

Vermont League of Cities and Towns

Audited Financial Statements  
with Supplementary Information

*Years ended December 31, 2010 and 2009  
with Report of Independent Auditors*

Vermont League of Cities and Towns

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with Supplementary Information

Years ended December 31, 2010 and 2009

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## Report of Independent Auditors

Board of Directors  
Vermont League of Cities and Towns

We have audited the accompanying statements of net assets of Vermont League of Cities and Towns ("VLCT") as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of VLCT'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VLCT's internal control over financial reporting. Accordingly, we express no such opinion. 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 VLCT at December 31, 2010 and 2009, 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.

The accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 - 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board which has determined it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on VLCT's basic financial statements as a whole. The supplementary information on pages 25 - 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

*Johnson Lambert & Co. LLP*

Burlington, Vermont  
May 25, 2011

Vermont firm registration: 092-0000267

# Vermont League of Cities and Towns

## Management Discussion and Analysis

Year ended December 31, 2010 and 2009

Management of the Vermont League of Cities and Towns (VLCT) presents the following overview and analysis of its financial operations for the year ended December 31, 2010, to be reviewed and considered in conjunction with the more detailed statements, schedules and notes in the ensuing pages of this report.

### *Highlights*

- Assets exceeded liabilities at the end of 2010 by \$140,710, of which \$(135,142) was undesignated and \$275,852 is invested in capital assets net of related debt. This compares with net assets of 203,472 at December 31, 2009, of which \$(66,819) was undesignated, \$270,291 was invested in capital assets net of related debt. This compares with net assets of \$216,762 at December 31, 2008, of which \$(4,410) was undesignated, \$221,172 was invested in capital assets net of related debt.
- Net assets decreased by \$(62,762) during the year ended December 31, 2010. An analysis of the budgetary basis statement in on pages 25 - 29 shows that the majority of the decrease in net assets was due to: 1) 2010 FTE adjustments due to staff changes which resulted in decreased Trust Agreement Revenue; and 2) over-expenditures in contracted services. Audit/accounting services were higher in 2010 due to changes in auditors and the start of interim audits for 2010. Legal services were significantly higher due to legal expenses relating to staff and our E&O policy; and 3) higher depreciation than was budgeted due to higher than expected asset purchases for the trusts.

### *Overview of the Financial Statements*

VLCT's fiscal year is January 1 through December 31. VLCT completed an interim six month period to change to a calendar year end as of December 31, 2008. There are no funds other than the General Fund. Administrative costs are allocated generally on the basis of staff full-time equivalency with each employee's time portioned to the various cost centers he or she is responsible for. Those cost centers are:

- Advocacy
- Member Services
- Municipal Assistance Center
- Grants
- Unemployment Insurance Trust
- Health Insurance Trust
- Property and Casualty Insurance Fund

## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

Any costs that can be attributed directly to a specific cost center are expensed accordingly. The costs related to the three insurance trusts are reimbursed to VLCT on a quarterly basis with an annual reconciliation to account for overpayments or expenses over what was budgeted. The full expense of capital investments is allocated to the trusts during the year of purchase with the depreciation expense in the ensuing years absorbed in the bottom line of VLCT.

Management's Discussion and Analysis is intended to serve as an introduction to VLCT's basic financial statements, and provides supplemental information required by the Governmental Accounting Standards Board. VLCT's basic financial statements consist of the required financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Required Financial Statements include:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to the Financial Statements

These statements present VLCT's status at December 31, 2010 and 2009, and financial developments during the years ended December 31, 2010 and 2009 for all cost centers combined.

The Statements of Net Assets presents the economic position of VLCT, showing the assets owned by VLCT and how those assets are financed: by debt or short-term obligations, or by net assets (VLCT's equity).

The Statements of Revenues, Expenses and Changes in Net Assets shows the operating transactions for the year, revenues and expenses, as well as any operating transfers. The result of operations is the change in net assets. This amount added to last fiscal year's net assets is the new net assets total shown in the Statement of Net Assets as well as the Statement of Revenues, Expenses and Changes in Net Assets.

The Statements of Cash Flows outlines the cash flow resulting from operations, investment, and financing activities of VLCT.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the required financial statements. The notes provide explanations of the accounting principles followed and of key items in the statements. They include tables with more detailed analyses of accounts requiring further clarification. The notes to the financial statements can be found immediately following the basic financial statements.

## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

In addition to the basic financial statements and the accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes a Schedule of Revenues and Expenses – Budgetary Basis for the current fiscal year, comparing budget to actual and showing the variance from budget. The supplementary information can be found immediately following the notes to the financial statements.

