

***VILLAGE OF
LYNDONVILLE VERMONT
ANNUAL REPORT***



For the year ending:
December 31, 2003

ANNUAL REPORT
OF THE
OFFICERS OF THE
VILLAGE OF LYNDONVILLE
VERMONT
FOR THE
YEAR ENDING DECEMBER 31, 2003

Cover Photo: January 2004 was the eighth coldest January on record. With many mornings in a row of well below zero temperatures, chimney steam was a common sight in the Village. This photo, taken from Harris Hill, looks east to the municipal office building and surrounding Park Ave. homes.

Photograph by Kenneth Mason

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VILLAGE OF LYNDONVILLE

VILLAGE OFFICERS

Moderator	Alfred Toborg	2004
Clerk & Treasurer	Lisa J. Barrett	2004
Trustees	Oralie Lefaiivre	2004
	Timothy Gaskin	2005
	Thomas Loomis	2006
	Randy Amadon	2007
	Donald Blake	2008
Auditors	Marie Hemond-Dinsmore	2004
	Ronald Smith	2005
	Pamela Comeau	2006
Delinquent Tax Collector	Linda C. Lee	2004
Village Agent	Joe Benning	2004

APPOINTED BY THE TRUSTEES

Municipal Administrator	Arthur Sanborn	626-5834
Village Street & Water Supt.	Scott D. Townsend	626-5468
Electric Department Manager	Kenneth C. Mason	626-3366

TOWN AND VILLAGE JOINT PLANNING COMMISSION

Ex Officio	Board Members	
Bruce James	Jerald Fournier	2004
David C. Dill	Joe Newell	2004
Martha Feltus	Louis Josselyn	2004
Thomas Loomis	Dennis Sweet	2005
Randy Amadon	Pauline Harris	2005
Donald Blake	Keith Johnson	2005
Oralie Lefaiivre	Jeanne Elliott	2006
Timothy Gaskin	Sara Simpson	2006
	Tim Sturm	2006

Zoning Administrator	Justin M. Smith	626-1269
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VILLAGE OF LYNDONVILLE

Incorporated December 24, 1880

Population 2000 U.S. Census 1227
(1990 - 1255; 1980 - 1409; 1970 - 1415; 1960 - 1477; 1950 - 1506)

2003 Grand List \$403,549.40

2003 Tax Rate:

Village General		0.97	
School District - State Share	1.26		
- Local Share	<u>0.36</u>	1.62	
Town General		<u>0.33</u>	
Total Village Tax Rate			\$2.92

Road Mileage:

State Highways (U.S. Route 5)	0.463 miles
Class I Highways	1.337 miles
Class III Highways	5.250 miles
Class IV Highways	<u>0.020</u> miles
	7.070 miles

Altitude (Above mean sea level) 720 feet

Lyndonville Village Clerk's Office Information:

P.O. Box 167
119 Park Avenue, Lyndonville VT 05851
Telephone Number: 802-626-5785/FAX 802-626-1265
Office Hours: Monday-Friday 7:30 AM to 4:30PM

Note on Dated Billings:

Please note due dates of tax and utility bills as printed on your bills. The office day ends at 4:30PM. Payments placed in the outside drop box after that time will be credited the next business day, and will if then past due, be assessed a penalty.

AUDITORS' REPORT

In accordance with Title 24, Sec. 1681 of the V.S.A., we have verified the existence of stated cash balances, inspected all securities and examined the accounts and records of Village Officers. To the best of our knowledge, the accompanying financial statements and reports of receipts and disbursements for the Village of Lyndonville present an accurate record of funds handled in the year then ended.

Gene Aronoff
Alice Claffin
Pamela Comeau
Marie Hemond-Dinsmore
Karen Noyes
Ronald Smith

DEADLINES FOR 2004

March 16	ANNUAL VILLAGE MEETING Municipal Office Building Gymnasium at 7:00 PM
April 1	Last day to license dogs.
November 5	Last day to make 2004 tax payments without penalty and interest assessment.

DATES THE CLERK'S OFFICE IS CLOSED

January 1	New Year's Day
February 16	Presidents' Day
March 2	TOWN MEETING
May 31	Memorial Day
July 5	Independence Day Holiday
September 6	Labor Day
November 11	Veterans Day
November 25 & 26	Thanksgiving Day Holiday
December 24	Christmas Holiday

IMPORTANT MEETING DATES

The Selectboard and Board of Trustees meet alternate Monday nights at 6:00 PM and 6:30 PM in the Conference Room of the Municipal Office Building.

The Planning and Zoning Board meets the first and third Thursday of the month at 7:00 PM in the Conference Room of the Municipal Office Building. Notices of these meetings, including agenda, are published in the Caledonian-Record 16 days prior to the meeting date.

Trustees' Report, 2003

We can all be proud of the quality work our Village employees perform. Our streets and parks are extremely well kept and beautiful. This year, we improved our flowerbeds in Bandstand Park. Special thanks go to Elliott's Greenhouse staff for the extraordinary physical effort and financial subsidy they put into that upgrade.

In response to the continued vandalism to the water reservoirs we have installed fences around both reservoirs. The electronic surveillance system installed last year was integrated into the fences, giving us much earlier notice of encroachments.

The Flood Mitigation Committee, established last year, has continued to pursue funding sources to scientifically study the causes of our floods. The Committee was successful in securing \$18,500 in FEMA funding. The study will begin in the spring of 2004.

There continues to be a high demand for the use of Bandstand Park, focusing community events in downtown. Art shows, craft fairs, auctions, weddings, scouting activities, parades are all a part of a vibrant village center.

Coin drops are another popular request of area organizations. You will decide the recipients of coin drop days again this year by voting for your choices at the annual meeting.

In July, the Police Advisory Board recommended the hiring of Jack Harris as our new Chief of Police. Jack started in July, organizing policy manuals and attending The Vermont Police Academy to receive Vermont certification. In October, fully certified, he began his official policing duties. In December, the committee recommended the hiring of Briget Tweedie, a Lyndon State College graduate, to be the departments patrol officer. She is currently at the police academy working for her certification.

The fire damage done to the Lyndonville Electric Building has been repaired and the fire department is back in their old space until the new fire station is completed later this year. The new fire and police station will be on land next to Lyndonville Electric. The Village sold Land at 71-73 Main Street to the Town for \$27,500. You will be asked to vote on the use of that money at the annual meeting. Your Trustees are proposing the establishment of a tax stabilization fund.

The Water Department continues to oversee continued replacement of deteriorated lines and valves, some of which are 110 years old. This work is funded from bonds you have approved, which cover 25% of the costs. The other 75% is funded by grants from the U.S. Department of Agriculture's Rural Development program. We will continue the expensive but very necessary replacements as funding becomes available.

The Trustees value constituent input and appreciate the energy you bring to this beautiful village. Please call any trustee or the village administrator with suggestions.

Respectfully Submitted: Tim Gaskin, Chairman, Randy Amadon, Donald Blake,
Oralie Lefavre and Tom Loomis.

**TOWN OF LYNDON
PET CONTROL ORDINANCE**

1. The term "pet" under this chapter of the ordinances refers to dogs, wolf-hybrids, cats, and ferrets.

2. All pets in the Town of Lyndon shall be inoculated against rabies by a licensed veterinarian in accordance with the applicable provisions of the Vermont State Statutes.

3. No person having the ownership or control of a dog or wolf-hybrid in the Town of Lyndon shall allow that animal to continually howl, bark, whine, or otherwise act so as to continually disturb the peace of one or more persons living in the Town of Lyndon. Violators will first be warned by the Dog Warden/Animal Control Officer or a Town Issuing Official, and if the violation occurs again, the person shall be assessed a penalty of \$30 for each offense (Waiver fine \$25).

4. No person owning or controlling a dog or wolf-hybrid in the Town of Lyndon will allow that animal to act in a vicious, destructive, or harmful manner against other persons, property or animals in the Town of Lyndon.

A. Violations of this provision will result in an assessed penalty of \$150 (Waiver fine \$130), and the Selectmen may order the destruction of the animal in accordance with V.S.A. 20, Chapter 193. The person owning the animal shall be required to pay the costs incurred to humanely destroy it.

B. Upon written complaint by a legal resident of the Town that a dog or wolf-hybrid is alleged to be vicious, the Selectboard shall hold a hearing on the facts of the complaint. If the Selectmen find the animal to be vicious, they may make such order as necessary, including destruction of the animal, to protect the public.

5. All dogs and wolf-hybrids shall be confined to the limits of the property owned or leased by any dog or wolf-hybrid owner or keeper, unless that animal is on a leash in the hands of a mature person capable of handling said animal. Violators of this provision will be charged a \$25 penalty by the Dog Warden/Animal Control Officer or a Town Issuing Official for the first offense, as well as a boarding fee of \$6 per day or portion of a day if the animal is impounded. Penalties for subsequent violations of this provision are as follows with no waiver fines established:

A. Second offense within a twelve month period: \$50 plus boarding fees.

B. Third offense within a twelve month period: \$100 plus boarding fees.

C. Fourth offense within a twelve month period: \$200 plus boarding fees.

D. Fifth offense within a twelve month period: the Dog Warden/Animal Control Officer or a Town Issuing Official will notify the Selectmen of the offense,

providing records of previous offenses and actions taken. The Selectmen may order the dog/wolf-hybrid to be destroyed in a humane manner in accordance with the authority given in V.S.A. 20, Section 3807. The owner shall be required to pay the costs incurred for such destruction.

6. A dog or wolf-hybrid does not have to be caught or impounded for an owner/keeper to be penalized for a violation of the provision defined in paragraph 5. Nor does the dog/wolf-hybrid have to be caught/impounded for an owner/keeper to be penalized in the amounts outlined in paragraph 5, depending on the number of previous violations. If a Selectman, the Municipal Assistant, the Dog Warden/Animal Control Officer, or any other Town Issuing Official observes a dog or wolf-hybrid running at large in violation of the provision of paragraph 5, and if the owner/keeper of the dog or wolf-hybrid can be positively identified, the penalties cited in paragraph 5 shall apply.

7. Dogs and wolf-hybrids will be licensed, and the license will be attached to the animal's collar in accordance with V.S.A. 20, Sections 3581 and 3582. A dog or wolf-hybrid owner or keeper found in violation of these provisions of the law will be assessed a penalty of \$60 (Waiver fine \$50) and be required to (1) show evidence of rabies vaccination, and (2) properly license the dog/wolf-hybrid within five (5) calendar days. Because of the threat of rabies, the owner will be required to keep the dog/wolf-hybrid confined until licensed. This provision applies regardless of whether or not the unlicensed animal is found on the owner/keeper's property. If the owner/keeper does not license the animal within five calendar days, the Selectmen shall issue an order to destroy the animal. The owner shall be required to pay the costs incurred for destruction.

8. Dogs and/or wolf-hybrids found running at large in violation of paragraph 5 will be impounded while the animal control officer attempts to find the owner. If the animal has a license attached to a collar, the animal control officer will contact the person who secured and registered the license in the Town Office, and the penalties of paragraph 5 shall apply. If the animal is not licensed and/or the animal control officer cannot locate the owner, the animal will be released for adoption seven days from the time that the dog was impounded. The adoption fee shall be ten dollars (\$10) and will be paid to the animal control officer at the time of adoption. Once an animal has been adopted, the person adopting the animal shall be considered the owner of same and be responsible for compliance with all provisions of this ordinance.

9. Cats that appear to be abandoned or stray (based on taking up residence on a non-owner's property for at least five days) will be considered to have an unknown rabies vaccination history in accordance with V.S.A. 20, Section 3806. Such cats will be delivered by the Animal Control Officer or affected property owner to the local veterinarian and should be reported to the Town Clerk's Office. The Town Clerk will post a notice in an attempt to find the owner. Any individual who claims ownership must produce proof of rabies vaccination and pay all costs associated with boarding and medical treatment. Cats not claimed will be offered for adoption. The individual adopting a cat shall be responsible for paying for appropriate vaccinations. Cats that cannot be adopted will be humanely euthanized.

LYNDONVILLE TRASH AND LITTERING ORDINANCE

No person shall dump, deposit or throw, or cause to be dumped, deposited, or thrown, any waste or refuse material or any bottles, glass, paper, garbage, cans or other material or noxious thing of whatever nature on any public or private lands, or on or within view of a public or private parking lot, street, sidewalk, park, or building. Any person who violates any provision of this ordinance shall be subject to a fine of one hundred dollars (\$100) (Waiver fine \$85).

No person shall haul any shavings, sawdust, slabs or rubbish of any sort in the public streets or highways or any part thereof within the corporate limits of the Village of Lyndonville unless the same shall be covered or loaded properly and secured so that it will not blow, or be strewn upon the street or highway. Any person who violates this provision shall be subject to a fine of one hundred dollars (\$100) (Waiver fine \$85).

No Village property owner shall put out, or allow to be put out any rubbish onto Village streets before the afternoon prior to regularly scheduled rubbish pick-up. Violations by tenants or owner shall result in the property owner being fined thirty dollars (\$30) (Waiver fine \$25) for each violation.

EXTRACT FROM "WINTER PARKING BAN" ORDINANCE

Sec. 1. No vehicle shall be left parked on any street or highway within the limits of the Village of Lyndonville between midnight and the following seven o'clock in the morning during the period from November 1st of each year to the 15th day of April of the following year unless special arrangements for parking are made with the Village Superintendent.

Sec. 2. The parking of any vehicle in violation of Section 1 of this chapter is hereby declared to be a public nuisance, and the Village Superintendent, or some other person as appointed by the Village Trustees, may remove any vehicle so parked, or cause it to be removed by towing or otherwise, at the sole expense of the owner of such vehicle, to any public garage or other place designated by the Superintendent.

**VILLAGE OF LYNDONVILLE
MINUTES OF
2003 ANNUAL MEETING**

The 2003 Annual Meeting of the Village of Lyndonville was held as warned at the Municipal Office Building Gymnasium on Tuesday, March 18, 2003. Moderator Alfred Toborg gaveled the meeting to order at 7:00 PM and led the assembly of 23 Village voters in the Pledge of Allegiance and a prayer.

Clerk Lisa Barrett explained to the assembly that one organization had asked to have their name withdrawn from the "Coin Drop Lottery" leaving six organizations were left for the six available slots. Therefore, no "Coin Drop" ballot had been handed out upon check-in.

Article 1: To elect a Moderator and a Clerk.

Motion made by Linda Toborg, seconded by Tim Mathers, to nominate Alfred Toborg for the position of Moderator. There being no other nominations, Alfred Toborg was elected by voice vote.

Motion made by Linda Toborg, seconded by Steve Pitman, to nominate Lisa Barrett for the position of Clerk. There being no other nominations, Lisa Barrett was elected by voice vote.

