
			<u>\$ 6,730,738</u>



**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2013

**Note 17 - 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 provides a benefit to its 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. The Town does not provide this benefit to retirees.

**Plan description**

The Board of Education of the Town maintains a single employer defined benefit OPEB Plan. The Plan provides a benefit for retired teachers and administrators in the form of the ability to maintain health insurance coverage through the Plan available to active teachers and administrators of the Board of Education. There are currently no eligibility requirements for members of these groups and the provisions of the Plan were established by the Board of Education 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. These benefits will continue for the life of the retiree once they are a part of the Plan. In addition, benefits for a retirees spouse will also continue for the life of the spouse once they are a part of the Plan. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for continuing to pay the same monthly premium amount or percentage that was being paid while the retiree was alive. The Plan does not issue stand-alone financial statements.

**Funding policy and annual OPEB cost**

The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education does not contribute directly to the Plan but rather contributes 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 Retirement Board. The current amount contributed by the State for each 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.

Town of Bolton, Connecticut  
Notes to the basic financial statements  
June 30, 2013

**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, 2013 are as follows.

Annual required contribution (ARC)	\$	231,594
Interest on beginning NOO (B) at 4.00%		38,473
Adjustment to ARC beginning NOO (B)		<u>-38,473</u>
Annual OPEB Cost		231,594
Amount contributed		<u>-98,577</u>
Increase in Net OPEB Obligation		133,017
Net OPEB Obligation as of June 30, 2012 (B)		<u>961,826</u>
Net OPEB Obligation as of June 30, 2013	\$	<u><u>1,094,843</u></u>

**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	07/01/11
Actuarial cost method	Projected unit credit cost method
Amortization method	Level percent
Remaining amortization period	30 years decreasing
Valuation type	Closed group
Actuarial assumptions	
Discount rate	4.00%
Amortization growth	4.00%
Payroll growth rate	4.00%

**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 OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB Obligation (NOO)
06/30/11	<u>\$ 210,099</u>	<u>\$ 98,000</u>	<u>46.64%</u>	<u>\$ 846,572</u>
06/30/12	<u>\$ 223,254</u>	<u>\$ 108,000</u>	<u>48.38%</u>	<u>\$ 961,826</u>
06/30/13	<u>\$ 231,594</u>	<u>\$ 98,577</u>	<u>42.56%</u>	<u>\$ 1,094,843</u>

**Town of Bolton, Connecticut**  
Notes to the basic financial statements  
June 30, 2013

**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	\$ -	\$ 2,356,135	\$ 2,356,135	0.00%	N/A	N/A

**Note 18 - New accounting pronouncements**

The Town implemented Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the current fiscal year. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Certain transactions that require the use of deferred outflows of resources or deferred inflows of resources have already been addressed in GASB pronouncements. For example, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, provides for the reporting of deferred outflows of resources and deferred inflows of resources for the changes in fair value of qualified hedging derivatives. Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, also includes a requirement to report deferred inflows of resources in specific cases for consideration received in a service concession arrangement. The Town did not have any transactions or balances meeting the definition of deferred outflow of resources or deferred inflow of resources as described in Statement No. 53 or Statement No. 60 and therefore the implementation of the Statement had no material effect on the presentation of the current fiscal year financial statements.

**Note 19 - Subsequent events**

The Town has evaluated subsequent events through December 16, 2013, 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.

**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, 2013**

	Non-major special revenue funds	Non-major permanent funds	Totals
<b>Assets</b>			
Cash	\$ 589,385	\$ -	\$ 589,385
Investments	153,640	391,687	545,327
Accounts receivable	25,784	-	25,784
Inventories and prepaid items	2,362	-	2,362
Due from other funds	472,051	1,317	473,368
<b>Total assets</b>	<u>1,243,222</u>	<u>393,004</u>	<u>1,636,226</u>
<b>Liabilities</b>			
Accounts payable	17,877	-	17,877
Other liabilities	16,935	-	16,935
Due to other funds	505,865	-	505,865
<b>Total liabilities</b>	<u>540,677</u>	<u>-</u>	<u>540,677</u>
<b>Fund balance</b>			
Nonspendable	857	192,518	193,375
Restricted	499,787	200,486	700,273
Committed	155,276	-	155,276
Assigned	63,620	-	63,620
Unassigned	-16,995	-	-16,995
<b>Total fund balance</b>	<u>702,545</u>	<u>393,004</u>	<u>1,095,549</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,243,222</u>	<u>\$ 393,004</u>	<u>\$ 1,636,226</u>
<b>Revenues</b>			
Intergovernmental revenues	\$ 938,957	\$ -	\$ 938,957
Charges for services and fees	296,403	-	296,403
Interest and dividends	1,629	1,556	3,185
Miscellaneous	66,887	-	66,887
<b>Total revenues</b>	<u>1,303,876</u>	<u>1,556</u>	<u>1,305,432</u>
<b>Expenditures</b>			
Salary and wages	467,345	-	467,345
Program operating costs	756,788	836	757,624
Capital outlay	130,434	-	130,434
<b>Total expenditures</b>	<u>1,354,567</u>	<u>836</u>	<u>1,355,403</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-50,691</u>	<u>720</u>	<u>-49,971</u>
<b>Other financing sources (uses)</b>			
Transfers in	80,472	-	80,472
Transfers out	-37,247	-	-37,247
<b>Total other financing sources (uses)</b>	<u>43,225</u>	<u>-</u>	<u>43,225</u>
<b>Net change in fund balance</b>	<u>-7,466</u>	<u>720</u>	<u>-6,746</u>
<b>Fund balance - July 1</b>	<u>710,011</u>	<u>392,284</u>	<u>1,102,295</u>
<b>Fund balance - June 30</b>	<u>\$ 702,545</u>	<u>\$ 393,004</u>	<u>\$ 1,095,549</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, 2013**

