

Vermont Town Treasurers Handbook



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Click here for information on [New Financing Options - Act 57](#)

Disclaimer: This resource is only intended to provide information and it does **NOT** constitute legal advice. Readers with specific legal questions are encouraged to contact an attorney. The use or downloading of this resource does **NOT** create an attorney-client relationship and will not be treated in a confidential manner.

If you have additional questions please use the ask a question button to submit them.

Ask a Question



General Information About the Town Treasurer

Role of the Treasurer

The town treasurer plays a vital role in Vermont municipal government. The town treasurer is a key player in keeping the town's financial accounts, investing town money, keeping a record of the taxes voted and paying the bills when orders to do so are properly submitted. An equally important role is the largely unwritten one of interacting with other town officials to ensure that the town finances run smoothly. When the local school district does not elect its own treasurer, the town treasurer also assumes the duties of treasurer of the school district. Put simply, the town treasurer handles the finances and keeps the accounts for the town.

A question that frequently arises regarding the role of the treasurer is whether the treasurer is responsible for all funds allocated to and disbursed by the various departments and entities that exist within Vermont towns, including town libraries, cemeteries, and water and sewer commissioners. As discussed in detail in this handbook, it is the treasurer's responsibility to account for and handle all town money.

Election, Term of Office, and Vacancy

At the annual town meeting, the treasurer is elected for a one-year term unless the town votes to elect the treasurer to a three-year term. When the town has voted for a three-year term, that practice will remain in effect until the voters decide to return to



a one-year term. The only requirement for being elected to any local office in Vermont is that the person be a legally qualified voter in the town. [17 V.S.A. § 2646](#). There is no requirement that a candidate has accounting or bookkeeping experience but such knowledge is crucial for the treasurer to perform the job effectively.

If the election is conducted by Australian ballot, it is subject to [17 V.S.A. § 2682](#), which provides that:

- if no person files a petition to run for the office, and if no one is elected by write-in for the office, the selectboard shall appoint a treasurer to serve until the next annual meeting.
- 30 votes or 1% of the registered voters (whichever is less) is required to be elected by write-in ballot ([17 V.S.A. § 2682a](#).)
- if there is a tie vote, a run-off election must be warned and held as provided in the statute.

An elected treasurer serves until the next annual meeting and until a successor is chosen. [17 V.S.A. § 2646](#). If no one is elected treasurer at floor town meeting, the incumbent will remain in office “until successors are chosen.” [17 V.S.A. § 2682](#). This choice of successor occurs either at a special town meeting called by the selectboard or upon receipt of a valid voter-backed petition, but in any event no later than the next annual meeting. If no one is elected treasurer at an Australian ballot vote, a majority of the selectboard may appoint someone to serve as treasurer until the next town meeting. [17 V.S.A. § 2682\(d\)](#).

If a vacancy in the office of treasurer occurs because of resignation, death, insanity, or removal from town, the selectboard must arrange to appoint a new treasurer, or to hold a special meeting under the provisions of [24 V.S.A. §§ 961-963](#) to elect one. There



is no specific time frame for filling the vacancy, but the appointment must be made "forthwith," which means immediately or in a reasonable time considering the circumstances.

Appointment of Treasurer

A town may vote at an annual meeting to authorize the selectboard to appoint the town treasurer. [17 VSA 2651f](#). This authority does not extend to municipalities with governance charters that articulate how the treasurer is chosen. Once voted, the authority to appoint remains in effect until rescinded at a later town meeting. A treasurer so appointed may be removed by the selectboard for just cause after notice and a hearing. The term of office of an elected treasurer in office when a municipality votes to convert the position into an appointed position will expire 45 calendar days after the vote or on the date upon which the legislative body appoints a treasurer, whichever occurs first, unless a petition for reconsideration or rescission is filed. Please see our Appointment FAQs at [Appointment of Municipal Clerks and Treasurers FAQs](#).

Incompatible Offices

A treasurer may not be an auditor, selectboard member or school director for the town. A treasurer may also not be a cemetery commissioner or library trustee in the town. Neither the treasurer's spouse nor anyone assisting the treasurer in their official duties may be the town auditor. A town manager cannot hold any elective office in the town in which they serve as manager. [17 V.S.A. § 2647](#). However, the above restrictions do not apply to towns that have fewer than 25 legal voters. [17 V.S.A. § 2648](#)



Town officers who have the authority to draw orders on the town treasurer must keep or cause to be kept a record of those orders. If an assistant clerk keeps that record, that assistant clerk cannot be the town treasurer, the spouse of the town treasurer, or any person acting in the capacity of the town treasurer. [24 V.S.A. § 1622](#).

Please see our [Chart of Incompatibilities](#) for more information.

Notice to State Treasurer

It is the responsibility of the town clerk to send the name of the town treasurer to the state treasurer on or before July 1 of each year. [24 V.S.A. § 1166](#).

Oath of Office

Strangely, there is no requirement for the town treasurer to take an oath of office. However, a village treasurer “shall be sworn.” [24 V.S.A. § 1306](#). The general oath found in [12 V.S.A. § 5813](#) may be used. Note that “swear” may be replaced by “affirm” and “So help you God” may be replaced by “Under the pains and penalties of perjury.”

Official Bond

The treasurer and any assistant treasurer appointed by the selectboard must each be bonded. In contrast, if the assistant treasurer is appointed by the treasurer, no bond is required because the treasurer who appointed the assistant will be held responsible for the acts and omissions of the appointee. [24 V.S.A. § 1573](#).

The requirement for bonding also applies to treasurers of villages and fire districts. [24 V.S.A. § 1306](#) and [32 V.S.A. § 4643](#).



When officials are required to have bonds, the town must pay for the bonds. [24 V.S.A. § 835](#). The purpose of the bonding requirement is to protect the town from possible wrongdoing or misappropriation of its officers. Accordingly, the selectboard often sets the bond at the amount of money that the treasurer is likely to have control over at any time. However, the board is not limited by statute as to the amounts in which the bonds may be set. As a result, bonds may be set as low or as high as the board feels appropriate. If the officer fails to provide the required bond ten days after they are requested to do so, that office shall be deemed vacant. [24 V.S.A. § 832](#).

Assistant Treasurer

A treasurer may appoint one assistant, whose appointment may be revoked at any time by the treasurer. Such an appointment must be recorded in the town clerk's office. The treasurer will be held responsible for the acts or omissions of any assistant appointed by them. If the treasurer receives a written request from the selectboard to appoint an assistant and fails to do so within ten days following the request, the selectboard may make the appointment, which the board may revoke at any time. [24 V.S.A. § 1573](#). An assistant treasurer who is appointed by the selectboard rather than the treasurer must post bond prior to taking office since the treasurer will not be held responsible for this assistant's actions. [24 V.S.A. § 832](#). The assistant treasurer performs all of the duties of the treasurer in the event that the treasurer is temporarily absent or disabled.

Neglect of Duty, Wrongful Acts, Lawsuits



When a lawsuit is brought against a town treasurer, it must be brought in the name of the town or district. The town must pay the reasonable legal fees of the officer “when the officer was acting in the performance of [their] duties and did not act with malicious intent.” [24 V.S.A. § 901](#).

A treasurer may be fined not more than \$100 for failure to perform a lawful duty. [24 V.S.A. § 902](#). That could be interpreted to mean that a \$100 fine for failure to send out tax bills would really be \$100 per tax bill. So, if the town had 1,000 tax bills, the penalty could be \$100,000. We are not aware of a situation where a municipal treasurer has been forced to pay such a fine. However, it is possible under the law for such a fine to be imposed.

[Twenty-four V.S.A. § 903](#) protects a treasurer from liability for paying money out “in accordance with a vote of such corporation, whether such vote was valid or not.” In the Vermont Supreme Court case of *Osier v. Burlington Telecom*, 2016 VT 34, the Court references this statute but doesn’t answer the key matter, i.e., to which situations it applies. For example, does it apply only to a vote of the town voters (e.g., town meeting vote for an expenditure), or to a vote by the selectboard or other board authorized to approve orders, or both? While there’s still some uncertainty, this law may provide protection to the treasurer when paying a bill authorized by a warrant or order.

If the action or inaction of an official rises to the criminal level, they may be “imprisoned not more than one year or fined not more than \$1,000 or both.” [13 V.S.A. § 3006](#). The same penalties may be imposed when a member of a board or commission willfully neglects their duty. [13 V.S.A. § 3007](#). For example, a treasurer serving on the board of tax abatement could be prosecuted for criminal neglect of duties arising from board decisions.

It is also a crime to submit, with intent to defraud, a false claim to a municipal government or to use a writing or document known to contain any false claim or entry



as to a material fact. [13 V.S.A. § 3016\(a\)](#). This could include, for example, the submission of a falsified time record or a bill for goods that were never delivered to the town. It might also include the issuance of a receipt for property taxes that have not been paid. The penalties for violation of this statute include imprisonment up to five years and fines up to \$10,000. [13 V.S.A. § 3016\(b\)](#).

Finally, any municipal officer who, in their official capacity receives, controls, collects or holds money or other property of the town and embezzles or fraudulently converts it to their use may be imprisoned for up to ten years and/or fined up to \$1,000.00. [13 V.S.A. § 2537](#). The selectboard may designate a person to perform the duties of a treasurer whose duties have been suspended as a condition of release pending trial for violating [13 V.S.A. § 2537](#). [24 V.S.A. § 961\(c\)](#)

Compensation

Ordinarily, the town votes to compensate the treasurer with a salary of a specific amount. [24 V.S.A. § 932](#). If the voters fail to set a salary, the selectboard may set the treasurer's compensation. [24 V.S.A. § 933](#). If the treasurer is also the collector of current taxes, they are entitled to be paid the collection fee of one percent of all taxes paid, computed on actual cash receipts after deduction of discounts, unless the town by vote fixes their compensation otherwise. [32 V.S.A. § 1672](#). When a town votes a salary in lieu of fees, the fees are still collected by the clerk but are turned over to the town treasurer and credited to the town's general fund on at least a quarterly basis. Sample language for this type of article is contained in [Model Town Meeting Articles](#).

Tax Withholdings

Note that the Internal Revenue Service (IRS) advises that elected officials, including the town treasurer, are town employees for taxation purposes, meaning that the town



ought to issue them a W-2 and not a 1099 at the end of the calendar year. Elected officials are also exempt from the Fair Labor Standards Act (FLSA) and not entitled to earn overtime, regardless of the number of hours worked in a week.

Here are some helpful resources:

- [FLSA and Vermont Wage Rules and Regulations](#)
- [Wage and Hour Laws and Rules](#)
- [WHD Fact Sheets](#) (see Fact Sheet 7)
- [Vermont Municipal Employees' Retirement System \(VMERS\)](#)
- [Retirement Systems](#)

We perform an annual Compensation and Benefits Survey of all municipal positions, including the clerk, and compile a report with findings; see [Annual Compensation and Benefits Survey](#).

Vermont Municipal Employees' Retirement System

Participation in the Vermont Municipal Employees' Retirement System (VMERS) is required for all towns that:

- as of June 30, 1975, did not have in effect a retirement plan other than Social Security; and



- had voted prior to June 30, 1975 *not to participate* in VMERS.

Elected treasurers of towns that participate in VMERS are required to be members of VMERS if they work 24 or more hours per week and 1,040 or more hours in a year.

Several different VMERS plans are available. Contributions and benefits vary depending on the plan. For more information concerning VMERS, contact the Vermont State Treasurer's Office at (802) 828-2305, or toll-free at (800) 642-3191.

Another resource is the [VMERS website](#).

Benefits

There is generally no legal requirement that a town provide health coverage, pensions, sick leave, vacation time or other benefits associated with employment to elected officials. It is up to each town to determine whether to provide benefits to all or some of its elected officials.

For elected treasurers, certain employment benefits generally will not apply to them. For example, treasurers are not subject to sick leave or vacation requirements in town personnel policies. However, some elected treasurers may wish to be subject to the town's personnel policies or may wish to have their assistants subject to them in exchange for benefits. In such instances VLCT recommends a written agreement between the treasurer and selectboard outlining which provisions of the personnel policy apply to them and/or their assistants.

Generally, as elected officials, the treasurers serve at the pleasure of the voters and are not required to work any set number of days or hours in each term. If the voters are not satisfied with the quality or quantity of the treasurer's work, the remedy is for the voters to vote for that treasurer out of office. If the treasurer is paid a salary that salary must be paid regardless of the amount of time a treasurer works in a particular



week. However, an agreement between the treasurer and the selectboard with respect to personnel policies, compensation, and benefits might include a provision outlining the minimum hours and a schedule that the treasurer will work.

Office Hours

No state statute mandates the office hours of an elected town treasurer. The elected treasurer, therefore, has the authority to set those hours, which are usually determined by the amount of work to be done. Because the treasurer is an elected official like selectboard members, the selectboard members have no authority to control the hours that the treasurer must keep or how to perform the job. The elected treasurer is not an employee of the selectboard – although, as discussed in this handbook, it is essential for the effective running of town government for the treasurer and selectboard to work together. Note that this relationship does change when a town treasurer is appointed. See [Appointment of Municipal Clerks and Treasurers FAQs](#).

In smaller towns, the treasurer may not even have regular office hours or a conventional office. In large towns there may be a bookkeeper or an accounting department in addition to the town treasurer.

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Access to Public Records - Treasurer's Responsibility to Adhere to the Public Records Act

Town officials must comply with the Public Records Act's (PRA) requirements. The PRA details the treasurer's responsibilities for making records publicly available. See [1 V.S.A. § 315-320](#). We have developed PRA related resources for all local officials found online at [Public Records](#), including FAQs that provide details about the law's requirements.

All towns must comply with federal and state laws that prescribe how public records and information are created, used, managed, stored, and destroyed. This includes records schedules approved by the State Archivist for the retention and disposition of public records and information, as well as information management standards and best practices issued by the Vermont State Archives and Records Administration (VSARA), a division of the Vermont Secretary of State's Office. See [1 V.S.A. § 317a](#) and [Vermont Secretary of State - Vermont State Archives & Records Administration](#).

Law's Purpose

Transparency is an essential element of open and democratic government. In Vermont, the primary means of providing transparency are the Access to Public Records Law (referred to as the [Public Records Act or "PRA"](#)), specifically 1 V.S.A. §§ 315-320, and the Open Meeting Law, [1 V.S.A. §§ 310-314](#). These laws implement the



command of Chapter I, Article 6 of the [Vermont Constitution](#) that officers of government are “trustees and servants” of the people and are “at all times, in a legal way, accountable to them.” Therefore, the PRA attempts to balance the constitutional requirements for government accountability with competing needs to protect certain private and personal information.

Inspection and Copying

The definition of a “public record” is broad and includes “any written or recorded information, regardless of physical form or characteristics, which is produced or acquired in the course of public agency business.” [1 V.S.A. § 317\(b\)](#). Under this definition, any paper document, email, computer database, or other digital document, image, or recording produced or acquired in performing town business would likely qualify as a public record. This includes everything from town officers' emails or documents created by town employees to written complaints submitted by the public to Grand Lists or tax bills and more. This applies regardless of where the record is stored (e.g., personal email accounts or devices included).

A town's public records must be available for public inspection during customary business hours. The principal requirement of the PRA is that any person is authorized to inspect or copy an existing “public record” of a “public agency.” A “public agency” is defined as “any agency, board, committee, department, branch, instrumentality, commission, or authority of any political subdivision of the State.” [1 V.S.A. § 317\(a\)\(2\)](#). A “public agency” at the local level would include the town treasurer's office, other offices and departments, and all other sub-entities of town government.

The PRA imposes obligations on the custodian of a public record. The “custodian” of a public record is the person within the municipality that has charge or custody of that record. Municipalities will have at least one “custodian” and will likely have multiple custodians, each managing its own catalogue of records. In many cases, practically



speaking, the town treasurer will serve as the custodian for their own records as well as the custodian for other departments or public bodies, especially if a town has only a few employees.

Requests to copy or inspect a record – by anyone, regardless of identity, or motivation – must be managed by the custodian in accordance with the procedure prescribed by the PRA. See [1 V.S.A. 318](#). The law requires that, upon request, towns “promptly” make the requested public records available for copying and inspection during “customary business hours.” It defines “promptly” to mean “immediately, with little or no delay, and, unless otherwise provided...not more than three business days from receipt of a request...” [1 V.S.A. § 318\(a\)\(1\)](#). The law does not require the town to create a public record that doesn’t exist, nor does it require transmission of a record by any means (including U.S. mail, email, fax, etc.). Nevertheless, local officials may choose to create and/or transmit a public record upon request.

These details can change when the Legislature decides to revise them, so the best source of up-to-date information is the law and our [Public Records Act FAQs](#).

Exemptions

Access to a public record must be provided unless the record is exempt from inspection or copying under the PRA. General exemptions are listed in [1 V.S.A. § 317\(c\)](#) and include other records “designated by law as confidential.” The Office of Legislative Counsel compiles the list of all PRA exemptions found in the Vermont Statutes Annotated and publishes this information on the [General Assembly’s Reports and Research](#) webpage. While there are many possible exemptions, the Vermont Supreme Court has made clear that exemptions are strictly construed against the custodian and any doubt as to whether an exemption applies must be resolved in favor of disclosure.



There are some records for which disclosure is prohibited by law. For most records, however, it is up to the custodian to decide whether to disclose records that are declared exempt by statute. In other words, and in most instances, just because a public record *can* be withheld from disclosure, does not mean that it *must* be withheld. For the purposes of achieving administrative consistency in the processing of public records requests across all departments, this policy presumes that all records deemed “exempt” under the PRA will be withheld. Please note, however, that a public record may not be withheld in its entirety merely because it contains information that is exempt from disclosure. Instead, the exempt information must be redacted (covered or crossed out) and the remainder of the record disclosed.

