

Q1: What is the annual auditors' report?

The annual auditors' report is a document that contains the written findings of the town auditors after they have "examine[d] and adjust[ed] the accounts of all town officers and all other persons authorized by law to draw orders on the town treasurer." [24 V.S.A. § 1681\(a\)\(1\)](#).

Q2: What is the TOWN REPORT, and how is it different from the ANNUAL AUDITORS' REPORT?

The annual auditors' report is distinguishable from the town report in that the former is a creature of statute and the latter is a creature of custom. Therefore, there is no legal requirement that the town assemble, print, and distribute any information other than the annual auditors' report. Of course, historically, most towns have assembled, printed, and distributed a so-called "town report" that contains all kinds of information such as vital statistics, next year's proposed budget, photographs, and the warning. If a town wants to save printing and mailing expenses, it could limit the report to only that content which is required by law. Note that, if a town produces a town report that contains the annual auditors' report, then the requirements that apply to the annual auditors' report will apply to the combined town report.

Q3: Who is responsible for the annual auditors' report?

According to the Vermont Statutes, the elected town auditors must prepare and distribute the annual report. 24 V.S.A. §§ [1681](#), [1682\(a\)](#).

(a): What if the office of elected town auditor no longer exists?

If the town has voted to eliminate the office of elected auditor in accordance with 17 V.S.A. § 2651b, the selectboard bears the responsibility of mailing or otherwise distributing the findings of the professional accountant, licensed in Vermont, that the selectboard hired. [24 V.S.A. § 1682\(b\)](#).

(b): What if a professional accountant performs an audit in addition to the elected auditors?

Unless the town has voted to eliminate the office of elected auditor, hiring a professional accountant will not relieve the elected auditors of their statutory responsibilities. [24 V.S.A. § 1691](#). However, it is rarely necessary for the elected auditors to duplicate the professional accountant's work. Instead, the elected auditors can use the results of the professional audit in formulating their audit report to the town voters. See the MAC [Financial Auditing & Reporting Info Sheet](#) for guidance on how elected auditors can use the results of the professional audit in formulating their annual report.

Q4: What does the annual auditors' report have to contain?

The annual auditors' report contains those findings required by [24 V.S.A. §§ 1682, 1683, and 1684](#). The elected town auditors must prepare and publish an audit report that reviews the accounts of the town treasurer, selectboard, tax collector, and other town officials who submit bills for payment by the town. This report provides taxpayers with detailed information about the town's financial status.

After completing a review of the town's books and financial statements, the town auditors must prepare an audit report. Note that this is not the financial audit of all town funds performed by a public accountant pursuant to [24 V.S.A. § 1690](#). The contents of the annual auditors' report must comply with the requirements of Vermont Statutes which state that, at a minimum, the report contains:

- A detailed statement of the financial condition of such town for its fiscal year;
- A classified summary of receipts and expenditures;
- A list of all outstanding orders and payables more than thirty (30) days past due;
- An indication of a deficit, if any, pursuant to section 1523 of Title 24; and
- Other information as the municipality votes to include. Typically, this "other information" includes a list of all delinquent taxes owed to the town. If such a list is requested, State law requires that "individuals who are exempt from penalty, fees, and interest by virtue of 32 V.S.A. § 4609 shall not be listed or identified in any such report, provided that they notify or cause to be notified in writing the municipal or district treasurer that they should not be listed or identified." [24 V.S.A. § 1683\(a\)](#).

The report must also contain:

- The account that the treasurer is required to keep with the collector, the tax accounts of the collector, trust accounts where the town or any town officer, as such officer, is trustee or where the town is sole beneficiary;
- Accounts of any special funds in the care of any town official;
- The condition of all trust funds, with a list of the assets of such funds including the receipts and disbursements for the preceding year;
- Any outstanding bonds of the town with the rate of interest and the amounts; and
- Any outstanding interest-bearing notes or orders of the town with the serial number, date, amount, payee, rate of interest of each, and the total amount thereof. [24 V.S.A. § 1684](#).

Q5: What must the town report contain and who is responsible for it?

The selectboard determines whether it will prepare and distribute a town report in addition to (and/or together with) the annual auditors' report because the town report is not a statutory requirement. If the town report is produced, its contents are determined by the selectboard. [24 V.S.A. § 872](#). Some selectboards may form an understanding with another elected official, such as the town clerk, or delegate to a town employee the responsibility for preparing the town

report; in those cases, the selectboard would still have ultimate authority over what the town report contains unless they direct or allow otherwise. Note that, if the town report contains the annual auditors' report, then the requirements that apply to the annual auditors' report will apply to the combined town report.