	Buildings and grounds Fund 21	Dog fund Fund 22	Town aid roads Fund 23	Open space Fund 24	Special education excess costs Fund 25
<b>Assets</b>					
Cash	\$ 41,311	\$ 19,501	\$ 204,836	\$ 636	\$ 43
Investments	-	-	-	153,640	-
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>41,311</b>	<b>19,501</b>	<b>204,836</b>	<b>154,276</b>	<b>43</b>
<b>Liabilities</b>					
Accounts payable	-	45	6,047	-	-
Other liabilities	-	2,704	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>2,749</b>	<b>6,047</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	198,789	-	43
Committed	-	-	-	154,276	-
Assigned	41,311	16,752	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>41,311</b>	<b>16,752</b>	<b>198,789</b>	<b>154,276</b>	<b>43</b>
<b>Total liabilities and fund balance</b>	<b>\$ 41,311</b>	<b>\$ 19,501</b>	<b>\$ 204,836</b>	<b>\$ 154,276</b>	<b>\$ 43</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ 100,359	\$ -	\$ 195,171
Charges for services and fees	-	1,819	-	-	-
Interest and dividends	62	23	238	693	37
Miscellaneous	2,550	-	-	-	-
<b>Total revenues</b>	<b>2,612</b>	<b>1,842</b>	<b>100,597</b>	<b>693</b>	<b>195,208</b>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	170	12,033	-	195,171
Capital outlay	-	-	119,915	-	-
<b>Total expenditures</b>	<b>-</b>	<b>170</b>	<b>131,948</b>	<b>-</b>	<b>195,171</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,612</b>	<b>1,672</b>	<b>-31,351</b>	<b>693</b>	<b>37</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>2,612</b>	<b>1,672</b>	<b>-31,351</b>	<b>693</b>	<b>37</b>
<b>Fund balance - July 1</b>	<b>38,699</b>	<b>15,080</b>	<b>230,140</b>	<b>153,583</b>	<b>6</b>
<b>Fund balance - June 30</b>	<b>\$ 41,311</b>	<b>\$ 16,752</b>	<b>\$ 198,789</b>	<b>\$ 154,276</b>	<b>\$ 43</b>

**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, 2013**

	Historic document preservation Fund 26	STEAP WPCA grant Fund 26	Heritage farm USDA whip grant Fund 26	Heritage farm foundation barn grant Fund 26	Heritage farm milk shed grant Fund 26
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	8,623	1,583	14,700	687	-
<b>Liabilities</b>					
Accounts payable	-	1,583	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	14,700	-	2,339
Total liabilities	-	1,583	14,700	-	2,339
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	8,623	-	-	687	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	8,623	-	-	687	-2,339
Total liabilities and fund balance	\$ 8,623	\$ 1,583	\$ 14,700	\$ 687	\$ -
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ 64,941	\$ -	\$ -	\$ -
Charges for services and fees	2,257	-	-	-	-
Interest and dividends	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	2,257	64,941	-	-	-
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	1,748	64,941	-	-	-
Capital outlay	-	-	-	-	2,339
Total expenditures	1,748	64,941	-	-	2,339
Excess (deficiency) of revenues over (under) expenditures	509	-	-	-	-2,339
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-37,247	-	-
Total other financing sources (uses)	-	-	-37,247	-	-
Net change in fund balance	509	-	-37,247	-	-2,339
Fund balance - July 1	8,114	-	37,247	687	-
Fund balance - June 30	\$ 8,623	\$ -	\$ -	\$ 687	\$ -2,339