Motion made by Crystel McFarland, seconded by Giselle Gaskin, to dispense with the reading of the warning. There being no discussion, the motion carried by voice vote.

Article 2: Shall the voters of the Village of Lyndonville accept the report of the auditors regarding the Annual Village Report?

Motion made by Tim Mathers, seconded by Tami Pitman, to adopt Article 2. There being no discussion, the article was adopted by voice vote.

Article 3. Shall the voters of the Village of Lyndonville vote to adopt the proposed General Fund budget (which now includes the Highway Fund) for the ensuing year?

Motion made by Linda Toborg, seconded by Shirley Banks, to adopt Article 3 in the amount of \$689,090. There being no discussion, the article was adopted by voice vote.

Article 4: Shall the voters of the Village of Lyndonville vote to assess taxes to defray the General Fund expenses and liabilities for the ensuing year, and if so, by how much?

Motion made by Steve Pitman, seconded by Tim Mathers, to adopt Article 4 in the amount of \$392,955. There being no discussion, the article was adopted by voice vote.

Article 5. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to determine rates necessary to raise said assessment based on the 2003 Grand List?

Motion made by Steve Pitman, seconded by Giselle Gaskin, to adopt Article 5. Steve Pitman was told that the grand list would not reflect the reappraisal until 2004, at the earliest. There being no further discussion, the article was adopted by voice vote.

Article 6. Shall the voters of the Village of Lyndonville vote to authorize payment of the Village real and personal property taxes to the Treasurer on or before Friday, November 7, 2003, with delinquent taxes having interest charges of one percent per month for the first three (3) months, where after interest rates will be one and one-half percent per month, and an eight (8) percent late penalty charged against them from the due date?

Motion made by Giselle Gaskin, seconded by Tim Mathers, to adopt Article 6. Tim Mathers was told that the Delinquent Tax Report is on page 29 of the Village Report. There being no further discussion, the article was adopted by voice vote.

Article 7. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to borrow money not to exceed two hundred and fifty thousand dollars (\$250,000) in anticipation of taxes and to execute and deliver the note or notes therefore?

Motion made by Tim Mathers, seconded by Giselle Gaskin, to adopt Article 7. There being no discussion, the article was adopted by voice vote.

Article 8. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to borrow money for the Electric Department not to exceed three hundred thousand dollars (\$300,000) in anticipation of revenues and to execute and deliver the note or notes therefore?

Motion made by Shirley Banks, seconded by Linda Toborg, to adopt Article 8. There being no discussion, the article was adopted by voice vote.

Article 9. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to borrow money for the Water Department's normal expenses, not to exceed three hundred thousand dollars (\$300,000) in anticipation of revenues and to execute and deliver the note or notes therefore?

Motion made by Tim Mathers, seconded by Giselle Gaskin, to adopt Article 9. Linda Toborg was told that the Village pays a low rate of interest on its borrowings. There being no further discussion, the article was adopted by voice vote.

Article 10. To elect the following officers as required: Treasurer; Trustee for Five (5) Years; Trustee for One (1) Year; Auditor for Three (3) Years; Delinquent Tax Collector; and Village Agent.

Treasurer: Motion made by Ron Smith, seconded by Tim Mathers, to nominate Lisa Barrett for the position of Treasurer. There being no further nominations Lisa Barrett was elected as Treasurer by voice vote.

Trustee (5 years): Motion made by Paula Gaskin, seconded by Crystel McFarland, to nominate Donald Blake. There being no further nominations, motion made and seconded to have Tom Loomis cast one ballot for Donald Blake. Motion carried and Tom Loomis cast one ballot thereby electing Donald Blake as Trustee.

Trustee (1 year): Motion made by Tim Mathers, seconded by Sandy Amadon, to nominate Oralie Lefavre. There being no further nominations, motion made and seconded to have the Chairman cast one ballot for Oralie Lefavre. Motion carried and the Chair cast one ballot thereby electing Oralie Lefavre as Trustee.

Auditor (3 years): Motion made by Tim Mathers, seconded by Sandy Amadon, to nominate Pam Comeau. There being no further nominations, motion made and seconded to have the Chairman cast one ballot for Pam Comeau. Motion carried and the Chair cast one ballot thereby electing Pam Comeau as Auditor.

Delinquent Tax Collector: Motion made by Ron Smith, seconded by Giselle Gaskin, to nominate Linda Lee. There being no further nominations, Linda Lee was elected as Delinquent Tax Collector by voice vote.

Village Agent: Motion made by Linda Toborg, seconded by Tim Mathers, to nominate Joe Benning. There being no further nominations, Joe Benning was elected as Village Agent by voice vote.

Article 11. Do the voters of the Village of Lyndonville desire to transact any other proper business?

Motion made by Tim Mathers, seconded by Steve Pitman, to adopt a resolution that the Village plant a tree in a park near the Lyndonville post office in memory of deceased post master Jerry Reen. The assembly unanimously approved of the resolution.

Steve Pitman asked the Trustees to consider eliminating the angle parking along Elm Street and change it to parallel parking in order to allow for passage of large vehicles (i.e. Emergency vehicles). Arthur Sanborn briefly explained the ordinance change process that this would require.

The assembly expressed concern over large trucks making the turns in the Village.

Linda Toborg asked about any recent studies done on the issue of a Town and Village merger.

Donald Blake updated the assembly on the status of the fire department after the March 14th fire at the fire station.

Steve Pitman asked that people install a 911 sign.

There being no further business, motion made by Paula Gaskin, seconded by Tami Pitman to adjourn the meeting. Motion carried and the meeting adjourned at 7:52 PM.

**VILLAGE OF LYNDONVILLE
GENERAL FUND
GRAND LIST - TAX RATE
FIVE-YEAR COMPARISON**

<u>YEAR</u>	<u>GRAND LIST</u>	<u>TAX RATE</u>
1999	379,695.00	0.76
2000	402,766.80	0.76
2001	407,670.83	0.80
2002	409,331.95	0.97
2003	403,549.40	0.97

**VILLAGE OF LYNDONVILLE WATER DEPARTMENT
WATER RATES**

Quarterly fee for water used:
(Rates effective 2/1/04)

Base fee	\$48.00
Plus	\$4.16 per 1,000 gallons used

(Note: The base fee of \$48.00 per quarter is the minimum fee the Village must collect from each account to meet the fixed costs of the water system. This fee will be charged even if water has been shut off.)

VILLAGE OF LYNDONVILLE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2003 (Page 1 of 2)

	Governmental Fund		Proprietary		Fiduciary		Account Groups			
	Types		Fund Types		Fund Types		General			
	General Funds	Special Revenue Funds	Enterprise Funds	Trust Funds	Trust Funds	Fixed Assets	Long-term Debt	Total		
ASSETS AND OTHER DEBITS										
Cash	\$ 316,298.09	\$ -	\$ 57,388.07	\$ 531.10	\$ -				\$ 374,217.26	
Restricted Cash		307,569.64							307,569.64	
Receivables										
Delinquent Taxes	8,475.76								8,475.76	
Accounts Receivable	91.50		22,902.94						22,994.44	
Notes Receivable			9,063.26						9,063.26	
Due From Other Funds			219,276.78						219,276.78	
Due From Other Governments	13,919.29		191,917.51						205,836.80	
Fixed Assets			3,513,389.89				291,361.36		3,804,751.25	
Other Debits:										
Amount to Provided for Retirement of Long-term Debt										
Total Assets and Other Debits	\$ 338,784.64	\$ 307,569.64	\$ 4,013,938.45	\$ 531.10	\$ 291,361.36				\$ 4,952,185.19	

VILLAGE OF LYNDONVILLE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2003 (Page 2 of 2)

	Governmental Fund		Proprietary		Fiduciary		Total
	Types		Fund Types		Fund Types		
	General Funds	Special Revenue Funds	Enterprise Funds	Trust Funds	General Fixed Assets	Account Groups	
LIABILITIES, EQUITY AND OTHER CREDITS							
Liabilities:							
Accounts Payable	\$ 18,363.55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,363.55
Due to Other Funds	214,870.60	4,406.18					219,276.78
Bonds Payable			2,082,109.23				2,082,109.23
Less: Deferred Grant Revenue			(575,705.77)				(575,705.77)
Total Liabilities	233,234.15	4,406.18	1,506,403.46	-	-	-	1,744,043.79
Equity and Other Credits:							
Contributed Capital			1,035,908.22				1,035,908.22
Investment in General Fixed Assets					291,361.36		291,361.36
Retained Earnings:							
Unreserved			1,471,626.77				1,471,626.77
Fund Balances:							
Reserved		303,163.46		531.10			303,694.56
Unreserved:							
Undesignated	105,550.49						105,550.49
Total Equity and Other Credits	105,550.49	303,163.46	2,507,534.99	531.10	291,361.36	-	3,208,141.40
Total Liabilities, Equity and Other Credits	\$ 338,784.64	\$ 307,569.64	\$ 4,013,938.45	\$ 531.10	\$ 291,361.36	\$ -	\$ 4,952,185.19

VILLAGE OF LYNDONVILLE
COMBINING BALANCE SHEET - ALL GENERAL FUNDS
December 31, 2003

		General Fund
ASSETS		
Cash	\$	316,298.09
Delinquent Taxes Receivable		8,475.76
Other Receivables		91.50
Due From Other Governments		13,919.29
Total Assets	\$	338,784.64
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$	18,363.55
Due to Other Funds		214,870.60
Total Liabilities		233,234.15
Fund Balances:		
Unreserved:		
Undesignated		105,550.49
Total Fund Balances		105,550.49
Total Liabilities and Fund Balances	\$	338,784.64

VILLAGE OF LYNDONVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL GENERAL FUNDS
For the Year Ended December 31, 2003

REVENUES	<u>General Fund</u>
Taxes	\$ 391,442.94
Intergovernmental	24,704.14
Licenses, Permits, Fines, and Fees	2,709.00
Charges for Goods and Services	3,618.89
Interest Income	4,363.63
Rents	14,995.00
In Lieu of Taxes	13,919.29
Miscellaneous	1,782.30
Reimbursements from Other Funds	<u>65,832.33</u>
 Total Revenues	 523,367.52
 EXPENDITURES	
General Government	34,247.09
Highways and Streets	295,264.63
Public Safety	132,909.44
Parks	15,717.77
Debt Service	<u>854.11</u>
 Total Expenditures	 <u>478,993.04</u>
Excess of Revenues Over (Under) Expenditures	 44,374.48
 OTHER FINANCING SOURCES (USES)	
Transfers from Restricted Cash Accounts	6,406.18
Capital Outlays	(19,896.86)
Transfers to Restricted Cash Accounts	<u>(81,400.00)</u>
 Total Other Financing Sources (Uses)	 <u>(94,890.68)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 (50,516.20)
 Fund Balances, Beginning of Year	 <u>156,066.69</u>
 Fund Balances, End of Year	 <u><u>\$ 105,550.49</u></u>

**VILLAGE OF LYNDONVILLE
BALANCE SHEET - SPECIAL REVENUE FUND
December 31, 2003**

ASSETS

Cash in Banks	<u>\$ 307,569.64</u>
Total Assets	<u><u>\$ 307,569.64</u></u>

LIABILITIES AND FUND BALANCES

Due to Other Funds	<u>\$ 4,406.18</u>
Total Liabilities	\$ 4,406.18
Fund Balances:	
Restricted	<u>303,163.46</u>
Total Fund Balances	<u>303,163.46</u>
Total Liabilities and Fund Balances	<u><u>\$ 307,569.64</u></u>

(See Schedule of Restricted Cash for detailed breakdown of this Fund)

VILLAGE OF LYNDONVILLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

REVENUES

Interest Income	\$ 2,360.91
	<hr/>
Total Revenues	2,360.91

EXPENDITURES

	<hr/>
Total Expenditures	-
Excess of Revenues Over (Under) Expenditures	<hr/> 2,360.91

OTHER FINANCING SOURCES (USES)

Transfers in from General Fund	81,400.00
Transfers to General Fund	<hr/> (6,406.18)
Total Other Financing Sources (Uses)	<hr/> 74,993.82
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	77,354.73
Fund Balance, Beginning of Year	225,808.73
Fund Balance, End of Year	<hr/> <u>\$ 303,163.46</u>

VILLAGE OF LYNDONVILLE
COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS
December 31, 2003

ASSETS	<u>Water Fund</u>
Cash	\$ 57,388.07
Receivables	
Accounts Receivable	22,902.94
Note Receivable **	9,063.26
Due From Other Governments	191,917.51
Due From Other Funds	219,276.78
Fixed Assets	
Plant and Equipment in Service	4,682,308.48
Less: Accumulated Depreciation	<u>(1,168,918.59)</u>
 Total Assets	 <u><u>\$ 4,013,938.45</u></u>
 LIABILITIES AND FUND EQUITY	
Liabilities:	
Bond Anticipation Note	\$ 180,000.00
Bonds Payable - Current Portion	102,015.41
Bonds Payable - Long-term Portion	1,800,093.82
Less: Deferred Grant Revenue	<u>(575,705.77)</u>
 Total Liabilities	 1,506,403.46
Fund Equity:	
Contributed Capital	1,035,908.22
Retained Earnings:	
Unreserved	<u>1,471,626.77</u>
 Total Fund Equity	 <u>2,507,534.99</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 4,013,938.45</u></u>

**Note Receivable from Lyndon State College.
Annual payments of \$4,879 including interest
at 5% due September 15.

VILLAGE OF LYNDONVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS
For the Year Ended December 31, 2003

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for Goods and Services	\$ 446,477.96
Permits	\$ 350.00
Grant	<u>500.00</u>
 Total Operating Revenues	 447,327.96
OPERATING EXPENSES	
System Operations	327,359.51
Depreciation	100,850.05
Administrative	<u>48,010.55</u>
 Total Expenditures	 <u>476,220.11</u>
 Operating Income (Loss)	 (28,892.15)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	2,247.79
Court Ordered Restitution	3,257.24
Interest Expense	<u>(15,149.00)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(9,643.97)</u>
 Net Income (Loss)	 (38,536.12)
Retained Earnings, Beginning of Year	1,426,008.18
Depreciation Expense charged against Contributed Capital	<u>84,154.71</u>
 Retained Earnings, End of Year	 <u><u>\$ 1,471,626.77</u></u>

VILLAGE OF LYNDONVILLE
COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS
For the Year Ended December 31, 2003

		Water Fund
Cash Flows from Operating Activities		
Net Income (Loss)	\$	(38,536.12)
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Depreciation		100,850.05
(Increase) Decrease In:		
Accounts Receivable		17,528.04
Due From Other Funds		11,354.54
Due From Other Governments		(110,301.97)
Increase (Decrease) In:		
Accrued Payroll		(1,034.00)
Total Adjustments		18,396.66
Net Cash Provided from Operating Activities		(20,139.46)
Cash Flows from Financing Activities		
Proceeds from Bonds Payable		24,410.28
Proceeds from Bond Anticipation Note		180,000.00
Repayment of Bond Payable		(98,617.41)
Net Cash Provided from Financing Activities		105,792.87
Cash Flows from Investing Activities		
Repayment of Notes Receivable		4,215.09
Contributed Capital		373,219.01
Capital Outlay		(462,423.84)
Net Cash Provided from Investing Activities		(84,989.74)
Net Increase in Cash		663.67
Cash, Beginning of Year		56,724.40
Cash, End of Year	\$	57,388.07

VILLAGE OF LYNDONVILLE
COMBINING BALANCE SHEET - ALL NONEXPENDABLE TRUST FUNDS
December 31, 2003

I. W. Sanborn Fund
for
Village Improvement
Society

ASSETS

Cash	\$	531.10
Total Assets	<u>\$</u>	<u>531.10</u>

**LIABILITIES
AND FUND BALANCES**

Fund Balances:		
Reserved for Trust Purposes		531.10
Total Fund Balances		<u>531.10</u>
Total Liabilities and Fund Balances	<u>\$</u>	<u>531.10</u>

**VILLAGE OF LYNDONVILLE
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND BALANCES - ALL NONEXPENDABLE TRUST FUNDS
 For the Year Ended December 31, 2003**

	I. W. Sanborn Fund for Village Improvement Society <hr/>
REVENUES	
Interest Income	\$ 3.53
Total Revenue	<hr/> 3.53
EXPENSES	
Trust Distributions	6.70
Total Expenses	<hr/> 6.70
Net Loss	(3.17)
Fund Balances, Beg. of Year	<hr/> 534.27
Fund Balances, End of Year	<hr/> <u>\$ 531.10</u>

* * * * *

Trust Fund Information:

The interest earned by this fund is given to the Village Improvement Society to help defray the cost of maintaining Powers Park.