#### ***Results and Analysis***

The following table summarizes the Statements of Net Assets:

|                               | December 31,<br>2010 | December 31,<br>2009 | Percentage<br>Change | December 31,<br>2008 | Percentage<br>Change |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Assets</b>                 |                      |                      |                      |                      |                      |
| Current assets                | \$ 856,963           | \$ 617,326           | 38.82 %              | \$ 603,458           | 2.30 %               |
| Capital assets                | <u>806,670</u>       | <u>609,736</u>       | 32.30 %              | <u>434,794</u>       | 40.24 %              |
| Total assets                  | 1,663,633            | 1,227,062            | 35.58 %              | 1,038,252            | 18.19 %              |
| <b>Liabilities</b>            |                      |                      |                      |                      |                      |
| Current payable and accruals  | 392,171              | 119,742              | 227.51 %             | 108,427              | 10.44 %              |
| Current deferred revenue      | 569,495              | 451,162              | 26.23 %              | 415,900              | 8.48 %               |
| Non-current liabilities       | <u>561,257</u>       | <u>452,686</u>       | 23.98 %              | <u>297,161</u>       | 52.34 %              |
| Total liabilities             | <u>1,522,923</u>     | <u>1,023,590</u>     | 48.78 %              | 821,488              | 24.60 %              |
| <b>Net assets at year-end</b> | <u>\$ 140,710</u>    | <u>\$ 203,472</u>    | (30.85)%             | <u>\$ 216,764</u>    | (6.13)%              |

As of December 31, 2010, total assets were \$1,663,633, up from \$1,227,062 at the same time last year. This increase of \$436,571 was the result of an increase in cash due to the Trusts reimbursement of asset purchases. These purchases also increase the capital assets for the year. These increases were partially offset by decreases in the amounts due from Trusts and prepaid expenses.

As of December 31, 2010, total liabilities were \$1,522,923, up from \$1,023,590 at the same time last year. The \$499,333 increase was primarily the result of two factors. The first is a \$226,371 increase in the amount due to trusts. This is the result of the FTE allocation adjustment at year-end. The second is a \$240,363 increase in deferred revenue (of which, PACIF's portion is \$187,719 and Health Trust's portion is \$3,654). The PACIF deferred revenue is due to payments on claims software.

As of December 31, 2010, VLCT owes the Trusts a total of \$256,047 due to the FTE allocation adjustment at year-end. PACIF owes VLCT \$33,830 for the annual MAC contract.

## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

Accrued payroll of \$50,363 represents the amount paid in January, 2011, for hours worked in 2010. This was a \$7,848 increase from the prior year. The accrued compensated absences increase of \$10,699 was the result of a increase in the number of hours of unused vacation time and salary increases.

The increase in deferred revenue resulted from the payment for claims software. When assets are purchased for the trust operations, VLCT essentially “borrows” the cash from the trusts and this amount, ultimately offset by reimbursements for depreciation of the assets, is shown as a liability under current deferred revenue for the portion to be offset within a year of the financial statements, and non-current for the balance.

The following table summarizes operations shown in the Statement of Revenues, Expenses and Changes in Net Assets:

|                               | December 31,<br>2010 | December 31,<br>2009 | Percentage<br>Change | December 31,<br>2008 | Percentage<br>Change |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Operating revenues</b>     |                      |                      |                      |                      |                      |
| Member dues                   | \$ 810,505           | \$ 742,086           | 9.22 %               | \$ 364,078           | 103.83 %             |
| Services                      | 305,751              | 287,411              | 6.38 %               | 132,686              | 116.61 %             |
| Trusts                        | 3,396,818            | 3,319,818            | 2.32 %               | 1,702,703            | 94.97 %              |
| Other revenue                 | <u>81,833</u>        | <u>108,133</u>       | (24.32)%             | <u>59,189</u>        | 82.69 %              |
| Total operating revenues      | 4,594,907            | 4,457,448            | 3.08 %               | 2,258,656            | 97.35 %              |
| <b>Operating expenses</b>     |                      |                      |                      |                      |                      |
| Combined cost centers **      | 4,454,259            | 4,347,277            | 2.46 %               | 2,279,661            | 90.70 %              |
| Capital costs                 | <u>204,216</u>       | <u>124,184</u>       | 64.45 %              | <u>43,844</u>        | 183.24 %             |
| Total operating expenses      | 4,658,475            | 4,471,461            | 4.18 %               | 2,323,505            | 92.44 %              |
| Operating loss                | (63,568)             | (14,013)             | 353.64 %             | (64,849)             | (78.39)%             |
| Non-operating revenue         | <u>806</u>           | <u>723</u>           | 11.48 %              | <u>2,646</u>         | (72.68)%             |
| Change in net assets          | (62,762)             | (13,290)             | 372.25 %             | (62,203)             | (78.63)%             |
| Net assets, beginning of year | <u>203,472</u>       | <u>216,762</u>       | (6.13)%              | <u>278,965</u>       | (22.30)%             |
| Net assets, end of year       | <u>\$ 140,710</u>    | <u>\$ 203,472</u>    | (30.85)%             | <u>\$ 216,762</u>    | (6.13)%              |

\*\* Refer to Schedule 1 at the end of the financial statements for a breakdown of expenses by function.

## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

The following table presents a budget to actual comparison summarized form from the Budgetary Basis Statement on pages 25 - 29:

|                                      | <u>Budget</u>   | <u>Actual</u>      | <u>Percentage<br/>Change</u> |
|--------------------------------------|-----------------|--------------------|------------------------------|
| <b>Operating revenues</b>            |                 |                    |                              |
| Member dues                          | \$ 809,874      | \$ 810,505         | 0.08 %                       |
| Services                             | 282,770         | 305,751            | 7.52 %                       |
| Trusts                               | 3,576,271       | 3,396,818          | (5.28)%                      |
| Other revenue                        | <u>82,275</u>   | <u>81,833</u>      | (0.54)%                      |
| Total operating revenues             | 4,751,190       | 4,594,907          | (3.40)%                      |
| <b>Operating expenses</b>            |                 |                    |                              |
| Combined cost centers **             | 4,608,249       | 4,454,259          | (3.46)%                      |
| Capital costs                        | <u>144,000</u>  | <u>204,216</u>     | 29.49 %                      |
| Total operating expenses             | 4,752,249       | 4,658,475          | (2.01)%                      |
| Operating loss                       | (1,059)         | (63,568)           | 98.33 %                      |
| Non-operating revenue                | <u>750</u>      | <u>806</u>         | 6.95 %                       |
| Deficiency of revenues over expenses | <u>\$ (309)</u> | <u>\$ (62,762)</u> | 99.51 %                      |

\*\* Refer to Schedule 1 at the end of the financial statements for a breakdown of expenses by function.

VLCT ended the year with an overall deficit of \$62,762, with operating revenue (including trusts' reimbursements) lower than projected by \$156,283; investment income higher than projected by \$56; and operating and capital expenses lower than budgeted by \$93,774. This gave VLCT a net deficit of expenses over revenues of \$62,762.

Comparing the results of VLCT operations to the year ended December 31, 2009, operating revenues were up by 3.08%, a total of \$137,459 and investment income was up by 11.48%, \$83 over the prior year. Member dues on an annual basis are \$810,505, up \$68,419 or 9.22% from last year. Town Fair revenue, net of direct expenses, is \$11,203, down \$10,020 from last year. Professional services, workshop revenues and publications are \$229,052, up 11.45% from last year.

Factoring out the reimbursements from the trusts, other revenue was above expectations for several reasons. The methodology of invoicing Contributing Members changed in 2009 and the number of Contributing Members decreased from 23 to 7 members in 2009. In 2010, the members increased to 17. Attendance at workshops was down in 2009 but attendance has improved and more workshops were added. The number of active grants increased in 2010.

Operating expenses were up by 4.18%, a total of \$187,014 over the prior year. Salaries and Benefits were \$92,682 below budgeted as were the majority of expense categories. Contracted Services is \$59,996 over budget due to the costs related to auditing and accounting services due

## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

to new auditors and changing the timing of the audit work to be completed. Legal services were also significantly higher than budgeted due to a legal claim against staff.

Several categories of expenses were under-spent significantly. Equipment maintenance and purchases were \$65,773 or 31.21% under budget. Total communications were \$22,434 or 21.59% under budget. Total travel and training was \$14,529 or 44.13% under budget.

Capital costs (depreciation) increased in 2010 as a result of the purchase of new Claims software. This increase is reflected in the Equipment Purchases – Capital and the Depreciation adjustment to Capital. Both lines reflect actual costs higher than budgeted.

#### ***Outlook and Economic Factors***

VLCT ends its next fiscal year facing some difficult challenges but with some solutions already in place. Our unrestricted fund balance deficit grew again substantially. We did have a deficiency of revenues over expenses, due to several unanticipated developments, despite non-Trust revenues being higher than budgeted and total expenses being lower than budgeted. First, our auditing costs increased due to a change in auditors and having some of the 2010 audit work performed during the fiscal year. Second, we had to defend a lawsuit with our new much higher deductible amount for our liability insurance coverage. Thirdly, we had some unexpected reductions in positions in the Risk Management Services Department. With our indirect cost allocation plan dependent on dividing the administrative expenses based on full-time equivalent (FTE) employees, those reductions caused the Trusts to reimburse VLCT for much less of the administrative costs than we had budgeted. Lastly, due to a complicated system of expensing capital assets and a change in finance staff, depreciation costs were three times what was budgeted. We have taken steps to assure none of these issues are repeated. The audit costs should actually go down as we get the new annual cycle in place. We have budgeted \$50,000 in the FY11 budget to establish a fund from which to pay for insurance deductibles due to potential legal issues. We have changed the agreement with the Trusts to buffer the impact of any changes in Trust-reimbursed staffing on the administrative budget. Also, we believe that finance and executive staff now fully understand the capital asset billing and expensing process so that such expense and offsetting revenue will be more accurately budgeted and not be a bad surprise at the end of the year. We have also taken steps to eliminate the negative fund balance at the end of 2010 by December 31, 2012, including a 2011 budget that contains no general salary adjustments for the whole year.