**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, 2013**

	ARRA justice assistance grant Fund 26	Historic document grant Fund 26	Energy efficiency grant Fund 26	Senior exercise program Fund 26	Senior help bank Fund 26
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	2,275	1,500	40	48	2,137
<b>Total assets</b>	<u>2,275</u>	<u>1,500</u>	<u>40</u>	<u>48</u>	<u>2,137</u>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	2,275	1,500	40	48	2,137
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<u>2,275</u>	<u>1,500</u>	<u>40</u>	<u>48</u>	<u>2,137</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,275</u>	<u>\$ 1,500</u>	<u>\$ 40</u>	<u>\$ 48</u>	<u>\$ 2,137</u>
<b>Revenues</b>					
Intergovernmental revenues	\$ 2,275	\$ 4,000	\$ -	\$ -	\$ -
Charges for services and fees	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Miscellaneous	-	-	-	1,260	-
<b>Total revenues</b>	<u>2,275</u>	<u>4,000</u>	<u>-</u>	<u>1,260</u>	<u>-</u>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	2,500	-	1,260	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>1,260</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,275</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>2,275</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>40</u>	<u>48</u>	<u>2,137</u>
<b>Fund balance - June 30</b>	<u>\$ 2,275</u>	<u>\$ 1,500</u>	<u>\$ 40</u>	<u>\$ 48</u>	<u>\$ 2,137</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, 2013**

	Seniors contingency needs grant Fund 26	Hartford foundation grant Fund 26	Fire homeland security grant Fund 26	Fire projects and grants Fund 26	FEMA assistance grants Fund 26
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>760</b>	<b>754</b>	<b>3,220</b>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	550	-	-	-	-
<b>Total liabilities</b>	<b>550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	760	754	3,220
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-550	-	-	-	-
<b>Total fund balance</b>	<b>-550</b>	<b>-</b>	<b>760</b>	<b>754</b>	<b>3,220</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 760</b>	<b>\$ 754</b>	<b>\$ 3,220</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services and fees	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	6	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-6</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-6</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - July 1</b>	<b>-550</b>	<b>6</b>	<b>760</b>	<b>754</b>	<b>3,220</b>
<b>Fund balance - June 30</b>	<b>\$ -550</b>	<b>\$ -</b>	<b>\$ 760</b>	<b>\$ 754</b>	<b>\$ 3,220</b>



**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, 2013

	State connecticard grant Fund 26	Connecticut library grant Fund 26	SBM gap closing charter oak greenway Fund 26	Rt. 44 housing incentive grant Fund 26	Vibrant communities grant Fund 26
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	1,740	2,800	7,583	9,285	-
<b>Total assets</b>	<u>1,740</u>	<u>2,800</u>	<u>7,583</u>	<u>9,285</u>	<u>-</u>
<b>Liabilities</b>					
Accounts payable	-	1,593	-	-	3,100
Other liabilities	-	-	-	-	8,748
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>1,593</u>	<u>-</u>	<u>-</u>	<u>11,848</u>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	1,740	1,207	7,583	9,285	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-11,848
<b>Total fund balance</b>	<u>1,740</u>	<u>1,207</u>	<u>7,583</u>	<u>9,285</u>	<u>-11,848</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,740</u>	<u>\$ 2,800</u>	<u>\$ 7,583</u>	<u>\$ 9,285</u>	<u>\$ -</u>
<b>Revenues</b>					
Intergovernmental revenues	\$ 848	\$ 1,207	\$ -	\$ -	\$ -
Charges for services and fees	-	-	-	-	-
Interest and dividends	-	-	-	-	25,000
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>848</u>	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	36,848
Program operating costs	-	-	-	-	-
Capital outlay	-	10,519	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>10,519</u>	<u>-</u>	<u>-</u>	<u>36,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>848</u>	<u>-9,312</u>	<u>-</u>	<u>-</u>	<u>-11,848</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>848</u>	<u>-9,312</u>	<u>-</u>	<u>-</u>	<u>-11,848</u>
<b>Fund balance - July 1</b>	<u>892</u>	<u>10,519</u>	<u>7,583</u>	<u>9,285</u>	<u>-</u>
<b>Fund balance - June 30</b>	<u>\$ 1,740</u>	<u>\$ 1,207</u>	<u>\$ 7,583</u>	<u>\$ 9,285</u>	<u>\$ -11,848</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, 2013**