VILLAGE OF LYNDONVILLE
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP
For the Year Ended December 31, 2003

<u>Description</u>	<u>Balance</u> <u>January 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31, 2003</u>
Equipment	\$ 224,508.53	-	\$ -	\$ 224,508.53
Real Estate and Improvements	46,955.97	19,896.86	-	<u>66,852.83</u>
Total General Fixed Assets Account Group				<u>\$ 291,361.36</u>

Note: This schedule is not complete. It does not include assets purchased prior to January 1, 1999, for which a purchase price was not readily ascertainable. All assets purchased after January 1, 1999, have been, and will continue to be, recorded as general fixed assets. Governmental Accounting Standards Board Statement no. 34 requires that the Village of Lyndonville report all fixed assets at cost beginning in 2004. Accumulating cost figures for the Village's assets will be an ongoing project.

VILLAGE OF LYNDONVILLE
DEBT RETIREMENT SCHEDULE - PRINCIPAL ONLY
As of December 31, 2003

<u>Payment due</u>	Bond Anticipation <u>Note</u>	USDA		USDA	VT Bond Bank		<u>Totals</u>
		(Reservoirs and <u>Water Mains</u>)	(Filter <u>Plant</u>)	(Filter <u>Plant</u>)	(Expansion <u>Project</u>)	(Expansion <u>Project</u>)	
2004	\$ 180,000.00	\$ 58,998.00	\$ 12,229.00	\$ 30,788.41	\$ 30,788.41	\$ 282,015.41	
2005		62,043.00	12,849.00	30,788.41	30,788.41	105,680.41	
2006			13,499.00	30,788.41	30,788.41	44,287.41	
2007			14,183.00	30,788.41	30,788.41	44,971.41	
2008			14,900.00	30,788.41	30,788.41	45,688.41	
2009			15,655.00	30,788.41	30,788.41	46,443.41	
2010			16,447.00	30,788.41	30,788.41	47,235.41	
2011			17,225.00	30,788.41	30,788.41	48,013.41	
2012 - 2032				649,536.32	649,536.32	649,536.32	
Totals	\$ 180,000.00	\$ 121,041.00	\$ 116,987.00	\$ 895,843.60	\$ 895,843.60	1,313,871.60	
						192,531.86 *****	
						<u><u>\$ 1,506,403.46</u></u>	

Bond Anticipation Note-Community National Bank: Due March, 2004, at 2.17% interest.
USDA-Rural Development: Reservoirs and water mains, at 5% interest. Annual payments of \$65,050 due October 1st.
USDA-Rural Development: Filter plant, at 5% interest. Semi-annual payments of \$8,964 due May and November 13th.
VT Bond Bank: Lyndon Heights water expansion project, at -3% interest. Annual payment of \$30,788.41 due January 1st. Outstanding balance on bonds at 12/31/03 was \$1,471,549.37 reduced by Deferred Grant Revenue over the 30-year repayment schedule of \$575,705.77.

****Water Well Project: On November 30, 1999, voters approved a \$600,000 bond issue to fund additional improvements to the water system. This project began in 2001 and is expected to be completed in 2004. Annual bond payments of approximately \$12,000, including interest at -3%, will start about 2005.

VILLAGE OF LYNDONVILLE
SCHEDULE OF RESTRICTED CASH
For the Year Ended December 31, 2003

Restricted Purpose	Balance	Interest	Additions	Withdrawals	Balance
	Jan. 1, 2003	Income			Dec. 31, 2003
New Equipment	\$ 56,423.15	\$ 579.36	\$ 43,400.00	\$ -	\$ 100,402.51
Sidewalks	8,939.09	91.67	4,000.00	-	13,030.76
Garage	-	-	14,000.00	-	14,000.00
Miscellaneous	29,581.80	346.08			29,927.88
71-73 Main Street	9,156.74	100.86			9,257.60
Health Insurance Pool	5,168.70	43.70		-	5,212.40
Sale of Morrill Lot in 1984	45,587.88	496.65		(2,000.00)	44,084.53
Paving - Class 1	-	-	10,000.00		10,000.00
Paving - Class 3	49,226.14	453.51	10,000.00		59,679.65
Curbing	3,069.41	27.94			3,097.35
Fountain	4,715.82	92.68			4,808.50
Rte. 5 Project	13,940.00	128.46			14,068.46
Totals	\$ 225,808.73	\$ 2,360.91	\$ 81,400.00	\$ (2,000.00)	\$ 307,569.64

**VILLAGE OF LYNDONVILLE
STATEMENT OF TAXES RAISED
2003**

Grand List:

Village General Fund \$ 403,549.40

Taxes Assessed and Billed

General Fund (403,549.40 x .97) 391,442.94

Taxes to Account For \$ 391,442.94

Taxes Collected and Uncollected

General Fund Taxes Collected \$ 376,728.77

Delinquent to Tax Collector 14,714.17

Taxes Accounted For \$ 391,442.94

**VILLAGE OF LYNDONVILLE
STATEMENT OF DELINQUENT PROPERTY TAXES
For the Year Ended December 31, 2003**

	Assessment Year				
	Total	2003	2002	2001	1997
Balance, January 1, 2003	\$ 9,890.69		\$ 8,226.06	\$ 1,550.63	\$ 114.00
Additions:					
Delinquent Taxes to Collector	14,714.17	14,714.17	-	-	-
Deductions:					
Abatements	(199.44)		(199.44)	-	-
Taxes Collected	<u>(15,929.66)</u>	<u>(7,362.02)</u>	<u>(7,617.27)</u>	<u>(836.37)</u>	<u>(114.00)</u>
Balance, December 31, 2003	<u><u>\$ 8,475.76</u></u>	<u><u>\$ 7,352.15</u></u>	<u><u>\$ 409.35</u></u>	<u><u>\$ 714.26</u></u>	<u><u>\$ -</u></u>

VILLAGE OF LYNDONVILLE
STATEMENT OF REVENUES AND EXPENDITURES-
ACTUAL COMPARED TO BUDGET
GENERAL FUND
For the Year Ended December 31, 2003
With Proposed Budget Figures for 2004

REVENUES	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Sewers:			
Reimbursement from Town of Lyndon	\$ 18,000	\$ 11,068.00	\$ 18,000
Sidewalks:			
Reimbursement from Town of Lyndon	1,000	755.04	1,000
From Savings	2,900	-	2,900
Total Sidewalks	<u>3,900</u>	<u>755.04</u>	<u>3,900</u>
Enhancement Grant - Route 5			
State Grant	25,000	-	25,000
Unspent from Prior Year	5,000	-	-
From Savings	-	4,406.18	600
Total Enhancement Grant - Route 5	<u>30,000</u>	<u>4,406.18</u>	<u>25,600</u>
Parks:			
Village Improvement Society Reimbursement	-	16,662.97	-
From Savings for Fountain	-	-	3,500
Total Parks	<u>-</u>	<u>16,662.97</u>	<u>3,500</u>
Police:			
State Of Vermont - Fines	9,000	2,614.00	-
Reimbursement from Town of Lyndon	-	-	9,790
Unspent from Prior Year	56,565	-	-
Total Police	<u>65,565</u>	<u>2,614.00</u>	<u>9,790</u>
Fringe Benefits:			
Water Dept. Reimbursement	34,900	32,054.73	41,500
Debt Service:			
Delinquent Tax Interest	400	626.64	600
Administration:			
Permits & Licenses	300	50.00	50
L.E.D. Office Rent	6,920	6,920.00	6,920
Water Dept. Reimbursement	11,400	11,400.00	11,400
Bank Interest	5,500	3,736.99	3,770
Total Administration	<u>24,120</u>	<u>22,106.99</u>	<u>22,140</u>

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Garage:			
Water Department Rent	7,200	7,200.00	7,200
Equipment Operations & Maintenance:			
Reimbursement from Water Fund	19,400	22,377.60	22,400
Miscellaneous:			
Morrill Lot Interest	2,000	2,000.00	2,000
Vacon Truck Rent	-	875.00	-
Total Miscellaneous	2,000	2,875.00	2,000
Highways:			
State Aid - Class 1	13,600	14,224.48	14,230
State Aid - Class 3	7,050	7,368.66	7,360
Outside Work	3,000	2,863.85	2,500
State Purchase of ROW	-	500.00	-
Parking Violations	-	45.00	50
Total Highways	23,650	25,001.99	24,140
Other:			
State of Vermont - PILOT	-	3,111.00	-
L.E.D. (In Lieu of Taxes)	17,000	13,919.29	14,000
Total Other	17,000	17,030.29	14,000
Taxes:			
Property Tax Revenue	392,955	391,442.94	-
TOTAL REVENUES	639,090	556,222.37	194,770

EXPENDITURES	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Sewer:			
Payroll	11,800	8,089.64	11,800
Fixed Costs	903	637.86	903
Equipment Use	5,197	1,760.50	5,197
Hired Equipment	100	-	100
Total Sewer	18,000	10,488.00	18,000
Sidewalks:			
Payroll	7,600	4,999.27	5,590
Fixed Costs	580	386.00	430
Hired Labor & Equipment	600	420.00	600
Materials & Supplies	850	209.13	850
Total Sidewalks	9,630	6,014.40	7,470
Sidewalk Construction:			
Sidewalk Construction	5,000	1,944.18	5,000
Savings	4,000	4,000.00	4,000
Total Sidewalk Construction	9,000	5,944.18	9,000
Enhancement Project - Route 5			
Construction	30,000	4,406.18	25,600
Parks:			
Payroll	14,200	7,431.98	9,030
Fixed Costs	1,085	567.95	690
Hired Labor & Equipment	1,200	1,384.00	1,500
Materials & Supplies	1,500	1,168.79	1,500
Electricity	1,500	1,389.60	1,600
Insurance	130	127.00	-
Rubbish Removal	1,500	1,577.94	1,600
Fountain Circulator	-	-	3,500
Tree Replacement	1,000	1,144.01	1,200
Landscaping	500	926.50	1,000
Total Parks	22,615	15,717.77	21,620
Village Improvement Society-Parks:			
VIS Reimbursed Payroll & Fixed Costs	-	15,960.67	-
Police Department:			
Hired Labor & Equipment	16,000	79,899.90	-
Police Department	102,990	46,209.50	93,555
Pension	6,800	6,800.04	6,800
Total Police	125,790	132,909.44	100,355

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Public Utilities:			
Street Lights	17,500	17,183.71	18,400
Village Clock - Electric	400	350.66	400
Village Clock - Maintenance	600	435.00	600
Total Public Utilities	<u>18,500</u>	<u>17,969.37</u>	<u>19,400</u>
Fringe Benefits:			
Pension	16,800	12,700.99	17,140
Workers' Compensation	5,475	5,895.48	12,035
Group Insurance	38,310	24,285.47	32,540
Unemployment Compensation	350	245.94	350
Uniforms	4,860	5,518.34	5,520
Miscellaneous	-	108.00	-
Paid Leave	16,000	14,704.23	17,845
Fixed Costs	1,220	1,186.21	1,365
Total Fringe Benefits	<u>83,015</u>	<u>64,644.66</u>	<u>86,795</u>
Debt Service:			
Interest	500	854.11	500
Administrative and Office Expense:			
Reimbursement for Office Overhead	21,000	21,000.00	21,000
Postage	2,500	2,421.00	2,500
Notices	500	585.45	500
Dues	300	300.00	350
Annual Report	1,500	891.67	1,500
Machine Maintenance	650	584.20	650
Rent	3,200	3,200.00	3,200
Legal Fees	900	135.00	900
Trustees' Payroll	2,500	2,500.00	2,500
Trustees' Fixed Costs	190	191.25	190
Supplies	500	18.93	100
Total Administrative and Office Expense	<u>33,740</u>	<u>31,827.50</u>	<u>33,390</u>
Insurance:			
Property and Casualty	-	-	4,700
Public Officials	1,800	1,800.00	1,750
Total Insurance	<u>1,800</u>	<u>1,800.00</u>	<u>6,450</u>

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Garage:			
Payroll	4,900	2,762.01	3,440
Fixed Costs	375	217.18	260
Materials & Supplies	4,000	1,981.72	3,000
Telephone	920	1,285.85	1,300
Electricity	2,300	2,311.67	2,500
Water	-	108.75	180
Heating Fuel	3,100	5,113.97	6,000
Insurance	650	633.00	-
Generator Upkeep	-	997.00	400
Roof and Addition	16,000	19,896.86	3,000
Savings	14,000	14,000.00	14,000
Apparel	1,000	306.96	1,000
Total Garage	47,245	49,614.97	35,080
Equipment Operations & Maintenance:			
Payroll	20,200	18,969.84	23,000
Fixed Costs	1,545	1,498.81	1,760
Parts and Supplies	25,000	24,435.22	25,000
Fuel	10,000	10,073.49	10,500
Lubricants	900	463.48	900
Tires	2,000	1,598.92	4,000
Backhoe Tires	1,500	-	1,500
Painting & Sandblasting	2,500	-	2,500
Vacon Truck Upkeep	1,500	42.50	1,500
Insurance	3,300	3,284.00	-
Sweeper Repairs	2,500	488.80	2,500
Savings	43,400	43,400.00	43,400
Miscellaneous	-	540.00	500
Total Equipment Operations & Maintenance	114,345	104,795.06	117,060
New Equipment:			
Hand Tools	2,500	1,369.03	2,500
Tool Boxes	450	-	450
Compressor	-	-	600
Snow Plow	650	-	650
Push Lawn Mower	700	-	700
Space Heater	-	-	200
Electric Pump	400	-	400
Water Tanker Truck	-	510.00	-
Radios	2,400	2,760.00	2,700
Total New Equipment	7,100	4,639.03	8,200