Membership remains at 100% for the tenth year in a row. Staff continues to provide services that meet the ever growing and increasingly complex needs of municipal government. Service revenue from members was ten percent higher than budgeted in 2010 and early results in 2011 look promising. As the VLCT Health Trust lost a substantial number of members for 2011, it is reviewing its options and its business plan. How successful it will be in filling a need for our members will impact the size of the VLCT operations and potentially on its ability to retain its membership at the present historically high level.

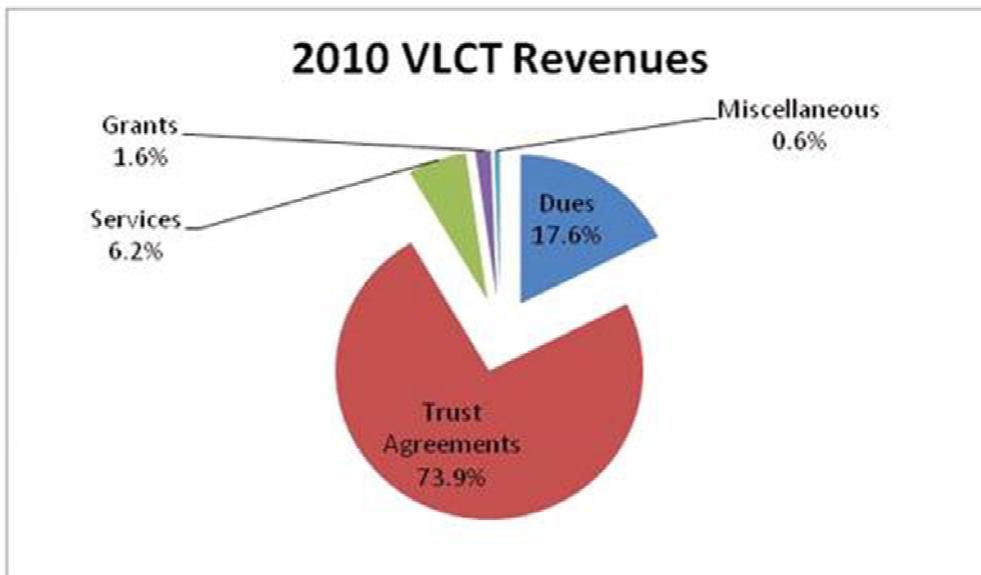
## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

VLCT is facing the same pressures on expenditures as our members, especially in the growth of health insurance rates. Strategic financial planning for the next few years will continue to focus on three major areas of concern: restoring an adequate fund balance, developing new services to benefit our members, and staffing in the areas of succession planning and building redundancy for business continuation.

VLCT's significant growth spurt of quadrupling in the number of staff between 1993 and 2008 has leveled off with some small reductions coming in the risk services and administrative staffing. Management anticipates that growth will ultimately resume as the organization addresses growing demand in both the insurance side to a degree but particularly in developing new offerings in member services. In preparation of the budget for the 2011 year, VLCT included the same number of staff for the year with which it ended 2010. No additional reductions were budgeted, and total expenses are up by only one percent.

The revenue sources that fund all six of VLCT's cost centers include dues, user charges for services, training, publications, grants from the state and federal government, reimbursements from the trusts, income from investments, advertising and other miscellaneous sources. The following chart shows the percentage of each revenue source to total revenue.



## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

User charges for services grew as a percentage of overall revenue, moving from 6.4% of the total in FY03 to 7.3% in FY04 and 7.9% in FY05. FY06, FY07 and FY08 experienced a decrease to 5.6%, and decreased further to 5.5% for the six months ended December 31, 2008, although consulting revenues have increased substantially. FY09 reversed the down trend in service charges with the percentage of total revenue increasing to 6.4%. In 2010, the proportion of services of the total revenues decreased slightly to 6.2% but was significantly higher than the figure budgeted.

