

BUDGET GUIDE

In 2009, the Selectboard changed the Town's accounting method from the Cash method to the Modified Accrual method. The term "Cash Accounting" means that revenues are recorded when received and expenses are recorded when paid. The term "Modified Accrual Accounting" means that revenues are recorded for the fiscal year the revenue is available, and expenses are recorded for the fiscal year the expenses were incurred. By using the Modified Accrual Method, the Town's financial reports will give a clearer picture of the Town's financial activities in a given fiscal year. The Modified Accrual Method gives the Selectboard a better tool for understanding, analyzing, managing and planning the Town's financial affairs. The Selectboard was guided through this process by a financial consultant from the Vermont League of Cities & Towns. The Selectboard has made several changes to the Budget's format. The purpose of this Guide is to explain the format of the Budget and define terms used in the Budget.

BUDGET FORMAT

The Budget contains seven columns, and each column contains the following:

- Column 1: Categories, subcategories and line items for revenues and expenses.
- Column 2: The Budget for current fiscal year approved at the Town Meeting.
- Column 3: Revenues and expenses recorded for 1st six months of current fiscal year.
- Column 4: Selectboard's projection for revenues and expenses at year end of current fiscal year.
- Column 5: Difference between budgeted and projected revenues/expenses.
- Column 6: Proposed budget for the next fiscal year, beginning July 1st.
- Column 7: Percentage difference between current approved budget and proposed budget

In Column 5, a positive revenue number means more revenue was received than budgeted and a negative revenue number (in parentheses) means less revenue was received than budgeted. For Expenses, a positive number means less money was spent than budgeted, and a negative number (in parentheses) means more money was spent than budgeted.

TERMS USED IN THE BUDGET

REVENUES

Current Tax Revenue: Amount to be raised by property taxes.

School Tax Refund: Amount State pays Town for taxpayers' school tax "prebates."

Due Taxpayer from State Account: Amount State pays Town once State completes final reconciliation of the state-wide property tax. The amount of the payment cannot be predicted with any accuracy when the Budget is prepared for presentation at Town Meeting.

Intergovernmental Revenues: Amounts paid to the Town as taxes, as payments in lieu of taxes, or as State aid. The State and Federal governments do not pay property taxes on government-owned land, resulting in a loss of property tax revenue for the Town. To reduce the

impact of this loss of tax revenue, the State and Federal governments make a payment to the Town in lieu of taxes. State Highway Aid is based on a formula set by law.

Charges for Services: Fees collected by the Town for services the Town provides.

Employee Health Share: Amount Town employees pay to Town as the employees' share of their health insurance premiums.

Other Income: Amounts paid to Town for which there is no other category. This item includes donations to the Town.

Operating Transfers In From Other Accounts: Amounts drawn from the Town's reserve funds to meet expenses. For example, if the Town purchases a truck, it may use funds from the Equipment Reserve Fund for the purchase. In that case, money is transferred from the Reserve Fund to the General Fund and recorded as revenue; and, money paid for the new truck is recorded as an expense.

Prior Fund Balance: At the end of each fiscal year, the Town will have either a positive or negative fund balance. A positive fund balance means that the Town's revenues were greater than expenses and a negative fund balance means the Town's expenses exceeded its revenues. A positive fund balance can be used to reduce the amount to be raised by taxes or allocated to a reserve account.

Park Revenues: Prior to FY 2011, revenues and expenses for the Town's parks were maintained in a separate account. Beginning with the FY 2011 Budget, the Selectboard will report all park revenue and expenses in the General Fund Budget.

Trustees Public Funds: The Trustees manage funds held in trust for specific purposes. Some of these funds include: "The Howard Park Fund" "The Hooke Veteran Memorial Fund" and "The Cemetery Perpetual Care Fund." The Trustees invest the money for each fund and annually transfer a portion of the earnings from these funds to the General Fund.

Administrative Burial Fees: Fee paid at time remains are committed to the ground or a crypt.

Lot Fee: Fee paid for the right to bury remains in a cemetery lot.

Cemetery Trusts: Amount Trustees of Public Funds transfer from the Perpetual Care Fund, the Cemetery Trust, and other cemetery funds held in trust to the General Fund.

Corner Markers: Town requires persons buying one or more burial lots to purchase four stone markers. The markers are installed in the cemetery to show the location of the purchaser's lots.

EXPENSES

Health Plan Administration: The Town contracts with a company to administer the Town's employee health insurance plan.