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Materials:			
Salt	40,000	38,321.80	40,000
Sand	2,500	1,974.00	2,500
Hot Mix	500	-	500
Cold Patch	1,000	706.00	1,000
911 Street Signs	500	-	500
Calcium Chloride	3,600	2,586.00	3,600
Gravel	-	66.40	-
Culverts and Catch Basins	6,000	-	6,000
Grass Seed	300	-	-
Top Soil	1,000	1,287.00	1,200
Signs and Posts	2,000	1,071.82	2,000
Miscellaneous	1,000	1,420.63	1,000
Total Materials	58,400	47,433.65	58,300
Miscellaneous:			
Trustee Expense	250	25.57	250
Tax Abatements	-	469.02	-
Flood Repair - '02 Flood	2,500	-	-
Miscellaneous	150	125.00	-
Total Miscellaneous	2,900	619.59	250
Highways-Summer Class 1:			
Payroll	4,400	1,726.13	2,150
Fixed Costs	340	132.07	165
Hired Equipment	5,000	2,156.00	5,000
Paving	1,000	360.00	1,000
Savings - Paving	10,000	10,000.00	10,000
Curbing	1,000	-	1,000
Drainage Basin Cleaning	3,000	2,800.00	4,000
Flood Repair Work	-	3,020.00	-
Line Striping	640	1,004.72	1,000
Total Summer Class 1	25,380	21,198.92	24,315
Highways-Winter Class 1:			
Payroll	9,300	8,655.83	10,500
Fixed Costs	700	684.78	800
Hired Equipment	4,600	1,786.75	4,600
Materials and Supplies	-	450.00	-
Total Winter Class 1	14,600	11,577.36	15,900

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Highways-Summer Class 3:			
Payroll	12,000	8,088.52	9,890
Fixed Costs	920	612.18	750
Hired Equipment	4,000	4,460.00	4,500
Paving	3,000	1,242.00	3,000
Curbing	1,000	-	1,000
Drainage Basin Cleaning	3,500	11,900.00	12,000
Line Striping	1,920	1,004.72	1,900
Savings-Paving	10,000	10,000.00	10,000
Total Summer Class 3	<u>36,340</u>	<u>37,307.42</u>	<u>43,040</u>
Highways-Winter Class 3:			
Payroll	22,000	17,012.75	20,600
Fixed Costs	1,690	1,336.29	1,575
Hired Equipment	6,500	2,667.25	6,500
Total Winter Class 3	<u>30,190</u>	<u>21,016.29</u>	<u>28,675</u>
TOTAL EXPENDITURES	<u>689,090</u>	<u>606,738.57</u>	<u>659,400</u>
Total Revenues Over			
(Under) Expenditures	(50,000)	(50,516.20)	(464,630)
Cash on Hand at Beginning of Year	50,000		75,000
Total Revenues and Cash on Hand			
Over (Under) Expenditures		<u>\$ (50,516.20)</u>	
Required from Property Taxes and PILOT	<u>\$ -</u>		<u>\$ (389,630)</u>

**VILLAGE OF LYNDONVILLE
STATEMENT OF REVENUES AND EXPENDITURES-
ACTUAL COMPARED TO BUDGET
WATER FUND**

**For the Year Ended December 31, 2003
With Proposed Budget Figures for 2004**

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
REVENUES			
User Fees	\$ 451,000	\$ 436,559.51	\$ 520,000
Water Sales	1,000	1,088.10	1,000
Interest and Penalty	1,200	920.21	950
Interest Income - Banks	1,200	663.67	675
Permits	1,000	350.00	500
Meter Reading	3,080	3,080.00	3,080
Thaw Water	-	2,110.35	-
LSC Appropriation - Principal	4,880	4,215.09	4,880
LSC Appropriation - Interest	-	663.91	-
Connections	-	75.00	-
FEMA Grant-Property Acquisition	-	-	43,426
Equipment & Labor	-	700.00	-
Sale Of Materials	1,500	2,865.00	1,500
NERW Grant	500	500.00	-
USDA Grant-Pinehurst Line Replacement	75,000	75,000.00	-
Deferred Grant Revenue-Expansion Project	-	45,989.32	-
Bond Proceeds-Well Project	432,000	24,410.28	407,600
Bond Proceeds-Utility System Improvements	140,500	-	140,500
USDA Grant-Utility System Improvements	421,500	298,219.01	123,281
Court Ordered Restitution	4,600	3,257.24	1,343
TOTAL REVENUES	1,538,960	900,666.69	1,248,735
EXPENDITURES			
Water Mains:			
Payroll	46,950	60,194.95	72,900
Fixed Costs	3,592	4,638.47	5,575
Equipment Use	12,000	14,912.10	15,000
Hired Equipment	5,000	10,805.70	11,000
Materials & Supplies	20,000	19,171.98	20,000
PRV Valve	6,500	-	6,500
Line Replacement-Pinehurst Street	75,000	108,682.11	-
Electricity	72,000	70,745.96	76,000

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Engineering	4,000	-	4,000
Heat	5,000	4,804.09	5,000
Well Probe Monitor	1,200	-	1,200
Curb Stop Locator	-	-	1,000
Pipe Locator	-	-	3,500
Pump House Roof	-	-	1,000
Reservior & Dam Cleaning	5,000	5,150.00	5,000
Security System	500	1,512.44	1,500
Reservior Security	-	22,400.00	8,000
Reservior Repair	-	-	4,000
Well Development	20,000	17,704.50	20,000
Total Water Mains	276,742	340,722.30	261,175
On Call:			
Payroll	7,100	9,805.64	10,600
Fixed Costs	540	763.57	810
Total On Call	7,640	10,569.21	11,410
Treatment Plant:			
Payroll	21,000	16,049.57	19,500
Fixed Costs	1,600	1,255.58	1,490
Equipment Use	4,000	3,290.00	4,000
Hired Equipment	500	796.50	1,000
Materials & Supplies	4,500	3,367.29	4,500
Computer Maintenance	300	-	500
Telephone	1,600	1,648.07	1,700
Building Maintenance	1,500	36.25	1,500
Generator Upkeep	1,500	688.37	1,500
Dehumidifier	200	-	-
Property Acquisition - FEMA	-	350.00	50,000
Carbon Replacement	23,000	22,800.00	23,000
Parco	6,000	2,746.48	6,000
Heaters	-	-	3,000
Telemetry	500	698.16	2,000
Chlorine System	-	-	3,000
Total Treatment Plant	66,200	53,726.27	122,690
Hydrants:			
Payroll	4,800	2,446.15	3,000
Fixed Costs	370	187.19	230
Equipment Use	1,000	532.00	1,000

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Hired Equipment	700	-	700
Materials & Supplies	3,500	2,614.61	3,500
Total Hydrants	10,370	5,779.95	8,430
Water Meters:			
Payroll	8,400	6,105.36	7,500
Fixed Costs	640	471.80	570
Equipment Use	2,400	1,883.00	2,400
Materials & Supplies	8,500	8,641.44	9,000
Total Water Meters	19,940	17,101.60	19,470
Fringe Benefits:			
Water Dept. Share of	34,900	32,054.73	41,500
Administration:			
Depreciation Expense	-	100,850.05	-
State Assessment	3,400	3,544.20	3,600
Administrative Costs	11,400	11,400.00	11,400
Insurance-Property and Casualty	5,600	5,570.00	8,850
Taxes	1,100	989.00	1,100
Bond Payment-Expansion Project	32,000	30,788.41	31,000
Debt Service-Principal	70,638	67,829.00	71,227
Interest Expense	12,340	15,149.00	11,751
Notices	1,000	450.00	1,000
Water Reports	1,300	1,101.75	1,300
Supplies	500	659.59	700
Dues	100	195.00	200
Garage Rent	7,200	7,200.00	7,200
Legal	3,000	135.00	3,000
Audit	7,500	8,000.00	8,000
Railroad Lease	750	-	750
Municipal Assistant Reimbursement	6,000	6,000.00	6,500
Water Testing	3,000	2,666.01	3,000
Miscellaneous	150	100.00	150
Total Administration	166,978	262,627.01	170,728
Lyndon Heights Water Expansion Project:			
Engineering	-	7,200.00	-
Water Well Project:			
Backwash Tank	2,000	6,701.28	-
Line Expansion-Lyndon Corner	430,000	17,709.00	407,600
Total Water Well Project	432,000	24,410.28	407,600

	2003 BUDGET	2003 ACTUAL	PROPOSED 2004 BUDGET
Utility System Improvements:			
Legal	-	2,490.00	-
Notices	-	103.20	-
Engineering	-	85,103.00	-
Construction	562,000	210,522.81	263,780
Total Utility System Improvements	562,000	298,219.01	263,780
TOTAL EXPENDITURES	1,576,770	1,052,410.36	1,306,783
Cash on Hand, Beginning of Year	37,810	-	58,048
Revenue and Cash On Hand over/(under) Expenditures	\$ -	\$ (151,743.67)	\$ -

**WARNING
ANNUAL VILLAGE MEETING**

The legal voters of the Village of Lyndonville, Vermont, are hereby notified and warned to meet in the Municipal Office Building Gymnasium at 119 Park Avenue, in said Village, Tuesday, March 16, 2004, at 7:00PM for the following purposes:

ARTICLE:

1. To elect a Moderator and a Clerk.
2. Shall the voters of the Village of Lyndonville accept the report of the auditors regarding the Annual Village Report?
3. Shall the voters of the Village of Lyndonville vote to adopt the proposed General Fund budget for the ensuing year?
4. Shall the voters of the Village of Lyndonville vote to establish a Tax Stabilization Account, using the \$27,500 proceeds from the sale of the 71-73 Main Street property, for the purpose of stabilizing future tax rates for as long as the account shall last?
5. Shall the voters of the Village of Lyndonville vote to transfer the \$9,257.60 remaining insurance proceeds from the 71-73 Main Street property to the Tax Stabilization Account?
6. Shall the voters of the Village of Lyndonville vote to assess taxes to defray the General Fund expenses and liabilities for the ensuing year, and if so, by how much?
7. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to determine rates necessary to raise said assessment based on the 2004 Grand List?
8. Shall the voters of the Village of Lyndonville vote that taxpayers pay Village real and personal property taxes to the Treasurer on or before 4:30 PM on Friday, November 5, 2004, with delinquent taxes having interest charges of one percent per month for the first three (3) months, where after interest rates will be one and one-half percent per month, and an eight (8) percent late penalty charged against them from the due date of November 5, 2004 at 4:30 PM?
9. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to borrow money not to exceed two hundred and fifty thousand dollars (\$250,000) in anticipation of taxes and to execute and deliver the note or notes therefore?

10. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to borrow money for the Electric Department not to exceed three hundred thousand dollars (\$300,000) in anticipation of revenues and to execute and deliver the note or notes therefore?
11. Shall the voters of the Village of Lyndonville vote to authorize the Trustees to borrow money for the Water Department's normal expenses, not to exceed three hundred thousand dollars (\$300,000) in anticipation of revenues and to execute and deliver the note or notes therefore?
12. Shall the voters of the Village of Lyndonville vote to eliminate the office of Village Auditor in accordance with the provisions of 17 VSA §2651b(a)?
13. To elect the following officers as required: Treasurer; Trustee for Five (5) Years; Auditor for Three (3) Years; Delinquent Tax Collector; and Village Agent?
14. Do the voters of the Village of Lyndonville desire to transact any other proper business?

Dated at Lyndonville this 13th day of February 2004, by a majority of the Board of Trustees of the Village of Lyndonville, Vermont.

Timothy Gaskin, Chair

Thomas Loomis

Randy Amadon

Donald Blake

Oralie Lefaiivre

ATTEST: _____
Lisa J. Barrett, Village Clerk

LYNDONVILLE ELECTRIC DEPARTMENT YEAR END REPORT

To the Board of Trustees and citizens of the Village of Lyndonville, Vermont:

With the passing of 2003, The Lyndonville Electric Department (LED) has completed its 106th year of providing electrical energy and maintaining electric service to Lyndonville residences and businesses. It seems like only yesterday that we were putting the finishing touches on last years' report and lo and behold, it is time to take pen (keyboard) in hand and reflect back on 2003.

As usual, 2003 proved to be another eventful and exciting year for this Department. The excitement began for me on the morning of March 14th at about 6:30 when I received a call at home advising me that LED's operations garage on Grove Street was ablaze. I recall the first thing which came to mind was, "How does a cinder block and steel raftered building catch fire"? Upon driving into the adjacent Tap and Die parking lot it was quickly noted that smoke was coming from the bay used by the Lyndonville Fire Department on the East end of our building and that the fire personnel activity and fire fighting equipment appeared concentrated there.

It was quickly realized that serious damage had been done to both the fire fighting equipment normally housed in the bay and also the structure itself. One bay door had been completely torn from the building and the other hung half open and off its track. Through the smoke it could be seen that a portion of the metal rafters and roof towards the back of the bay had been so compromised by the fire that it had caved in and hung suspended above the floor. Everything which remained inside the bay that hadn't been burnt had been soaked by water and was covered by soot. Throughout the day one word which I heard multiple times and one which summed up the event adequately was "Unbelievable".

Once the fire had been brought under control and things began to settle down, our immediate concern centered on isolating the damaged portion of the building from the rest and getting our facility and equipment operational. The urgency of restoring the buildings utilities and heat was exacerbated by the frigid temperatures of minus 7 degrees indicated earlier by the Lyndonville Savings Bank thermometer. Over a period of about 10 hours the heating, water and electric systems were isolated and repaired and our portion of the building was again up and running.

Surprisingly, the structural damage done to the bay adjacent to the Fire Department was minor by comparison. The cinder block fire wall between bays had done its job and contained the fire. The only structural damage was due to flames shooting into the rear portion of the bay through the small gap between the cinder block wall and metal decked roof. One metal truss closest to the wall was warped due to heat from the flame and the painted surface on the metal decking was burnt over a considerable area. The greatest inconvenience to us was due to the strong pungent fire smell and a thick coating of soot over everything.

