

**REPORT OF THE TOWN TREASURER
(WITH SOME NOTES FROM THE TOWN CLERK)
2007**

It continues to be an ever changing world for municipal clerks and treasurers. Annual changes in the State's education funding law meant that education tax benefits (prebates/rebates) were sent directly to the towns in 2007, with Lyndon receiving over \$672,000. This money was put to work and earned \$9,087 in interest income for the Town of Lyndon. Why did the legislature approve this change in the first place, a change that affected so many people? So that taxpayers would get a tax bill for the "net" amount of their taxes, thereby connecting the tax benefit received from the State to the tax bill received from the Town. The whole process caused a great deal of confusion amongst taxpayers, mortgage companies, and the like, as well as adding many hours of additional work for the towns. Supposedly, the same system will be in place for 2008, except that the State will keep the tax benefit money so that they can earn the interest on it. An unintended effect of this whole thing was that tax bills (a public document) now had tax benefit (income sensitive information is not public) on them. The Secretary of State and the Attorney General could not agree on whether or not tax bills with tax benefit information were public documents or not, leaving the towns caught in the middle of the argument. Here in Lyndon, we have always tried to err on the side of caution, and instituted a policy that tax bills would only be made available to the taxpayer named on the tax bill. Although this caused great consternation to a very few people, we were able to get the necessary information (i.e. the total tax assessed on a property) to those needing it.

The reporting requirements of the state's new Catamount Health Care system went into effect as of 4/1/07. The number of federal and state grants flowing through the Town to various local organizations for many worthwhile projects continues to increase as does the number of grant projects undertaken by the Town itself.

Just as the Town Clerk is charged with the safe-keeping of the public records, the Treasurer of a Vermont municipality is charged with the safe-keeping of public funds. However, the Treasurer does not have the authority to spend those public funds. That is the Selectboard's responsibility. It is the system set up by the laws of the State of Vermont, and it works quite nicely at dividing authority up among public officials and provides checks and balances to insure the safety of public monies.

Now that you know what it is the Treasurer can do, let me show you what the Treasurer did do and guide you through the financial information included in your Town Report. This will be a look at what the Town did in 2007 and where we would like it to go in 2008. The Town Report truly is a one year history of a Town. I can't begin to tell you how many times we go back to an old Town Report to find a piece of information. It is a look back and a look forward, an amazing document.

THE FINANCIAL STATEMENTS

Included in the Town Report is a set of GAAP basis (well, almost) financial statements for all funds of the Town. What's GAAP? GAAP is short for Generally Accepted Accounting

Principles. These are the “rules” that say how financial information is to be reported so that everyone is speaking the same language. Accounting is the language of business, and it is important in analyzing financial data that the user understands what language is being spoken. There is actually a different “dialect” of accounting language that is used by governmental agencies. So if you think the financial statements presented here look “different” from the financial statements of the company you work for, or from the company you own stock in, you’re right, they are different. The requirements of GASB-34 (that’s Governmental Accounting Standards Board Statement 34) are an attempt at bringing these two different “dialects” closer together.

Speaking of GASB-34, the Town has complied with all of the applicable requirements of it. The biggest noticeable change is the financial reporting model. That is, the audited financial statements look much different. Governmental fund types, which use to be just the General Fund and Highway Fund, now include those two plus the Capital Project Fund, Special Revenue Fund, Trust Funds, and Account Groups. The Wastewater Fund and Sanitation Fund remain as proprietary funds, or “business-type activities.” In effect, the new financial statement model takes a broader view of the Town’s financial activity. This “big picture” is appropriate for some users of the financial statements (i.e. federal and state government agencies), but adds a layer of statements for those looking for detail. And it is that detail that is important to the Selectboard, taxpayers, and voters of Lyndon. It is my job to present the Town’s financial information in a way that is most useful to the most users. Again in 2007 I struggled with how best to present that information. Use the new reporting model or keep it the same as previous years? In the end I decided to keep it the same. I feel the information is much more understandable, more user friendly, and provides a level of detail that shows a true picture of the Town’s financial activity during 2007. However, as the GASB-34 reporting model becomes more commonplace, we will be expected to use its format for all of our financial reporting, Town Report included. We had hoped to undertake this reporting change in 2007, but due to staffing changes, it was no possible. If you would like to see the new GASB-34 compliant financial reporting presentation, please stop by the office to see the audited financial statements.