	Emergency management grant Fund 26	Heritage farm activities fund Fund 27	Resident assistance fund Fund 28	Conservation products fond Fund 29	Bolton founders day fund Fund 30
<b>Assets</b>					
Cash	\$ -	\$ 28,681	\$ -	\$ 599	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	2,749	100	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	3,000	-	-	-	-
Total assets	<u>3,000</u>	<u>53,130</u>	<u>22,780</u>	<u>1,590</u>	<u>1,000</u>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Other liabilities	-	7,000	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	3,000	46,130	22,780	1,590	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	1,000
Unassigned	-	-	-	-	-
Total fund balance	<u>3,000</u>	<u>46,130</u>	<u>22,780</u>	<u>1,590</u>	<u>1,000</u>
Total liabilities and fund balance	<u>\$ 3,000</u>	<u>\$ 53,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Revenues</b>					
Intergovernmental revenues	\$ 3,000	\$ 2,749	\$ -	\$ -	\$ -
Charges for services and fees	-	-	-	2,355	-
Interest and dividends	-	40	-	-	-
Miscellaneous	-	637	6,189	-	-
Total revenues	<u>3,000</u>	<u>3,426</u>	<u>6,189</u>	<u>2,355</u>	<u>-</u>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	1,898	960	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,898</u>	<u>960</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,000</u>	<u>3,426</u>	<u>4,291</u>	<u>1,395</u>	<u>-</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	37,247	10,740	-	1,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>37,247</u>	<u>10,740</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	3,000	40,673	15,031	1,395	1,000
Fund balance - July 1	-	5,457	7,749	195	-
Fund balance - June 30	<u>\$ 3,000</u>	<u>\$ 46,130</u>	<u>\$ 22,780</u>	<u>\$ 1,590</u>	<u>\$ 1,000</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, 2013**

	Cafeteria operations fund Fund 50	Educational grants fund Fund 51	Recreation round fund Fund 70	Bulldog nursery program Fund 70	Reimbursable building fees fund Fund 88
<b>Assets</b>					
Cash	\$ 142,593	\$ 27,399	\$ 73,770	\$ 16,595	\$ -
Investments	-	-	-	-	-
Accounts receivable	11,519	11,416	-	-	-
Inventories and prepaid items	2,362	-	-	-	-
Due from other funds	707	273,983	53,210	36,615	430
<b>Total assets</b>	<b>157,181</b>	<b>312,798</b>	<b>126,980</b>	<b>53,210</b>	<b>430</b>
<b>Liabilities</b>					
Accounts payable	-	5,509	-	-	-
Other liabilities	1,505	-	5,726	-	-
Due to other funds	134,874	289,977	1,467	53,210	-
<b>Total liabilities</b>	<b>136,379</b>	<b>295,486</b>	<b>7,193</b>	<b>53,210</b>	<b>-</b>
<b>Fund balance</b>					
Nonspendable	857	-	-	-	-
Restricted	19,945	19,570	119,787	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	430
Unassigned	-	-2,258	-	-	-
<b>Total fund balance</b>	<b>20,802</b>	<b>17,312</b>	<b>119,787</b>	<b>-</b>	<b>430</b>
<b>Total liabilities and fund balance</b>	<b>\$ 157,181</b>	<b>\$ 312,798</b>	<b>\$ 126,980</b>	<b>\$ 53,210</b>	<b>\$ 430</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ 55,332	\$ 509,075	\$ -	\$ -	\$ -
Charges for services and fees	173,655	-	87,804	16,595	-
Interest and dividends	-	50	123	-	-
Miscellaneous	10,943	18,104	-	-	1,109
<b>Total revenues</b>	<b>239,930</b>	<b>527,229</b>	<b>87,927</b>	<b>16,595</b>	<b>1,109</b>
<b>Expenditures</b>					
Salary and wages	128,311	253,362	72,414	13,258	-
Program operating costs	104,257	280,741	34,102	3,337	1,825
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>232,568</b>	<b>534,103</b>	<b>106,516</b>	<b>16,595</b>	<b>1,825</b>
Excess (deficiency) of revenues over (under) expenditures	7,362	-6,874	-18,589	-	-716
<b>Other financing sources (uses)</b>					
Transfers in	-	-	31,485	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>31,485</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>7,362</b>	<b>-6,874</b>	<b>12,896</b>	<b>-</b>	<b>-716</b>
<b>Fund balance - July 1</b>	<b>13,440</b>	<b>24,186</b>	<b>106,891</b>	<b>-</b>	<b>1,146</b>
<b>Fund balance - June 30</b>	<b>\$ 20,802</b>	<b>\$ 17,312</b>	<b>\$ 119,787</b>	<b>\$ -</b>	<b>\$ 430</b>