After making a closer inspection of the fire damaged bay from the outside perimeter, it became obvious even to me that the building's structural integrity on the Southeast corner had been severely compromised. I relayed this information to our insurance agent by phone and received some guidance from him relating to what some of the hurdles might be to accomplish a rebuild of the facility. One suggestion was to bring a structural engineer on board to assess the damage and assist in the reconstruction. As fate would have it, I made contact with Jeffrey Tirey, P.E., Consulting Structural Engineer, and explained our dilemma. Within two hours of receiving my call, Jeff was here to do a safety and damage inspection of the damaged bay.

Immediately following the inspection, we met with our insurance agent to devise a plan for moving forward. It was decided that the project would be done in two stages. The first stage would be the demolition of the damaged portion of the building and it would be done as soon as possible because of the safety hazard it represented. The second stage would encompass the design, awarding of bid proposal and the actual rebuilding of the facility. It was decided that Jeff would oversee the project as the design engineer.

After meeting with several contractors at the site, the demolition portion of the project was given to Laferriere Construction from Danville. The demolition began during the first week of April and was completed within three weeks. All of the roof and side walls within the rear half of the damaged bay were removed to the slab. The total cost for demolition and subsequent clean up was \$22,643.70. A side note worth mentioning is that the building known as Oscars and the Pizza Keg was also demolished and removed from the adjacent lot. There was no more than six feet of separation between the back wall of that building and our damaged building back wall. Removal accomplished a couple things. It got rid of an unused eye sore and also made the repair of the rear wall of the damaged bay much easier. The removal was a collaborative effort of Village Departments and Fire Department and resulted in very little cost.

The design and bid documents were prepared and sent out May 14th to three prescreened contractors and due back on June 13th. Two bids were received and opened on the 13th at our business office. A bid of \$206,014 was received from Laferriere Construction and a bid of \$197,243 received from the Lawton Company from Littleton, N.H.. We accepted the lower bid and awarded the job to the Lawton Company. Our goal was to have the job completed by November 1st and Lawton Company submitted a schedule with the work beginning July 15th and finishing October 10th.

Something also worth mentioning has to do with the repair of the flat roofed rubber membrane. Only about 5-8% of the rubber membrane on the roof was destroyed by the fire. A decision had to be made whether or not to patch the damaged portion or replace the entire membrane and receive an insurance credit for the damaged portion. The existing roof at the time had been in place a little over twenty years and was out of its warranty period. We decided to replace the entire membrane at a cost to us of an additional \$43,470 and have a new roof when we're done with a twenty five year warranty period.

The final project costs were as follows. Total cost of the project was \$291,020. Our insurance covered \$219,154 of the total, or 75.3%. Our policy has a \$25,000 deductible and that portion paid by us represented 8.6% of the total. The newly installed roof membrane paid for by us cost \$43,470, or 14.9% of the total. Finally, the Fire Department had several items installed at their cost and the total was \$3,403, or 1.2% of the total. The \$71,866 difference between what the Department received from insurance and what was paid, came out of a restricted asset fund made up of dollars recovered from the Seabrook litigation and monies received from the sale of Vermont Yankee shares.

I'm happy to say that the Fire Department began to move some of its equipment back into the bay during the third week of October and became fully operational soon after that. It would be impossible for me to thank everyone that had a part in the speedy rebuilding of the damaged bay and the clean-up of everything else that wasn't damaged. In particular, I'd like to thank the Department's operations employees who worked quickly to put the operational portion of our utility back into business the day of the fire and then go on to assist in cleaning the entire interior portion of the building and everything in it to eliminate the soot and foul odor. I'd like to thank Harris Heating & Plumbing for being there quickly that day and capping and restoring heat and water to our building in sub zero temperatures. I'd like to thank Jeff Tirey for doing a great job as "Project Engineer" and bringing the project in on time and budget. To everyone else involved, thanks for a job well done.

Perhaps now is an appropriate time to provide a little background information about this Department to assist the reader in understanding better the next items that I'd like to discuss. This Department provides electric service to approximately 5,142 retail customers. Of those, 4,471 or 86.6% are residential customers, 627 or 12.5% are General Service Small and Municipal customers, and 44 or 0.9% are General Service Large customers. LED's current peak load occurred in January 2003, and was 13,113 Kilowatts (13.1 Megawatts). Our annual energy consumption for 2003 was 73,356,068 Kwh and is expected to grow to 76,817,671 Kwh in 2004. This gives us a system wide load factor of 69.8% and our system wide losses are estimated at to be 6.3%. Over the past several years, the loads in LED's territory have been relatively stable.

Our on-system retail sales for 2003 were 67,728,599 Kilowatt hours. The break down of total Kilowatts hours sold to each customer class and what percentage each represents is as follows; Residential 33,038,302 Kwh's (48.7%), General Service Large 18,576,150 Kwh (27.4%), General Service Small 9,038,785 Kwh (13.4%), Municipal 6,547,811 Kwh (9.7%) and Street Lights 527,551 Kwh (0.8%). At this time, there are no significant changes expected from customers in any of LED's retail sales classes.

Last year I led off my report by explaining the details of our sale of 2387 shares of Vermont Yankee Nuclear Power Corporation (VY) common stock on January 16, 2002, and the power associated with it. The primary motivation for selling was because our agreement expired in November 2002 anyhow and the reason for not pursuing any future VY power purchases from whomever owned it was because cheaper long-term alternatives were found instead. Last year I said in connection with finding replacement

power that, “For the long term, LED joined with other similar municipal electric utilities through the Vermont Public Power Supply Authority (VPPSA) and put out a “Request for Proposal (RFP)” for replacement energy out of the New England regional; wholesale power market. A short-term contract was entered into initially with Pacific Gas & Electric (PG&E) for replacement power during the seven month “early out” period of March 1st through September 30th and a subsequent contract has been entered into since then”.

Well, I think I can best sum up the activity within the New England regional wholesale power market with one word, “volatile”. The volatility of the market has been contributed to and driven by several different factors, with the primary one in our case being the financial well-being of the wholesale marketers we’re doing business with. I mentioned earlier that we had replaced the major portion of our VY purchased power with a contract with PG&E. Even though PG&E is the largest investor owned utility in the United States, even they would not be immune to volatility.

In the last two years many of the promises of Electricity Deregulation have been challenged. Starting with the Enron bankruptcy in December of 2001, many of the merchant power companies have struggled to sustain the investments they made when the new markets began. In New England, the power market was extremely successful in attracting new merchant investments, perhaps too successful. Thousands of megawatts of efficient, gas fired power plants were built creating surpluses of capacity for years to come. This boom cycle in capacity has eroded competitive margins for merchant producers leaving many struggling to meet their financing obligations. In fact, three of the largest owners of power plants in the region, PG&E, NRG and Mirant, are either in bankruptcy or struggling to avoid it.

The lower cost five year replacement power agreement which VPPSA entered into on our behalf with PG&E’s subsidiary PGET, has proven to be one which we regret having entered into. PGET filed for and went into bankruptcy during 2003 and as the result, sent VPPSA’s power planners scrambling to find replacement power to fill the void. The long term energy which we had expected from PGET which cost in the range of 3-4 cents per kilowatt hour was replaced half way through the year with market available energy that costs in the 5-6 cent range for at least the short term.

The negative effect that the increase in purchased power had on this Department is as follows. In 2002 we put together what we felt to be a conservative 2003 purchased power budgeted amount of \$4,859,176 for the year. The actual total purchased power costs for 2003 is \$5,160,459, or a difference of \$301,283. This represents a 6.2% increase in purchased power costs more than what we had projected and was the single reason for our finishing the year with a \$247,682 deficiency or net loss. The purchased power budgeted amount for 2004 as it appears in the Department’s attached 2004 Operating Budget is \$5,414,055, or an amount 4.9% more than the actual amount of \$5,160,459 realized in 2003. This increase in purchased power cost over primarily the second half of 2003, hit this Department very hard. So much so, that it caused us to file for a rate increase in 2003, to take effect January 1, 2004.

On November 17, 2003, this Department filed a 4.90% "across the board" rate increase with the Vermont Public Service Board (PSB). The rate increase and associated information within the rate filing was based on a "Historical Test Year – 12 Months ending December 31, 2002" and expense and revenue adjustments based on "Adjusted Test Year – January 1, 2004 to December 31, 2004". The resulting "COST OF SERVICE STUDY" sheet showed that there would be \$7,258,699 of operating expenses generated and only \$7,068,070 of operating revenues, thus resulting in a net loss for the year of approximately \$330,143. Based on the results, a 4.90% increase should negate the \$330,143 shortfall.

As I mentioned earlier in this report, the single largest adjustment had to do with the expected increase in purchased power cost in 2004 based in part on the increased purchased power costs seen by us during the last half of 2003 and another had to do with a reduction in miscellaneous non-operating income relating to the Vermont Yankee sale. These two items alone account for an adjustment of \$338,945. The remainder of the adjustments across our numerous other operating accounts were virtually revenue neutral. LED's last revenue adjustment (rate increase) took effect in May 2000 and even with the sizable increase in purchased power costs, this request keeps pace with the general rate of inflation over the past three and one half years.

Before leaving the discussion about rates and tariffs, there was another change to electric rates which took effect on October 1, 2003. This change was as a result of a condition placed on this Department when the May 2000 rate increase was approved by the PSB. The condition was that the Department would do a "Class Cost Of Service" (CCOS) study subsequent to the rate increase approval. A CCOS looks at each customer class individually to see how that customer class contributes to the overall cost of doing business. Operating expenses are assigned to the classes based on the proportionate share of resources each class uses. Rates are then designed to collect the corresponding revenue requirement from each class.

The last CCOS done by the Department prior to 2003 was done in 1986 or about seventeen years ago. The study results in 1986 indicated that there were two customer classes significantly out of line, with those being the Residential A1 and the General Service Large rates. It was found that the residential class was paying 18% too much and the General Service Large 22% not enough. Because of the magnitude of the adjustment needed to bring the customer class into line, it was decided by the Trustees to make the rate adjustments over a two year period and the PSB approved it.

The CCOS done in 2003 showed that over the approximate seventeen year period since the last CCOS study, that some changes were warranted primarily in three customer classes. The study showed that the Residential A1 was now underpaying by 9.76%, the General Service Small (GSS) was overpaying by 10.47% and General Service Large (GSL) was overpaying by 6.40%. After reviewing the results of the CCOS study, the Trustees agreed that the adjustments should be made and that this should be done over a three year period. The effect this will have on the Residential A1 is that it will increase

3.25% on October 1, 2003, and 3.25% again on October 1, 2004, and 3.25% again on October 1, 2005. If you are an average electric user and use about 600 Kwh per month, this will result in about \$1.75 increase each month or about \$21.00 a year over the two year period.

I would be remiss if I didn't take a moment to explain why the costs have shifted the way they have. The single largest factor impacting the residential rate in a negative way is the loss, over time, of the allocation of inexpensive NYPA hydro power from the federally funded projects on the Niagara and St. Lawrence Rivers. This power is allocated to only residential customers in Vermont and is considerably less expensive than the majority of our other power sources. In 1985, NYPA Kwhs per customer averaged about 4,300 Kwhs per year; today, NYPA accounts for about 1,068 Kwhs per year. This is a drop of just over 75% in NYPA low cost energy and this reduction over the years has not been reflected back into the residential rates because of the tendency of the PSB to approve similar percent rate increases across the board to all classes of customers.

Last year I spent a considerable amount of time discussing the electrical power supply situation in New England and the different types of new generation being considered for construction. I covered the area of "renewable" resources, with those being wind, water and bio-mass (methane) and mentioned several projects on the drawing board. One of the projects I mentioned was the installation of wind turbines on East Mountain in East Haven and little did I know at the time that it would become probably the most talked about and "hot button" issue within our service territory in years.

It was either late Spring or early Summer of 2003 when Mathew Rubin, President of East Haven Wind Farm, approached VPPSA and this Department and asked if LED would be interested in purchasing the electrical output of a wind farm project he was interested in building in East Haven. Since we're in the business of selling kilowatt hours (energy) to our customers and always open to proposals for reliable and low cost energy, we said that we'd be interested in opening a dialog with him and see what kind of a business deal could be put together.

Over the past year or so, VPPSA and this Department have also been investigating several other "renewable" resources, with those being the Equinox Wind Farm in Manchester, Vt., the Lowell Mountain Wind Farm in Lowell, Vt., a farm methane generation project in Franklin County and a capped landfill methane generation unit at the Parker Landfill in Lyndon. LED, along with other utilities is also examining the feasibility of construction and ownership of a 50 Megawatt, gas-fired generating plant somewhere in Vermont.

The one "renewable" project which has surfaced in the Northeast Kingdom and is being aggressively moved forward by its developer is the East Mountain Wind Farm Project. It quickly became fairly obvious to me and the Village Trustees soon after meeting Mr. Rubin that he was firm in his conviction of developing wind power at the old Air Force Radar Base site and that his on-line and producing energy time schedule was real

aggressive. We're talking only about a year and one half from first contact to the units being up and running.

Early on in the discussions with Mr. Rubin, the Trustees and I identified what we thought were some of our options. The first option identified was to do nothing and see if it just went away. A second option was to say that we weren't interested in negotiating a purchased power deal and correspondingly say that we weren't interested in interconnecting with and transmitting his power off our system. Finally, the third option was to indicate that we were interested in moving forward in negotiating a mutually agreeable Power Sales Agreement and doing what we needed to get the power to our system.

The first option of doing nothing was not given much credence because prudent utility practice dictates that we stay informed and engaged in whatever may have an effect on our distribution utility and our customers. The second option of "just saying no" to wind power for either philosophical or judgmental reasons as justification for not allowing an interconnection with our distribution system received very little consideration. If we took the position that we were going to put up a road block for any type of generating projects by not giving access to or through our distribution system, then in all likelihood the developer would go to the Federal Energy Regulatory Commission (FERC) and seek relief and in all likelihood prevail. What we would probably end up with in that case is a sizable legal bill for defending ourselves and an order from FERC granting access.

The third option of cooperating with Mr. Rubin and moving forward toward negotiating mutually beneficial agreements was the one receiving the final nod of approval. This decision was made in part for the following reasons. First, the decision of whether or not there will be wind turbines on East Mountain will not be made by this Department or the Village Trustees. This decision will be made some time in the future by the Vermont Public Service Board after being reviewed in their Docket #6911 and the provisions of VSA Title 30 Section 248 – Certificate of Public Good (CPG).

The question which this Department and the Trustees asked themselves in preparation for moving this issue forward was, "If a Certificate of Public Good is granted by the PSB for the wind farm project and power is going to be generated and sold to someone, then why shouldn't it be sold to and used by our electric customers and have them benefit from it financially?" It was around this question that we formulated our approach in negotiating three different agreements with Mr. Rubin, with those being; 1.) POWER PURCHASE AGREEMENT, 2.) TRANSMISSION LINE CONSTRUCTION AGREEMENT, and 3.) TRANSMISSION SERVICES AGREEMENT.