The burden of showing that a record falls within one of the statutory exemptions is on the municipality. The custodian must provide access to a public record or respond as to why access to that record cannot be provided (e.g., it meets one of the allowable statutory exemptions). Interpretation of many of the exemptions listed in [1 V.S.A. § 317\(b\)](#) is straightforward, such as those dealing with criminal investigation, tax returns, etc. However, others, such as personnel records, contract negotiations, litigation, intra- and inter-departmental memos are not so clear. These require careful reading of the statute and of the annotations following the statute which indicate how courts have interpreted the exemption in rulings (i.e., case law). Specific determinations on whether a record or portion of a record is exempt and, therefore, not subject to public disclosure may also require consultation with an attorney before releasing the record.

Appeals and Reasonable Rules

The denial of access to a public record, or a portion of it, by its custodian may be appealed to the head of the custodian's “agency” (department, committee, commission, instrumentality, etc.). The PRA fails to account for the actual structure of



municipal government where some "custodians" of public records are also the heads of their "agencies." For instance, the town treasurer is the custodian of certain public records and is also the head of their "agency." To account for this oversight, and to avoid the appearance of impropriety that may arise when a town official sits in appeal of their own decision, we recommend adopting a policy that allows all independently elected town officials to delegate appeals of their initial public records determinations to the town manager, administrator, or legislative body chairperson, as applicable. For the sake of consistency in the processing of all public records requests and clear expectations for the public, it would be in the best interests of the municipality for all independently elected town officials to sign off on the same policy.

Finally, a municipality is authorized under [1 V.S.A. § 316\(j\)](#) to adopt and enforce reasonable rules to prevent disruption of operations in responding to records requests, to preserve the security of public records, and to protect public records from damage. We have developed a model policy with guidance for towns that wish to adopt such rules in a uniform public records inspection, copying, and transmission policy; it is online at [Model Public Records Policy](#).

Copying of and Charges for Records

The PRA provides direction on what the town can allow or prohibit in terms of its copying equipment. Generally, the town does not have to purchase equipment for the public to make copies but, if it has one, then it must be used to provide a requested copy. The town can adopt reasonable rules to protect town equipment, such as that a town employee must be the one to use their equipment, inspection must be done within the town treasurer's view, etc.

The PRA details what fees a town can charge for accessing the town's vault for records research and inspection, copies of a record, and staff time spent working on the request in some cases. See, e.g., [Vermont Town Clerk Fee Schedule](#). The town



can recoup the “actual cost” of providing a copy on town copiers, and the costs of transmitting a record (e.g., by mail or email) if they choose to send it. [1 V.S.A. § 316\(b\)](#). The town can charge for costs of staff time associated with complying with a request for a copy in certain circumstances, as specified in [1 V.S.A. § 316\(c\)](#). General guidelines for selectboards to use when setting the actual cost of copying are also set out in the law. They include staff time, cost of paper or electronic media, a prorated amount for maintenance and replacement of equipment, and utility costs of copying. If the selectboard fails to set a uniform schedule, and unless the public record is governed by a fee(s) otherwise established by law, the cost from the Secretary of State's Uniform Charges Schedule will apply. [1 V.S.A. § 316 \(d-e\)](#); see [Uniform Charges Schedule](#).

Note that, if the document to be copied is one for which a statutory fee may be charged, then the town treasurer must charge only that fee and no extra copying charge. It is advisable to post a list of the established copying costs in the clerk's office, along with the other usual and/or statutory fees. Note also that [1 V.S.A. § 316](#) deals with cost of making a copy of a *public record* only. Copies of other materials presumably may or may not be copied on town equipment at the discretion of the town and may be charged for at a rate set by the selectboard. A policy should be set in writing and posted in the office, which lists what documents may be copied and the cost for copying. Everyone who wishes to take advantage of the copying must be treated the same to avoid a constitutional challenge based on equal protection and due process.

Storing and Destroying Public Records

VSARA is charged with administering the [Statewide Records and Information Management \(RIM\) Program](#) in accordance with generally accepted record-keeping principles and industry standards and best practices to assure public agencies,



including municipalities, are systematically managing their records in accordance with the law. The PRA suggests municipalities take advantage of the services of the Statewide RIM Program, which are listed in [3 V.S.A. § 117\(c\)](#). The PRA also provides that a custodian of public records cannot destroy, give away, sell, discard, or damage any record or records in their charge, unless specifically authorized by law or under a record schedule approved by the state archivist pursuant to [1 V.S.A. § 317a\(b\)](#). For assistance with compliance and other records and information management questions, please contact VLRP at sos.localrecords@vermont.gov or call VSARA's main phone line at 802-828-3700.

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Professional Development for Town Treasurers

The role of the town treasurer is vital to the financial health and accountability of local government. As municipal finance becomes increasingly complex, treasurers must stay informed, adaptable, and well-equipped to manage public funds effectively. Professional development opportunities—through training, certification programs, peer networking, and mentorship—help treasurers build the knowledge and skills needed to meet these growing demands.

Vermont Municipal Clerks' and Treasurers' Association (VMCTA)

VMCTA is a professional organization that welcomes anyone involved in the offices of municipal clerk and treasurer. It provides a supportive community offering information, education, mentoring, fellowship, advocacy, and inspiration. Formal education opportunities are available through VMCTA's Annual Conference, spring training sessions, and webinars. Professional development is highly valued, and members can earn prestigious certifications through VMCTA-sponsored training. VMCTA also offers access to experienced mentors and the invaluable "VMCTA Listserv," where members can share knowledge, challenges, and solutions.

For more information visit [VMCTA's website](#).



Vermont Government Finance Officers Association (VTGFOA)

VTGFOA is committed to promoting the professional management of government finance in Vermont for the public benefit. Through membership, individuals involved in fiscal policy and management can enhance their technical skills, expand their knowledge, and collaborate with peers. VTGFOA provides services and programs across all areas of government financial management. Key offerings include membership opportunities, an Annual Meeting, and Summer Workshops.

For more information visit [VTGFOA's website](#).

New England States Government Finance Officers Association (NESGFOA)

NESGFOA works in cooperation with the Government Finance Officers Association of the U.S. and Canada, as well as similar organizations, to foster relationships among finance professionals in municipal, state, and federal service. The association promotes understanding and collaboration among public officials addressing municipal and state-level challenges, and supports the discussion and analysis of these issues within the legal framework of the New England states. NESGFOA is committed to ongoing education through its Fall Conference and Spring Seminar.

For more information visit [NESGFOA's website](#).

Government Finance Officers Association (GFOA)



Founded in 1906, the Government Finance Officers Association (GFOA) represents over 20,000 public finance officials across the United States and Canada. These members are involved in planning, financing, and implementing governmental operations at all levels. GFOA's mission is to advance excellence in public finance through conferences, seminars, and an extensive library of resources.

For more information visit [GFOA's website](#).

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Town Treasurer's Relationship with Other Town Officers

Relationship with the Selectboard

The duties and responsibilities of a municipal treasurer are defined by statute. As long as the treasurer maintains records that are lawful, clear and accurate from an accounting perspective, the selectboard does not have the power to require them to conform to the board's ideas or methods of record keeping. *Bennington v. Booth*, 101 Vt. 24 (1927). Because the treasurer, like a selectboard member, is an elected official, the selectboard has no authority to remove or demote the treasurer if the board disagrees with the treasurer or is not satisfied with the treasurer's performance. In Vermont, absent a municipal charter provision, there is simply no legal mechanism for removing any local elected official.

Notwithstanding the lack of removal authority, the selectboard does have options available to address concerns it may have regarding the town treasurer's performance. The first step that the selectboard and treasurer should take if there is a disagreement is to meet to discuss the perceived problem. It has been our experience that, most of the time, both board members and treasurer have the best interest of the town in mind when they disagree on how town finances are managed. Often a meeting between the board and the treasurer can address concerns about the methods and practices employed by the treasurer to manage town finances.

In contrast, though appointed treasurers have direct authority from statute to perform their duties, those duties must be done to the satisfaction of their employer, i.e. the



selectboard. An appointed treasurer serves at the pleasure of the selectboard that appoints them and if it is not satisfied with their job performance, it may remove them from office for just cause after notice and hearing. [17 V.S.A. §§ 2651e\(a\), 2651f\(a\)](#).

For extra assistance and ideas about training, we recommend the Vermont Municipal Clerks and Treasurers' Association (see [VMCTA's website](#)). It has a mentoring program and may be able to provide some assistance directly or make recommendations for outside professional help.

Here are some actions that may be taken by the selectboard that relate to the position of town treasurer:

1. The selectboard may by written request direct the treasurer to appoint an assistant. [24 V.S.A. § 1573](#). The purpose of hiring the assistant is to provide help to the treasurer on a routine basis with various accounting tasks as assigned by the treasurer. The statute allows the selectboard to appoint an assistant only if the treasurer has not appointed an assistant within 10 days of a request by the selectboard. If the treasurer hires an assistant on their own volition, it is the treasurer who chooses, supervises and may discharge the assistant.
2. The selectboard has the authority to hire a bookkeeper under its general responsibility for the affairs of the town. Some boards choose to hire a part-time or full-time qualified bookkeeper to take over routine accounting tasks performed by the treasurer.

Routine accounting tasks could include:

- compiling payroll data and preparing checks
- preparing and mailing out tax bills



- posting to journals or ledgers
- reconciling individual account balances
- compiling operational costs records and reports
- operating computing, calculating, check-writing and other office machines
- assisting in preparation of unit or departmental budgets and in maintaining budget control, and
- assisting in preparation and issuance of vouchers and checks for state or federal grants.

It is crucial to note that if the board hires a bookkeeper, the board may not force the treasurer to relinquish any of their statutory duties. As a result, hiring a bookkeeper is only truly successful if an agreement between the treasurer and board is reached. If the board insists on hiring a bookkeeper, even though the treasurer opposes it, all the bookkeeper may do is duplicate the treasurer's accounting efforts. Ultimately, the treasurer must bottom line all statutory duties such as paying out orders and keeping the official accounts of the town.

3. The selectboard may require the treasurer to settle the town accounts with the town auditor at any time. [24 V.S.A. § 1578](#). The purpose of this action is to obtain an independent review of the state of town finances.
4. To express dissatisfaction with the treasurer, the selectboard may propose less money in the budget for the town treasurer's salary if the town sets their salary or lower the salary if the town fails to set it. The law does not allow the selectboard to adjust the treasurer's salary mid-year as a means of expressing



its concern with the treasurer's performance. The statutes allow the board to set the treasurer's salary if the voters don't. [24 V.S.A. § 933](#). This indicates the board may set the salary once at the beginning of the year. To allow the board to adjust the treasurer's salary mid-year in response to performance would, in effect, treat the elected treasurer as being under the control and direction of the selectboard.

5. The ultimate remedy that the selectboard may pursue if it is dissatisfied with the elected treasurer is to campaign against the treasurer's re-election. The board may also seek a one-year rather than a three-year term for the treasurer, if the town has previously voted to extend the treasurer's term to three years. [17 V.S.A. § 2646\(3\)](#). The selectboard, or the voters by a voter-backed petition, can place on the town meeting warning an article to change the town treasurer from an elected position to an appointed position: [Appointment of Municipal Clerks and Treasurers FAQs](#).
6. If your town has a governance charter, it may establish a different legal relationship between the treasurer and the selectboard. Accordingly, be familiar with your town's charter.
7. If your town has a manager form of government, the manager will have many of the responsibilities of the selectboard with regard to interacting with the treasurer. While the selectboard is still responsible for signing orders, the manager is responsible for the general affairs of the town. In addition, the manager is responsible for the accounting for town departments – although the treasurer still is responsible for maintaining the official town books and paying out orders signed by the selectboard. See [Title 24, Chapter 37](#) regarding the responsibilities of the town manager.
8. The selectboard can and should include money in the budget for the treasurer to attend training. Many of the treasurer's duties are technical and require training and continuing education to keep current with accounting and investment trends. We recommend that all towns consider and budget for the



treasurer's training needs each year.

The treasurer's primary function is to keep the accounts of the town when the money is collected, paid out, or invested. (In towns with trustees of public funds, the treasurer's investment duties are modified.) The treasurer may pay out money only on an order from the selectboard or other authorized officers.

In addition, as the person responsible for accounting for town funds, the treasurer will play an integral role in:

- preparation of the annual proposed budget;
- preparation of a report of actual cash expenditures;
- short-term borrowing;
- application for/use of gifts and grants; and
- investment decisions.

Treasurer as Tax Collector; Relationship with Tax Collector

Often town treasurers serve as the town's tax collector. [32 V.S.A. § 4791](#). If the town has a town manager, the voters may decide to have them act as tax collector. [24 V.S.A. § 1236 \(10\)](#). Since the town manager cannot hold any elective office in the town or school district, the manager could not personally be elected to the office of tax collector but would hold that office as part of the town manager position. [17 V.S.A. § 2647](#).

When the town votes to have its treasurer serve as the collector of current taxes, the proper officers (generally the selectboard) must make and deliver all tax bills to the treasurer. [32 V.S.A. § 4791](#). The treasurer must mail the tax notices to the taxpayers at



least 30 days before the tax due date that was established by the voters. The notice must state when the taxes are payable and must notify the taxpayer about any available prepayment discount. If the town did not vote a specific date for the payment of taxes, or if the treasurer does not mail the notice at least 30 days before that due date, the due date becomes 30 days from the date of mailing the notice to the taxpayers. [32 V.S.A. § 4792.](#)

Although it is not a statutory requirement, it is a good idea to inform taxpayers if tax payments must be in the hands of the collector on the due date, or if a postmark of that date will suffice. VLCT recommends that the town specify in its vote at town meeting setting the tax due date whether taxes are due upon actual receipt or when postmarked, and up to what time of day taxes will be accepted. [32 V.S.A. § 4773\(a\).](#) If a town does not vote to fix a date, time, or method of delivery for the payment of a tax it must accept payment of a tax delivered or postmarked before midnight on the day established on the tax bill. [32 V.S.A. 4773\(b\).](#)

When the treasurer is not the collector of current taxes, the collector must turn the money over to the treasurers of the town and the school district when requested to do so by the selectboard. They must also submit the tax book and list to the treasurer for examination. [24 V.S.A. § 1531.](#) Annually, on or before February 1, the tax collector must pay over all of the money collected to the town and school treasurers and settle the accounts with them. [24 V.S.A. § 1532.](#) Both the treasurer and the collector of taxes must keep a separate account of each tax bill, including endorsements of payments and abatements. [24 V.S.A. § 1580.](#)

The treasurer must keep a record of the amount of taxes voted for highways, schools, special departments (if any) and the general fund. These amounts must be taken directly from the tax bills if the treasurer is the tax collector and from the tax collector's receipts if the treasurer is not the tax collector. [24 V.S.A. § 1574.](#)



Treasurer as Collector of Delinquent Taxes; Relationship with the Collector of Delinquent Taxes

Treasurers that are collectors of delinquent taxes should refer to our [delinquent tax collection manual](#).

The treasurer may also serve as the collector of delinquent taxes. Within 15 days of the date or dates on which taxes become delinquent, the treasurer must issue a warrant for the amount of unpaid taxes. [32 V.S.A. § 4793\(a\)](#). However, taxes do not become officially delinquent until after the final payment is due. Accordingly, interest may be charged after the first installment is missed if the voters approve charging interest, but penalties may not be levied until after the final installment is due. The voters may also vote to have the warrant issued in less than 15 days. [32 V.S.A. § 4793\(b\)](#). The form of the warrant to be issued for collection of town and other taxes is found in [32 V.S.A. § 4913](#). When computing time for the warrant the term days means *calendar* days rather than business days. [32 V.S.A. § 4793\(b\)](#).

In addition, after the final due date, the treasurer must deliver to the collector of delinquent taxes a list of those taxes and the names of the delinquent taxpayers. The time limit here is 15 days (or less, if voted). [32 V.S.A. § 4874](#).

When the treasurer is also the collector of delinquent taxes, it may seem a little silly for the treasurer to issue notice of overdue taxes to themselves. However, this is a statutory requirement and must be accomplished.

The treasurer must accept full payment of overdue taxes after the due date but before the warrant is issued, so long as the payment includes the collector's fee and



accrued interest. This is done for the benefit of the collector of delinquent taxes, and the treasurer must turn over these taxes, fees and interest to the collector of delinquent taxes when the warrant is issued. [32 V.S.A. § 5142\(b\)](#).

Relationship with Town Clerk

Nothing in the law prohibits a person from being both town treasurer and clerk. In fact, it is common to find one person performing both functions in many Vermont towns, although they must run for those two offices separately. [17 V.S.A. § 2647](#). It is also common for them to be each other's assistants. See more in the [Town Clerk's Handbook](#).

Relationship with Town Auditors

Every town officer must settle with the auditors at least 25 days before town meeting, even though the treasurer must also settle with the auditors *five* days before each annual town meeting. [24 V.S.A. §§ 992 & 1578](#). VLCT believes that the 25-day requirement is to ensure that all town officers settle before the end of the fiscal year and the five-day settlement requirement is to ensure that the treasurer settles with the auditors in the event that the treasurer is not reelected at town meeting. If the treasurer refuses or neglects to settle with the auditors, they are not eligible for reelection. [24 V.S.A. §§ 992, 1681](#). Willful neglect may result in criminal sanctions of a \$1000 fine, a year in prison or both. [13 V.S.A. § 3006](#).

The audit that is mandated not fewer than 25 days prior to town meeting shall include:

- the account which the treasurer is required to keep with the [tax] collector;



- the tax accounts of the collector;
- trust accounts where the town or any town officer is trustee or where the town is the sole beneficiary;
- accounts related to town or town school district indebtedness; and
- accounts of any special funds in the care of any town or town school district official. [24 V.S.A. § 1681](#).