**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, 2013**

	Driveway escrow fund Fund 90	Bentley memorial library fund Fund 91	Rental utilities escrow fund Fund 92	Economic development fund Fund 93	Totals
<b>Assets</b>					
Cash	\$ 2,993	\$ 28,294	\$ -	\$ 2,134	\$ 589,385
Investments	-	-	-	-	153,640
Accounts receivable	-	-	-	-	25,784
Inventories and prepaid items	-	-	-	-	2,362
Due from other funds	-	-	-	-	472,051
<b>Total assets</b>	<b>2,993</b>	<b>28,294</b>	<b>-</b>	<b>2,134</b>	<b>1,243,222</b>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	17,877
Other liabilities	-	-	-	-	16,935
Due to other funds	-	-	-	-	505,865
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540,677</b>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	857
Restricted	-	28,294	-	-	499,787
Committed	-	-	-	-	155,276
Assigned	2,993	-	-	2,134	63,620
Unassigned	-	-	-	-	-16,995
<b>Total fund balance</b>	<b>2,993</b>	<b>28,294</b>	<b>-</b>	<b>2,134</b>	<b>702,545</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,993</b>	<b>\$ 28,294</b>	<b>\$ -</b>	<b>\$ 2,134</b>	<b>\$ 1,243,222</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ 938,957
Charges for services and fees	-	-	11,918	-	296,403
Interest and dividends	315	44	-	4	1,629
Miscellaneous	-	1,095	-	-	66,887
<b>Total revenues</b>	<b>315</b>	<b>1,139</b>	<b>11,918</b>	<b>4</b>	<b>1,303,876</b>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	467,345
Program operating costs	-	734	11,918	-	756,788
Capital outlay	-	-	-	-	130,434
<b>Total expenditures</b>	<b>-</b>	<b>734</b>	<b>11,918</b>	<b>-</b>	<b>1,354,567</b>
Excess (deficiency) of revenues over (under) expenditures	315	405	-	4	-50,691
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	80,472
Transfers out	-	-	-	-	-37,247
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,225</b>
Net change in fund balance	315	405	-	4	-7,466
<b>Fund balance - July 1</b>	<b>2,678</b>	<b>27,889</b>	<b>-</b>	<b>2,130</b>	<b>710,011</b>
<b>Fund balance - June 30</b>	<b>\$ 2,993</b>	<b>\$ 28,294</b>	<b>\$ -</b>	<b>\$ 2,134</b>	<b>\$ 702,545</b>

**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, 2013**

	David Taylor trust fund Fund 99	Metcalf Cemetery trust fund Fund 99	Phebe Talcott library trust Fund 99	Elizabeth Steele library trust Fund 99	Frank Sumner library trust Fund 99
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,441	864	177	848	5,173
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	12	7	1	7	42
<b>Total assets</b>	<b>1,453</b>	<b>871</b>	<b>178</b>	<b>855</b>	<b>5,215</b>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>					
Nonspendable	835	500	100	500	3,000
Restricted	618	371	78	355	2,215
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>1,453</b>	<b>871</b>	<b>178</b>	<b>855</b>	<b>5,215</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,453</b>	<b>\$ 871</b>	<b>\$ 178</b>	<b>\$ 855</b>	<b>\$ 5,215</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services and fees	-	-	-	-	-
Interest and dividends	2	1	1	1	8
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>8</b>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>8</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>8</b>
<b>Fund balance - July 1</b>	<b>1,451</b>	<b>870</b>	<b>177</b>	<b>854</b>	<b>5,207</b>
<b>Fund balance - June 30</b>	<b>\$ 1,453</b>	<b>\$ 871</b>	<b>\$ 178</b>	<b>\$ 855</b>	<b>\$ 5,215</b>

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, 2013

	Herrick library trust fund Fund 99	Herrick park trust fund Fund 99	Krutainis & Lacis school trust Fund 99	Erna Loomis school trust Fund 99	Totals
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	34,010	117,609	206,541	25,024	391,687
Accounts receivable	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	280	968	-	-	1,317
<b>Total assets</b>	<b>34,290</b>	<b>118,577</b>	<b>206,541</b>	<b>25,024</b>	<b>393,004</b>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>					
Nonspendable	19,733	68,237	74,613	25,000	192,518
Restricted	14,557	50,340	131,928	24	200,486
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>34,290</b>	<b>118,577</b>	<b>206,541</b>	<b>25,024</b>	<b>393,004</b>
<b>Total liabilities and fund balance</b>	<b>\$ 34,290</b>	<b>\$ 118,577</b>	<b>\$ 206,541</b>	<b>\$ 25,024</b>	<b>\$ 393,004</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services and fees	-	-	-	-	-
Interest and dividends	51	177	1,207	108	1,556
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>51</b>	<b>177</b>	<b>1,207</b>	<b>108</b>	<b>1,556</b>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	700	136	836
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>136</b>	<b>836</b>
Excess (deficiency) of revenues over (under) expenditures	51	177	507	-28	720
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>51</b>	<b>177</b>	<b>507</b>	<b>-28</b>	<b>720</b>
<b>Fund balance - July 1</b>	<b>34,239</b>	<b>118,400</b>	<b>206,034</b>	<b>25,052</b>	<b>392,284</b>
<b>Fund balance - June 30</b>	<b>\$ 34,290</b>	<b>\$ 118,577</b>	<b>\$ 206,541</b>	<b>\$ 25,024</b>	<b>\$ 393,004</b>