Reimbursements from the trusts and dues paid by members remain the life-blood of VLCT operations, making up at least 90% of total revenue since FY95 with FY10 being 91.5%. The unique and complex arrangement with the three insurance trusts ensure efficiencies through the sharing of administrative personnel, but the organization must remain aware that negative changes in the insurance market could have a significant impact on the trusts, creating the need to downsize program operations, increasing the overhead and administrative costs for both advocacy and the Municipal Assistance Center and other member services, programs that rely completely on dues and service revenues. A number of members of the VLCT Health Trust chose to obtain their employee health insurance through sources other than the Health Trust for the years beginning January 1, 2010 and 2011, so there is a smaller premium base on which to spread the costs of the VLCT's administrative budget. On the other hand, the VLCT PACIF had a strong renewal for both 2010 and 2011 and much more of the staffing and therefore the indirect costs are allocated in that operation.

Growing demands for services from citizens, education property taxes squeezing their most significant revenue source and shrinking assistance from the state and federal governments have put significant pressures on local government budgets. VLCT staff and the Board of Directors had, until its significant 2010 increase, been conservative in their demands for increased member dues and had been very aware of the constraints within which cities and towns have been forced to operate. VLCT has also tried to tailor its member services to those that enhance its value to its members. Despite the local pressures on local budgets, and VLCT at times requesting significant dues increases, at least on a percentage basis, the organization has been able to maintain 100% membership among the municipalities eligible for full membership and continues to grow its associate members' dues base. The Board of Directors and staff have to continue to be sensitive to these constraints and constantly review its portfolio of member services to assure that Vermont municipalities continue to consider VLCT membership as an essential component of their budgets and an irreplaceable service provider. We believe the value of the League services justifies the increase in dues and we will remain at or near 100% membership.

## Vermont League of Cities and Towns

### Management Discussion and Analysis (Continued)

VLCT will continue to evaluate all of its programs and reasons why municipalities remain members and purchase products from us – whether those are health insurance coverage for their employees, liability protection, seminars and training for their officials or representation before the legislature. In addition to focusing on our internal infrastructure and its current array of services in the short-term, VLCT has expanded its services to include a financial officer to enhance our service of consulting, technical assistance and training in the financial area as well as we looked at expanding our training program to human resource management, additional technical areas and to leadership and supervisory skills. We believe that the economy has hurt the members' ability to take advantage of these services and we have since reduced the hours of the financial officer, with hopes that we will be able to bring them back up when the demand picks up. We will have to be patient and allow the economy to more fully recover to see membership taking advantage of these new services and generating the revenues we believe we can realize from such investment.

Building on the improvements we have made in internal support, systems and processes necessary to assure that the growth that we have experienced over the past can be supported will be a priority for the foreseeable future. However, we must continue to keep our finger to the pulse of our members' needs in order to assure the long-term importance and value of VLCT to its members.

#### ***Requests for Information***

This financial report is designed to provide a general overview of the Vermont League of Cities and Towns' finances for all those with an interest in the League's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer at the Vermont League of Cities and Towns, 89 Main Street, Suite 4, Montpelier, Vermont, 05602-2948, or by calling 802-229-9111.

Vermont League of Cities and Towns

Statements of Net Assets

|   | As of December 31,  |                     |
|---|---------------------|---------------------|
|   | <u>2010</u>         | <u>2009</u>         |
| <b>Assets</b>                                     |                     |                     |
| Current Assets                                    |                     |                     |
| Cash and cash equivalents                         | \$ 698,238          | \$ 425,479          |
| Accounts receivable                               | 75,318              | 71,029              |
| Due from trusts                                   | 33,830              | 49,547              |
| Prepaid expenses                                  | <u>49,577</u>       | <u>71,271</u>       |
| Total current assets                              | 856,963             | 617,326             |
| Non-Current Assets                                |                     |                     |
| Capital assets (net of accumulated depreciation)  | <u>806,670</u>      | <u>609,736</u>      |
| Total Assets                                      | <u>\$ 1,663,633</u> | <u>\$ 1,227,062</u> |
| <b>Liabilities and Net Assets</b>                 |                     |                     |
| <b>Liabilities</b>                                |                     |                     |
| Current Liabilities                               |                     |                     |
| Accounts payable                                  | \$ 61,600           | \$ 24,582           |
| Due to trusts                                     | 256,047             | 29,676              |
| Note payable - current portion                    | 24,161              | 22,969              |
| Accrued payroll                                   | 50,363              | 42,515              |
| Deferred revenue                                  | 438,544             | 389,554             |
| Deferred revenue - trusts - current portion       | <u>130,951</u>      | <u>61,608</u>       |
| Total current liabilities                         | 961,666             | 570,904             |
| Non-Current Liabilities                           |                     |                     |
| Note payable - long-term portion                  | 34,362              | 58,520              |
| Accrued compensated absences                      | 127,028             | 116,329             |
| Deferred revenue - trusts - long-term portion     | <u>399,867</u>      | <u>277,837</u>      |
| Total non-current liabilities                     | <u>561,257</u>      | <u>452,686</u>      |
| Total liabilities                                 | 1,522,923           | 1,023,590           |
| <b>Net Assets</b>                                 |                     |                     |
| Investment in capital assets, net of related debt | 275,852             | 270,291             |
| Unrestricted                                      | <u>(135,142)</u>    | <u>(66,819)</u>     |
| Total net assets                                  | <u>140,710</u>      | <u>203,472</u>      |
| Total Liabilities and Net Assets                  | <u>\$ 1,663,633</u> | <u>\$ 1,227,062</u> |