In addition, the treasurer must settle with the auditors any time that the selectboard requires it and when the treasurer retires from office. [24 V.S.A. § 1578](#).

Towns may vote to eliminate the office of auditor. [17 V.S.A. § 2651b](#). If the office is eliminated, the selectboard must contract with a licensed public accountant to perform the annual audit of books required under [24 V.S.A. § 1578](#). Therefore, the treasurer would have to settle the accounts with the public accountant instead of the elected auditors and the public accountant would then have the same authority as that of the elected auditors.

The Auditor's Report (known as the Town Report)

For detailed information on what is required for the audit information please see our auditing page at [Auditing](#).

While treasurers often help with the report, it's the auditors (or the selectboard, if the office of auditor has been eliminated) who are responsible for issuing the annual auditors report (also known as the "town report"), which must be distributed to the legal voters of the town at least 10 days prior to the meeting. [24 V.S.A. § 1682](#). The contents of the report must include:

- a detailed statement of the financial condition of the town;
- a classified summary of receipts and expenditures;



- a list of all outstanding orders and payables more than 30 days past due;
- any existing deficit;
- such other information as the town shall direct. [24 V.S.A. § 1683](#).

The report should be prepared in accordance with generally accepted accounting principles (GAAP).

Note that the information in the town report is for the *fiscal* year. Towns have a fiscal year of January 1 through December 30, unless the town votes otherwise. [24 V.S.A. § 1683 \(b & c\)](#). Most other towns will have a July 1 through June 30 fiscal year.

The question arises every year if the town report can include a list the names of delinquent taxpayers and the amounts they owe. There is no statute stating this with certainty, but [24 V.S.A. § 1683 \(a\)](#) seems to assume that lists of delinquent taxpayers may be included, because it exempts certain military personnel from being listed as delinquents if they have notified the treasurer that they should not be listed or identified. Therefore, if the treasurer or collector of delinquent taxes is asked to provide a list of delinquent taxpayers and their obligations for the purpose of being published in the town report, that list must not include any military personnel who are exempt under [32 V.S.A. § 4609](#) and who have notified the town in writing that they did not want to be listed.

Relationship with Cemetery

Commissioners

Generally, town cemetery matters are the responsibility of the selectboard. However, the voters may decide to put the town's public cemeteries under the charge of cemetery commissioners. [18 V.S.A. § 5373](#). That commission then becomes responsible for the care and management of the town's cemeteries. Notably, unlike



most other town public bodies, the cemetery commission can draw orders on the town treasurer for cemetery purposes. [24 V.S.A. § 1623](#); [18 V.S.A. § 5373](#).

Monies received by the town for cemetery purposes must be paid to the treasurer, unless the donor specifies that it be handled differently. The treasurer must give a receipt for the money and record the receipt in the town clerk's office, showing the amount received, the time, and the specific purpose for which the money is to be used. [18 V.S.A. § 5384](#) (a).

Money received by the cemetery commission may be invested by the treasurer, with the approval of the selectboard or cemetery commissioners. [18 V.S.A. § 5384](#) (b). Note, however, that if the trustees of public funds are elected, those trustees must oversee the investment of the cemetery money that is part of trust or perpetual care funds that are often established to cover cemetery costs. [18 V.S.A. § 5384](#) (b).

The town treasurer or trustee of public funds must keep a separate account of each trust fund and report annually to the town on those funds. [18 V.S.A. §§ 5385-5386](#).

The voters may appropriate money necessary for purchasing, holding, improving, and keeping in repair suitable grounds and other conveniences for permanent disposition of the dead. [18 V.S.A. § 5361](#). The selectboard or cemetery commission must maintain the grounds and may draw orders on the town treasurer for the expenses incurred. [18 V.S.A. § 5362](#). If "a person not having known estate" is buried in a town cemetery and has no marker or headstone in place after three years, the town must pay for a suitable marker or headstone. [18 V.S.A. § 5371](#).

The cemetery commissioners may arrange to sell cemetery lots by deed. Those lots are exempt from taxation. [18 V.S.A. § 5376](#). Proceeds from sale of the lots are paid to the town treasury and kept in a special fund. Those funds are used to maintain, embellish or improve the cemetery unless the town votes to sell lots on condition that the proceeds go into a trust, and that only the income from the trust can be used. [18](#)



[V.S.A. § 5377.](#)

The town may also accept property or money to be used or held in trust for care of the cemetery. [18 V.S.A. §§ 5382-5383.](#)

For more information on town cemeteries please see the [Vermont Secretary of State's Office publication "Digging Deep: Unearthing the Mysteries of Burial and Cemetery Law."](#)

Relationship with Water Commissioners

If a town has a municipal water system, it may vote to have an appointed or elected board of three to five water commissioners who are responsible for the system. These commissioners may be members of the selectboard. [17 V.S.A. §§ 2649-2651.](#) These water commissioners are the supervisors of the town's water department. It is their responsibility to establish the water rates and all the rules and regulations for the control and operation of the department.

All the rents and receipts received by the water department for commercial and residential water use within the town must be used:

- to repay the principal and interest on the water bonds;
- for repairs and the general management of the department; and
- to establish a reserve fund established under authority of [24 V.S.A. § 2804](#); [24 V.S.A. § 3313.](#)

Every bond issued by the town for water purposes under the provisions of [24 V.S.A. §§ 3309](#) and [3310](#) must be signed by the town clerk and treasurer. Records must be kept of these bonds, when they were issued, the amounts, when they are due, and when



payments were made. [24 V.S.A. § 3314](#).

When a water system user is delinquent in either a special assessment or in charges, rates or rent for use of the water system, that debt creates a lien against the property. That lien may be collected as a delinquent property tax under [32 V.S.A. § 5061](#). [24 V.S.A. § 3306](#). In addition, a water and sewer disconnect process can be imposed for delinquent water and sewer charges. [24 V.S.A. Chapter 129](#).

Relationship with Sewer Commissioners

The statutes regarding "sewage, sewage disposal, and stormwater systems" are contained in Chapter [101 of Title 24](#) of the Vermont Statutes Annotated.

Commissioners are described in [24 V.S.A. §§ 3602 & 3603](#). Delinquent charges for sewage systems or disposal systems create a lien against the property. That lien may be collected as a delinquent property tax under [32 V.S.A. § 5061](#), [24 V.S.A. § 3614](#). In addition, a water and sewer disconnect process can be imposed for delinquent water and sewer charges. [24 V.S.A. Chapter 129](#).

Relationship with Appointed Commissions and Committees

A town may have several appointed bodies such as conservation commissions, planning boards, recreation committees, etc. When these commissions or committees use public money, they must be accountable. *Therefore, the treasurer should have a record of their receipts and expenditures, and those records will be subject to the annual audit.* Moreover, the treasurer may not write checks for these commissions or committees unless approved by a town official authorized to draw orders under state law.



Relationship with Trustees of Public Fund and Trustees of Public Money

Trustees of public funds are elected from among the legal voters at the annual meeting if the town so directs. [17 V.S.A. § 2646\(12\)](#). The duty of the three trustees is to manage real or personal property held by the town in trust for any purpose. [24 V.S.A. § 2431](#). With regard to investments, if trust money is established to pay for costs such as cemetery costs the trustee of public funds will be responsible for investing the money. If your town does not elect a trustee of public funds, then the treasurer and selectboard will be responsible for investing the money. There is some overlap of responsibility for cemetery funds among trustees, cemetery commissioners, and town treasurers. [18 V.S.A. Chapter 121, Subchapter 2](#). It appears that if trustees of public funds are elected, they have primary responsibility for the investment of funds and for the annual reporting on them. If the town has an investment policy, the treasurer, selectboard, or trustees of public funds (if elected) must invest in accordance with the policy so long as it doesn't conflict with [24 V.S.A. § 2432](#).

The trustees must report to the town the results of their handling of investments and any income received. [24 V.S.A. § 2434](#).

Towns which "retain possession of a portion of the surplus funds of the United States under the Act of 1836" must elect a trustee of public money. [17 V.S.A. § 2646 \(13\)](#). If there are towns out there with such funds and trustees, an accounting of those funds should appear in the annual town report.



Relationship with Bookkeepers and Finance Officers

Many towns have bookkeepers, finance officers, or finance departments. Unless the town has a governance charter that says otherwise, the treasurer will still have statutory duties and responsibilities. For example, the treasurer, with the approval of the selectboard, is responsible for investing town funds. They must keep a record of taxes voted, keep accounts which are open to public inspection, serve on the board of abatement, etc.

Relationship with the Town Managers

A town may vote to adopt a town manager form of government. When a town votes to do so, the selectboard must hire a town manager who then acts under the authority given by [24 V.S.A. Chapter 37](#). The manager's powers include "all of the accounting," to "supervise and expend all special appropriations," and "collect all taxes ... if the town so votes." However, the town manager does not have authority to perform duties "committed to the care of any particular officer," such as the treasurer. Therefore, in particular, they cannot take over appointing an assistant town treasurer, draw orders or sign checks, or anything else that is specifically delegated to the treasurer in state law. However, where authority given to the manager conflicts with authority given to the treasurer, state law says that the conflicting or inconsistent authority rests with the town manager.

For more information on the town manager, please read ["Town Manager or Administrator: Organizational Structures Guide."](#)



Relationship with Libraries

Town treasurers throughout Vermont have very different relationships with the libraries in their towns. This is mostly because not all libraries are “town” libraries. Many libraries are private, non-profit organizations that are separate from the town. They are privately run and funded, primarily through private endowments and donations. While individual towns typically make an annual appropriation to these public (but private) libraries at town meeting, the treasurer has no responsibility for managing these funds as they are clearly not town money.

Even when libraries are truly “town” libraries, treasurers throughout the state deal with such libraries differently. It is first vital to understand the type of library that exists in your town before pondering the treasurer’s responsibility for the library money. A library is only a town library if it has been established in accordance with [22 V.S.A. § 141\(a\)](#). We recommend that you review the statute and your town records to determine if a true “town library,” rather than a separate, private entity as discussed above exists in your town.

In the case of a town library, the Supreme Court, in *Hartford Board of Library Trustees, v. Town of Hartford*, 174 Vt. 598 (2002) ruled that the Legislature intended library trustees “to have control over the library’s budget to manage the affairs of the library. The Court also mentioned that overlapping duties of municipal entities require “a spirit of cooperation’ for the efficient daily administration of a town. ... In this way, library trustees and town managers across the State of Vermont can agree to a wide variety of power-sharing schemes that best suit the needs of each particular town.” *Farmer v. Haley*, 100 Vt. at 80, 135A at 14. Based on this case, the library trustees have the authority to draw orders on the town treasurer for library purposes. [24 V.S.A. § 1623](#); [22 V.S.A. § 143](#).

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Financial Records and Reporting Standards

What is GASB?

The Governmental Accounting Standards Board (GASB)—pronounced gaz-bee—is the independent organization that establishes accounting and financial reporting standards for U.S. state and local governments. These standards are known as Generally Accepted Accounting Principles (GAAP) for governments.

GASB's mission is to promote clear, consistent, transparent, and comparable financial reporting that helps taxpayers, elected officials, and other stakeholders understand how public resources are managed. Its standards provide a common framework that supports accountability and decision-making, and they are considered the national benchmark for high-quality government financial reporting.

Although GASB does not act as a regulatory or enforcement agency, its standards are universally recognized by public sector auditors, including Certified Public Accountants (CPAs) who conduct municipal audits. In practice, most governments across the country follow GASB standards.

For smaller municipalities that do not issue GAAP-based financial statements or do not undergo annual independent audits, GASB requirements may not seem as pressing.

However, understanding the standards can be helpful and necessary in situations like:



- Issuing audited financial statements
- Applying for bonds, notes, or other financing (working with the Vermont Bond Bank)
- Receiving and reporting on state or federal grants
- Maintaining public trust through transparent financial reporting

Even in Vermont—where state law does not specifically require municipalities to follow GASB standards—many towns prepare financial reports in accordance with GASB. Following these standards demonstrates a commitment to best practices, promotes sound financial management, improves financial resiliency and emergency preparedness and allows more access to funding by providing credible, reliable financial information.

GASB plays a critical role in setting the bar for how Vermont towns—and governments nationwide—present their financial information to their communities and funding partners.

GASB Reporting Requirements

GASB sets the standards for how Vermont municipalities can present a clear and accurate picture of their financial health. These standards help ensure consistency and transparency in government financial reports, which is especially important for oversight, public trust, and decision-making.

While Vermont towns are not required to follow GASB, many do, especially those preparing audited financial statements or seeking external funding from the federal, state or other lending institutions. In order to fulfill most lending obligations towns will be required to follow GASB using GAAP.



Over the years, GASB has issued many standards (known as Statements), some of which have significantly changed governmental financial reporting. While GASB Statement No. 34 (issued in 1999) was a major shift in government financial reporting—introducing government-wide financial statements, fund financial statements, and Management's Discussion and Analysis (MD&A)—there have been many important updates since then.

Recent GASB Standards to Know

1. GASB Statement No. 87 – Leases, Effective: Fiscal years starting after June 15, 2021

This standard changes how leases are reported. Instead of just reporting rental payments, most leases are now considered financing arrangements and require governments to recognize a lease liability and a corresponding lease asset on their financial statements.

2. GASB Statement No. 96 – Subscription-Based Information Technology

Arrangements (SBITAs), Effective: Fiscal years starting after June 15, 2022. This standard applies to software and cloud-based services where a government pays a subscription fee. Similar to leases under GASB 87, these arrangements require reporting a subscription asset and a liability.

3. GASB Statement No. 101 – Compensated Absences, Effective: Fiscal years starting

after December 15, 2023. This standard updates how governments account for unused vacation, sick time, and other leave benefits owed to employees.

4. GASB Statement No. 100 – Accounting Changes and Error Corrections, Effective:

Fiscal years starting after June 15, 2023. This standard provides clearer guidance on how to report changes in accounting principles, estimates, and corrections of errors.

More information can be found at the following locations:



- [GASB's website](#) offers free access to many of its summaries and implementation guides.
- [GFOA's website](#) offers practical best practices, policy templates, and training.

Responsibility of the Treasurer

The treasurer must keep records of:

- all receipts (monies, bonds, notes and evidence of debts) paid to the town and school district; and
- all monies paid out for the town and school district.

The accounts must be kept in such a way that they are “open to the inspection of persons interested.” [24 V.S.A. § 1571 \(a\)](#).

Additionally, the town treasurer must file quarterly reports with the selectboard regarding their actions on the town accounts. And annually, the treasurer must, on or before June 30, complete and provide the selectboard a copy of the [document made available by the Auditor of Accounts](#) pursuant to [32 V.S.A. § 163\(11\)](#) regarding internal financial controls.

City Accounts

The governance charters of cities, towns, and villages should be consulted for special provisions regarding their treasurers. [Twenty-four V.S.A. § 1572](#) provides generally that city “accounting officers ... shall keep uniform accounts in a manner prescribed by the auditor of accounts.”

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Funds and Fund Accounting

Funds are a way to keep track of money and make sure it's spent for the correct purposes, following the rules and restrictions that apply to the specific fund. In the early stages of fund accounting, each fund was often tied to a separate bank account. However, a key improvement in treasury management has been centralizing cash into a single bank account, which reduces the risk of fraud and simplifies reconciliation. Modern financial systems allow for better control, making it easier to track and allocate funds accurately. As a result, it's now considered best practice for governments to maintain one primary bank account and manage fund tracking through internal accounting systems.

Fund accounting is one of the key features that distinguish financial reporting for state and local governments from that of businesses. Unlike businesses, which focus on profitability, governments use fund accounting to ensure accountability and compliance with legal and budgetary restrictions.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that includes resources, liabilities, and residual equities or balances, and which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. ([NCGA Statement No. 1/GASB Statement 34/GASB Codification 1300](#))

The number of funds principle asserts that government entities should create and maintain only the minimum number of funds needed to comply with legal requirements and sound financial management practices. While more funds might be needed for accounting purposes, fewer funds may be sufficient for financial reporting.



Fund Categories

Financial activities for state and local governments fall into three broad categories, Governmental Funds, Proprietary Funds and Fiduciary Funds. Those are then further delineated by fund type.

Government Funds

Governmental funds help track how money is collected, spent, and saved for different public services and projects. These funds focus on short-term finances, like annual budgets, to ensure money is used as planned. There are different types of funds, including the general fund (for everyday operations), special revenue funds (for specific programs like road maintenance), capital projects funds (for big construction projects), debt service funds (for paying off loans), and permanent funds (for long-term investments that generate ongoing benefits).

General Fund: GASB standards define the general fund as the fund used by default “to account for and report all financial resources not accounted for and reported in another fund” In other words, all towns will have one and only one general fund. The Vermont statutes describe the municipal budget as those sums of money the voters deem “necessary for the interest of its inhabitants and for the prosecution and defense of the common rights.” Money is “to be appropriated for laying out and repairing highways and for other necessary town expenses (commonly referred to as the ‘general fund’).” [17 V.S.A. § 2664](#). There need not be a “highway fund” voted on as separate from the general fund, although highway funds should still be accounted for separately. In addition, some towns may have enterprise funds to fund the operation of different municipal enterprises, for example utilities, user fees and impact fees.



Special Revenue Fund: Generally Accepted Accounting Principles (GAAP) defines a special revenue fund as a fund that is used to track money received from specific revenue sources that are legally or formally designated for particular purposes, excluding debt service payments or capital projects. This ensures that funds are spent only on their intended programs or services. Some common examples are a fund to track grants (like Community Justice Centers) or possibly to track records preservation or reappraisal funds.

