

**REPORT OF THE TOWN TREASURER
(WITH SOME NOTES FROM THE TOWN CLERK)
2006**

It is an exciting and ever changing world for active municipal clerks and treasurers. As discussed below, changing the Town's reporting model to be compliant with GASB-34 should be completed during 2007. The new changes brought about by Act 68, the education funding law, will mean that education tax benefits (prebates/rebates) will be coming directly to the Town beginning in 2007. The reporting requirements of the state's new Catamount Health Care system go 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. Implementation of the Help America Vote Act (HAVA), including the statewide voter checklist, continues to change the election laws and requirements in Vermont. Changes in federal guidelines in the area of employment law as well as recent changes in health insurance coverage require more time be spent on human resource issues. And did someone mention a Town website? In order to fulfill these obligations, continue work on projects, and maintain a level of service that we are proud of, the decision was made to add a part-time position to the office in 2007.

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 2006 and where we would like it to go in 2007. 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 2006 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 2006. 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. It is our hope to undertake this reporting change in 2007. 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 30 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.

2006 ACTUAL VERSUS BUDGET AND THE 2007 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 2007 budget.

GENERAL FUND

Revenues take up the first three-plus pages of the general fund “budget to actual” report. The 2007 general fund budget will require an additional \$28,000 in tax dollars, or about one cent 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 will be added to the office in 2007.

Listers: Work on a reappraisal based on recent sales is scheduled for 2007. This project will be funded with the monies received from the State annually and placed in savings.

Zoning: The Town has received a grant to update the Town Plan.

Municipal Office Building: Thanks to the availability of Efficiency Vermont rebates, all of the light fixtures in the building have been retrofitted to the new super efficient T8 bulbs.

Office Expense: The cost of replacing the photocopier will be shared with the Village of Lyndonville and Lyndonville Electric. Technology upgrades continue to be planned for.

Fire Department: Grant revenues will fund equipment purchases.

Skateboard Park: The Town set aside \$10,000 for a skateboard park in 2004, which has been carried over to 2007. The good news is that we received a LWCF grant in the amount of \$30,644. The bad news is that work on the project could not start prior to the grant award. The cost of this project, to be built at Powers Park, is included in the '07 budget.

Cemetery: We had set an optimistic goal of completing the cemetery mapping project in 2006. However, due to external demands on our staff, the project took a back seat. The project will continue as staff time allows and hopefully will be completed soon, or at least before we become "residents" of the cemetery.

Dogs: The new facility is finally done and every penny of it raised by donations, which speaks highly of our dog warden (I mean Animal Control Officer).

Bridges: Abutment work was completed on the Burrington Bridge (necessitated by the 2002 flood) and FEMA paid for 95% of it. Work on the Lily Pond Road Bridge is scheduled for 2007, with the majority of the cost being covered by a grant for 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.

Police Department: Our new police officer will be completing his training this year.

Overview: The "bottom line" of the General Fund for 2006 is a deficit of \$21,543, which is covered by the \$75,000 of cash on hand carried over from '05 to '06.

The cash on hand at the end of 2006 is carried over into the 2007 budget as follows, with the remaining cash to pay for 12/31/06 payables and belonging to the Highway Fund, Wastewater Fund, and Sanitation Fund:

Skate Park	\$ 9,600	Cemetery	4,430
Bridges	35,462	CSO	37,500
Bridge Project	9,012	Unrestricted	80,000

HIGHWAY FUND

The Town continues to search for a permanent road foreman. A big thanks to Robert Nutting for holding down the fort (or should I say garage) in the interim. The Back Center Road was completed in 2006, as was resurfacing a section of Red Village Road and the Park & Ride Project. The majority of the Center Street Sidewalk Construction Project was completed in 2006. Final work on this project will take place in 2007. The summer construction project for 2007 is slated to be York Street, Chamberlin Bridge Road, and Cross Street. These roads have needed attention for sometime, but were put on hold until completion of the Village's water main replacement project (no sense in digging up new pavement). The Town will again apply for a Class II State Highway Grant in 2007. If received, the Selectboard will work with the highway crew to determine the best use of this money, which will pay for 80% of a project. The biggest change in the 2007 highway budget is in the amount needed for materials. The heavy rains of recent years have taken a toll on our gravel roads and depleted our gravel supply. The 2007 budget calls for increases in gravel purchases (to bring the stockpile back up), calcium chloride (dust control), rip rap and stamatt (for ditches and road stabilization). In all, the Highway Fund ended 2006 with a surplus of \$6,880. Cash on hand of \$135,000 is being applied to the 2007 budget.

WASTEWATER FUND

Wastewater rates were raised effective January 1, 2004, to cover the cost of debt service on the three bond votes approved in 2003. The Equipment Upgrade Project and Miscellaneous Plant Improvements Project will continue in 2007. These projects are funded by grants (75%) and bonds (25%). Design work on a new plant will begin in 2007, funded by a planning and design loan from the State of Vermont. The biggest change in the 2007 wastewater budget is the contract price to run the plant. Any necessary increase in wastewater rates will be determined after this contract is negotiated. The 2007 budget is currently designed to use \$175,000 of cash on hand in lieu of raising rates.

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	\$(68,806.22)
Less: Capital Expenditures	(81,383.87)
Principal paid on debt	<u>(17,745.75)</u>
Net per Statement of Revenues & Expenditures-Actual to Budget	\$(167,935.84)

SANITATION FUND

The Selectboard has set the rate for sanitation service at \$150 per residential unit for 2007. This is the same as the 2006 rate. The 2007 budget is expected to require \$11,500 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 landfilled. 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 37th 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 2007 will be \$1,042,937. This is \$27,932 more than was needed in taxes in 2006, excluding special appropriations.

The amount needed in taxes for the Highway Fund in 2007 will be \$940,093. This is \$78,471 more than was needed in taxes in 2006.

It is impossible to predict at this time what the proposed tax rates will be for 2007. 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 2006 and a look ahead into 2007. 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 100 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!

2006 HIGHLIGHTS – CLERK AND TREASURER

Through the hard work of our Wellness Coordinator, the Town participated in VLCT's Leader Program. Designed to improve the health and safety of municipal employees (fewer accidents saves money), the program provided a financial incentive to participants and their employees for

implementing and participating in health, safety, and awareness programs. The Town of Lyndon was awarded \$7,380 for participating in the 2006 Leader Program. The money will be used to purchase first aid kits for all municipal vehicles and buildings as well as an Automated External Defibrillator (AED) for the municipal office building. The majority of municipal employees are now trained in first aid, CPR, and AED use. We hope we never have to use this training but we stand ready should the need arise.

Another highlight of 2006 was the opportunity to work with other municipal clerks on the Secretary of State's Town Clerk Advisory Committee. This committee was formed by the Secretary of State in order to provide her with input from clerks on the many election law changes facing the State as well as with suggestions for improving the way things are done. Another highlight was the Statewide Checklist Committee which gave me an opportunity to have direct input on this extremely powerful tool. Most rewarding, was the work done on the committee formed to study the issue of Same Day Voter Registration (SDVR) in Vermont. This controversial issue was brought before the Legislature with little input from the people most affected by it, the Town Clerks. This committee was formed to take a comprehensive look at the SDVR issue, and how best to implement it, if at all, so that the integrity of Vermont's election process is maintained.

Looking ahead into 2007, your Treasurer has been asked to sit on a committee being put together by the new State Auditor to look at creating a uniform chart of accounts for Vermont municipalities (more of that GASB-34 stuff).

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