*See accompanying notes to the financial statements.*

## Vermont League of Cities and Towns

### Statements of Revenues, Expenses and Changes in Net Assets

Year ended December 31, 2010 and 2009

|                                  | Years ended December 31, |            |
|----------------------------------|--------------------------|------------|
|                                  | 2010                     | 2009       |
| <b>Operating Revenues</b>        |                          |            |
| Dues - regular                   | \$ 715,918               | \$ 655,140 |
| Dues - associate                 | 85,887                   | 80,221     |
| Dues - contributing              | 8,700                    | 6,725      |
| Town fair                        | 57,397                   | 63,134     |
| Publications                     | 5,793                    | 8,136      |
| Workshops                        | 80,320                   | 69,788     |
| Professional services            | 142,939                  | 127,605    |
| Administrative services          | 75,701                   | 88,677     |
| Newsletter advertising           | 15,652                   | 16,248     |
| Trust contracts                  | 3,196,756                | 3,219,920  |
| PACIF loss prevention contract   | 33,830                   | 32,643     |
| Equipment revenue from trusts    | 166,232                  | 67,255     |
| (Loss) gain on sale of equipment | (2,002)                  | 4,106      |
| Other income                     | 11,784                   | 17,850     |
| Total operating revenues         | 4,594,907                | 4,457,448  |
| <b>Operating Expenses</b>        |                          |            |
| Salaries                         | 2,782,226                | 2,743,762  |
| Employee benefits                | 899,890                  | 859,084    |
| Office space                     | 299,285                  | 296,673    |
| Office equipment                 | 57,227                   | 52,304     |
| Communications                   | 81,466                   | 90,767     |
| Printing and supplies            | 53,664                   | 55,589     |
| Travel and training              | 18,396                   | 24,419     |
| Officer's costs                  | 31,668                   | 35,643     |
| Contracted services              | 78,396                   | 58,978     |
| Dues and subscriptions           | 33,089                   | 31,979     |
| Town fair                        | 46,194                   | 41,911     |
| Conferences and workshops        | 62,737                   | 46,624     |
| Depreciation                     | 204,216                  | 124,184    |
| Other expenses                   | 10,021                   | 9,544      |
| Total operating expenses         | 4,658,475                | 4,471,461  |
| Operating loss                   | (63,568)                 | (14,013)   |
| <b>Non-Operating Revenues</b>    |                          |            |
| Investment income                | 806                      | 723        |
| Change in Net Assets             | (62,762)                 | (13,290)   |
| Net Assets, Beginning of Year    | 203,472                  | 216,762    |
| Net Assets, End of Year          | \$ 140,710               | \$ 203,472 |