Capital Projects Funds: A capital project fund is used to track money set aside for big projects like a new building or other public facilities. Keeping these funds separate helps ensure the money is spent correctly and makes it easier to monitor the project's progress and costs. GAAP notes that capital project funds are used "to account for and report financial resources that are restricted, committed, or assigned" to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. ([GASB Codification Section 1800.173](#) and [Section 1300.106](#))

Debt Service Funds: Used to track and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Governments set up debt service funds to accumulate resources for debt payments, either due to legal obligations (revenue-supported debt) or voluntarily (general obligation debt). ([GASB Codification Section 1300.107](#)) A debt service fund is required if financial resources are being accumulated for payments due in future years. However, if not legally required, the general fund can be used instead. The use of a debt service fund is not appropriate for debt reported in a proprietary fund. An example of a debt service fund could be a [sinking fund](#).

Permanent Funds: Used to account for resources that are legally restricted so that only the earnings (not the principal) can be used to support the government's programs or services – that is for the benefit of the government or its citizenry ([GASB codification Section 1300.108](#)). These funds are typically created when the



government receives a donation or other resources that must be preserved in perpetuity, with only the income from those resources being available for spending. Examples include [cemetery funds](#) or [library funds](#) or [trust funds](#).

It's important to note that permanent funds are **NOT [fiduciary funds](#)**, which are endowment like activities that support individuals, private organizations, or other governments (see definition below).

Proprietary Funds

Proprietary funds are used by governmental entities to account for activities that operate similarly to private businesses, where the intent is to recover the costs of operations through user fees or other charges. These funds are typically used for activities where the government provides goods or services to the public, and the revenues are expected to cover the costs of providing those goods or services. There are two types of proprietary funds, **Enterprise funds** and **Internal service funds**.

Enterprise Funds: May be used to report any activity for which a fee is charged to external users for goods or services. Enterprise fund accounting is intended to emphasize whether the fees and charges collected are adequate to cover the costs of delivering goods and services. Because of this, it is frequently used on a voluntary basis for subsidized activities to clearly show the extent of the subsidy provided.

An enterprise fund **MUST** be used if any one of the following three criteria are met:

1. There is outstanding debt that is backed solely by fees and charges
2. Laws or regulations require that fees and charges be set to recover costs, including capital costs, (depreciation, replacement, or debt service)
3. There is a pricing policy that fees and charges be set to recover costs, including capital costs (depreciation, replacement, or debt service). ([GASB Codification](#))



[section 1300.109](#)).

Some common examples of enterprise funds are water and sewer departments, electric utilities and recreation programs.

Vermont Statutes that give control of water and sewer funds to their respective commissioners include [24 V.S.A. §§ 3313, 3348](#), and [3615-16](#). However, most enterprise funds are not specifically mentioned in the statutes, even though they are public monies and must be strictly accounted for using GAAP [3615-16](#).

Internal Service Funds: Used by a government to account for activities that “provide goods or services to other funds, departments, or agencies...” within the same government on a cost-reimbursement basis. The purpose of these funds is to centralize services (such as purchasing, IT, or fleet maintenance) that are shared across multiple government departments, ensuring that the costs of these services are allocated appropriately to those departments receiving them. ([GASB Codification Section 1300.110](#)) The goal is to allocate the costs of providing these internal services in a way that is transparent and equitable, but they are never mandatory.

Fiduciary Funds

Used to account for resources that a government holds in a trustee or agency capacity for others and cannot use to support its own programs. These funds are reported separately from governmental and proprietary funds because the government has a fiduciary responsibility to manage the resources on behalf of others. ([GASB Codification Section 1300.129](#)). There are four types of fiduciary funds: Pension (and other employee benefit) trust funds, Investment Trust funds, Private-purpose trust funds and Custodial funds.



Pension (and other employee benefit) trust funds: Used to account for resources held in trust for pensions plans or other employee benefits.

Investment trust funds: Used to report the external portion of investment pools managed by the sponsoring government. This means the fund only tracks the portion of the pool that belongs to entities outside the government itself (the financial reporting entity). Any remaining resources in the pool, which belong to the government, are considered part of an internal investment pool and should be reported as a line item across funds (e.g., pooled cash and investments) rather than as a separate fund.

Private-purpose trust funds: Used to report other activities carried out exclusively for the benefit of those outside of the government. The principal must remain unspent, but the earnings can be spent (similar to permanent funds).

Custodial funds: Used to report resources related to fiduciary activities that are not held in a trust. (An example is when towns collect school taxes on behalf of the school district, that would likely be accounted for in a custodial type of fund).

Names and Regulations of Common Funds in Vermont

Reserve funds (generally considered special revenue funds) must be approved by the voters at a Town Meeting or a special meeting. When established by the voters, reserve funds set aside money to be used for a *specific purpose*. [24 V.S.A. § 2804](#). Reserve funds must be kept in a separate account and can only be used for the voted stated purpose of the fund. Examples of reserve funds include but are not limited to funds to purchase highway equipment, conduct town-wide reappraisals or make repairs and renovations to town property. Once established, money in a reserve fund



may be expended by the selectboard for its stated purpose without further voter approval. Any money not spent in a reserve fund automatically carries over to the next year – without annual voter approval. This is in contrast to most other budget appropriations that are voted on at the annual town meeting, such as the general budget. Reserve funds must be kept in separate accounts and the funds are subject to the annual audit of town money. [24 V.S.A. § 2804](#).

Sinking funds (could fall under the category of governmental funds – Debt Service Funds) are monies set aside to retire a debt. Sinking funds must be approved by the voters at a town meeting or a special meeting. The money has already been spent via a bond issue or other debt instrument and the town has appropriated a certain amount of money towards paying off that debt. It cannot be used for anticipated future expenses. Sinking funds are subject to the annual audit of town money. [24 V.S.A. § 1777](#).

Trust funds (could fall under governmental funds - permanent funds or a type of fiduciary fund) are properties or funds legally transferred to the town by an outside party – via a legal trust document – that directs that the town hold the property in trust to be used for a specific purpose. For example, trust funds to be used for town cemetery maintenance or improvements are common. Frequently, only the income from the trust can be used; the principle must be kept intact. Each trust fund must be kept in a separate account (this does not mean a separate bank account). Trust funds are subject to the annual audit of town money.

Cemetery funds. (could fall under the category of governmental funds - special revenue or a permanent fund or both. They could also fall under the category of fiduciary funds) The town may appropriate money for care and improvement of town cemeteries. These funds are usually meant for annual on-going operational expenses. The selectboard or cemetery commissioners may also sell lots and use the receipts from those sales as allowed under [18 V.S.A. §§ 5376-77](#). There may also be special trust funds for the cemetery. Separate accounts must be kept for the various receipts



and funds. Cemetery funds are subject to the annual audit of town money.

Library funds. (could fall under the category of governmental funds - special revenue or a permanent fund or both. They could also fall under the category of fiduciary funds) The town may appropriate money each year for the town library. The library trustees may also raise money by fines, sales, donations or other fundraisers. In our opinion, money raised outside of the budget may be spent by the town library trustees without selectboard approval. However, the money should generally go through the town's finances and be accounted for as part of the annual audit. See [22 V.S.A. § 144](#). Trust funds may also be established for the benefit of the library. If there are library trustees, they must report on the condition and management of the library annually. [22 V.S.A. § 144](#). Town-owned libraries' receipts and expenditures are subject to audit. If the town appropriates a lump sum donation to a private library, expenditures will not be subject to audit.

A town may vote at an annual or special meeting to borrow money through a bonding process to fund capital improvements to "any privately-owned municipality-supported library situated within the municipality for use of residents of the municipality." [24 V.S.A. § 1752a](#).

Interfund Activity

Financial interactions with entities outside the primary government are referred to as transactions. The term interfund activity is used to describe similar financial interactions that occur within the primary government. There are two broad categories of interfund activity, reciprocal interfund activity and non-reciprocal interfund activity. Reciprocal Interfund Activity This refers to transactions between funds where each party provides something of value in return for what it receives. These are transactions where both sides expect to give and receive something.



Interfund Loans: When one fund lends money to another, with the expectation of repayment, including interest (often referred to as advances). Due to the activity being purely internal, the asset is not treated as an investment and the liability is not treated as debt.

Example: The general fund makes a loan to an enterprise fund.

General Fund -

DR Interfund receivable - enterprise fund \$500

CR *Cash (short term loan) \$500

Enterprise Fund -

DR *Cash \$500

CR Interfund payable - general fund (short-term loan)

*If cash is accounted for in a separate account the above is correct, if however, cash is pooled cash could instead be represented as a due to/due from and often your software will automatically fill in the "due to/due from" in the background)

Interfund Services Provided and Used: This occurs when (as part of its regular programmatic activity), one fund sells goods or services to another fund and is reimbursed for the service at fair market value. For example, the central purchasing department provides goods or services to other departments and is then reimbursed for the cost. GAAP directs that these activities be accounted for as though they involved an outside party.

*Overhead allocations do NOT qualify as interfund services provided and used because they are not a programmatic activity (the general fund is not "in the business" of selling services or supplies). ([GFOA, GAAFR, 2024, p. 4-15](#))

Non-Reciprocal Interfund Activity: These are transactions where there is no direct exchange of value, meaning one fund provides resources to another without



receiving something in return (similar to non-exchange transactions). Interfund Transfers When one fund provides financial resources to another fund and there is no expectation or requirement of repayment. This typically happens when funds are transferred for general support or to meet specific obligations. This category is appropriate for "loans" between funds, the difference from interfund loans being the expectation of payment. Interfund transfers are reported separately as "other financing sources and uses" (governmental funds) or after "nonoperating revenues and expenses" (proprietary funds). ([GFOA, GAAFR, 2024, p. 4-15](#))

Example the general transfers resources to a special revenue fund (like a reserve fund)

General Fund –

DR Other financing uses – transfers out – special revenue fund

\$500

CR Cash \$500

Special Revenue Fund –

DR Cash - \$500

CR Other financing sources – transfers in- \$500

Interfund Reimbursements

When one fund reimburses another for an expenditure that was made on its behalf, it doesn't involve a direct exchange of services or assets. Interfund reimbursements are reported as an expenditure/expense in the fund ultimately responsible and as a reduction of expenditure/expense in the fund being reimbursed.

**Note: The movement of capital assets between an activity reported in a government fund and an activity reported in a proprietary fund is reported as a capital contribution (receipt) or a disposal (donation) in the proprietary fund (no activity is reported in the governmental fund).



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Signing Orders/Paying Salaries

Who Can Sign Orders and Warrants?

Selectboard

The selectboard has authority to sign orders under [24 V.S.A. §§ 1576, 1621, and 1622](#).

While Vermont statutes provide authority to certain town departments to receive and, in some instances, spend money, in VLCT's opinion this does not vest authority in these departments to draw orders on the treasurer. Planning and conservation commissions are good examples of municipal departments that are authorized to receive and spend money where, in our opinion, those departments must still go through the selectboard prior to spending the money.

To approve orders, generally, the board must meet and, by a majority of the members of the board, vote to authorize the treasurer to disburse money. [1 V.S.A. § 172](#). The selectboard may also vote to authorize one or more members to examine and approve the payment of certain town expenses. This delegation often makes it easier for the treasurer and selectboard to coordinate in order to authorize the payment of town bills. Orders drawn by one selectboard member must state definitely what the order is for, and a record of those orders paid by the authority of less than a majority of the board must be presented to the board for its information. [24 V.S.A. § 1623 \(1\)](#). The purpose of this requirement is to provide a clear record that the entire board may review to ensure that orders have been properly drawn.



Another alternative available to authorize the treasurer to disburse town money is for the board to submit a certified copy of the pertinent minutes of a board meeting to the treasurer, showing to whom and for what purpose a payment may be made. [24 V.S.A. § 1623 \(2\)](#). Based on the minutes, the treasurer may then issue a check.

Note that the statutory authority implementing alternate means of signing orders applies to the selectboard and to bodies that under Vermont law exercise similar authority to sign orders/warrants (e.g., cemetery commissions, library trustees, and village trustees). [24 V.S.A. § 1623](#); [1 V.S.A. § 139](#).

Cemetery Commissioners

When a town votes to place its public burial grounds under the care of elected cemetery commissioners, those commissioners “shall ... exercise all the powers, rights and duties with respect to such care and management and all responsibility on the part of the selectmen shall cease.” [18 V.S.A. § 5373](#). Under that statute, cemetery commissioners have the authority to sign orders for the use of cemetery funds. However, if trustees of public funds are elected under [17 V.S.A. § 2646 \(12\)](#), they have control of any “real and personal estate ... held in trust for any purpose, including cemetery trust funds, unless the person giving the same otherwise directs...” [24 V.S.A. § 2431](#).

The short explanation of control of cemetery money is that whoever controls the cemetery – selectboard or cemetery commissioners – controls the cemetery monies, except that *if there are cemetery trust funds* and *if there are elected trustees of public funds*, those trustees control those trust funds.

If the cemetery commissioners sign orders, they are required to keep a record of those orders showing the number, date, to whom payable and the amount. [24 V.S.A. § 1622](#).



Trustees of Public Funds

Elected trustees of public funds have control of all property held in trust by the town.

Their powers and duties are spelled out in [24 V.S.A. § 2432](#) and include:

- directing the use of the income from trust funds;
- entering into deeds and contracts on behalf of the town;
- leasing, selling or conveying real estate held in trust;
- lending or other wise investing funds;
- holding, purchasing, selling, assigning, transferring or disposing of any securities or investments in which the trust funds have been invested, as well as the proceeds of such investments.

If the trustees sign orders, they are required to keep a record of those orders showing the number, date, to whom payable and the amount. [24 V.S.A. § 1622](#).

Water Commissioners

A town may vote to elect water commissioners or allow the selectboard to appoint them, unless there is no municipal water department for the commissioners to supervise. [17 V.S.A. §§ 2646 \(17\), 2651 \(b\)](#). The selectboard may appoint its own members as water commissioners. [17 V.S.A. § 2651 \(b\)](#).

Water commissioners have supervisory powers over the water department, including setting the rates and charges for water usage. The commissioners have the authority to establish a reserve fund from monies received, to be used for financing major projects or to be used as matching funds. Otherwise, the money received must be used for operational expenses and payment of principal and interest on existing bonds. [24 V.S.A. § 3313](#). Overdue charges, rates or rents for water usage create a lien



on the property and may be collected as a tax lien under [32 V.S.A. § 5061](#). [24 V.S.A. § 3306](#).

The statutes are not completely clear about the powers of the commissioners versus the town /selectboard/voters. It does seem clear that the water commissioners can set rates and charges, handle the day-to-day cash flow of receipts and expenditures and propose the establishment of a reserve fund. [24 V.S.A. § 3313](#). Thus, it follows that they probably have statutory authority to sign orders and warrants for the treasurer to issue checks.

In addition to charges for usage, the town may levy taxes on the grand list, issue bonds, and borrow money to enable it to operate the water department. [24 V.S.A. § 3308](#). These powers are given to the voters under other statutes, so they are not under the control of the water commissioners.

Finally, all of the financial information about the municipal water system will be subject to the annual audit. Regardless of who signs orders, the municipal treasurer must have the entire record to turn over to the auditors. When towns set up a water department with a board of commissioners, VLCT advises them to be careful to delineate the powers of the commissioners as applied to financial matters. Specify who can approve and sign orders for day-to-day expenses, for loan payments, and for bond payments. Designate where the invoices and receipts shall be kept.

If the water commissioners sign orders, they are required to keep a record of those orders showing the number, date, to whom payable, and the amount. [24 V.S.A. § 1622](#).

Sewer Commissioners

The sewage system commission is made up of the selectboard, village trustees, prudential committee of a fire or lighting district, or mayor and board of aldermen of a



city. [24 V.S.A. § 3602](#). Because those bodies have authority to sign orders acting as the selectboard, they also have authority to sign as sewer commissioners. However, the selectboard may vote to appoint a separate body as the board of sewage system commissioners. [24 V.S.A. § 3602](#).

The VLCT Municipal Assistance Center advises towns to either:

- have the selectboard of the town serve as the sewer board, so that it clearly has authority to sign orders; or
- if they appoint a separate sewage system commission, to establish a written policy which clearly states who has authority to sign orders for expenditure of money related to sewage or sewage disposal finances.

Again, all of these records must be available for audit, so they must be in the hands of the treasurer. The body that signs the orders is required to keep a record of those orders showing the number, date, to whom payable, and the amount. [24 V.S.A. § 1622](#).

Library Trustees

A municipal library is one that is established by a town, city or incorporated village for the use of its residents and which is supported in whole or in part by public funds. [22 V.S.A. §§ 101, 141](#). Trustees may be elected or appointed and “[t]he board shall consist of not fewer than five trustees who shall have full power to:

(1) manage the public library and any property that shall come into the hands of the municipality by gift, purchase, devise, or bequest for the use and benefit of the library;

(2) adopt bylaws and policies governing the operation of the library;



(3) elect officers;

(4) establish a library budget for consideration by the legislative body of the municipality for inclusion in the municipality's budget;

(5) hold regular meetings; and

(6) ensure compliance with the terms of any funding, grants, or bequests."

[22 V.S.A. § 143](#). The plain language, and as supported by the Vermont Supreme Court in the case of *Hartford Bd. of Libr. Trustees v. Town of Hartford*, 174 Vt. 598 (2002) indicates that the trustees have full control over library property and matters.

The trustees report to the annual town meeting on "the management and expenditure of monies as have come into their hands." [22 V.S.A. § 144](#). Thus, the money is subject to audit at the end of the year.

Library trustees may draw orders on the town treasurer. If library trustees sign orders, they must keep a record of them showing the number, date, to whom payable, and the amount. [24 V.S.A. § 1622](#).

Some libraries are private in that they are separately incorporated from the town but operate at least in part on town funds. These private libraries trustees are not appointed by the selectboard or elected by the voters. Towns appropriate money to private local non-profit libraries in many ways, including one-time appropriations or an annual appropriation. Private libraries handle their own funds.