Back to the financial statements, so what’s a fund? Well, governments have so many different things that they are responsible for and fund accounting was created to help keep track of it all. (Those of us who truly love governmental accounting call it “fun” accounting). The Town of Lyndon has the following funds:

General Funds

General Fund – This is where the general activity of running the Town is recorded. It includes the activity of the Clerk, Treasurer, Municipal Administrator, Selectboard, Zoning, Listers, Public Safety, Bridges, etc.

Highway Fund – This is where the activity of maintaining the Town’s roads and sidewalks is recorded.

Capital Project Funds

This fund records the activity of the Community Development Funds.

Special Revenue Funds

This fund records the activity of the Town’s restricted cash. When Lyndon sets aside money for a specific purpose (i.e. saving for highway equipment), that

money is put aside in a separate bank account and kept track of in this fund. Lyndon currently has 31 categories of restricted savings.

Enterprise Funds

Enterprise Funds are paid for by user fees.

Wastewater Fund – This fund records the activity relating to operating the wastewater system.

Sanitation Fund – This fund records the activity relating to residential rubbish pickup.

Nonexpendable Trust Funds

These funds record the activity of monies given to the Town of Lyndon in trust (usually as a bequest) to be used for a specific purpose. Lyndon now has nine such trust funds.

Account Groups

Fixed Assets – This is where the Town records its fixed assets (equipment, buildings, roads, etc.) of the general funds.

Long-term Debt – This is where the Town records its debt (what we owe on those fixed assets) of the general funds.

BALANCE SHEET

The balance sheet is like a photograph. It is a picture of what the Town owns and owes at a point in time. Since the Town operates on a calendar year basis, our financial statements are prepared as of December 31st. So our balance sheet is a picture of what we have on December 31st. The Combined Balance Sheet – All Fund Types and Account Groups is the “wide angle” view of the Town. It shows everything. The individual fund balance sheets are the “close up” view of each particular fund.

STATEMENT OF REVENUES AND EXPENDITURES

This financial statement is the story of what the Town did during the year. It shows generally where money came from, where money went, and the changes in the Town’s worth during the year as a result of that activity.

STATEMENT OF REVENUES & EXPENDITURES-ACTUAL COMPARED TO BUDGET

This is the “where we thought we would go, where we went, and where we think we are going” statement. It shows the details of where money came from and where money went and compares the actual results of what the Town did during the year to what we thought we would do (i.e. the budget). This statement also includes the proposed budget for the coming year. This is the budget that will be voted on at Annual Town Meeting.

2007 ACTUAL VERSUS BUDGET AND THE 2008 BUDGET

Let’s highlight some of the larger areas of where actual activity differed from what we thought would happen, as well as what’s new in the 2008 budget.

GENERAL FUND

Revenues take up the first four pages of the general fund “budget to actual” report. The 2008 general fund budget will require an additional \$118,000 in tax dollars, or about four cents on the tax rate (all things staying equal and excluding any increases in special appropriations.) Here’s a look at the General Fund by department.

Clerk, Treasurer, and Assistants: As discussed at the beginning of this report, a new, part-time position was added to the office in 2007.

Listers: The work on a reappraisal based on recent sales that was scheduled for 2007 was deemed unnecessary, so the project was not undertaken.

Zoning: Grant funding continues to pay for the update to the Town Plan.

Elections: There will be three elections in 2008, at a cost of roughly \$3,000 per election.

Municipal Office Building: Replacement windows will be installed in the one room left with the old windows. CNSU has asked for help in paying for the electrical infrastructure needed for their conference room renovation project. Ceiling fans will be installed in one office in an attempt to circulate the heat around the room.

Office Expense: With the increase in recording fees to \$8 per page, now \$2 of revenue from each page recorded goes to record preservation. Preserving the property transfer tax returns will begin in 2008.

Fire Department: USDA funding (\$50,000 grant and \$100,000 bond) will be used to pay for the debt repayment (\$40,320) and retrofitting (\$109,680) of the rescue/hazmat truck.

Skateboard Park: The Town set aside \$10,000 for a skateboard park in 2004, which has been carried over to 2008. The cost of this project, to be built at Powers Park, is included in the '08 budget.

Cemetery: The cemetery mapping project will continue as staff time allows and hopefully will be completed soon, or at least before we become “residents” of the cemetery.