*See accompanying notes to the financial statements.*

# Vermont League of Cities and Towns

## Statements of Cash Flows

|  | Years ended<br>2010 | December 31,<br>2009 |
|--|---------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                      |
| Receipts from membership dues  | \$ 859,495          | \$ 746,422           |
| Receipts from trusts   | 3,403,846           | 3,375,079            |
| Other receipts   | 585,359             | 504,046              |
| Payments for salaries and benefits   | (3,663,569)         | (3,594,918)          |
| Payments to vendors  | (713,431)           | (797,506)            |
| Due to trusts  | 226,371             | 6,077                |
| Net cash provided by operating activities  | 698,071             | 239,200              |
| <b>Cash Flows from Financing Activities</b>  |                     |                      |
| Receipts from sales of capital assets  | 6,875               | 17,573               |
| Purchase of capital assets   | (410,027)           | (312,593)            |
| Principal payments on note payable   | (22,966)            | (14,511)             |
| Notes payable proceeds   | -                   | 96,000               |
| Net cash used in financing activities  | (426,118)           | (213,531)            |
| <b>Cash Flows from Investing Activities</b>  |                     |                      |
| Net receipts for interest and dividends  | 806                 | 723                  |
| Net cash provided by investing activities  | 806                 | 723                  |
| Net Change in Cash and Cash Equivalents  | 272,759             | 26,392               |
| Cash and Cash Equivalents, Beginning of Year                                       | 425,479             | 399,087              |
| Cash and Cash Equivalents, End of Year   | \$ 698,238          | \$ 425,479           |
| <b>Reconciliation of Operating Income to Cash Provided By Operating Activities</b> |                     |                      |
| Operating loss   | \$ (63,568)         | \$ (14,013)          |
| Add (deduct) items not affecting cash:   |                     |                      |
| Depreciation   | 204,216             | 124,184              |
| Loss (gain) on sale of net assets  | 2,002               | (4,106)              |
| Changes in assets and liabilities:   |                     |                      |
| Accounts receivable  | (4,289)             | 12,710               |
| Due from trusts  | 15,717              | 29,336               |
| Prepaid expenses   | 21,694              | (29,524)             |
| Accounts payable   | 37,018              | (23,551)             |
| Due to trusts  | 226,371             | 6,077                |
| Accrued payroll  | 7,848               | 5,820                |
| Accrued compensated absences   | 10,699              | 2,108                |
| Deferred revenue   | 48,990              | 4,336                |
| Deferred revenue - trusts  | 191,373             | 125,823              |
| Net Cash Provided By Operating Activities  | \$ 698,071          | \$ 239,200           |

*See accompanying notes to the financial statements.*

# Vermont League of Cities and Towns

## Notes to the Financial Statements

Years ended December 31, 2010 and 2009

### **Note A - Organization and Nature of Operations**

Vermont League of Cities and Towns ("VLCT") is the official cooperative association of Vermont's cities and towns. VLCT was founded in 1967 as a nonprofit, nonpartisan organization to serve the needs and best interests of Vermont municipalities. VLCT represents cities and towns working together to promote legislation, strengthening local government and providing information and other resources to assist municipal officials in their efforts to improve the quality of services provided to their citizens.

The reporting entity consists of the primary government (VLCT), organizations for which VLCT is financially accountable, and other organizations for which the nature and significance of their relationship with VLCT are such that their exclusion would cause the financial statements to be misleading or incomplete. Component units are legally separate organizations for which the officials of VLCT are financially accountable. VLCT is financially accountable if it is able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to or burdens on VLCT. VLCT may be financially accountable if an organization is fiscally dependent on VLCT. Included within VLCT is the Municipal Assistance Center (MAC), which has a distinct revenue stream. MAC provides certain services, including workshops and consulting to members of VLCT. MAC is not a legally separate organization from VLCT. There are no agencies or entities that should be combined with the financial statements of VLCT.

The Board of Directors ("the Board") consists of thirteen municipal officials elected by the members. The Executive Director is appointed by the Board to manage the general affairs of VLCT.

### **Note B - Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The accounting policies of VLCT follow U.S. generally accepted accounting principles ("GAAP") applicable to public entity risk pools, as prescribed by the Government Accounting Standards Board ("GASB"). Accordingly, VLCT adheres to all GASB pronouncements. VLCT may also apply other pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Those standards include: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board opinions and Accounting Research Bulletins of the Committee on Accounting Procedure, all of which are collectively included in the FASB Accounting Standards Codification. VLCT uses the economic resources measurement focus and the accrual basis of accounting and is accounted for as a proprietary fund.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Subsequent Events*

VLCT has evaluated subsequent events for disclosure and recognition through May 25, 2011, the date on which these financial statements were available to be issued.

##### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Significant estimates included in these financial statements primarily relate to the cost allocations to the Trusts, as more fully described in Note G, and the useful lives of property, plant, and equipment used to compute depreciation, as more fully described in Note C.

##### *Cash and Cash Equivalents*

VLCT's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by VLCT.

All cash and cash equivalents are held by People's United Bank (formerly known as Chittenden Trust Company). VLCT's cash is collateralized by U.S. government securities held by People's United Bank's trust department, with a security interest granted to VLCT. VLCT has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

VLCT's carrying amount of cash deposits and the bank balance at December 31, 2010 and 2009 were as follows:

|  | <u>December 31, 2010</u> |                     | <u>December 31, 2009</u> |                     |
|--|--------------------------|---------------------|--------------------------|---------------------|
|  | <u>Book Balance</u>      | <u>Bank Balance</u> | <u>Book Balance</u>      | <u>Bank Balance</u> |
| Insured/FDIC Unsecured and Collateralized Petty Cash | \$ 250,000               | \$ 250,000          | \$ 250,000               | \$ 250,000          |
|  | 447,695                  | 449,233             | 175,329                  | 176,840             |
|  | <u>543</u>               | <u>-</u>            | <u>150</u>               | <u>-</u>            |
| Total  | <u>\$ 698,238</u>        | <u>\$ 699,233</u>   | <u>\$ 425,479</u>        | <u>\$ 426,840</u>   |

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts collateralized by the bank were substantially higher than at year end.