A town may vote at an annual or special meeting to borrow money through a bonding process to fund capital improvements to "any privately-owned municipality-supported library situated within the municipality for use of residents of the municipality." [24 V.S.A. § 1752a](#). This should be handled like any other bond vote under [24 V.S.A. Chapter 53](#).



Fire Districts

A town may establish a town-wide fire district or one or more fire districts within the town. A town-wide fire district is under the management of the selectboard, which serves as a board of fire commissioners. [20 V.S.A. § 2543](#). Such a board could sign orders for the town treasurer.

A fire district made up of only a part of the town is governed by an elected three-person prudential committee. The district also elects a clerk, treasurer and collector of taxes. [20 V.S.A. § 2485](#). These officials may or may not be the same as the town clerk, treasurer, and collector of taxes. It is up to the voters of the fire district.

The prudential committee of a fire district has the powers listed in [20 V.S.A. § 2601](#), which includes the authority to “expend such sums ... as the fire district may vote.” This indicates that the prudential committee may write orders for the fire district treasurer to pay expenses.

Fire *districts* are completely different from fire *departments*. A fire department may be established as a department of the town to provide fire protection. Town fire departments are not separate legal entities from the town. [24 V.S.A. §§ 1951, et seq.](#) As departments, they have no independent authority to draw orders on the treasurer. Under Vermont law, non-municipal volunteer departments may be established to serve towns. These departments typically receive a lump sum appropriation from a town. [20 V.S.A. § 2921](#). The volunteer organization is a separate legal entity that may spend the appropriation and other money it raises without additional town oversight. Towns may attach conditions to the annual appropriation made to non-municipal volunteer fire departments, or sign a contract that delineates services the fire department will provide to the town in return for the money spent.



Board Of Tax Abatement

When the board of tax abatement determines that a tax refund, rather than a tax credit, should be given, the board has authority to issue an order for the treasurer to pay the refund to the taxpayer. If the town charges interest on overdue taxes, the same rate of interest must be paid on the amount abated, dating from the date that the tax was due or paid, whichever is earlier. [24 V.S.A. § 1535\(d\)](#).

Here is a chart summarizing the authority and responsibilities of various officials with respect to billing and receipts:

Billing and Receipts Authority and Responsibilities Charts

Billing

| Process: | Approved by | Processed by | Recorded by | Audited by |
|----------|-------------|--------------|-------------|------------|
|----------|-------------|--------------|-------------|------------|



Current tax bills

Amount to be raised in taxes set by town meeting either as a tax rate (uncommon) or a specific amount to be raised, in which case the legislative body sets rate necessary (17 V.S.A. § 2664)

Legislative body "makes out and delivers" to proper collector¹ (town decides treasurer (common), collector of current taxes or first constable) along with warrant (24 V.S.A. § 1522)

Treasurer (24 V.S.A. § 1523)

Auditor² (24 V.S.A. § 1681)

Cemetery bills

Cemetery Commissioners or legislative body⁹ (18 V.S.A. § 5373)

Cemetery Commissioners and/or Treasurer⁶

Cemetery Commissioners

Auditor² (24 V.S.A. § 1681)

Delinquent taxes

Within 15 days³ after the due date for taxes, the treasurer must issue and deliver to the delinquent tax collector a warrant for unpaid taxes (32 V.S.A. § 4793)

Notification and payment arrangements are made by collector of delinquent taxes⁴

Collector of delinquent taxes (24 V.S.A. § 5137)

Auditor² (24 V.S.A. § 1681)



| | | | | |
|------------------------|---|----------------------------------|--|---|
| Library bills | Rates are approved by library board of trustees (22 V.S.A. § 143) | Library trustees | Library trustees and/or treasurer ⁶ | Auditor ² (24 V.S.A. § 1681) |
| Sewer bills | Rates and levy are approved by sewer commissioners | Sewer commissioners ⁵ | Treasurer ⁶ | Auditor ² (24 V.S.A. § 1681) |
| Water bills | Rates are approved by water commissioners | Water commissioners ⁵ | Treasurer ⁶ | Auditor ² (24 V.S.A. § 1681) |
| All other bills | Rates are approved by legislative body | Treasurer ⁷ | Treasurer ⁷ | Auditor ² (24 V.S.A. § 1681) |

Receipts

| Process: | Received by | Invested by | Recorded by | Audited by |
|-----------------------------|--|---|---|---|
| Current tax receipts | Collector of current taxes ¹ (24 V.S.A. § 1528) | Treasurer with approval of the legislative body (24 V.S.A. § 1571(b)) | Collector of current taxes ¹ | Auditor ² (24 V.S.A. § 1681) |



| Process: | Received by | Invested by | Recorded by | Audited by |
|-------------------------------------|---|--|--|---|
| Delinquent tax receipts | Collector of delinquent taxes ⁴ (32 V.S.A. § 4874) | Treasurer with approval of the legislative body (24 V.S.A. § 1571(b)) | Collector of delinquent taxes (32 V.S.A. § 5137) | Auditor ² (24 V.S.A. § 1681) |
| Cemetery operating receipts | Treasurer (18 V.S.A. § 5384a) | Treasurer with approval of the legislative body or cemetery commissioners ⁹ (24 V.S.A. § 1571(b)) | Clerk (18 V.S.A. § 5384(a)) | Auditor ² (24 V.S.A. § 1681) |
| Cemetery trust fund receipts | Trustees of public funds ⁸ (24 V.S.A. § 2431) | Trustees of public funds ⁸ (24 V.S.A. § 2432) | Trustees of public funds ⁸ | Auditor ² (24 V.S.A. § 1681) |
| Clerk receipts | Clerk (32 V.S.A. § 1671(5)) | Treasurer with approval of the legislative body (24 V.S.A. § 1571(b)) | Clerk | Auditor ² (24 V.S.A. § 1681) |
| Library receipts | Treasurer | Treasurer with approval of the library trustees (22 V.S.A. § 143) | Treasurer | Auditor ² (24 V.S.A. § 1681) |



| Process: | Received by | Invested by | Recorded by | Audited by |
|----------------------------|---|---|--|---|
| School receipts | School treasurer (16 V.S.A. § 426) | School treasurer with approval of the school board (16 V.S.A. § 426(c)) | School district treasurer (16 V.S.A. § 426(d)) | Auditor ² (24 V.S.A. § 1681, 16 V.S.A. 425)) |
| Sewer receipts | Treasurer ⁶ | Treasurer with approval of the legislative body (24 V.S.A. § 1571(b)) | Treasurer ⁶ | Auditor ² (24 V.S.A. § 1681) |
| Trust fund receipts | Trustees of public funds (24 V.S.A. § 2431) | Trustees of public funds (24 V.S.A. § 2432) | Trustees of public funds | Auditor ² (24 V.S.A. § 1681) |
| Water receipts | Treasurer ⁶ | Treasurer with approval of the legislative body (24 V.S.A. § 1571(b)) | Treasurer ⁶ | Auditor ² (24 V.S.A. § 1681) |
| All other receipts | Treasurer ⁷ | Treasurer with approval of the legislative body (24 V.S.A. § 1571(b)) | Treasurer ⁷ | Auditor ² (24 V.S.A. § 1681) |

Disbursements

| Process: | Approved by | Processed by | Recorded by | Audited by |
|----------|-------------|--------------|-------------|------------|
|----------|-------------|--------------|-------------|------------|



| | | | | |
|--------------------------------|--|--|--|--|
| Cemetery expenses | Legislative body or cemetery commissioners ⁹ (18 V.S.A. §§5362, 5372, 5385) | Treasurer ⁶ | Treasurer/trustees of public funds/cemetery commissioners (18 V.S.A. § 5385, 24 V.S.A. § 2431) | Auditor ² (18 V.S.A. § 5380) |
| Library expenses | Library Trustees (22 V.S.A. § 143) | Treasurer | Treasurer | Auditor ² (24 V.S.A. § 1681) |
| School expenses | School board or its designee (16 V.S.A. § 563(8)) | School treasurer (16 V.S.A. § 426(c)) | School treasurer (16 V.S.A. § 426(c)) | Auditor ² (16 V.S.A. § 425, 24 V.S.A. § 1681) |
| Sewer expenses | Sewer commissioners (24 V.S.A. § 3616) | Treasurer ⁷ | Treasurer ⁷ | Auditor ² (24 V.S.A. § 1681) |
| Trust fund expenses | Trustees of public funds (24 V.S.A. § 2432) ¹⁰ | Trustees of public funds (24 V.S.A. § 2432) ¹⁰ | Trustees of public funds (24 V.S.A. § 2432) ¹⁰ | Auditor ² (24 V.S.A. § 1681) |
| Water expenses | Water commissioners (24 V.S.A. § 3313) | Treasurer ⁷ | Treasurer ⁷ | Auditor ² (24 V.S.A. § 1681) |
| All other Town expenses | Legislative body (24 V.S.A. § 1621) | Legislative body (24 V.S.A. § 1622)/treasurer ⁷ | Treasurer ⁷ | Auditor ² (24 V.S.A. § 1681) |

¹Duties of the collector of current taxes may be given to treasurer or town manager; if no collector is elected and duties are not assigned to treasurer or town manager, the constable will be the collector.

² A town may elect to have an independent auditor serve this function.



3 A municipality may elect a shorter period in which to issue warrant.

4 If no collector of delinquent taxes is elected, the constable will be the collector. Delinquent taxes may be collected by the treasurer or collector of delinquent taxes provided that full payment of the delinquency is accompanied by collection fee and any interest. (32 V.S.A. § 5142 (b))

5 Although not spelled out in the statutes, in practice, sewer and water commissioners may delegate processing of billing, receiving payments and paying bills to the treasurer or an accountant appointed by the legislative body.

6 Collection of revenue and accounting for sewer and water, cemetery, and library billing is not spelled out in the statutes, however, in practice it may be done by the treasurer, town manager, or an accountant appointed by the legislative body.

7 The town manager may assume these duties or an accountant appointed by the legislative body.

8 If elected, trustees have primary responsibility, otherwise cemetery commissioners or treasurer assumes responsibility.

9 Town may vote to place its public burial grounds under the charge of cemetery commissioners. If so, all responsibility on the part of the legislative body shall cease. (18 V.S.A. § 5373)

10 Unless otherwise designated by trusts.

Who May Sign Checks if the Treasurer's Office is Vacant?



There is no clear authority for the selectboard to sign checks for the town if the office of treasurer is vacant. If an assistant treasurer has been appointed, we think that person is the only official who may sign checks when the treasurer vacates office. The selectboard must fill the vacancy under authority of [24 V.S.A. § 963](#) as quickly as possible to facilitate the continued management of town funds.

Duty to Pay Orders; Insufficient Funds

The treasurer has a duty to pay orders that are drawn by a properly authorized town official. There are statutes to protect the treasurer from liability for issuing checks on illegally drawn orders. If the orders are not paid on demand, interest will accrue from the time the demand was made. The treasurer must keep a record of such unpaid orders. [24 V.S.A. § 1576](#).

If the treasurer receives an order to pay a bill and finds that there are insufficient funds to cover that amount, they "shall forthwith notify the selectmen and the officer drawing the same." [24 V.S.A. § 1576](#). For example, in the case of a cemetery commission's order, both the selectboard and the cemetery commission must be notified as soon as possible.

When a demand is made upon a city, town, town school district, or incorporated village for payment, and funds are not available to make the payment, the municipal entity must assess a tax to raise the money to make the payment. [24 V.S.A. § 1538](#).

State and County Taxes

County taxes are set each year by the assistant judges, without individual towns in the county voting. Warrants for the taxes due from each town, apportioned on the equalized grand list of the county, must be sent to the town treasurers on or before



March 1. The tax is payable on or before July 5. The selectboard must draw an order for the amount of the tax so the treasurer can pay it. [24 V.S.A. §§ 133-136](#).

The Legislature has the authority to impose a state or county tax. When it does so, the state or county treasurer issues a warrant to the town treasurers. They, in turn, present the warrant to the selectboard, which then draws an order so that the treasurer can pay the tax. [32 V.S.A. § 4731](#).

Salaries, Stipends, Overtime

Town treasurers often assist in payroll for town employees and officials.

Salaries for employees and elected officials who are salaried must have all withholding taxes, social security, and FICA withheld as for any other employee. This also applies to people paid by fees or penalties, such as town clerks and collectors of delinquent taxes. At the end of the year, 1099 forms or W-2 forms must be issued. The only exception is for Social Security and FICA for election workers who earn less than \$2,300 per year (see [Election Officials and Election Workers | State and Local Government Employers | SSA](#) for up to date amounts, as it changes year to year).

Employees who work more than 40 hours per week must be paid overtime at one and one-half times their regular hourly pay, according to the federal [Fair Labor Standards Act](#).

Purchasing Policies and Purchase Orders

Purchasing Policy



There is generally no requirement that towns purchase through a bid process unless federal funds or certain state funds are used. This contrasts with the state government and school districts, which are required to follow a bid process.

The selectboard *may* adopt a purchasing policy. In a large town, such a policy is advisable because of the complexity of government and the need for a standard procedure. In a small town, it's advisable because of the need to provide a fair and consistent system in cases where local suppliers or contractors are also municipal officers or are related to municipal officers. The temptation for the selectboard to automatically award municipal contracts to themselves or relatives may lead to real or perceived conflicts of interest and favoritism. A clearly stated policy and procedure for purchasing goods or services will help prevent such conflicts.

Factors which should be addressed in a purchasing policy include:

- how to advertise or notice requests for bids or proposals (posting, publishing);
- what is exempt from the bid system (e.g. legal services, insurance, or purchases less than a certain dollar amount);
- when the board can waive the bid process (e.g. emergencies, sole supplier available);
- what, if any, preference for local suppliers;
- what, if any, preference based on prior experience with the bidder;
- clear specifications for the service or product to be bid;
- provision of insurance or performance bond required;
- provision of warranty required;
- gifts, rebates and gratuities for town employees and officers are not allowed;
- regular, recurring purchases and charge accounts; and
- bidding procedure with time and place parameters.



Federal law requires local governments to adhere to specific conflict of interest regulations. Local governments must have a policy covering conflicts of interest and governing the actions of employees engaged in the selection, award, and administration of federal award or subaward (2 CFR 200.318). No employee, officer, or agent must participate in the selection, award, or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict arises when the employee, officer, or agent, any member of their immediate family, their partner, or an organization which employs or is about to employ any of the parties indicated, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract ([20 C.F.R. § 683.200](#)).

Additionally, recipients of federal awards must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity ([20 C.F.R. § 683.200](#)). Subrecipients must disclose any potential conflict of interest to the recipient of grant funds ([20 C.F.R. § 683.200](#)).

The VLCT Municipal Assistance Center has a model purchasing policy at [Model Purchasing Policy | Vermont League of Cities and Towns](#).

Purchase Order System

Some Vermont towns use an “encumbrance” or purchase order system in conjunction with their normal purchasing and accounting procedures. Most of the financial management software applications that are specifically designed for towns will offer a purchase order feature.

Purchase orders can be extremely useful for elected officials and municipal administrators for many reasons, such as:

- the purchase order represents a financial obligation on behalf of the community;



- a purchase order may be required by some vendors;
- use of a purchase order assures that purchases have been reviewed and approved by appropriate authorities before a financial obligation is made;
- purchase orders, used with an encumbrance system, will enable municipal officials to determine the current status of budgeted expenditures, even before invoices are actually received or paid for outstanding purchases (accounting reports can be set up to display [1] total budget, [2] total expenditures to date, [3] total encumbered (orders made but goods or invoice not received), and [4] remaining unencumbered balance); and
- purchase orders confirm, in a written format, the cost, quantity, specifications and delivery location for goods and services.

Purchase orders can be a useful tool to help officials maintain a good handle on planned and actual expenditures as they relate to the authorized municipal budget.

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Revenue Sources for Local Governments

Taxes

Property taxes are the major source of revenue for towns. Property value is assessed by the listers. The total of all the properties and their values for tax purposes is the grand list for the town. For information on tax appraisal, exemptions, etc., see [The Lister and Assessor Handbook](#) published by the Vermont Dept. of Taxes, Division of Property Valuation and Review.

Taxes to be raised by the town include:

- state
- county
- municipal
- school
- highway
- fire district (if applicable). [32 V.S.A. § 4602](#).

The tax rate is set to raise that amount of anticipated expenses, which will not be covered by money from other sources. The tax rate is expressed as the amount per \$100 of property value. For example, if a tax rate were set at \$2.30, a property worth \$95,000 would be taxed \$2,185 ($\$2.30 \times \$95,000 \div \$100 = \$2,185$). The tax rate is set by the selectboard.



For tax purposes, a property may be taxed at different rates on the “homestead” and “nonhomestead” on the other real property. “Homestead” is defined in [32 V.S.A. § 5401\(7\)](#) and in general means a principal dwelling owned and occupied by a resident.

Property Taxes for Schools

The town collects property taxes for both the town and school district. Within 20 days of having received school tax money, the town must transfer the money actually received to the school district's account. (The 20-day period may be altered by written agreement of the selectboard and the school board.) For example, if the town receives \$500,000 in school tax, it must transfer that to the school. However, when property taxes become delinquent, the town has up to 120 days (but no later than the end of the school year) to pay to the school district “*the balance of the sum of the gross school tax levy...*” [16 V.S.A. § 426 \(b\)](#). This means that if the town has received a total of \$750,000 in school tax money but the amount actually levied was \$800,000, the town must send the school district the entire \$800,000, not just the amount received.

In addition to the locally imposed property tax, there is a state education fund under [16 V.S.A. § 4025](#). This imposes a tax on all homestead and nonhomestead (also known as nonresidential) properties at a rate set by state law (see <https://tax.vermont.gov/property/education-property-tax-rates>)

The selectboard must add the education fund tax liability as determined by the state to the local town tax when it is setting the tax rate.