NEW 11-17-22 Q6: What happens if there are vacancies in the elected auditor positions? Who must prepare the report?

The selectboard must appoint someone to fill any vacancy in the elected auditor position. Please see our [Vacancies in Elected Offices FAQ](#). A vacancy does not change the underlying quorum requirements of 1 V.S.A. §172. Therefore, if a town has only two auditors and one vacancy, those two auditors must meet and agree before they may take any official action, which includes creating and issuing the annual auditors' report. If there is more than one vacancy, the elected auditors cannot take any official action because the requisite quorum of two is impossible to attain. If the vacancies cannot be filled, and a quorum cannot be reached in order to take any official action, the sole remaining auditor must still fulfill their statutory duties and compile and submit the report to the voters. The report should include a notation that, due to the number of vacancies on the board, the report has not been approved by a majority of the board of auditors as required by statute.

Q7: Are we required to include a school's audit report and/or finances in either the annual auditors' report or the town report?

Town auditors do not perform the job of school auditors. As such, town auditors are not required to make a detailed statement showing what bonds of the school district are outstanding or what interest-bearing notes or orders of the town school district are outstanding.

A school district is legally distinct from a municipality. To our knowledge, the town would bear no legal obligation to include the school's information; however, the selectboard may agree to include any additional material in its town report that it sees fit.

Q8: How and when is the annual auditors' report prepared?

Vermont law requires the town auditors to meet, at least once, twenty-five (25) days prior to town meeting to prepare their report. [24 V.S.A. § 1681\(a\)](#). For practical help on preparing the annual auditors' report, please see the MAC [Financial Auditing & Reporting Info Sheet](#).

Q9: Do elected auditors have to provide notice of their meetings?

Yes. The notice for the auditors' annual meeting required twenty-five (25) days before town meeting must be given ten (10) days in advance of the meeting per [24 V.S.A. § 1681\(b\)](#). Any other meeting(s) of a quorum of town auditors must follow all the requirements of the Open Meeting Law; we recommend classifying these meetings as special meetings which would be noticed at least 24 hours in advance. Note that agendas and minutes for all town auditor meetings must be prepared and posted, as required by the Open Meeting Law. [24 V.S.A. § 312](#).

Q10: To whom must the annual auditors' report be sent?

Pursuant to [24 V.S.A. § 1682](#), towns are legally required to disseminate the annual auditors' report. The law declares that the auditors must "report their findings in writing and cause the same to be mailed or otherwise distributed to the voters of the town at least ten (10) days before the annual meeting." While the law only requires the annual auditors' report to be distributed to voters, the selectboard may also choose to provide the report to non-voting taxpayers. Distributing the report to non-voting taxpayers fosters a sense of recognition and community and shares detailed information about the town and how its tax dollars are spent.

Although the law does not require the annual auditors' report or town report to be sent to all town residents, a copy of the report must be kept in the town clerk's office to allow the public to inspect or copy. The law, [24 V.S.A. § 1174](#), states: "[The] clerk shall keep on file in his or her office two or more sets of the annual report of the auditors, which at suitable intervals he or she shall bind in book form."

Q11: Does the annual auditors' report have to be "mailed" or can it be emailed or posted on the town's website instead?

State law requires that the annual auditors' report be "mailed or otherwise distributed to the voters of the town at least ten (10) days before the annual meeting." [24 V.S.A. § 1682\(a\)](#). We interpret the law to mean that actual hard copies of the annual auditors' report must be mailed or distributed because the law was enacted when email was nonexistent. Therefore, only emailing the report to voters or posting it on the town's website alone is insufficient. While posting the annual auditors' report to the town's official website does not meet the statutory requirement for distribution, it is certainly a courtesy that the town can provide.

Nonetheless, the law does give the voters the authority to agree to a different arrangement for distributing the report. Specifically, the voters may vote at a special or annual town meeting to provide "notice of availability" of the report at least thirty (30) days before the town meeting instead of mailing or otherwise distributing it.

Q12: How do you provide "notice of availability" of the annual auditors' report instead of mailing it to every voter?

If the town wants to distribute the annual auditors' report by a means other than mailing or distributing the report to the voters, it must vote to do so. However, it is not enough that the voters merely decide to give notice that the report is available; the article must also specify how that notice is going to be provided. A sample article for such a vote could take the following form:

"Shall the town provide notice of the availability of the annual report by [insert method of providing notice, such as "postcard, mailed to all registered voters"] at least 30 days before the annual meeting instead of mailing or otherwise distributing the report to the voters of the town pursuant to 24 V.S.A. § 1682(a)?"