**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, 2013**

	Capital reserve fund Fund 20	School capital fund Fund 52	Capital projects fund Fund 81	Totals
<b>Assets</b>				
Cash	\$ -	\$ 754,977	\$ -	\$ 754,977
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	428,193	-	650,000	1,078,193
<b>Total assets</b>	<u>428,193</u>	<u>754,977</u>	<u>650,000</u>	<u>1,833,170</u>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	689,710	551,646	1,241,356
<b>Total liabilities</b>	<u>-</u>	<u>689,710</u>	<u>551,646</u>	<u>1,241,356</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	428,193	65,267	98,354	591,814
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balance</b>	<u>428,193</u>	<u>65,267</u>	<u>98,354</u>	<u>591,814</u>
<b>Total liabilities and fund balance</b>	<u>\$ 428,193</u>	<u>\$ 754,977</u>	<u>\$ 650,000</u>	<u>\$ 1,833,170</u>
<b>Revenues</b>				
Intergovernmental revenues	\$ -	\$ 633,816	\$ -	\$ 633,816
Charges for services and fees	-	-	-	-
Interest and dividends	-	601	-	601
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>634,417</u>	<u>-</u>	<u>634,417</u>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	32,853	610,233	-	643,086
Capital outlay	424,272	-	525,995	950,267
<b>Total expenditures</b>	<u>457,125</u>	<u>610,233</u>	<u>525,995</u>	<u>1,593,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-457,125</u>	<u>24,184</u>	<u>-525,995</u>	<u>-958,936</u>
<b>Other financing sources (uses)</b>				
Transfers in	489,000	-	-	489,000
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>489,000</u>	<u>-</u>	<u>-</u>	<u>489,000</u>
<b>Net change in fund balance</b>	<u>31,875</u>	<u>24,184</u>	<u>-525,995</u>	<u>-469,936</u>
<b>Fund balance - July 1</b>	<u>396,318</u>	<u>41,083</u>	<u>624,349</u>	<u>1,061,750</u>
<b>Fund balance - June 30</b>	<u>\$ 428,193</u>	<u>\$ 65,267</u>	<u>\$ 98,354</u>	<u>\$ 591,814</u>

Town of Bolton, Connecticut  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2013

Grand list	Uncollected taxes 06/30/12	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2011	\$ -	\$ 14,497,330	\$ 49,395	\$ -214,689	\$ 14,332,036
2010	164,794	-	10,799	-3,345	172,248
2009	68,252	-	10,659	-	78,911
2008	33,520	-	-	-	33,520
2007	6,793	-	-	-	6,793
2006	6,747	-	-	-	6,747
2005	3,054	-	-	-	3,054
2004	-	-	-	-	-
2003	-	-	-	-	-
2002	-	-	-	-	-
2001	-	-	-	-	-
2000	-	-	-	-	-
1999	-	-	-	-	-
1998	-	-	-	-	-
1997	-	-	-	-	-
	<u>\$ 283,160</u>	<u>\$ 14,497,330</u>	<u>\$ 70,853</u>	<u>\$ -218,034</u>	<u>\$ 14,633,309</u>



**Town of Bolton, Connecticut**  
**Schedule of property taxes levied,**  
**collections, and outstanding balances**  
**For the year ended June 30, 2013**

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/13
	Taxes	Interest	Lien fees			
2011	\$ 14,169,656	\$ 51,444	\$ 197	\$ 14,221,297	\$ -207	\$ 162,173
2010	132,032	30,590	608	163,230	-3,856	36,360
2009	65,557	21,485	312	87,354	-2,340	11,014
2008	30,625	11,201	168	41,994	-1,212	1,683
2007	5,363	3,504	120	8,987	-955	475
2006	6,427	5,316	96	11,839	-229	91
2005	3,054	116	-	3,170	-	-
2004	-	-	-	-	-	-
2003	-	-	-	-	-	-
2002	-	-	-	-	-	-
2001	-	-	-	-	-	-
2000	-	-	-	-	-	-
1999	-	-	-	-	-	-
1998	-	-	-	-	-	-
1997	-	-	-	-	-	-
	<u>\$ 14,412,714</u>	<u>\$ 123,656</u>	<u>\$ 1,501</u>	<u>\$ 14,537,871</u>	<u>\$ -8,799</u>	<u>\$ 211,796</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 taxes, interest, and liens revenue 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.

\$ 14,497,330	Current year taxes levied from page 52
123,656	Tax interest collections during the current fiscal year from above
1,501	Tax lien fee collections during the current fiscal year from above
-8,592	Account balance adjustments as items transferred to suspense
-207	Account balance adjustments as items written off in accordance with state statutes
1,043	Suspense collections during the current fiscal year
70,853	Lawful correction increases made during the current fiscal year from page 52
-218,034	Lawful correction decreases made during the current fiscal year from page 52
<u>106,371</u>	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>\$ 14,573,921</u>	Property taxes, interest, and liens 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 \$652 was collected on principal suspense tax balances owed and \$391 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, 2013