Then, “notwithstanding [section 426 of Title 16](#), the treasurer ... shall by December 1 of the year in which the tax is levied and on June 1 of the following year pay to the state treasurer for deposit in the education fund one-half of the municipality's property tax liability net payment, as determined by the commissioner of taxes.” [32 V.S.A. § 5402 \(c\)](#). This means that if your town owes money to the “sharing pool,” it will get a bill from



the state commissioner of the Department of Taxes advising how much money is due to the state treasurer, payable on December 1 and June 1, to meet that obligation. The money sent in shall be accompanied by a "return" form prescribed by the state. The town may keep one-half of one percent of the amount the commissioner says is due.

If payments are not sent to the state on time, interest will be assessed at a per diem rate of 8% per annum. If any payment is more than 90 days overdue, *any* state funds due to the town shall be withheld. [32 V.S.A. § 5409 \(1\)](#).

If the town fails to send out notices of school taxes due or fails to enforce collection of them, the commissioner of taxes may step in and issue notice, collect the tax or bring a court action to require the town to do so. [32 V.S.A. § 5409 \(2 & 3\)](#).

If the town grants a tax abatement under [24 V.S.A. § 1535](#), the commissioner *may* abate in whole or in part on the school taxes, but if they do not, the town remains liable for the amount of the abated tax. [32 V.S.A. § 5409 \(3\)\(C\)](#).

Payment of too much or too little by the taxpayer to the town shall be handled under [32 V.S.A. § 5409 \(5 and 6\)](#).

If the town votes to allow a discount for early payment of taxes under [32 V.S.A. § 4773](#), that will not reduce the amount of tax which the town owes to the state for the education fund. For example, if a taxpayer owes \$500 in school taxes, pays early, and gets a 2% discount (\$10), the town still owes the state \$500, not \$490. That \$10 must come from all of the other taxpayers in town. This also applies to any "similar discount offered by the municipality." [32 V.S.A. § 5409 \(8\)](#).

Tax stabilization agreements may or may not apply to the education property tax grand list. [32 V.S.A. § 5404a](#).

Payment in Lieu of Taxes (Pilot)



Because state-owned property is not subject to local property tax, the state pays a grant in lieu of property taxes. Some PILOT payments are for state buildings while others are for land owned and managed by the Agency of Natural Resources. The amount of each grant is based on formulas in [32 V.S.A. §§ 3703, 3708](#). The amount to be paid is re-determined each year and shall be paid to each eligible town on or before October 31. [32 V.S.A. §§ 3706, 3708](#).

Grants

Both towns and school districts may accept grants from federal, state, and private sources. Each grant, gift or bequest is different and must be read carefully so that all of the conditions and requirements are understood, and the town is sure that it can meet them. Grants are frequently available from state and federal government sources for highways, historic preservation, and planning. These grants can come with extensive record keeping, audit, and other reporting requirements that may make them ultimately impractical for a town. VLCT has numerous resources on grants and funding on its [website](#).

For conservation purposes, towns “may acquire ... real property or any right and interest therein by purchase with any authorized funds, or by donation, devise, exchange or transfer...” under [10 V.S.A. Chapter 155](#). Property interests may also be acquired by the state under this chapter. In either case, there may be property tax implications in the form of tax exemption or payments in-lieu-of taxes (PILOT).

Grants, gifts, and bequests may be available from private or charitable sources from time to time. Again, they must be evaluated individually to be sure that the town can comply with any conditions inherent in them. There may be constitutional issues, state statutes, or long-term financial considerations that must be weighed before accepting grants, gifts or bequests. There may also be political repercussions, especially where property is acquired by gift or bequest, but over the long term there will be loss of tax



income or a cost to the town to maintain the property through tax dollars.

Single Audit Act. The Single Audit Act of 1984 (P.L. 98-502) require any non-federal entities that expend in a year \$300,000 or more in federal grant funds to be audited according to GAGAS (Generally Accepted Governmental Auditing Standards, also known as the "Yellow Book"). If your town has received federal funds from only one program and that program does not require a financial statement audit, you may choose to have a program-specific audit conducted, rather than a full audit of your town records. If the auditor issues any findings that require follow-up, the town is responsible for responding to those findings with corrective action as outlined by a corrective action plan. Your auditor can assist you with developing such a plan.

Rental of Town Property

Towns may acquire property by gift, bequest, purchase, eminent domain, or purchase at tax sale. The town may not be in the business of renting property, but it can rent the property or a part of it if that rental is merely incidental to owning it. For example, if there is extra space in the town hall, that space may be rented. If the town acquires property at tax sale, it may rent it during the year-long redemption period, but it cannot keep that property indefinitely as a business to create revenue.

Trust Funds

Towns may hold real or personal property in trust for any purpose. Each such trust must be kept in a separate account, and the trustees must use the income for the purpose for which it was created. They may lease, sell, or convey real estate and invest the money received as provided in [24 V.S.A. § 2432](#). The trustees must be bonded and must report to the town each year on the funds. If any of the trusts belongs to the schools, the trustees must report annually to the state board of



education. [24 V.S.A. §§ 2433-2434](#).

Trustees of Public Money

There is a special category of "public money" which is derived from "surplus funds of the United States under the Act of 1836." If any town still has any of this surplus money, it must elect a trustee to manage it. [17 V.S.A. § 2646 \(13\)](#).

Investments

Money received by the town treasurer on behalf of the town may be invested and reinvested by the treasurer with the approval of the selectboard. [24 V.S.A. § 1571 \(b\)](#).

Vermont towns handle this investment authority differently. In some towns, the treasurer and selectboard work together to decide how to invest town money. In other towns, the selectboard officially delegates authority to the treasurer to invest money. This delegation may be granted by the board with or without guidelines that the treasurer must follow. How and whether to delegate is a decision that each board must make based on the town's specific circumstances. Moreover, it is advisable for the selectboard, in consultation with the treasurer, to adopt investment guidelines.

Please see our [Model Investment Policy](#). The interest from such investments shall go into the town funds. Note that these provisions do not apply to trust funds, which are under the authority of trustees. [24 V.S.A. § 2432](#).

Enterprise Funds

Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise fund accounting is intended to emphasize whether the fees and charges collected are adequate to cover the costs



of delivering goods and services. For example:

Water and sewer systems. Towns may own and operate a water works, water mains and sewers, a sewage system or a sewage disposal system. [24 V.S.A. Chapters 89, 101](#). Towns may also form consolidated water or sewer districts. [24 V.S.A. Chapters 91 and 105](#).

These systems are operated by the selectboard or by commissioners. The rates, rentals, and user fees are generally restricted to paying the debts and operating expenses of the system. Overdue charges become a lien against the properties and may be collected using the same methods as those for delinquent taxes.

Recreation Programs ([31 V.S.A. Chapter 5](#)). Towns are authorized by statute to vote to appropriate funds not to exceed four percent of the grand list for purchase of public playgrounds and lands and for the construction and maintenance of buildings and equipment for public recreational purposes. Towns may also appropriate monies for free musical entertainments. A town's selectboard may establish a department of recreation, a board of recreation or any other appropriate board or commission to manage recreational activities. Additionally, towns may provide public recreation opportunities jointly with other towns.

Housing Authorities ([24 V.S.A. Chapter 113](#)). The statute regarding housing authorities states that there is a housing authority in each town (city, village or town) that is not activated until or unless the governing body of the town by "proper resolution" shall declare that there is a need for the authority to function in the town. Once created, the housing authority shall consist of five commissioners appointed by the mayor of a city or governing body of a town.

Housing authorities have considerable power once created by the town. They may: employ their own counsel and legal staff; sue and be sued; make and execute contracts and other instruments necessary or convenient to the exercise of the



authority's powers; acquire, lease and operate housing projects; provide for construction, reconstruction, improvement, alteration or repair of any housing project; lease or rent accommodations; acquire real property by eminent domain; invest any funds held in reserve or sinking funds; investigate housing conditions and how to improve such conditions; provide an adequate number of dwelling units for occupation by the elderly; issue bonds and engage in other similar activities.

Revolving Loan Funds

Special environmental loan funds are available to help towns in planning and implementing sewage control, water quality programs and solid waste management. [24 V.S.A. Chapter 120](#). Generally, these loans flow through the Vermont Municipal Bond Bank. [24 V.S.A. Chapter 119](#). [The Vermont Department of Economic Development](#) and the [Bond Bank](#) can provide additional information about available revolving loan funds.

State Aid for Highways

The state appropriates money to towns based on the miles of classes 1, 2 and 3 highways. [19 V.S.A. § 306 \(a\)](#). There are also funds for engineering services, emergency repairs, and bridge and culvert work, repaving, and resurfacing. [19 V.S.A. § 306 \(b-h\)](#).

Each town must appropriate a minimum of \$300.00 per mile of class 1, 2 and 3 town highway and comply with the general provisions of [19 V.S.A. Chapter 3](#) in order to be eligible for state highway funding. [19 V.S.A. §§ 307-308](#).

Local Option Tax



If the legislative body of a municipality by a majority vote recommends, the voters of a town may, at an annual or special meeting warned for that purpose, by a majority vote, assess any or all of the following:

1. a one percent sales tax;
2. a one percent meals and alcoholic beverages tax; and/or
3. a one percent rooms tax,

[24 V.S.A. § 138 \(b\)](#). This is in addition to any other local option tax allowed by municipal governance charters or by other statutes. [24 V.S.A. § 138 \(f\)](#).

A percentage of the revenue collected will be returned to the town in which it was reported. Payments will be sent to the town quarterly. The town must use this revenue for town services and *not* for educational purposes. A small percentage will be kept by the state to cover administrative costs. The remaining percentage of the tax collected will go to the state treasurer to be used for the PILOT funds. [24 V.S.A. § 138 \(d\)](#).

Emergency Management Funds

In disaster situations, such as flooding, federal and state monies may be available. For further information contact [Vermont Emergency Management](#) and review VLCT's [Grants and Funding](#) opportunities. Comprehensive information is also available from the [Federal Emergency Management Agency](#) (FEMA).

Fundraisers

It is common practice for certain town departments, such as town fire departments and town libraries, to engage in fundraising activities. While it is legal for town



departments to fundraise, all money that is raised cannot be disbursed unless authorized by a town official authorized to sign orders and a check is signed by the treasurer. Even though fundraising money is not taxpayer money raised through the budget, it is town money – raised by town departments on behalf of the town to provide town services. Because it is town money, it must be accounted for in the auditor report and subject to all of the accounting requirements of other town funds. In general, town departments may not create their own accounts with fundraising money and spend it at will. The departments are not separate legal entities from the town and, as a result, they have no independent legal authority to hold accounts and disburse money.

Note that municipal organizations are allowed by law to raise money by conducting "coin drops" and "games of chance," such as raffles or bingo. [23 V.S.A. § 1056](#); [13 V.S.A. § 2143](#).

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School District Treasurers

This information is coming soon! Please check back.



Taxes and the Role of the Treasurer

Record of Taxes Voted

The treasurer must keep a record of the amounts of taxes voted. The statute, [24 V.S.A. § 1574](#), divides the taxes voted into those for “highways, schools, special departments, if any, and for general town purposes.” In reality, towns and school districts generally vote a budget amount or amounts, which are then used to set a tax rate. [17 V.S.A. § 2664](#); [16 V.S.A. § 428](#). The “taxes voted” in this context are the total amount which the town needs to raise through property taxes.

The point is that there are separate accounts: highways, education, general town expenses, and special departments.

The question arises, what are the special funds mentioned in 24 V.S.A. § 1574? It's possible that reserve funds ([24 V.S.A. § 2804](#)) or sinking funds ([24 V.S.A. § 1777](#)) are special, separate funds. Trust funds, including cemetery funds, are also likely special funds. There may be a distinction between a line item (“\$25,000 for the fire department”) and a special article (“\$9,500 for the fire and rescue squad to purchase a defibrillator”).

What does seem clear is that the voters/taxpayers have a right to know where their money is going. Therefore, the treasurer has a duty to keep a clear record of what the tax dollars are intended for and how they are used, broken down by specific funds.



Tax Assessment Appeals

Any taxpayer has the right to appeal the listers' valuation of their property. The process is lengthy, starting with a grievance to the Board of Listers and proceeding through an appeal to the Board of Civil Authority (BCA) and then on to an appeal to the Vermont courts or the state appraiser. [32 V.S.A. Chapter 131](#). For information on the process, see [VLCT Property Taxes page](#). The treasurer is not involved in this process, except to keep track of the eventual outcome for tax purposes. However, if the treasurer is also the municipal clerk, that individual will serve as a member of the BCA.

When the ultimate outcome of the tax appeal is that the appraisal is reduced, the taxpayer is entitled to a credit for any overpayment of taxes, based on the final valuation. The credit must be applied against the tax for the next tax year. If the credit is not entirely used up in one tax year, it is applied to succeeding tax years until it is used up. [32 V.S.A. § 4469](#).

When the town has voted to collect interest on overdue taxes under authority of [32 V.S.A. § 5136 \(a\)](#), the same rate of interest must be paid to a taxpayer who has made an overpayment of taxes as a result of winning a tax appeal. This means that, if a taxpayer appeals the appraisal of their property and eventually wins but has paid all the taxes assessed on the original appraisal, the town must pay them interest on the amount of credit that they have.

Tax Abatement

Each town has a Board of Abatement (BOA). In towns, it consists of the members of the board of civil authority plus the listers and the treasurer. [24 V.S.A. § 1533](#). The quorum requirement for the board of abatement differs from the general quorum rule



in Vermont. In Vermont the general rule is a majority of the entire board is necessary to constitute a quorum and a quorum is required to meet and take action. [1 V.S.A. § 172](#). However, under a statute specific to the board of abatement, a majority of a quorum present at a BOA meeting or hearing may act. [24 V.S.A. § 1533](#). For example, an 11-member board requires six members for a quorum. So, if six members meet, a vote of four "for" and two "against" a motion will carry and will constitute an act of the entire board.

Note that the above requirement for a quorum need not be met if a majority of the listers, a majority of the selectboard and the treasurer are present. (For example, the treasurer, two listers and two out of three selectboard members could meet and act for the board.) Note also that in cities and villages, the treasurer is *not* a member of the board of abatement. [24 V.S.A. § 1537](#).

Tax abatement is the decision by the town to reduce "in whole or part taxes, water charges, sewer charges, interest, collection fees, or any other municipal charges or fees for utilities or services." [24 V.S.A. § 1535](#). Note that this is different from tax appeals in that taxpayers come to the board of abatement, not with a complaint about the assessed value of their property, but with a request to the town to reduce or eliminate their tax obligation for one of the statutory reasons set out in [24 V.S.A. § 1535](#). In other words, abatement is not meant to replace the grievance process for property owners who are dissatisfied with the value placed on their property by the listers. The town may only abate for the limited statutory reasons set forth in the statute.

Finally, towns that have charters, should consult them to see if they contain any special provisions regarding abatement.

Interestingly, the abatement statute does not state exactly how far back an applicant for tax abatement may seek relief. This is a decision to be made at the discretion of the board of abatement and will depend upon the circumstances of the particular request. It is best to be consistent, objective, and fair when making decisions. A court



will most likely uphold a decision based on facts and made in good faith.

In our opinion, a taxpayer may appeal an abatement decision to Superior Court under Rule 75 of the Vermont Rules of Civil Procedure. Such an appeal would be on the record and difficult to win based on the extremely high standard that the appellant must meet. Nevertheless, because an appeal is possible, our advice is to audio record the abatement hearings so that a transcript can be created if an appeal is filed.

For more information see [VLCT's Tax Abatement](#) page.

Interest on Overdue Taxes

The voters of a town may vote to collect interest on overdue taxes. [32 V.S.A. §§ 4873, 5136 \(a\)](#). If the town collects taxes in installments, it may charge interest either from the date of each installment or only from the date of the last installment. [32 V.S.A. § 4873](#). The rate of interest may be not more than 1% per month or fraction thereof for the first three months, and not more than 1.5% per month or fraction thereof after that. The decision to charge interest and the amount of interest to be charged stays in effect until the town votes otherwise. [32 V.S.A. § 5136 \(a\)](#).

Discounts for Early Payments

When the voters of a town set the date or dates for payment of property taxes, they may also approve a discount of up to 4% for any taxes paid before that due date. The voters must set the due date and the discount at the same meeting. For example, if the voters set August 20 and November 20 as the dates for payment and allow a 2% discount, a person who pays the first installment before August 20 will get a discount (2% of the amount of that installment) and, if they pay the second installment before November 20, they will get a discount (2% of the amount of that installment). [32 V.S.A.](#)



[§ 4773.](#)

The treasurer or collector must deposit to the general fund any tax overpayment by a taxpayer who has paid by mail or electronically, provided that:

(A) the payment made was equal to the taxes due without regard to a voted tax discount; and

(B) the overpayment amount is \$10.00 or less.

If the taxpayer requests refund of such an overpayment within one year of payment, the treasurer or collector must refund it.

Note that state law ([32 V.S.A. § 5409\(8\)](#)) provides that, even if the voters approve a discount for early payment of taxes, if the town is a "sending town," for education property tax purposes, it must still pay to the state the entire amount set by the state. This means that if the town owes \$50,000 to the state in education property taxes, but it collected only \$49,000 because of a 2% discount, it would have to make up that other \$1,000 to pay the state the entire \$50,000.

Penalty for Delinquent Payment

The collector of delinquent taxes is authorized by law to charge a commission of 8% on the amount of the taxes owed. This commission is often referred to as the "collector's fee," or "penalty." Generally, an elected collector of delinquent taxes who is compensated in whole or in part by fees has discretion to charge a commission from zero up to a maximum of 8%. [32 V.S.A. § 1674\(2\)](#). However, this commission can be changed by the voters. The voters may reduce the commission, provide for a grace period, or provide for a graduated commission schedule. [32 V.S.A. § 1674\(3\)](#). An appointed collector of delinquent taxes may charge a penalty as agreed by the selectboard. When a town has voted to have its manager collect delinquent taxes,



they may charge the same fees to be collected and paid into the town treasury. [24 V.S.A. § 1236\(10\)](#).