Once the town votes to provide notice of availability, the vote relieves the auditors or town of the responsibility of mailing or otherwise distributing the annual auditors' report or town

report, respectively. Keep in mind, however, that even if such notice of availability is provided, the auditors are still required to mail or distribute a copy of the report to any voter or resident of the town who requests such service. [24 V.S.A. § 1682\(a\)\(3\)](#).

Even if the voters approve sending the notice of availability in lieu of mailing the report, the town auditors (or selectboard, if the town has voted to eliminate the office of the town auditor) must still deliver enough copies to the town clerk in order to comply with their responsibilities under 24 V.S.A. §§ [1173](#) and [1174](#). Delivery to the town clerk must happen at the same time the reports are mailed or notice of availability is provided.

Q13: Does the annual auditors' report have to be received by voters at least ten (10) days before town meeting?

The law requires that, until a town votes otherwise, copies of the town report must be “mailed or otherwise distributed” to the voters in town at least ten (10) days before town meeting. [24 V.S.A. § 1682\(a\)\(1\)](#). Therefore, the town has satisfied the law if it is mailed at least ten (10) days before town meeting, even if voters do not receive the report ten (10) days prior to the town meeting. Keep in mind that this sets a minimum timeframe for distributing the report, so it can go out earlier as soon as it is ready.

Q14: When does the annual auditors' report have to be available if a town has voted to provide notice of availability in lieu of mailing it out?

While [24 V.S.A. § 1682\(a\)\(4\)](#) requires towns to provide the report to the town clerk thirty (30) days prior to town meeting when the notice of availability is sent, the notice itself can specify a later date at which the report will be available if the town wants to postpone bulk production of hard copies. We recommend using the ten (10) days prior to town meeting deadline that applies to mailing the report as an outer marker. Regardless, towns should make the report available to voters and residents with ample time to review and digest the information before town meeting.

Q15: Do we have to send two copies to the same address if two voters live there?

While the law states that the report must be mailed or otherwise distributed to each voter, we believe it is acceptable to mail just one report to each voter's household, e.g. if there is a couple that lives together. Be sure to place the name of each person residing there on the mailed report.

Q16: Does the town need to vote to accept the annual auditors' report?

Although an annual auditors' report is required, there is no statutory requirement for the voters to do anything about the report and no specific consequence if the town votes not to accept it. There is simply no legal requirement that the voters act to accept the report at town meeting. While the report may certainly guide the voter's decision in terms of how much money to authorize for the ensuing year, it is not specifically subject to town approval. If the report is voted down it may very well signal voter dissatisfaction, but it is of no legal consequence.

Q17: What are the town clerk's responsibilities once the annual auditors' report is available?

[Title 24, Section 1173](#) requires that the town clerk, annually, send two copies of the report to each library in the town and one copy of the report to the Vermont State Archives and Records Administration.

State law requires town clerks to “keep on file in his or her office two or more sets of the annual report of the auditors, which at suitable intervals he or she shall bind in book form.” [24 V.S.A. § 1174](#). In addition, all surplus copies of the report must be given to the town clerk before the first Tuesday in March (Town Meeting Day).

NEW 11-17-22 Q18: What happens if the annual auditors' report is not distributed on time?

Voters may be displeased but, in most cases, an election will probably not be invalidated due to a failure to meet the statutory deadline for distribution. In the 2020 case of *Mark C. Nowakowski v. City of Rutland and David Allaire* (2020 WL 619127), the Vermont Supreme Court shed some light on this question. The plaintiff alleged that the town report's delayed distribution deprived voters of the ability to make informed decisions and he sought to invalidate the election. However, the Vermont Supreme Court upheld the Rutland County Superior Court's dismissal of the lawsuit.

Vermont courts deem voiding elections “one of the more extreme remedial measures available to a court.” See [Putter v. Montpelier Pub. Sch. Sys., 166 Vt. 463, 467 \(1997\)](#). The requisite threshold for invalidating an election is high. In the *Nowakowski* case, the Court considered several factors which would guide any future analysis; they include “the nature and severity of the (federal) violation, the probability that it actually affected the election result, the presence or absence of culpable intent, and the harm to the organic processes of the election.”

Municipalities should be relieved, but not encouraged, by this decision. The annual auditors' report and the town report are important tools for annual meetings and should be produced and distributed on time.