Dogs: Now that the new facility is up and running ongoing fundraising will go toward offsetting the cost of spaying and neutering the animals before they are adopted out.

Interest: The Town borrows money in anticipation of taxes midway through the year. Depending on the timing of large projects, there are times when the Town needs to access more money and sooner than anticipated.

Bridges: Work on the Lily Pond Road Bridge was completed in 2007, with the majority of the cost being covered by a grant from the Agency of Transportation.

Center Street Bridge: The “temporary” pedestrian bridge was such a hit that townspeople asked to have it be made permanent. The Town has been awarded a grant to do just that. The rest of the money will come from savings left over from the Center Street Bridge project.

Randall Covered Bridge: Work on this bridge will be paid for with an enhancement grant from the Agency of Transportation, money from historic preservation, and savings.

Audit: Since most of the indebtedness that makes it necessary for a large audit is in the wastewater department, 80% of the cost of the audit has been transferred to the wastewater fund.

Police Department: Now that Officer Hemond has completed his training, the 2008 budget is for a two-man force for the full year.

Health Insurance: In an attempt to cut health insurance costs the Town will begin offering a high deductible health insurance plan coupled with a health savings account. Over half of the Town’s employees have opted to make the switch to this plan in 2008 for a net savings to the Town of \$15,581. Additional savings will be realized in future years.

Overview: The “bottom line” of the General Fund for 2007 is a deficit of \$51,787, which is covered by the \$80,000 of cash on hand carried over from ’06 to ’07. Let’s reconcile the difference between the two different “bottom lines” as presented on the General Fund financial statements. This difference arises from the budget statement being reported on a cash basis while the other statement is reported on the modified accrual basis.

Net per Statement of Revenues, Expenditures, & Changes in F.B.	\$(92,107.34)
Plus: Loan Proceeds-fire truck	<u>40,320.00</u>
Net per Statement of Revenues & Expenditures-Actual to Budget	\$(51,787.34)

The cash on hand at the end of 2007 is carried over into the 2008 budget as follows, with the remaining cash to pay for 12/31/07 payables and belonging to the Highway Fund, Wastewater Fund, and Sanitation Fund:

Skate Park	\$ 9,600	Cemetery	4,430
CSO	37,500	Bridge Project	7,032
Unrestricted	80,000		

HIGHWAY FUND

The Lyndon road crew continues to do a great job under the leadership of Robert Nutting. McGoff Hill was paved in 2007 with the financial help of a \$150,000 Class II paving grant from the State. The 2007 paving projects (York Street, Chamberlin Bridge Road, and Cross Street) went as planned. Sidewalk construction was completed on Center Street and will be completed on York Street in 2008. The summer construction project for 2008 is slated to be Pinehurst Street as well as another project. Of course, the price of fuel has a significant impact on the

highway fund, adding \$20,000 to the budget for 2008. Also in the 2008 budget is the anticipated purchase of a new dump truck and a new bucket loader. These purchases will be funded by equipment savings. There is also an additional \$40,000 being set aside for equipment savings, for a total of \$80,000 in 2008. In all, the Highway Fund ended 2007 with a surplus of \$14,061. Cash on hand of \$150,000 is being applied to the 2008 budget.

WASTEWATER FUND

Wastewater rates were raised effective July 1, 2007, to cover the cost of debt service and the increased cost of operating the system. The Miscellaneous Plant Improvements Project will continue in 2008. This project is funded by grants (75%) and bonds (25%). Design work on a new plant will continue in 2008, funded by a planning and design loan from the State of Vermont. Eighty percent of the cost of the Town’s annual audit, due in large part to activities in the wastewater department, has been included in the 2008 budget. Due to the rate increase, it is expected that only \$13,900 of cash on hand will be needed for the 2008 budget.

Let’s reconcile the difference between the two different “bottom lines” as presented on the Wastewater Fund financial statements. This difference arises from the budget statement being reported on a cash basis while the other statement is reported on the modified accrual basis.