Employee Health Insurance – Deductible: The Town’s employee health insurance plan is a high deductible plan, meaning that employees must pay for their own health care until the deductible is satisfied. Because the deductible amount is high, the Town helps employees meet their deductible by reimbursing employees for a portion of their out-of-pocket healthcare costs.

FICA: Includes the Town’s share of Social Security and Medicare tax. Prior to FY 2011 budget, this item was reported as a single line item, under General Administration. Beginning in FY 2011, this item is reported in each expense category that includes wages.

Retirement Contribution: Some Town employees and officials are eligible to participate in the State Retirement System. The Town and its eligible employees pay into the retirement system. This item states the Town’s share of retirement payments. Prior to FY 2011, this item was reported as a single line item, under General Administration. Beginning in FY 2011, this item is reported in each expense category that includes employees eligible to participate in the State Retirement System.

Delinquent Tax Collector - FICA: If property taxes are not paid on time, an 8% collection fee is assessed. The Delinquent Tax Collector collects the fee directly from the taxpayer and the Town pays the employer’s share of Social Security and Medicare taxes associated with the fee.

ACO Wages & Monthly Stipend: Town pays the Animal Control Officer (ACO) an hourly wage and a stipend. The wage is based on hours spent serving the Town, but the Stipend is paid in equal monthly installments.

Equipment Fund (Fire Department): Money allocated to purchase new fire fighting equipment and protective gear, but not communications equipment, which is reported as a separate line item.

Level & Sealing: Money used to make spot repairs to paved roads. New pavement is reported as a separate line item.

Capital Improvement Projects: Based upon the Road Improvement Plan, the Highway Department identifies projects to complete during road maintenance season. The costs of these projects may include gravel, stone, asphalt, contract services, culverts and leased equipment. These improvement costs are reported separate from the routine maintenance.

Highway Equipment Maintenance: Town vehicles are identified by number and/or model year.

Solid Waste Implementation Plan: The Plan is a State mandated program and the Town pays an annual fee to participate in the Plan.

Buy Back Recording Fee: A person may sell his/her cemetery lot back to the Town and the Town is required to purchase the lot back. A recording fee is paid when the buy back deed is recorded.

Buy Back Lots: A person may sell his/her cemetery lot back to the Town. The Town is required to purchase the lot for the same price the purchaser paid when he/she obtained the lot.

Transfer to Perpetual Care Fund: The Trustees of Public Funds manage the Perpetual Care Fund, which is money dedicated to the continuing maintenance of Town cemeteries. Annually, the Trustees pay a portion of the income generated by the Fund to the General Fund to pay cemetery maintenance costs. When the Town sells a cemetery lot, a portion of the sale price is transferred to the Fund to assure the future maintenance of Town cemeteries.

Town Clerk Recording Fees: When the Development Review Board grants a zoning permit, the permit is recorded in the Land Records. The recording fees are recorded here. The Selectboard considers this cost when setting the fees to be charged for zoning permit applications.

Zoning Admin. Permit Fees: The Zoning Administrator retains a portion of the zoning permit application fee as compensation for services. The Selectboard considers this cost when setting the fees to be charged for zoning permit applications.

Community Appropriations: Non-profit organizations that serve the citizens of the Town may receive Town funding if the funding is approved by the voters.

County Taxes: Bennington County assesses a tax annually against each Town in the County. The Town's share is based on the Town's Grand List.

Transfers to Reserves: To save money for future use, the Town establishes reserve funds that are dedicated to a specific purpose. By law, these reserve funds must be approved by the voters.

Cemetery Reserve Fund: Money the voters approve to be held in the Cemetery Trust and managed by the Trustees of Public Funds. The Cemetery Trust is used to purchase equipment and land for cemetery purposes.

Fund Balance Reserve Fund: When the Town ends a fiscal year with a positive fund balance, the Selectboard may recommend allocating some or all of the fund balance to the Fund Balance Reserve Fund. The Fund is a contingency fund maintained to meet unanticipated revenue shortfalls and to pay non-recurring and unanticipated expense.

Debt Service Expenditures: Town payments on loans and purchase leases.

Deficit Reduction: If the Town has incurred, or expects to incur, a deficit, the Selectboard may propose eliminating the deficit by raising taxes and/or by reducing expenses. This line item is used to show amounts needed to eliminate the deficit, and will include the time period the deficit was incurred or expected to be incurred.

Budget Summary: Restates Budget Expenses by the major expense categories.