The basic premise which this Department adopted prior to negotiating these agreements with Mr. Rubin was that it would not cost or otherwise become a burden to our electric customers. We have structured the transmission construction and support agreements in such a manner that whatever infrastructure we have to design, build and maintain to get the wind farm power to our customers will be paid for entirely by Mr. Rubin. The power sales agreement simply stated will result in our receiving an amount equal to 5% of the

monthly power bill as a financial incentive to participate. Based on current forecasts, we predict this to amount to about \$97,000 per year. In addition to that, we will also receive 10% of the "green credits" generated by the project.

I have received numerous customer and non-customer contacts relating to the wind farm project over the past several months. The majority of contacts have been in opposition to the project and have raised various concerns about the wind farm project and its future. I have responded to all contacts personally and hopefully addressed these concerns to the sender's satisfaction. There seemed to be one common concern in particular among many about the possibility of the wind farm project shutting down prematurely for one reason or another and LED being forced to assume the operations and a potential liability. I am not aware of any case across the entire nation where a utility has been ordered by regulators or anyone else to continue construction of an unfinished project or to continue operating a failed one. That was one of the primary concerns that drove the enactment of electric utility de-regulation several years ago. One of the goals of de-regulation was to encourage private developers to take the risk and invest their own money in future generating projects. Should the project not be completed or shut down prematurely, the developer takes the financial hit and the cost is not passed onto the electric ratepayer.

Sometime during the Spring of 2004, this Department will file with the Vermont Public Service Board its own Section 248 petition and seek a Certificate of Public Good to build about 6.5 miles of 34.5/12.5 Kv overhead transmission/distribution line. This line is currently in the design stage and will interconnect the Burke Mountain Substation with the 34.5 Kv line built by Mr. Rubin from the generating site to about where the first iron-gate is on the Radar Road in East Haven. This is a big project for this Department and will demand a considerable amount of time and attention for as long as it takes to complete the project. If you have any questions or comments about the project, I encourage you to stop by my office and voice them.

LED's line crews, maintenance and clerical personnel saw a busy 2003. The Department reconstructed 1.3 miles of single-phase overhead line and .57 miles of three phase overhead lines and added 4.65 miles of new single-phase overhead lines to its existing 375 miles of distribution overhead line and 1.55 miles of secondary overhead and underground cable.

LED's crews were also responsible for maintenance and general capital improvements to our five substations and two hydro plants. Because of our workload and other services needed, the outside services of Bedor's Tree Services and a ground trimming crew from the Caledonia Community Work Camp out of St. Johnsbury were used to assist us with our annual tree trimming and cutting along overhead power line rights-of-ways. Bedor's Tree Services also assisted us several times during power outages as a result of storms.

2003 seemed to also be the year of "Noreaster's" (at least that's what the NOAA weather forecasters kept calling them) and they came periodically throughout the year. The worst and one which most people will remember began late on November 13th and continued through most of the day on the 14th. That was the only time during the year that we lost

total system power for several hours and it took us about three days to get power back to everyone.

The clerical and administrative personnel were also quite busy with maintaining and overseeing approximately 5000 +/- active electric accounts, along with the other records and accounts keeping required of an electric utility of our size according to FERC. One thing I'd like to mention is that during 2003, our clerical staff began a program which would allow us to accept electronic transfers and credit/debit cards as a means of paying electric bills. The use of these means of payment is being used well in excess of what we had anticipated and many customers have voiced their appreciation for implementing it. I would like to thank our clerical staff for a job well done.

KPMG-Peat Marwick, Certified Public Accounts, made the audit of LED's accounts for the year and the audit report can be found further on in this report.

I wish to express my sincere appreciation to the Village Trustees, to the employees of LED and to the personnel of the other Village Departments for their assistance and excellent cooperation extended to me during the year.

Respectfully submitted
VILLAGE OF LYNDONVILLE
ELECTRIC DEPARTMENT
Kenneth C. Mason
Manager

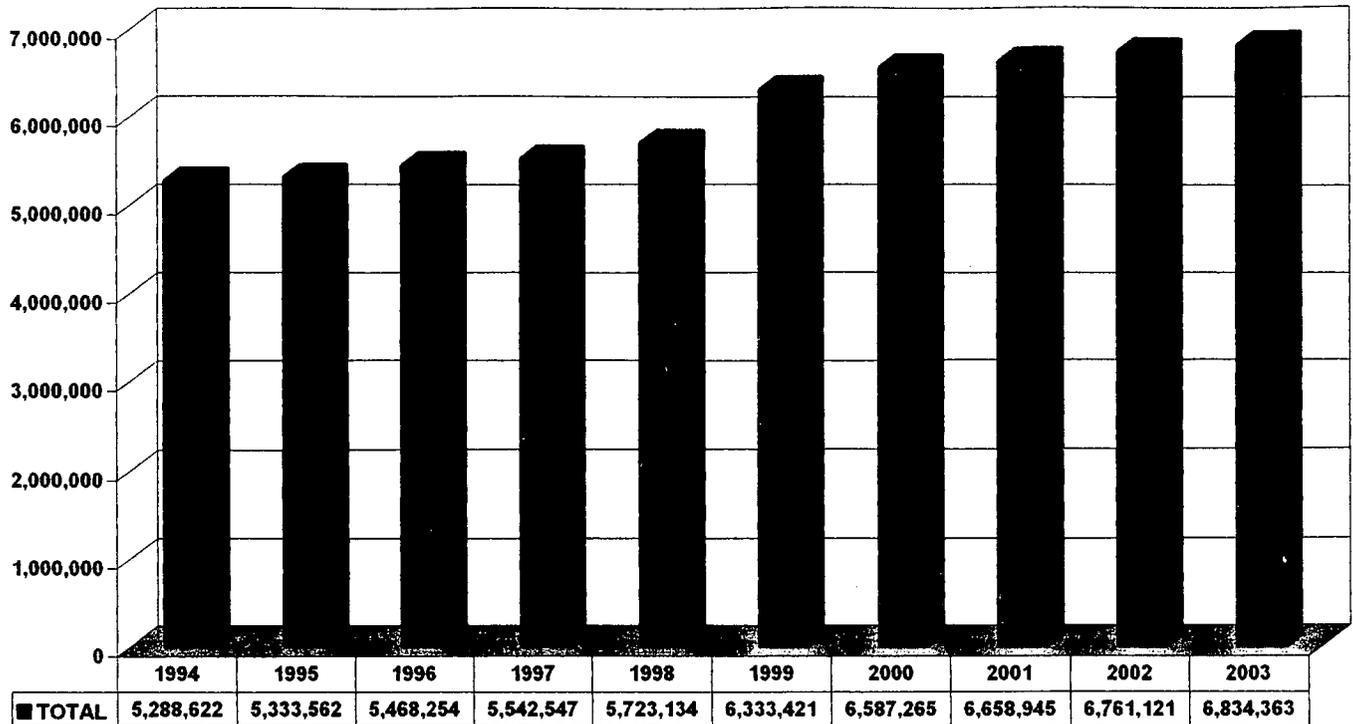
**LYNDONVILLE ELECTRIC DEPARTMENT
2003 ACTUAL-2004 BUDGET**

	2003 BUDGET	2003 ACTUAL	2004 BUDGET
OPERATING REVENUE			
SALE-ENERGY KWHS	6,828,733	6,834,363	7,362,754
OTHER OPERATING REVENUE			
MERCHANDISE SALES	11,000	21,683	20,000
INTEREST & DIVIDENDS	33,800	27,155	28,010
MISCELLANEOUS	150,000	72,445	75,000
UNBILLED REVENUE	<u>-25,000</u>	<u>42,731</u>	<u>25,000</u>
TOTAL REVENUES	6,998,533	6,998,377	7,510,764
OPERATING EXPENSES			
POWER GENERATION	78,820	91,739	89,699
PURCHASE POWER	4,859,176	5,160,459	5,414,055
TRANSMISSION	37,670	13,046	35,029
DISTRIBUTION	534,938	538,249	549,625
CUSTOMER ACCTS	129,428	160,684	145,137
ADMINISTRATIVE	582,073	509,140	543,601
AMORTIZATION	102,837	102,812	77,409
DEPRECIATION	347,786	347,786	381,326
TAXES-PROPERTY	185,000	192,289	195,000
TAXES-SOCIAL SECURITY	111,000	119,765	122,000
INTEREST	<u>13,056</u>	<u>10,090</u>	<u>8,000</u>
TOTAL EXPENSES	6,981,784	7,246,059	7,560,881
INCOME OR (LOSS)	16,749	-247,682	-50,117

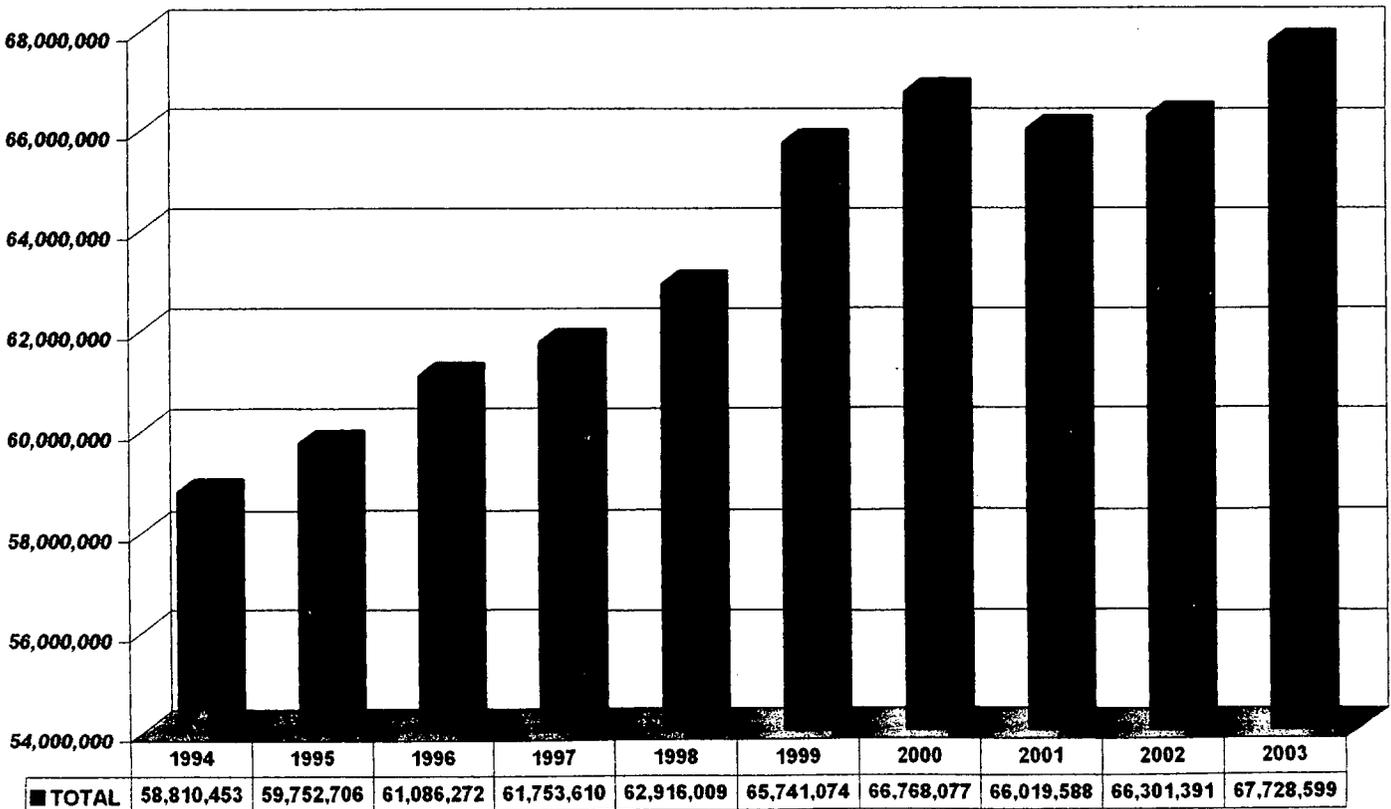
LYNDONVILLE ELECTRIC DEPARTMENT'S RESIDENTIAL RATE COMPARISON
 UTILITY RANKINGS BASED ON AVERAGE MONTHLY RESIDENTIAL BILLS
 EFFECTIVE FEBRUARY 2004

UTILITY RANKING	200 KWH	UTILITY RANKING	600 KWH	UTILITY RANKING	1000 KWH
ROCHESTER	36.22	WASHINGTON ELECTRIC CO-OP	94.60	WASHINGTON ELECTRIC CO-OP	160.33
CVPS	34.93	ROCHESTER	87.17	BARTON	142.73
GREEN MTN POWER	34.20	BARTON	85.68	VT ELECTRIC CO-OP	140.10
VT ELECTRIC CO-OP	30.68	VT ELECTRIC CO-OP	85.39	ROCHESTER	138.12
CITIZENS UTILITIES	29.92	CVPS	82.04	ENOSBURG FALLS	136.13
WASHINGTON ELECTRIC CO-OP	28.87	ENOSBURG FALLS	80.78	HARDWICK	132.95
BARTON	28.64	GREEN MTN POWER	80.05	CITIZENS UTILITIES	129.15
HARDWICK	26.72	HARDWICK	79.83	GREEN MTN POWER	128.13
HYDE PARK	26.21	CITIZENS UTILITIES	79.08	NORTHFIELD	125.91
ENOSBURG FALLS	25.43	NORTHFIELD	69.91	NORTHFIELD	116.17
NORTHFIELD	23.66	HYDE PARK	69.75	MORRISVILLE	115.47
ORLEANS	21.99	STOWE	68.32	STOWE	115.09
LYNDONVILLE	21.69	MORRISVILLE	66.91	JACKSONVILLE	114.57
STOWE	21.56	JACKSONVILLE	66.02	HYDE PARK	113.28
SWANTON	20.99	BURLINGTON ELECTRIC	62.32	BURLINGTON ELECTRIC	104.39
BURLINGTON ELECTRIC	20.24	LYNDONVILLE	60.79	SWANTON	100.10
JOHNSON	19.86	SWANTON	60.55	LYNDONVILLE	99.90
VT MARBLE	19.60	ORLEANS	57.96	ORLEANS	93.92
MORRISVILLE	18.36	READSBORO	55.38	READSBORO	92.46
READSBORO	18.30	JOHNSON	52.65	JOHNSON	85.43
JACKSONVILLE	17.47	VT MARBLE	51.47	VT MARBLE	83.34
LUDLOW	16.38	LUDLOW	48.65	LUDLOW	80.93