As with interest, the penalty is due as soon as the taxes become delinquent. The penalty and interest must be collected along with the delinquent taxes, even if payment is made before the issuance of the warrant. [32 V.S.A. § 5142](#). When taxes are paid in installments, no penalty may be assessed until after the final installment is due. This contrasts with interest, which begins to accrue after each installment date. [32 V.S.A. § 4873](#).

In certain instances, the collector of delinquent taxes may waive the commission, or portion of the commission, if the collector chooses to do so. However, if the town has voted to set the compensation of the collector at a set amount to be paid in lieu of the commission, the collector must collect the commission and turn it over to the treasurer at least once a month. [24 V.S.A. § 1530](#).

Tax Bills

The selectboard is responsible for making out and delivering the tax bills to the tax collector or to the treasurer, if that officer is also the tax collector. [24 V.S.A. § 1521](#); [32 V.S.A. § 4791](#). The tax bill must comply with the description in [24 V.S.A. § 1521](#). A warrant must be made out for each bill.

A property listed in more than one name in the land records should have all of those names on the tax bill.

When the undivided real estate of a deceased person is assessed to their estate, the executor or administrator is responsible for taxes. If the property is sold or divided, the listers should be notified of the names of the new owners. [32 V.S.A. § 3654](#). Change in ownership of a property may also occur through a court order in a divorce or



annulment action. [15 V.S.A. § 754](#).

Taxpayers must be given at least 30 days' notice of the date(s) set for tax payment.

The bills must include:

- The value of the property as entered on the grand list;
- The tax rate;
- The amount of taxes due;
- The date(s) they are due; and
- Information about any discount available. [32 V.S.A. §§ 4772, 4792](#).

Please also see the Department of Taxes [explanation of property tax bills](#).

The voters may set the tax due date at town meeting. [32 V.S.A. §4773](#). If the voters fail to set the date, or if the treasurer fails to mail the notice of taxes due at least 30 days prior to the date fixed by the voters for payment of taxes, the tax due date is 30 days from the date of mailing of notice to the taxpayer automatically, by law. [32 V.S.A. § 4792](#). A town that does not vote to fix a date, time, or method of delivery for the payment of a tax must accept payment of a tax delivered or postmarked before midnight on the day established in the notice.

Current Use Program

The current use program is intended to help property owners maintain productive agricultural and forest lands. [24 V.S.A. § 3751](#). Property owners apply to the state to have their land entered into the program. If granted, they then pay tax on the value of the property at its current use value rather than at its fair market value. Prior to June 1st of each year, the director of PVR shall send each town copies of the notice describing the current use program. The town treasurer or collector of taxes shall include a copy of the notice in each tax bill where applicable. [32 V.S.A. § 3761](#).



Towns are then reimbursed by the state on November 1st for the difference in the loss of tax revenues according to calculations described in [32 V.S.A. § 3760](#) and made by PVR. Reimbursement may be for the whole amount or, if insufficient funds are available, on a proportionate basis. Decisions of the director may be appealed in the same manner as tax appeals are made from the board of civil authority.

All records about current use property owners and their properties in the program are subject to the open records law. [32 V.S.A. § 3763](#).

Warrants for Delinquent Taxes

Within 15 days after the date on which the final installment is due, the treasurer must issue to the collector of delinquent taxes a warrant against the delinquent taxpayers in the amount of taxes remaining unpaid. This warrant remains in effect until all taxes on it are fully paid or otherwise discharged. A town may vote to have the treasurer issue the warrant for delinquent taxes within less than the 15-day period. Such vote shall remain in effect until the town votes otherwise. ("Days" here means calendar days, not just business days.) [32 V.S.A. § 4793](#). In any case, the collector of delinquent taxes may then proceed to collect those taxes. [32 V.S.A. § 4874](#).

The question arises whether the treasurer must issue a warrant to the collector of delinquent taxes if the treasurer and collector are the same person. Although it may seem like unnecessary busy work, the warrant should be prepared (and delivered to yourself) and properly filed or recorded since it is part of the paper trail needed for tax collection. The lack of evidence of any prescribed step in the process may result in problems with collection or in a court challenge later.

Note that if the treasurer omits the name of a delinquent taxpayer and/or the amount due when issuing the warrant, the treasurer may issue an additional warrant within one year from the date upon which the taxes became delinquent. This means that the



collector of delinquent taxes may receive more than one warrant from the treasurer each year. Each warrant received authorizes the collector to proceed with collection, and to charge and collect an 8% commission for doing so. [32 V.S.A. §§ 4794, 1674\(2\)](#).

In towns where both the current and delinquent taxes are paid to one "collector of taxes," that collector may apply the 8% commission on all taxes collected after the final due date as long as the appropriate 30-day notice of the tax due date had been given.

[State law](#) provides that, prior to issuance of the warrant, the treasurer or the collector of current taxes may accept, on behalf of the collector of delinquent taxes, full payment of the overdue tax so long as that payment is accompanied by the 8% collection fee and the interest due. All taxes, fees and interest so collected shall then be turned over to the collector of delinquent taxes. (Admittedly, this looks rather silly, as the collector then gives all the money back to the treasurer. However, the reason that it must go through the collector of delinquent taxes and then back through the treasurer is because personal income tax and FICA (Federal Insurance Contribution Act) must be withheld from the amount which goes to the delinquent tax collector.

Tax Exemptions

There are statutory property tax exemptions, which are usually interpreted by the listers when they are valuing the properties in town. [32 V.S.A. Chapter 125](#). There are also tax exemptions, which towns may approve, either by public vote or by authority given to the selectboard by the voters. For example the voters may:

- exempt charitable and fraternal organizations. [32 V.S.A. § 3840](#);
- approve tax stabilization agreements. [32 V.S.A. §§ 3834, 3846](#); [24 V.S.A. § 2741](#);
- exempt factories, quarries and mines. [32 V.S.A. § 3834](#); and
- exempt airports. [32 V.S.A. § 3837](#).



Note that some of these exemptions apply to town taxes but do not apply to the education property tax grand list. [32 V.S.A. §§ 5404, 5404a](#). This means that if a town exempts a property from taxation, but the statutes say that such exemption does not apply to the education grand list, then the town's total education tax liability will be based on the grand list minus that property. As a result, owners of all of the other properties in town must be taxed enough extra to compensate for the loss of taxes on the exempt property.

For more information on exemptions see the Department of Taxes' [Lister and Assessor Handbook](#).

The Absconding Delinquent Taxpayer

If the treasurer or tax collector believes that a taxpayer whose taxes are unpaid is leaving town, they may file a civil action to collect the taxes or the treasurer may proceed using a warrant issued under authority of [32 V.S.A. §§ 4796, 4875](#).

The Tax Year

Property is treated as if it is appraised or valued as of April 1 of each year. Any proration of taxes is presumed to be based on that date. [32 V.S.A. § 4041](#).

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Treasurer's Role in Budget Development and Management

Development of the Budget

The treasurer plays a critical role in developing the municipal budget, as accurate financial records form the foundation for effective budget planning. A budget is not just a set of numbers but a reflection of the town's priorities, fiscal health, and vision for the future.

Some key steps to take when developing the town budget are:

1. **Review the prior year's financial performance - including year end fund balance by category.**
2. **Understand the prior year's income and its sources** - Where is the revenue coming from (local taxes, state aid, grants, etc.) and how consistent are these sources? Are there any changes expected for the coming year?
3. **Review prior year's expenses** - Review actual expenditures and identify any overages or savings that may affect next year's planning. These trends will guide how you allocate resources for the next budget.

Types of Accounting

Cash, Modified Accrual, and Accrual - There are three main types of accounting that towns use: cash basis, modified accrual, and accrual. Each type works a bit differently



and gives a different picture of the town's finances. Please note that GASB requires the use of modified accrual accounting for fund accounting and full accrual accounting for governmental activities, and this is also the standard practice followed by any CPA.

- **Cash Basis Accounting:** Basis of accounting that recognizes transactions or events when related cash amounts are received or disburse. (GASB Codification Section 1600.102). The town records income when it's actually received and expenses when they're paid. While this method is still used by some towns, it doesn't give the full picture of the town's financial health, specifically when it comes to long-term investments or debts.
- **Modified Accrual Accounting:** This is the method that GASB (Governmental Accounting Standards Board) requires for fund accounting (such as a general fund). You can think of it as a middle ground between cash basis and accrual. It is a method of accounting that modifies the accrual basis of accounting in two important ways: 1) revenues are not recognized until they are measurable and available and 2) expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when that liability is first incurred (if earlier). (GASB, Codification Section 1600.105) (GFOA, GAAFR 2024 F-34). The town records revenue when it's available and measurable (usually when a tax or payment is expected), and expenditures when they are due, even if they haven't been paid yet. This gives a better idea of the town's financial health and obligations, especially for day-to-day operations.
- **Accrual Accounting:** A method of accounting that recognizes the financial effect of transactions, events, and interfund activity when they occur, regardless of the timing of related cash flows. (GASB codification Section 1600.102-.104) Accrual accounting records revenue when it is earned and expenses when



incurred, regardless of when money actually changes hands. This provides the clearest picture of the town's financial status, especially for long-term assets like buildings and equipment, and long-term debts.

- **Modified Cash:** A hybrid accounting method that blends aspects of both cash and accrual accounting. Under this method, routine revenues (like taxes and fees) and expenditures (such as payroll and supplies) are recorded when cash is received or paid. However, certain transactions—especially those involving long-term assets like buildings and equipment—are handled on an accrual basis. For example, rather than recording the full cost of a capital asset when purchased, the cost is spread out over the asset's useful life through depreciation. This approach provides a more accurate picture of financial position while keeping day-to-day accounting relatively simple.

Many Vermont towns continue to operate on a cash-basis accounting system, where revenue is recognized when received, and expenses when paid. However, if the town anticipates receiving federal or state funding, or has long-term liabilities, it will likely be necessary to update accounting systems and practices to align with GASB standards. This will help provide a more accurate reflection of the town's financial position. Additionally, most lenders and grant agencies require a recent independent audit of financial statements, which must be prepared in accordance with GASB standards. This shift would provide a more accurate picture of the town's financial position, especially for capital assets and long-term debt.

Capital Plan

Long-Term Planning: A critical component of the budget, the capital budget addresses long-term investments such as infrastructure, public buildings, and other significant assets. Even if your town is on a cash basis, consider systematically tracking the age, condition, and maintenance schedules of capital assets to better



plan for future expenses.

Managing Long-Term Debt: Examine any outstanding debt obligations. Are payments up-to-date? Do you need to plan for refinancing or new borrowing? Be sure to integrate any debt-related decisions into the long-term planning process, keeping in mind GASB guidelines for debt management.

List/Value of Capital Assets: Review the town's capital assets and their estimated useful life. Tracking these assets can help you plan for future expenditures and may help you align with GASB's guidance on capital asset management, even if you continue using a cash basis.

Key Questions Your Selectboard Should Address

- Is the proposed budget in line with the town's long-term vision, as outlined in the town plan and capital budget? Are capital investments prioritized appropriately?
- Have you properly categorized your fund balance categories? This will help you address any deficits or surpluses from the prior year. Consider whether these affect your budgeting assumptions for the current year.
- Is borrowing needed and are the appropriate articles drafted for town meeting? Do you need to have an independent audit completed to secure funding? Are the financial implications of new debts understood?
- Can you explain the pros, cons, and cost-effectiveness of potentially controversial items in the budget? Transparency and clarity on these issues can increase support for the budget.
- Have you consulted other town officials—such as department heads, the school board, and community groups—to ensure that their concerns and needs are addressed?



- What is the outlook for local taxes and other revenue sources? How will state or federal funding trends impact the town's financial situation
- Have you communicated with the school board or other entities about joint problems or opportunities, such as shared services or funding needs?
- Are there any urgent needs or problems that require immediate attention in this year's budget? This could include emergency repairs, legal issues, or unexpected expenses.
- Are there any new state or federal regulations or funding changes that will impact the town's budget?
- Would you support this budget if someone else presented it to you? Always keep in mind the importance of transparency and accountability to voters.

Town Budget and General Laws

When a town adopts a budget, it may do so by voting an amount of money *or* a rate on the dollar of the grand list. [17 V.S.A. § 2664](#). The budget vote shall be a floor vote of yeas and nays unless the town has voted to use the Australian ballot system for the budget vote. [17 V.S.A. § 2680 \(c\)](#). Once the town votes to adopt its budget by Australian ballot, it shall continue to do so until it votes otherwise. When budget and/or other public questions are voted by Australian ballot, a public informational meeting on those questions as mandated in [17 V.S.A. § 2680 \(h\)](#) must be held. The treasurer may be the person best equipped to answer many of the questions that arise about budget and finance at that meeting. However, each town must decide who will explain the budget at that meeting and how it will be presented.

If the town budget is rejected by an Australian ballot vote, a new budget must be prepared and proposed. The re-vote shall have at least seven days' notice, shall be by Australian ballot and shall be held at the same places as the original vote. [17 V.S.A. § 2680 \(c\)](#).



The general law on reconsideration or rescission of a vote is that an article cannot be reconsidered at the same meeting after discussion of other matters has been begun. [17 V.S.A. § 2661 \(a\)](#). Practically speaking, this rule is only applicable to open town meetings with voting from the floor. Regardless of the method of voting, reconsideration of an article can be done at one subsequent meeting within the next 12 months by motion of the selectboard or by petition of the voters. However, if the original budget was rejected and the subject for reconsideration is the budget (either with or without different dollar amounts), there is no limit on the number of reconsiderations that may be held until a budget is finally adopted. *Santi v. Roxbury Town School District*, 165 Vt. 476 (1996).

Highway Budget

The statutes specifically highlight appropriating money for highways. For example, [17 V.S.A. § 2664](#) refers to money “appropriated for ... highways and for other necessary town expenses.” Even so, there need not be a “highway fund” voted on as separate from the general fund, although highway funds should still be accounted for separately.

State highway aid will not be granted unless the town annually appropriates “at least \$300.00 per mile of class 1, 2 and 3 town highways” and complies with all of the provisions of [19 V.S.A. Chapter 3](#). [19 V.S.A. §§ 307, 308](#).

State aid for highways is appropriated according to the scheme in [19 V.S.A. § 306](#). Aid based on number of miles of highways is distributed quarterly. Annual appropriations are also available that must be applied for. They are usually awarded on a rotating basis to the various towns that apply or as emergency funds for disasters. Such grants may require matching funds from the towns. [19 V.S.A. § 309b](#).



Budget Deficit

When towns incur a deficit, there are several ways to retire it. First, the selectboard may opt to convert the deficit to a debt by issuing municipal bonds for that amount. [24 V.S.A. § 1771](#). Second, the voters may approve a deficit liquidation tax that will generate funds to pay it off. [24 V.S.A. § 1523 \(a\)](#). Finally, the selectboard, “when making up the next annual tax bill, shall add thereto a tax of five percent or such multiple of five in addition to the tax vote already authorized by law, to be levied on the grand list as will provide sufficient revenue to liquidate such deficit.” [24 V.S.A. § 1623 \(a\)](#). This third option is mandatory if neither of the other methods is used

Budget Surplus

GASB uses the term excess revenues over expenditures to describe a surplus. Avoid treating a surplus as a 'slush fund' for unplanned or special projects. Any use of surplus funds should be transparent and aligned with community priorities. Naturally, the amount of money voted balanced against the actual amount of money expended does not come out to the penny at the end of the fiscal year. Towns that operate on a calendar year are essentially spending money they don't have from January 1 to Town Meeting Day. School districts and towns that are on a fiscal year of July 1 through June 30 do not know at the time of their March meetings whether they will have a surplus or deficit as of June 30. Even though voters may or may not formally vote on a year-end surplus, towns can promote transparency by using fund balance categories and clear financial reporting to show voters how any surplus is classified and what it may be used for.

State law authorizes the selectboard to control unexpended monies from a budget approved by the voters at town meeting. Specifically, the law says:



"Monies from a budget approved by the voters at an annual or special meeting that are not expended by the end of a municipality's fiscal year shall be under the control and direction of the legislative body of the municipality and may be carried forward from year to year as an unassigned fund balance. Unassigned fund balances may be invested and reinvested as are other monies received by a town treasurer and may be expended for any public purpose as established by the legislative body of the municipality." 24 V.S.A. § 1585. GASB standards, as outlined in GASB Statement No. 54, define Unassigned Fund Balance as one of five fund balance categories that describe the level of constraint on how excess revenues over expenditures may be used. Fund balance, including the unassigned portion, should be managed in accordance with Selectboard policy, such as through a Fund Balance Policy. Please see our [financial policies](#) to find the appropriate model to use. While the Selectboard has authority over these monies under Section 1585 and does not require voter approval to expend them, maintaining transparency and accountability is best achieved when fund balance activity is properly accounted for and incorporated into the annual budget process.

In addition, the Government Finance Officers Association (GFOA) recommends that general-purpose governments maintain an unassigned fund balance of no less than two months of regular operating revenues or expenditures, and that a formal policy be adopted to define appropriate fund balance levels. See [Fund Balance Guidelines for the General Fund](#).

Governmental funds (such as the general fund) use modified accrual basis of accounting, which has a near-term focus and excludes long-term assets and liabilities. Modified accrual basis of accounting uses fund balance to represent equity (e.g., assets - liabilities = fund balance). However, that is not the full story of fund balance. It is further categorized to indicate the degree of spending constraints. When assessing the near-term financial position, it's important to determine whether the general fund has an adequate "fund balance" to act as a buffer for contingencies.