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 14,573,921
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>33,484</u>
Total base	<u><u>\$ 14,607,405</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 32,866,661	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	65,733,323	-	-	-
3 3/4 times base	-	-	54,777,769	-	-
3 1/4 times base	-	-	-	47,474,066	-
3 times base	-	-	-	-	43,822,215
Total debt limitation	<u>32,866,661</u>	<u>65,733,323</u>	<u>54,777,769</u>	<u>47,474,066</u>	<u>43,822,215</u>

**Indebtedness:**

Bonds and notes payable	1,600,000	12,005,000	-	-	-
Add: Premium on bond payable	1,332	101,218	-	-	-
Bonds authorized and unissued	30,236	13,457,864	-	-	-
Notes payable	-	-	-	-	-
Capital leases payable	43,775	-	-	-	-
Town portion of Bolton Lakes Regional Water Pollution Control Authority debt	-	-	6,730,738	-	-
Accrued compensated absences:					
School employees	-	21,580	-	-	-
Town employees	238,617	-	-	-	-
Total indebtedness	<u>1,913,960</u>	<u>25,585,662</u>	<u>6,730,738</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 30,952,701</u></u>	<u><u>\$ 40,147,661</u></u>	<u><u>\$ 48,047,031</u></u>	<u><u>\$ 47,474,066</u></u>	<u><u>\$ 43,822,215</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 \$102,251,835 which is well above the \$34,230,360 current amount of outstanding and authorized and unissued debt of the Town. The authorized but unissued bond amounts relating to the school as of June 30, 2013 are made up of \$13,455,000 for the current Bolton High School construction and renovation project and \$2,864 for facilities improvements. The authorized but unissued bond amounts relating to general purpose items as of June 30, 2013 equal \$9,386 for facilities improvements, \$10,850 for an Aerial fire truck and \$10,000 for property acquisition. 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

## 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, 2013, 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 December 16, 2013, 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 13-01 and 13-02.

### 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



Scarborough, Maine  
December 16, 2013

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs  
June 30, 2013

**13-01 - Accounting policies and procedures manual**

Criteria:

The management of the Town is 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.

Condition:

The Town does not currently have an accurate and in-depth accounting policies and procedures manual which would document the system of internal controls necessary to allow for the prevention or detection and correction of misstatements on a timely basis. Without a documented system of internal control related policies and procedures it cannot be determined that the procedures being followed during the day to day accounting activities are adequate to prevent or detect misstatements on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

This type of manual is used to provide a general description of the general functions and specific 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 and the steps necessary to process payroll. This manual would also address the approval process to be followed for invoices including the documentation of such approval through the signing off on actual invoices rather than simply the purchase orders for such items. By signing off on the invoices it would provide a higher level of assurance that the items being billed to the Town are those that were ordered and included on the prepared purchase order. In addition, the manual would also address how the Town manages and documents the numerous grants and contracts which it receives.

Effect:

The two main goals of developing and 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 checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the finance department.

Recommendation:

This accounting policies and procedures manual should include the activities of the Board of Education as well as all Town commissions, boards, agencies and offices. This manual should be drafted by the finance department and should address the financial operations of the Board of Education and all Town commissions, boards, agencies and offices and the specific duties of all personnel involved in the accounting, cash receipting, and bill paying systems. Regulations with respect to accounting and expenditures shall be approved by the Board of Selectmen in accordance with section 8.9 of the Town Charter. Therefore, the final draft of this policies and procedures manual would be submitted to the Board of Selectmen for approval and adoption. A copy of this polices and procedures manual may be adopted and amended by the Board of Finance. The finance department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Selectmen for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Selectmen for approval.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that such an accounting policies and procedures manual, as described above, would be beneficial. We have been working on the completion of this type of a manual over the past year and hope to have the manual completed and approved by the end of the upcoming fiscal year. Due to the small nature of our town, it is sometimes difficult to allocate the necessary amount of time and resources to a project such as this. However, we feel we have made progress and will continue working towards the completion of this accounting policies and procedures manual.

Town of Bolton, Connecticut  
Schedule of findings and questioned costs (continued)  
June 30, 2013

13-02 - Fiduciary and non fiduciary student activity fund cash account balances

Criteria:

Student activity fund cash accounts are designed to account in a fiduciary manner for the resources of a number of different student groups rather than requiring each individual student group to have its own cash account and account for all of the activity of the group. Revenues are collected by the groups and funds are forwarded to the individual responsible for the student activity cash account for deposit and recording. Withdrawal requests and the associated invoices are also forwarded to the individual responsible for the student activity cash account so that the checks can be written, signed and distributed. Given the number of different student group accounts within each student activity fund and the material cash balance and amount of cash transactions, it is important that an adequate set 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 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's own programs.

Context and effect:

This policy and these funds are in contrast to the policy of Town accounts where all town department related revenues are deposited into the general fund to fund the activities and expenditures of its own programs. 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.