Net per Statement of Revenues, Expenditures, & Changes in R/E	\$(142,444.12)
Plus: Bond Proceeds	50,000.00
Less: Capital Expenditures	(181,979.22)
Principal paid on debt	<u>(18,552.34)</u>
Net per Statement of Revenues & Expenditures-Actual to Budget	\$(292,975.68)

SANITATION FUND

The Selectboard has set the rate for sanitation service at \$150 per residential unit for 2008. This is the same as the 2007 rate. The 2008 budget is expected to require \$10,700 of cash on hand. The Town encourages all residents to recycle, reduce, and reuse as much as possible in order to decrease the amount of trash needing to be land filled. The Town’s “Bulky Events” continue to be well attended. Lyndon residents are indeed fortunate to have this opportunity to properly dispose of large items. This year marks the 38th anniversary of Green Up Day. Set aside the first Saturday in May for this fun event. It doesn’t take very long to make a big difference in how our Town looks. Make every day Green Up Day. If you have any questions about recycling or need the schedule for curbside recycling, please contact the Northeast Kingdom Waste Management District at 626-3532.

THE TAX RATE

The amount needed in taxes (including PILOT and Current Use) for the General Fund in 2008 will be \$1,158,361.46. This is \$118,000 more than was needed in taxes in 2007, excluding special appropriations.

The amount needed in taxes for the Highway Fund in 2008 will be \$890,108. This is \$33,000 less than was needed in taxes in 2007.

It is impossible to predict at this time what the proposed tax rates will be for 2008. There are two pieces to that calculation, what we need to raise in taxes and what the grand list is. Although we know the first number, we will not know what the grand list is until its completion in the early summer.

CONCLUSION

So there you have it, the Town's financial history for 2007 and a look ahead into 2008. The detail supporting this information is available for review, so if you would like to see any one of the thousands of checks we write every year, or see where our over 120 employees worked, or look at the almost 12,000 bills we send out every year, stop by.

Those 100+ employees we pay aren't really all employed by the Town of Lyndon. In addition to our duties to the Town (and to the Village of Lyndonville), we also perform payroll functions for the Lyndon Outing Club, Lyndon Area Sports Association, Cobleigh Public Library, and Village Improvement Society. Our office also performs the bookkeeping duties for the Cobleigh Public Library. Good thing we love numbers!

2007 HIGHLIGHTS – CLERK AND TREASURER

Implementation of the Help America Vote Act (HAVA), including the statewide voter checklist, continues to change the election laws and requirements in Vermont. Towns will be required to have access to the statewide voter checklist for all federal elections beginning in 2008. The Town of Lyndon received a grant in the amount of \$4,755 to help accomplish this. Beginning with the general election in November, we will have a computer with internet access at the polls. This should speed up the process of handling those who come to vote and are not on the voter checklist since we will be able to go to the statewide checklist and look up what town they are registered in.

Changes in federal and state guidelines in the area of employment law continues as well as the need to manage employee benefits making it necessary to officially create a human resource position to manage the nearly 130 employees (Town, Village, library, ice arena, outing club, swimming pool) that the office is responsible for. Laurie Willey has been moved into this position. Through her efforts the Town received a Leader Program award from the Vermont League of Cities and Towns in the amount of \$7,380 in 2007. This money was used to purchase an AED for the municipal office building, first aid kits for all buildings and trucks, and safety trainings for all employees. You can read more about this on the Town's website, lyndonvt.org. Yes, that's right, the Town of Lyndon now has a website! As discussed in last year's report, we added a part-time position to the office in 2007, hiring Gail Donnelly. Gail has done an excellent job creating the website as well as taking on more bookkeeping responsibilities. Speaking of new employees, do you here an unfamiliar voice when you call the office? That's Michele Maccalous, who joined us late in the year, when Kim Hill left to pursue an interest in volunteer

work. Among other things, Michele is responsible for water and wastewater billing, sanitation billing, the voter checklist, and is diligently working on that cemetery mapping project that we've been working. Linda Lee continues her excellent work as cashier, recording clerk, and vital statistics clerk. Linda licensed 767 dogs and registered 1,582 motor vehicles during 2007. As delinquent tax collector, she is the one responsible for Lyndon's low rate of delinquent taxes.

Another highlight of 2007 was the opportunity to work on the State Auditor's Vermont Municipal Advisory Committee. This committee is looking at ways to improve the practices and reporting of Vermont's municipal financial officers.

In closing, if you have any questions, please ask. I love to talk accounting. Thank you for the opportunity to serve as your Clerk and Treasurer. I am blessed to have a career that I truly enjoy and to be able to work with such dedicated and caring people.

Lisa J. Barrett, CPA
Clerk and Treasurer, Town of Lyndon