While non-spendable and restricted fund balances are part of the overall fund balance, they are not directly relevant to this specific evaluation. Therefore, the focus for analyzing the adequacy of fund balance in the general fund needs to be unrestricted fund balance which is: committed fund balance + assigned fund balance + unassigned fund balance. Often lenders and credit agencies (like the Vermont Bond Bank) use a more conservative analysis looking at the assigned + unassigned fund balance totals (leaving out the committed portion of fund balance).

The [Government Finance Officers Association](#) (GFOA) recommends maintaining at least two months of operating expenses as unassigned fund balance to address unexpected financial hardships.

There are five categories of fund balance: non-spendable, restricted, committed, assigned and unassigned. ([GASB Statement No. 54](#))

1. **Non-spendable:** Funds that cannot be spent because they are either not in spendable form (e.g., inventory or prepaid items) or are legally required to remain intact (e.g., principal of an endowment). Example: salt inventory for winter road maintenance.
2. **Restricted:** Funds constrained for specific purposes by external entities, such as creditors, grantors, or laws and regulations. Example: federal or state grants that specify eligible uses.
3. **Committed:** Funds designated for specific purposes through formal action by the town's "highest level of decision-making authority." Unlike assigned or unassigned fund balance, the commitment remains in place until the same formal action is taken to remove or change it.
4. **Assigned:** Funds intended for specific purposes but not formally restricted or committed. This intent can be established by the governing body or a delegated authority (e.g., selectboard, manager, budget committee).
5. **Unassigned:** The residual balance available for any purpose within the general fund. Only the general fund can report a positive unassigned fund balance.



Money that has been put into reserve funds does not count as a surplus (and would most likely be considered committed fund balance). Essentially, the voters have already obligated that money when they voted it into a special fund for a specific use. The money stays in that fund, carries over from year to year, and may be spent by the selectboard for its approved purpose or re-appropriated by the voters. \

Explaining the Budget

The budget should be presented in a clear and accessible format to ensure transparency and foster trust. The success of the budget is heavily influenced by the perception of the voters; if they feel the process lacks clarity or is deceptive, it could undermine support. Additionally, the selectboard, treasurer, and other relevant officials must be prepared to address any questions or concerns. This is particularly crucial in towns that still hold traditional town meetings with voting from the floor, where voters have the ability to amend the budget—either by increasing or decreasing amounts, sometimes quite dramatically.

There are, however, limits to how far up the budget can be amended. According to Robert's Rules of Order, a motion is not valid unless it is germane to the warned article. **The farther you stray from the warned amount of the budget, the more difficult it is to argue that the motion amending that amount is germane.** But in towns that vote by Australian ballot, disgruntled voters can only reject the budget if they do not get answers to their questions at the informational meeting.

A common question from voters is, "How will this affect my taxes?" For instance, if there's a proposal to spend \$50,000 to expand the firehouse, people will want to know the impact on their tax bills. It's important for the treasurer or selectboard members to explain how this additional \$50,000 will affect the tax rate, and provide specific examples, such as how much a homeowner with a \$30,000 mobile home or a \$250,000 house would likely see their taxes increase. Offering these details can help



voters better understand the financial impact of the proposal.

Someone may ask, "why isn't the existing firehouse adequate?" It's important for a fire and rescue official to be present to provide a clear and well-reasoned explanation for why the current facility no longer meets the needs of the community.

Capital Budget

A [capital budget](#) may be [adopted](#) by the selectboard with or without input from the planning commission. A capital plan is a long-term financial strategy for managing a municipality's or school district's significant infrastructure and equipment needs. It identifies and schedules major capital expenditures—such as road repairs, facility renovations, or large equipment purchases—over a multi-year period. The goal is to ensure that these substantial investments are made in a financially sustainable manner, allowing time to save, fund, or finance them without negatively impacting the annual operating budget or causing sudden spikes in tax rates. Both GFOA and GASB stress the importance of predictability and stability in municipal finance, and a well-developed capital plan helps achieve these objectives by spreading the costs of large projects over several years, ensuring steady tax rates and informed decision-making.

For example, if the town looks at its long-term debt and its anticipated big capital expenses (new highway equipment, renovations of town building, expansion of the water/sewer system, etc.) over a five-year period, it can plan to pay off one debt before taking on a new one, barring sudden unanticipated expenses. This allows time to accumulate money in a reserve fund for an anticipated purchase and avoids large "bumps" in the budget caused by the need to purchase a new grader and a new dump truck in the same year.

If the town and school district can each develop a capital budget and then integrate them so that big expense items for the two entities can be staggered, the total annual



tax load can be kept fairly level and taxpayers will be more likely to trust the process and to approve budgets.

A solid capital budget is based on accurate and comprehensive information. This includes not only technical knowledge about equipment, construction costs, and interest rates, but also reliable financial records from past years. Municipalities should maintain an inventory of their assets, including infrastructure, to assess their value, condition, and depreciation. This inventory is crucial for forecasting future replacement needs and associated costs, ensuring that the capital budget reflects both current realities and long-term financial planning needs. By maintaining this level of transparency and detail, towns can better predict future capital expenditures and avoid unexpected financial burdens. It also allows the community to follow along in the process enhancing transparency and minimizing the likelihood of surprises.

Calendar Year Versus Fiscal Year

Budgeting

Vermont law mandates that school districts operate on a fiscal year of July 1 through June 30 but allows towns to operate on a calendar or fiscal year. [24 V.S.A. § 1683](#). Of the 244 responses to VLCT's 2021-2022 Compensation and Benefits Survey, 154 towns reported that they operate on a fiscal year budget from July 1 through June 30, and 90 towns operate on a calendar year budget. Towns wishing to change from a default calendar year budget cycle to a July through June fiscal year budget cycle may use the following information to guide the process.

Before getting too far along in the process, towns should consult their governance charter to ensure the budget cycle is not explicitly defined. In the case that it is, a charter change would also be required to make the conversion. Reasons to maintain the status quo of a calendar year budget cycle may include inertia, or "we've always



done it this way." Simply put, if town officers and voters have become accustomed to the calendar year budget cycle and there is no pressing need or desire to switch, it may be easier for the town to continue as is. The transition period will require preplanning and likely a special town meeting to vote on the change and/or the transition budget.

There are, however, clear advantages to operating on a fiscal year budget cycle, such as:

- The school and town will be on the same budget schedule; thus, they should be able to better plan their expenditures concurrently, such as capital projects.
- Having the school and town on the same budget cycle also aligns the time period covered by property tax bills including both municipal and school taxes.
- The town voters get to approve the budget in March for the tax year that starts in July. Therefore, no operating expenses are incurred before budget approval. This is in contrast to the calendar year basis in which the town operates from January 1 until town meeting with no budget in place.
- In the event of a failed budget on town meeting day, there is time to have a second vote prior to the new fiscal year starting, further ensuring no operating expenses are incurred before a budget is approved.
- Both Independent and Elected Auditors will have more time to perform their duties between July and the publication of the Annual Report after the new year.
- Winter highway maintenance costs are in a single-year budget cycle.



- The town's fiscal year will coincide with the state's fiscal year for highway and other funding.
- The end of the calendar year is a hectic time for payroll reporting. Moving the end of the fiscal year to June will help relieve the pressure on finance staff.
- Operating on a July to June fiscal year, allows for the final cash flow report detailing reconciled amounts due for education taxes to be finalized within the same budget cycle they are billed.

There are two steps in the transition. First, the voters must authorize the change from calendar year to fiscal year. After that is complete, the town will prepare a transitional budget covering either a six-month or eighteen-month period for the voters to vote on. This transitional budget will bridge the gap between the calendar year and fiscal year. Whether to opt for a six-month or eighteen-month transitional budget will depend on circumstances within each town. For example, for a town that collects taxes only once per budget year having eighteen months of property taxes on one tax bill may not be palatable for the selectboard or the taxpayers.

Having a well-designed transition plan written in clear language that is easily and readily communicated to voters and taxpayers will make the transition much smoother.

Logistics for Setting Up the Transition:

1. The first step in changing from a calendar year to a fiscal year is to vote at an annual or special meeting to do so.
 1. State statute governs the way (from the floor or Australian ballot) your town votes on the question of changing its fiscal year. The default method of voting is from the floor, but if your town votes to decide this question by



Australian ballot or if it has already voted to decide all public questions by that method, then the vote must be by Australian ballot. Any change will remain in effect until amended.

2. This first vote is just to authorize the change and not to also approve a budget. Although no specific statute applies, it is reasonable to conclude from similar voting situations that the town must vote on whether to switch over to a fiscal year at one meeting and then vote on the actual budget at a subsequent meeting.
2. The second step is to hold a vote at a subsequent town meeting to adopt the transitional budget for either a six-month period or an eighteen-month period. The purpose of a transitional budget is to cover the January through June gap that occurs when switching from a Jan - Dec period to a Jul - Jun period.

Six Month Transitional Budget

A six-month transitional budget would work as follows:

- January 2022 - December 2022: Default Calendar Year Budget
- January - June 2023: Transitional Budget
- July 2023 - June 2024: First Fiscal Year Budget

See below for a sample timeline

| Public Meeting | Action(s) |
|----------------|-----------|
|----------------|-----------|



| | |
|---------------------------|--|
| March 2022 Annual Meeting | Vote to Approve the 2022 Calendar Year budget as normal |
| | Vote to Approve the switch to Fiscal Year budgeting |
| Fall 2022 Special Meeting | Vote to Approve the Jan – Jun 2023 Transitional Budget |
| March 2023 Annual Meeting | Vote to Approve the Jul 2023 – Jun 2024 Fiscal Year Budget |

Benefits

- Shorter transition time from calendar year to fiscal year.
- Total expenditures on a six-month budget will be much lower than the eighteen-month budget which may be more acceptable to voters.
- If a town already collects taxes twice per year the six-month tax bill won't look much different from the annual tax bill.

Challenges

- Requires the Selectboard to call a special town meeting to vote on two separate budgets within a few months, which usually means increased election and administrative costs.
- Taxpayers accustomed to seeing one tax bill per year will receive two – one for the transition period and one for the first full fiscal year – all within the same calendar year.



- With either approach, ensure that extra attention is given to how the school taxes are included on the property tax bill. It is imperative that taxes covering a specific time period are not billed twice or equally as challenging, inadvertently not billed at all.

Eighteen-Month Transitional Budget

An eighteen-month transitional budget would work as follows:

- January - December 2022: Default Calendar Year Budget
- January 2023 - June 2024: Transitional Budget
- July 2024 - June 2025: First Fiscal Year Budget

See below for a sample timeline

| Public Meeting | Action(s) |
|--|--|
| March 2022 Annual Meeting | Vote to Approve the 2022 Calendar Year budget as normal |
| | Vote to Approve the switch to Fiscal Year budgeting |
| Fall 2022 Special Meeting or March 2023 Annual Meeting | Vote to Approve the Jan 2023 – Jun 2024 Eighteen-Month Transitional Budget |
| March 2024 Annual Meeting | Vote to Approve the Jul 2024 – Jun 2025 Fiscal Year Budget |

Benefits



- Special Fall meeting may not be required if the eighteen-month budget is voted on at the regular annual meeting.

Challenges

- Longer transition time from calendar year to fiscal year.
- Total expenditures on an eighteen-month budget will be much higher than voters are accustomed to seeing on a regular twelve-month budget which may lead to confusion and misperception for voters unaware of the reason for a longer budget period.
- If the town collects taxes once per year, a tax bill covering eighteen months may be unmanageable for taxpayers.

With either approach, ensure that extra attention is given to how the school taxes are included on the property tax bill. It is imperative that taxes covering a specific time period are not billed twice or equally as challenging, inadvertently not billed at all.

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Borrowing

While the selectboard is ultimately responsible for making borrowing decisions, often the treasurer (especially in towns with little to no support staff) is essential in coordinating these borrowing activities and making recommendations. Read below to learn more about municipal borrowing.

Bonding

Municipal corporations may borrow money in several different ways, sometimes depending upon the type of town. Borrowing by bonding is available to the many types of municipal corporations listed in [24 V.S.A. § 1751 \(a\)](#), which includes towns, cities, villages, and school districts. Bonding is not available for ordinary operating expenses but may be used for “improvements,” as defined in [24 V.S.A. § 1751 \(3\)](#).

An interesting statute allows a town to issue bonds for “capital improvements to any *privately-owned town-supported library* situated within the municipality for use of residents....” (Emphasis added.) [24 V.S.A. § 1752a](#).

Money borrowed by bond should be used first for the purpose for which it was borrowed. However, if it is not used or if there is money left over after that purpose has been accomplished, the voters may then vote to spend the money on another project for which they have the power to bond. For example, if the town borrows \$25,000 to purchase new land for a town garage and \$6,000 is left over from that project, the voters could approve the use of that \$6,000 for improvements to the town offices. If money is left over that is not approved by the voters for another use, it automatically goes towards paying off the principle on the bond. [24 V.S.A. § 1753](#).



Any vote on bonding or alternative uses of money already borrowed by bonding must follow the process described in [Chapter 53 of Title 24](#) of the Vermont Statutes Annotated and be done by Australian ballot vote. [24 V.S.A. § 1758](#).

The Vermont Municipal Bond Bank exists to assist towns in having access to bonds at the lowest possible cost. In order to obtain financing through the Bond Bank, a town must have voter approval, a favorable opinion from local bond counsel and a recent audit by an independent certified public accountant. For information, contact the [Vermont Municipal Bond Bank](#). The law regulating the Bond Bank is in [24 V.S.A. Chapter 119](#).

Short-Term Borrowing Without Bonding

Towns may borrow through non-bond debt instruments in order to pay for public improvements or to purchase capital assets. The term of such debt may not exceed the reasonably anticipated life of the improvement or asset. [24 V.S.A. § 1786a](#). For example, the debt for purchase of a highway truck, which usually must be replaced in four years, could not extend for more than four years, whereas a loan to add on to the town office could have a longer term.

The selectboard has authority to borrow money to purchase tools and equipment necessary for the repairs of highways and bridges without voter approval. See [24 V.S.A. § 1786a](#) and [19 V.S.A. § 304\(a\)\(3\)](#).

If such a non-bonded debt will be financed for five years or less, it can be approved by the voters at an annual or special meeting. If it is to be financed for more than five years, the procedural bonding requirements of [24 V.S.A. §§ 1755-1757](#) must be followed. [24 V.S.A. § 1786a](#), and there must be an Australian ballot vote.



Alternative Financing of Personal Property, Fixtures, Technology, and Intellectual Property

[24 V.S.A. § 1789](#). The selectboard may enter into leases, lease-purchase agreements, installment sales agreements, and similar agreements to acquire assets for the municipality either singly or as a participant in an interlocal contract. Such agreements, however, must contain a "non-appropriation clause" that states that the municipality's annual payments must be approved by the voters.

Borrowing in Anticipation of Taxes

The selectboard of a municipal corporation may borrow money to pay current expenses by the issuance of short-term (less than one year) notes or orders. [24 V.S.A. § 1786](#). Note that no voter approval is necessary to borrow in anticipation of taxes, although many towns request voter approval via town meeting articles.

A town may also borrow money in anticipation of taxes, up to 90% of the taxes assessed, and fund them through short-term (less than one year) notes or orders. [24 V.S.A. § 1786](#).

Town and School District Borrowing from Each Other



The school board may borrow from the general town fund and the selectboard may borrow from the school fund, without interest, with the approval of the other board. These loans must be secured by signed notes and are payable on demand or within three months from the date of issue. [16 V.S.A. § 429](#).

Note: This does not mean that the town can slyly shift some of its expenses over to the school district in order to get the state education fund to pay them. If the commissioner of Education determines that the town has shifted expenses to the school so that state education fund has been used for non-education purposes, the town treasurer has 90 days to correct the error by paying the money back. The decision of the commissioner may be appealed to the state Board of Education, then to the superior court and ultimately to the Supreme Court. [16 V.S.A. § 4029](#).

The school district must report to the commissioner each year the amount of money it paid to or received from the town, including those for legitimate expenses and any property or in-kind services. [16 V.S.A. § 4029 \(f\)](#). "Legitimate items of current educational expenses" for which the school district may pay the town include reasonable payments for services performed for the school district by the municipal treasurer, clerk, or auditors. [16 V.S.A. § 4029\(e\)](#).

Tax Increment Financing

[Twenty-four V.S.A. §§ 1891-1904](#) gives Vermont selectboards the authority to designate tax increment financing districts within their towns. Such a district can be utilized by a town to raise tax revenues targeted for improvements within (in whole or in part) the district.

The district works like this: on the first year of its existence, the town's listers or assessor certifies the assessed valuation of all taxable real property within the district. This value is called the *original taxable value* (OTV), and the listers or assessor annually



certifies to the selectboard whether this value has increased or decreased, and the proportion which any such increase bears to the total assessed valuation of the real property for that year or the proportion which any such decrease bears to the original taxable value. The tax rate for that district is calculated (for each of the next 10 years) based on the grand list using the OTV. If the value of the properties increases, the taxes gained from this increase (the "tax increment") are reserved in a special fund by the treasurer for use in the district directly or for debt service on bonds issued for district improvements.

While tax increment financing districts are not widely used by Vermont towns, they are helpful in certain situations. Finally, towns that have tax increment financing districts under [24 V.S.A. Chapter 53](#), subchapter 5, may apply to the Vermont Economic Progress Council (VEPC) to expand these districts and to collect and use the taxes collected. [32 V.S.A. § 5404a\(f\)](#).

Borrowing in response to emergencies for up to five years of debt service.

In the wake of flooding and other all-hazard events, municipalities cannot wait for FEMA reimbursements to come before rebuilding vital town infrastructure or restoring municipal services. State law now allows municipalities to take on debt for up to five years without a town vote in the case of an all-hazards event.

For information on reasons the selectboard can borrow without prior voter approval, please also see our resource ["When Can the Legislative Body Borrow Money Without Voter Approval?"](#)

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