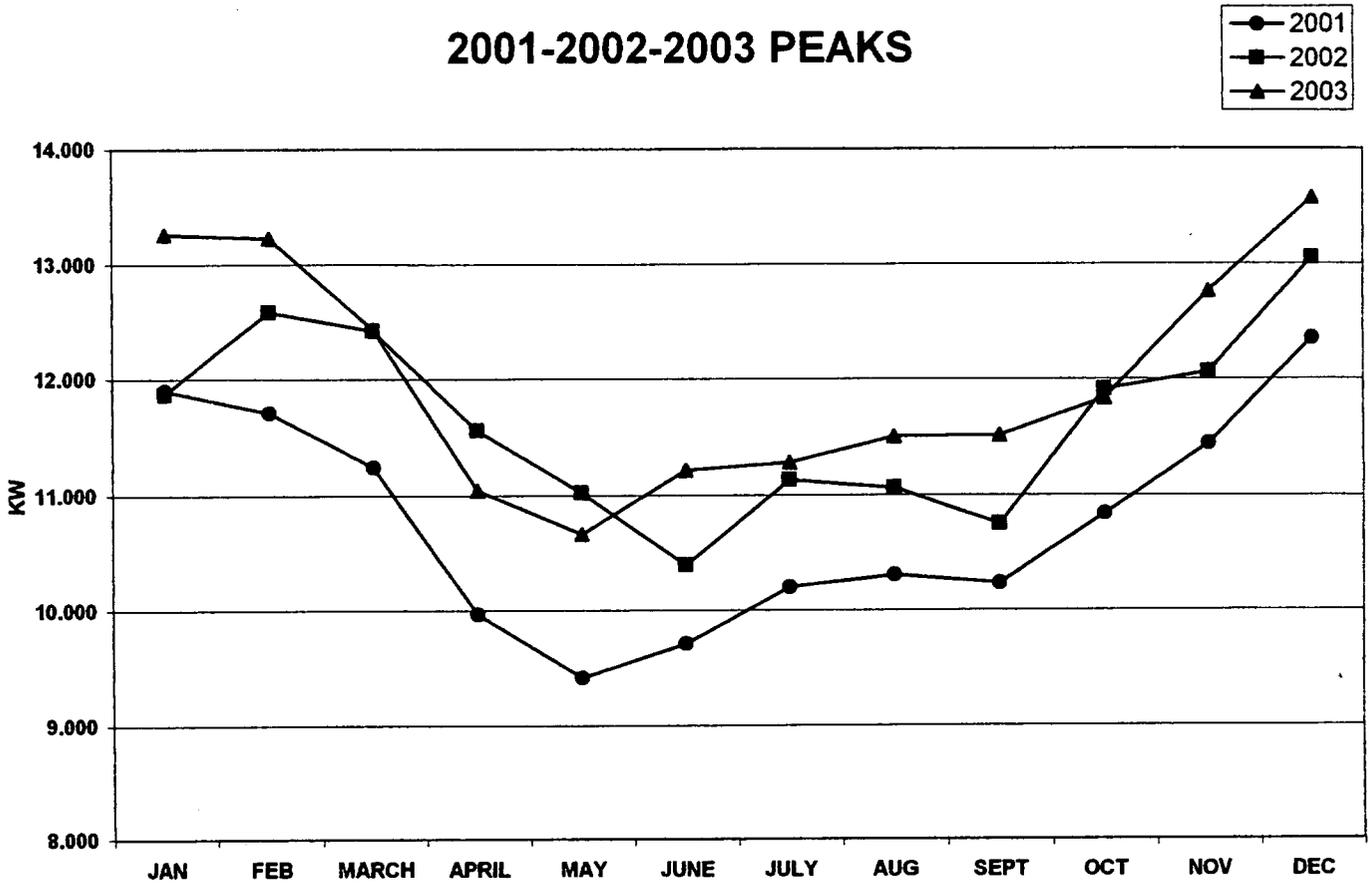
1994-2003 DOLLAR SALES



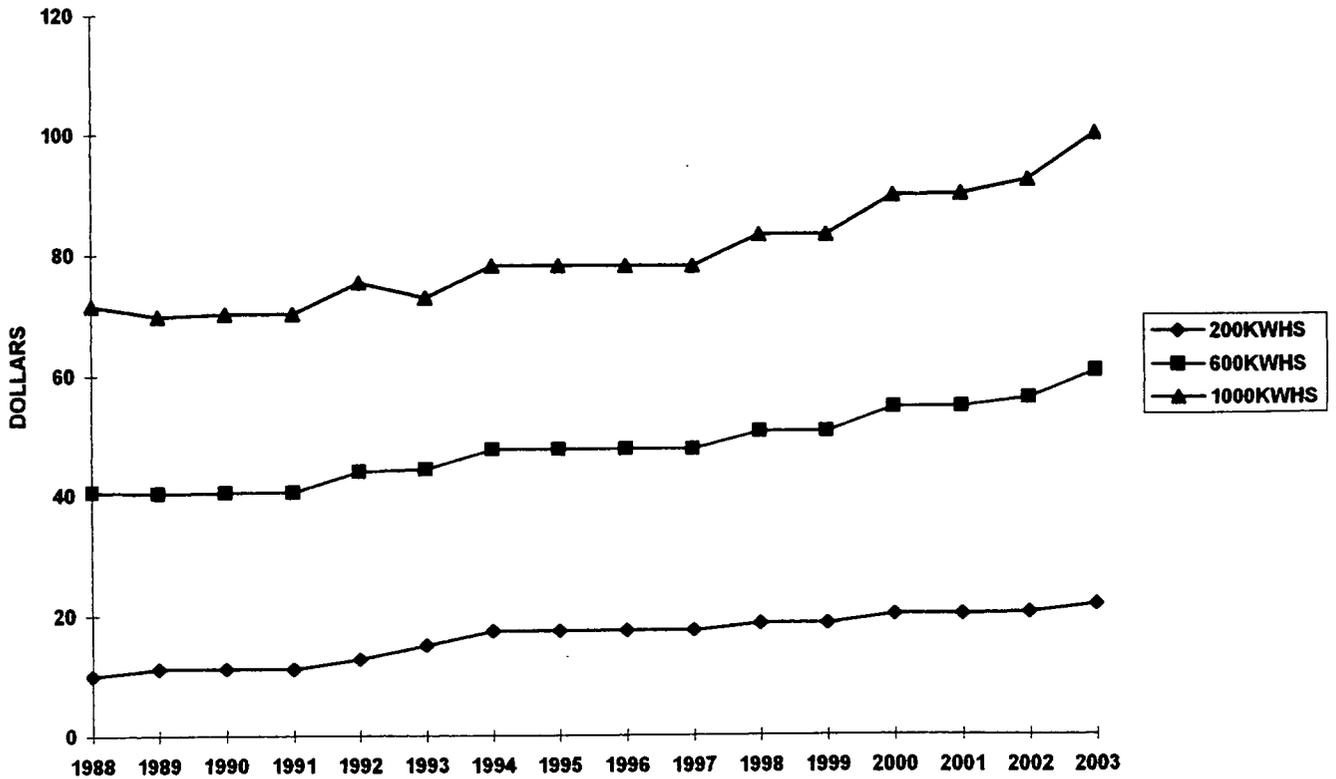
1994-2003 KWH SALES



2001-2002-2003 PEAKS



LED 10 YEAR COMPARATIVE COST



VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

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KPMG LLP
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Independent Auditors' Report

The Trustees
Village of Lyndonville, Vermont
Electric Department:

We have audited the accompanying balance sheets of the Village of Lyndonville, Vermont Electric Department (the Department) (a component unit of the Village of Lyndonville, Vermont) as of December 31, 2003 and 2002, and the related statements of operations, and cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Lyndonville, Vermont Electric Department as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

January 30, 2004

Vt. Reg. No. 92-0000241



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

**VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT**

(A Component Unit of the Village of
Lyndonville, Vermont)

Balance Sheets

December 31, 2003 and 2002

Assets	<u>2003</u>	<u>2002</u>
Net utility plant in service (note 2)	\$ 4,228,751	4,203,864
Current assets:		
Cash and cash equivalents (note 4)	525,566	706,330
Restricted cash (notes 4 and 5)	79,174	127,857
Accounts receivable, net of allowance for uncollectible accounts of \$25,000 in 2003 and 2002	707,166	648,832
Unbilled revenue	490,930	448,199
Materials, supplies, and fuel stock	104,699	101,962
Prepaid expenses	—	294
Other current assets	997	1,477
Customer cash deposits (note 4)	38,845	41,655
Total current assets	<u>1,947,377</u>	<u>2,076,606</u>
Noncurrent assets:		
Deferred charges (note 6)	464,619	366,286
Investments in associated companies, net of accumulated amortization of \$557,067 in 2003 and \$531,663 in 2002 (note 3)	134,116	156,123
Total noncurrent assets	<u>598,735</u>	<u>522,409</u>
 Total assets	 <u>\$ 6,774,863</u>	 <u>6,802,879</u>

See accompanying notes to financial statements.

Equity and Liabilities	<u>2003</u>	<u>2002</u>
Equity:		
Contributed capital – local	\$ 1,893,107	1,893,107
Contributed capital – Federal and State	<u>225,785</u>	<u>225,785</u>
Total contributed capital	2,118,892	2,118,892
Retained earnings	<u>3,936,750</u>	<u>4,067,973</u>
Total equity	<u>6,055,642</u>	<u>6,186,865</u>
Liabilities:		
Current liabilities:		
Accounts payable	516,219	361,932
Accrued interest	473	510
Current installments of long-term debt (note 7)	35,390	33,550
Customer deposits	38,845	41,655
Deferred credits	<u>48,789</u>	<u>68,304</u>
Total current liabilities	639,716	505,951
Noncurrent liabilities:		
Long-term debt, excluding current installments (note 7)	<u>79,505</u>	<u>110,063</u>
Total liabilities	<u>719,221</u>	<u>616,014</u>
Commitments and contingencies (note 10)		
Total equity and liabilities	<u>\$ 6,774,863</u>	<u>6,802,879</u>

**VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT**

(A Component Unit of the Village of
Lyndonville, Vermont)

Statements of Operations

Years ended December 31, 2003 and 2002

	2003	2002
Operating revenue:		
Electric sales to customers	\$ 6,877,095	6,736,937
Miscellaneous income	74,614	51,371
Total operating revenue	6,951,709	6,788,308
Operating expenses:		
Operation, maintenance, and general and administrative expenses	6,473,319	6,322,276
Depreciation	347,786	333,699
Taxes	312,054	291,530
Interest expense	10,091	12,050
Amortization	102,812	102,836
Total operating expenses	7,246,062	7,062,391
Operating loss	(294,353)	(274,083)
Nonoperating income:		
Amortization of deferred credit (note 10)	19,515	19,515
Interest and dividends	27,156	29,126
Gain on sale of investment in associated company (note 3)	—	310,310
Net income (loss) before capital contributions	(247,682)	84,868
Capital contributions	116,459	157,894
Net income (loss)	(131,223)	242,762
Total equity at beginning of year	6,186,865	5,944,103
Total equity at end of year	\$ 6,055,642	6,186,865

See accompanying notes to financial statements.

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Operating loss	\$ (294,353)	(274,083)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	347,786	333,699
Amortization	102,812	102,836
Changes in assets and liabilities:		
Increase in accounts receivable	(58,334)	(13,692)
Decrease (increase) in unbilled revenue	(42,731)	24,184
Decrease (increase) in materials, supplies, and fuel stock	(2,737)	3,862
Decrease in prepaid expenses	294	23,210
Decrease in other current assets	480	11,444
Decrease (increase) in deferred charges	(175,742)	180,227
Increase (decrease) in accounts payable	154,287	(91,648)
Decrease in accrued interest	(37)	(321)
Decrease in customer deposits liability	(2,810)	(5,570)
Total adjustments	323,268	568,231
Net cash provided by operating activities	28,915	294,148
Cash flows from investing activities:		
Proceeds from sale of investments	—	549,010
Purchase of investments	(5,600)	(79,000)
Return of capital on investments	2,204	4,407
Interest and dividends on investments	27,156	29,126
Net cash provided by investing activities	23,760	503,543
Cash flows from capital and related financing activities:		
Capital expenditures	(368,272)	(469,745)
Retirement of utility plant in service	(4,401)	9,826
Contributions in aid of construction	116,459	157,894
Principal payments on long-term debt	(34,318)	(58,912)
Proceeds from issuance of VPPSA financing note	5,600	71,300
Net cash used in capital and related financing activities	(284,932)	(289,637)
Net increase (decrease) in cash and cash equivalents	(232,257)	508,054
Cash and cash equivalents at beginning of year	875,842	367,788
Cash and cash equivalents at end of year	\$ 643,585	875,842

See accompanying notes to financial statements.

**VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT**

(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements

December 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

The Lyndonville Electric Department (the Department) is a municipal utility providing retail electric power to Lyndonville, Vermont and surrounding towns. The Department is a component unit of the Village of Lyndonville, Vermont (the Village) whose board of trustees oversees the operations of the Department, and the Village is liable for the debt of the Department. The Department maintains its accounting records in the manner prescribed by the Federal Energy Regulatory Commission (FERC). The Department is regulated as to rates, accounting, and other matters, by the Public Service Board of Vermont (PSB). In accordance with Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*, the Department records certain assets and liabilities in accordance with the economic effects of the rate making process.

In accordance with accounting principles generally accepted in the United States of America, the Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 to the extent these pronouncements do not conflict with GASB pronouncements.

(a) Utility Plant in Service and Depreciation

Utility plant in service is stated at cost. Major expenditures for plant and those which substantially increase useful lives are capitalized. When assets are retired or otherwise disposed of, their costs are removed from plant, and such costs, plus removal cost, less salvage, are charged against accumulated depreciation.

The Department provides for depreciation of property and equipment using annual rates to amortize the cost of depreciable assets over their estimated useful lives, which range from five to sixty-three years. The Department uses the straight-line method of depreciation.

(b) Investments

Investments in stock of associated companies are stated at cost. Because these investments are not publicly traded, market values are not readily determinable.

Investments in plants of associated companies are carried at cost, net of amortization. Amortization of these investments is provided using the straight-line method over twenty years.

Other investments are stated at fair value and represent amounts invested in U.S. obligations with a fixed maturity date and amount.

(c) Cash and Cash Equivalents

The Department considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements
December 31, 2003 and 2002

(d) *Unbilled Revenue*

The Department records revenue from sales of electricity in the month service is rendered. The Department records unbilled revenue for the amount of electricity from the last meter reading date to the end of the year.

(e) *Materials, Supplies, and Fuel Stock*

Materials, supplies, and fuel stock are valued at the lower of cost or market under the average cost method of valuation.