Cause:

This Board of Education practice of accounting for both fiduciary and non fiduciary funds within the student activity 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 Finance 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 cash accounts and the related expenditures funded by these receipts. The Town 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 special revenue funds. This would not significantly change how the funds are accounted for within the student activity cash accounts but would simply change their accounting and presentation within the annual financial statements.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the need for a the consistent treatment of non fiduciary funds between the Town and its accounts and the Board of Education and its accounts. We do intend to explore possible ways to consistently treat these similar types of non fiduciary revenue for all Town departments and hope to have some type of policy created during the upcoming fiscal year.

# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

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### 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, 2013. 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, 2013.

## 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, 2013, 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 December 16, 2013, 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 financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by the State Single Audit Act is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the 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



Scarborough, Maine  
December 16, 2013



**Town of Bolton, Connecticut**  
Schedule of expenditures of state financial assistance  
For the year ended June 30, 2013

<u>State grantor/pass through Grantor/program title</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
<b><u>Office of Policy and Management:</u></b>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OPM20600-17004-2013	\$ 37,097
Disabled program	11000-OPM20600-17011-2013	689
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2013	33,484
Property tax relief for veterans	11000-OPM20600-17024-2013	5,080
<b><u>Department of Education:</u></b>		
Sheff settlement	11000-SDE64370-12457-2013	143,000
Open choice	11000-SDE64370-17053-2013	168,000
Child nutrition program	11000-SDE64370-16211-2013	2,511
Adult education	11000-SDE64370-17030-2013	3,633
Health and welfare	11000-SDE64370-17034-2013	199
<b><u>Connecticut State Library:</u></b>		
Historic documents preservation grant	12060-CSL66094-35150-2013	2,500
State Grants to Public Libraries	11000-CSL66051-17003-2013	1,207
Connecticard Payments	11000-CSL66051-17010-2013	848
<b><u>Department of Transportation:</u></b>		
Town aid road grants	13033-DOT57131-43459-2013	131,948
<b><u>Department of Environmental Protection:</u></b>		
Small town economic assistance program (STEAP)	12052-DEP43720-40531-2013	64,941
<b><u>Other Departments miscellaneous awards:</u></b>		
FAD - Temporary holding account	34003-DCP39940-42350-2013	2
Other expenses	11000-DRS16312-10020-2013	10
Clean air account fund	11000-DEP43540-12490-2013	20
Pay as you go transportation projects	12001-DOT57124-12518-2013	71
Non-budgeted operating appropriations	34001-JUD95162-40001-2013	4,090
Total State Financial Assistance before exempt programs		<u>\$ 599,330</u>

**Town of Bolton, Connecticut**  
Schedule of expenditures of state financial assistance (continued)  
For the year ended June 30, 2013

<u>State grantor/pass through Grantor/program title</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
Exempt Programs		
<b><u>State Department of Education:</u></b>		
Transportation for school children	11000-SDE64370-17027-2013	\$ 28,222
Transportation for school children	11000-SDE64370-17047-2013	37,762
Education equalization grants	11000-SDE64370-17041-2013	3,054,665
Special Education excess costs	11000-SDE64370-17047-2013	195,171
<b><u>Department of Administrative Services:</u></b>		
<b><u>Division of Construction Services:</u></b>		
School construction interest	13009-DCS28246-40896-2013	4,655
School construction principal	13010-DCS28246-40901-2013	139,204
<b><u>Office of Policy and Management:</u></b>		
Mashantucket Pequot Grant	12009-OPM20600-17005-2013	18,440
Municipal video competition	12060-OPM20600-35362-2012	3,330
Municipal revenue sharing quarterly payments	12060-OPM20600-35458-2013	19,728
Municipal revenue sharing annual payment	12060-OPM20600-35458-2013	30,526
Total Exempt Programs		<u>3,531,703</u>
Total Expenditures of State Financial Assistance		<u>\$ 4,131,033</u>

**Town of Bolton, Connecticut**  
Notes to Schedule of expenditures of state financial assistance  
For the year ended June 30, 2013

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, 2013

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 \$599,330, 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 \$100,000. The Town of Bolton has three Type A programs for the current fiscal year based on the \$100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has three 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 programs were all determined to be high-risk and therefore were all audited as major programs. None of the three Type B programs for which a risk assessment was required were determined to be high-risk and therefore they were not audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$599,330. The programs tested as major and shown below represent approximately 74% of the total non-exempt state financial assistance expended.

<u>State grantor and program</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
Sheff settlement	11000-SDE64370-12457-2013	\$ 143,000
Open choice	11000-SDE64370-17053-2013	168,000
Town aid road grants	13033-DOT57131-43459-2013	131,948
		<u>\$ 442,948</u>

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 100,000

**Town of Bolton, Connecticut**  
Schedule of findings and questioned costs (continued)  
For the year ended June 30, 2013

**II. Financial Statement Findings**

- We issued our report, dated December 16, 2013, 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 two significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs referenced to as item numbers 13-01 and 13-02 starting on page 57. 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.