(f) *Contributed Capital*

As explained above, the Department follows FERC accounting guidelines, except as otherwise allowed or prescribed by its state regulator, the PSB. In accordance with state regulatory requirements, contributions in aid of construction are accounted for as contributed capital, a component of equity, rather than as a reduction of electric plant in service. Contributions in aid of construction consist of amounts paid by customers of the Department to construct additions to utility plant in service. These additions provide these customers with access to the Department's existing plant in service. During 2003 and 2002, the Department received and recorded \$116,459 and \$157,894, respectively, of contributions in aid of construction in the statement of operations.

(g) *Deferred Credits*

As more fully described in note 10(a), the Department received approximately \$97,600 in 2001 as settlement of negotiations with Hydro Quebec. In accordance with State regulatory requirements, this amount has been recorded as a deferred credit and will be amortized over a six-year period. During both 2003 and 2002, the Department amortized \$19,515 of this deferred credit.

(h) *Amortization*

The Department follows the policy of charging to operating expenses annual amounts of amortization which allocate the cost of various deferred charges over periods established for rate-making purposes. The Department employs the straight-line method for determining the annual charge for amortization.

(i) *Taxes*

As a component unit of the Village, the Department is exempt from Federal income taxes on income pursuant to Section 115 of the Internal Revenue Code.

The Department pays both property and weatherization taxes each year. Weatherization taxes are paid directly to the State of Vermont on a quarterly basis as a percentage of sales to assist in weatherization needs of low income Vermonters.

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements

December 31, 2003 and 2002

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Reclassifications

Certain items in the 2002 financial statements have been reclassified to conform with the current year presentation.

(2) Utility Plant in Service

An analysis of utility plant in service at December 31, 2003 and 2002 is as follows:

	<u>Depreciable lives</u>	<u>2003</u>	<u>2002</u>
Production plant	33-63 years	\$ 2,020,356	2,020,356
Transmission plant	33-44 years	963,137	975,330
Distribution plant	25-57 years	5,985,451	5,822,532
General plant	5-40 years	1,198,546	1,030,042
		<u>10,167,490</u>	<u>9,848,260</u>
Less accumulated depreciation		<u>5,938,739</u>	<u>5,644,396</u>
Net utility plant in service		<u>\$ 4,228,751</u>	<u>4,203,864</u>

(3) Investments in Associated Companies

Investments in associated companies, representing either stock, or the Department's share of jointly-owned plants, consist of the following at December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Vermont Electric Power Company stock	\$ 134,116	130,720
Jointly-owned facilities:		
Wyman Unit #4, net of accumulated amortization of \$79,906 in 2003 and \$76,151 in 2002	—	3,756
Massachusetts Municipal Wholesale Electric Company – Stonybrook, net of accumulated amortization of \$477,160 in 2003 and \$455,513 in 2002	—	21,647
Total investment in associated companies	<u>\$ 134,116</u>	<u>156,123</u>

**VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT**

(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements

December 31, 2003 and 2002

The Department is entitled to receive its proportionate share of the output from the jointly-owned facilities. In addition, the Department is responsible for its proportionate share of the operating expenses of these jointly-owned facilities through purchased power expense.

In January 2002, the Department sold its minority interest in Vermont Yankee Nuclear Power Corporation (Vermont Yankee). Vermont Yankee repurchased the Department's 2,387 shares of common stock for \$549,010, resulting in a gain of \$310,310. The gain has been reported as nonoperating income in 2002 in the accompanying financial statements.

In June 2002, the Department acquired 790 shares of Vermont Electric Power Company's Class C common stock for \$100 per share. Of the shares purchased, 77 shares were purchased by the Department using its own financial resources directly, and the remaining 713 shares were financed through an advance of cash provided by the Vermont Public Power Supply Authority (VPPSA). In May 2003, the Department purchased an additional 56 shares of Vermont Electric Power Company's Class C common stock for \$100 per share. The shares purchased were also financed through an advance of cash provided by VPPSA (see note 7).

(4) Cash

Deposits are classified as to credit risk in the following three categories:

Category 1	Fully insured or collateralized with securities held by the Department or its agent in the Department's name
Category 2	Collateralized with securities held by the pledging institution's trust department or its agent in the Department's name.
Category 3	Uncollateralized

At December 31, 2003 and 2002, the Department's deposits, listed by credit risk category, are shown in the following schedule:

Balance	1	Category 2	3	Bank balance	Book balance
December 31, 2003	\$ 703,851	—	189,928	893,779	643,585
December 31, 2002	825,037	—	100,886	925,923	875,842

(5) Designated Assets

Prior to 2001, the Department maintained an investment account for the proceeds from the sale of the Seabrook Power Plant which were restricted by the State of Vermont Public Service Board for future construction projects. The funds were held in a U.S. Treasury security held in the Department's name by a broker. During 2000, the State of Vermont Public Service Board, in Docket No. 6408, ruled that funds totaling \$195,469 could be taken from the U.S. Treasury security balance and used to repay purchased

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
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Notes to Financial Statements

December 31, 2003 and 2002

power costs that were erroneously billed and paid by another utility from the period of 1996 through 1998. The PSB is requiring that the Department repay the account and use the funds for the restricted activities.

As of December 31, 2003, the Department has restricted \$79,174 of its cash balance to replenish these funds.

(6) Deferred Charges

Unamortized charges at December 31, 2003 and 2002 include:

	2003	2002
Purchased Power Repayment	—	56,647
Garage Fire	196,027	—
Windfarm Study	15,596	—
Wyman Unit #4	6,495	—
Massachusetts Municipal Wholesale Electric Company	14,273	—
Impairment of Millstone Unit #3	232,228	309,639
	\$ 464,619	366,286

(a) Garage Fire

In March 2003, a fire destroyed the Department's garage. During the period ended December 31, 2003, the Department incurred \$196,027 in costs related to rebuilding the garage, of which a portion will be recoverable through insurance in 2004.

(b) Purchased Power Repayment

In 2000, a billing error that occurred from 1996 through 1998 was discovered by the Vermont Electric Power Company (VELCO), the operator of Vermont's electric power grid. The error resulted in VELCO billing another utility for purchased power that was actually being used by the Department over a thirty-four (34) month period. The total amount of the billing error was \$195,469. The PSB is allowing the Department to recover the \$195,469 in prior year power obligations through rates. These amounts are to be recovered over a thirty-six (36) month period. Amortization charged to purchased power was \$56,647 and \$67,814 for the years ended December 31, 2003 and 2002, respectively.

(c) Loss on Sale of Millstone III

In 2000, the Department transferred its 0.0487% ownership interest in Millstone III, a nuclear generating unit, to the Connecticut Municipal Electric Cooperative for \$159,623. This sale resulted in a loss of \$457,882, which was deferred and is being amortized and recovered through rates over the life of the outstanding bonds which were issued to finance the Department's interest in the project. Amortization was \$77,409 for both the years ended December 31, 2003 and 2002.

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements

December 31, 2003 and 2002

(7) Long-Term Debt

An analysis of long-term debt at December 31, 2003 and 2002 is as follows:

<u>Balance</u>	<u>2003 Principal</u>	<u>2002 Principal</u>	<u>2003 Interest rate</u>	<u>2002 Interest rate</u>	<u>Date of final installment</u>
Unsecured general obligation bonds issued for:					
Joint ownerships (Millstone)	\$ 60,000	80,000	7.65%	7.65%	2006
VPPSA financing note	<u>54,895</u>	<u>63,613</u>	3.52%	3.52%	2007
	114,895	143,613			
Less current installments	<u>35,390</u>	<u>33,550</u>			
Long-term debt, excluding current installments	<u>\$ 79,505</u>	<u>110,063</u>			

All Department long-term debt related to the unsecured general obligation bonds is backed by the full faith and credit of the Village.

On April 30, 2002, the Department entered into an agreement with the Vermont Public Power Supply Authority (VPPSA) whereby VPPSA agreed to advance the Department \$71,300 at 3.52% interest for the purpose of acquiring 713 shares of Vermont Electric Power Company's Class C common stock. An additional 56 shares costing \$5,600 was financed through VPPSA at 3.52% in June 2003. The Department is required to make monthly payments of principal and interest in the amount of \$1,423 for a period of twelve months. At that time, the Department will have the option of either paying off the entire outstanding balance or renewing the note for another period of twelve months. The Department has the option to extend the note over a period of five years, which it intends to do. As such, this note has been classified as long-term in the accompanying balance sheets.

Long-term debt maturities for each of the next five years are as follows:

Year ending December 31:	
2004	\$ 35,390
2005	35,941
2006	36,511
2007	7,053
2008	—
	<u>\$ 114,895</u>

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements

December 31, 2003 and 2002

(8) Pension Plan

The Village of Lyndonville maintains one contributory pension plan and one noncontributory pension plan. Effective April 1, 1995, the Village adopted a new money purchase plan for all Village employees except unionized electrical workers. Participants under this plan are eligible after 1/2 year of service and upon attaining age 21. Effective January 1, 2000, unionized employees participate in the Vermont Municipal Employees' Retirement System (VMERS), which is a contributory plan. All unionized electrical workers are eligible for participation in their plan as of their hire date. All pension costs are funded as they accrue.

Pension expense for the years ended December 31, 2003 and 2002 was as follows:

	Pension expense	Contribution rate
2003:		
Plan covering unionized electrical workers (January 1, 2003 – December 31, 2003)	\$ 23,151	5.00%
Plan covering all nonunion Village employees	23,399	10.00%
	\$ 46,550	
2002:		
Plan covering unionized electrical workers (January 1, 2002 – July 1, 2002)	\$ 8,449	4.00%
Plan covering unionized electrical workers (July 2, 2002 – December 31, 2002)	8,799	5.00%
Plan covering all nonunion Village employees	23,251	10.00%
	\$ 40,499	

Financial statements for these plans are available from the Village of Lyndonville, Vermont, 20 Park Avenue, Lyndonville, Vermont 05851.

(9) Insurance

The Department's insurance cost for trucks, general liability, commercial package, worker's compensation and boiler insurance are all part of a package offered to the Village of Lyndonville and the costs are split proportionately between the Department and the Village.

(10) Commitments and Contingencies

(a) Litigation

During July 2001, the Department received approximately \$97,600 from Hydro Quebec. This payment represents a settlement in connection with an ice storm that occurred in 1998. The ice storm resulted in significant line loss that prevented Hydro Quebec from satisfying its power contract agreement with the Department. The settlement represents the Department's compensation for the

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Notes to Financial Statements

December 31, 2003 and 2002

period of time Hydro Quebec could not meet its contractual obligations. In accordance with an order from the PSB, this settlement has been recorded as a deferred credit and is being amortized over a six-year period.

(b) Commitments

The Department was committed to pay its share of plant decommissioning costs for the Vermont Yankee Nuclear Power Corporation. The Department paid decommissioning costs of \$50,055 during fiscal 2001. In January 2002, the Department sold its ownership interest in Vermont Yankee back to Vermont Yankee Nuclear Power Corporation and, effective March 1, 2002, the Department terminated its commitment to purchase power from Vermont Yankee. With the sale of its ownership share and termination of its purchased power contract, the Department is under no obligation for future Vermont Yankee costs.

The Department is also a party to other contracts to purchase power in the ordinary course of business.

(c) Contingencies

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department manages these risks through commercial insurance packages purchased in the name of the Department. The Department has transferred the risk of loss to the commercial insurance carrier. Insurance settlements have not exceeded insurance coverage during any of the past three fiscal years.



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Independent Auditors' Report on Supplementary Information

The Trustees
Village of Lyndonville, Vermont
Electric Department:

We have audited and reported separately herein on the financial statements of the Village of Lyndonville, Vermont Electric Department (the Department) (a component unit of the Village of Lyndonville, Vermont) as of and for the years ended December 31, 2003 and 2002.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Department taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

January 30, 2004



VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Supplemental Schedule of Operating Expenses
Years ended December 31, 2003 and 2002

	2003		Total
	Operation	Maintenance	
Production expenses:			
Power generation:			
Supervision and labor	\$ 647	241	888
Supplies and expense	49,098	41,753	90,851
Total power generation expenses	\$ 49,745	41,994	91,739
Purchased power			5,160,459
Total production expenses			5,252,198
Transmission supplies and expense	\$ 2,690	10,356	13,046
Distribution expenses:			
Supervision and labor	\$ 23,831	9,700	33,531
Line and station expenses	141,755	224,152	365,907
Street lighting and signal system	3,010	4,132	7,142
Meter expense	20,006	1,019	21,025
Customer installation	190	—	190
Miscellaneous distribution expenses	87,326	191	87,517
Rent	22,940	—	22,940
Total distribution expenses	\$ 299,058	239,194	538,252
Customer accounts expenses:			
Meter reading expense			46,449
Customer record and collection expenses			53,235
Uncollectible accounts			54,053
Promotional expense			1,288
Miscellaneous expense			5,659
Total customer accounts expenses			160,684
Administrative and general expenses:			
Salaries			38,207
Office supplies and expense			53,608
Outside services employed			65,011
Property insurance			71,117
Injuries and damages			18,116
Employee pensions and benefits			153,725
Miscellaneous			109,355
Total administrative and general expenses			509,139
Total operation, maintenance, and general administrative expenses			\$ 6,473,319

See accompanying independent auditors' report.

VILLAGE OF LYNDONVILLE, VERMONT
ELECTRIC DEPARTMENT
(A Component Unit of the Village of
Lyndonville, Vermont)

Supplemental Schedule of Operating Expenses

Years ended December 31, 2003 and 2002

	2002		Total
	Operation	Maintenance	
Production expenses:			
Power generation:			
Supervision and labor	\$ 1,122	612	1,734
Supplies and expense	50,198	18,365	68,563
Total power generation expenses	\$ 51,320	18,977	70,297
Purchased power			4,946,377
Total production expenses			5,016,674
Transmission supplies and expense	\$ 46,417	4,121	50,538
Distribution expenses:			
Supervision and labor	\$ 22,653	8,195	30,848
Line and station expenses	114,715	291,010	405,725
Street lighting and signal system	3,050	4,761	7,811
Meter expense	19,843	2,119	21,962
Customer installation	934	—	934
Miscellaneous distribution expenses	68,397	15	68,412
Rent	22,940	—	22,940
Total distribution expenses	\$ 252,532	306,100	558,632
Customer accounts expenses:			
Meter reading expense			44,205
Customer record and collection expenses			45,765
Uncollectible accounts			17,731
Promotional expense			841
Miscellaneous expense			4,358
Total customer accounts expenses			112,900
Administrative and general expenses:			
Salaries			37,069
Office supplies and expense			84,098
Outside services employed			108,824
Property insurance			96,619
Injuries and damages			19,020
Employee pensions and benefits			130,809
Miscellaneous			107,093
Total administrative and general expenses			583,532
Total operation, maintenance, and general administrative expenses			\$ 6,322,276

See accompanying independent auditors' report.