##### *Accounts Receivable*

Accounts receivable are stated at net realizable value. VLCT uses the allowance method to determine the uncollectible accounts receivable, which are based on management's judgment, experience and review of the current status of existing receivables. All receivables are deemed collectible by management at December 31, 2010 and 2009.

##### *Prepaid Expenses*

VLCT has made payments to vendors which reflect costs that are applicable to future accounting periods. These amounts are recorded as prepaid expenses. Prepaid expenses are reduced as the related costs are incurred.

##### *Capital Assets*

Acquisitions of capital assets greater than \$1,000 (\$500 prior to July 1, 2008) are capitalized at cost. Capital assets are depreciated or amortized using the straight-line basis over their estimated useful lives. Depreciation expense was \$204,216 and \$124,184 for the years ended December 31, 2010 and 2009, respectively. The estimated useful lives of capital assets are as follows for the years ended December 31, 2010 and 2009:

|                        | <u>Estimated Useful Life<br/>(Years)</u> |
|------------------------|--|
| Leasehold Improvements | 2-7                                      |
| Computer Equipment     | 4-5                                      |
| Other Equipment        | 4-10                                     |
| Furniture              | 5-10                                     |
| Vehicles               | 4  |

##### *Deferred Revenue*

Deferred revenue represents membership dues, revenue from the Trusts, and other amounts collected in the current year for services or events to take place in subsequent years as more fully described in Note D.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Accrued Vacation*

VLCT permits employees to accumulate earned but unused vacation and sick time, and records the accrual in the financial statements as a liability based on current rates. No employee may carry beyond the end of the calendar year an amount of annual vacation leave exceeding that which the employee was earning on an annual basis at the end of that calendar year. Unused vacation time is paid to the employee upon termination of their employment. No liability is recorded for earned but unused sick time because it is not a vested benefit.

##### *Net Assets*

Unrestricted net assets represents resources that have met all applicable restrictions and are considered to be available for unrestricted use. Net assets are classified based upon any restrictions that have been placed on those balances. Restrictions of net assets represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement.

##### *Income Taxes*

VLCT is an unincorporated nonprofit association. VLCT is considered an instrumentality of the political subdivisions and, therefore, is exempt from taxation under the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for federal or state income taxes.

##### *Classification of Revenues and Expenses*

VLCT reports itself as a business-type activity as defined in GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Business-type activities are financed in whole or in part by fees charged to external parties. Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of VLCT include fund member dues, fees received from providing services and reimbursement from the trusts for administrative services provided. Operating expenses include salaries and benefits, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### *Reclassifications*

Certain reclassifications have been made in the 2009 audited financial statements to conform to the 2010 presentation, which had no effect on net assets or change in net assets.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note C - Capital Assets**

Capital asset activity for the year ended December 31, 2010, was as follows:

|                                | <u>December 31,</u><br><u>2009 Balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>December 31,</u><br><u>2010 Balance</u> |
|--------------------------------|--|-------------------|--------------------|--|
| Capital Assets at Cost:        |  |                   |                    |  |
| Leasehold improvements         | \$ 29,628                                  | \$ -              | \$ -               | \$ 29,628                                  |
| Computer equipment             | 539,247                                    | 336,313           | (6,568)            | 868,992                                    |
| Other equipment                | 160,607                                    | 46,644            | (12,066)           | 195,185                                    |
| Furniture & fixtures           | 116,026                                    | -                 | -                  | 116,026                                    |
| Vehicles                       | <u>168,369</u>                             | <u>26,860</u>     | <u>(24,352)</u>    | <u>170,877</u>                             |
| Total capital assets at cost   | 1,013,877                                  | 409,817           | (42,986)           | 1,380,708                                  |
| Less: accumulated depreciation | <u>(404,141)</u>                           | <u>(205,509)</u>  | <u>35,612</u>      | <u>(574,038)</u>                           |
| Total Net Capital Assets       | <u>\$ 609,736</u>                          | <u>\$ 204,308</u> | <u>\$ (7,374)</u>  | <u>\$ 806,670</u>                          |

Capital asset activity for the period ended December 31, 2009, was as follows:

|                                | <u>December 31,</u><br><u>2008 Balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>December 31,</u><br><u>2009 Balance</u> |
|--------------------------------|--|-------------------|--------------------|--|
| Capital Assets at Cost:        |  |                   |                    |  |
| Leasehold improvements         | \$ 29,628                                  | \$ -              | \$ -               | \$ 29,628                                  |
| Computer equipment             | 336,043                                    | 203,204           | -                  | 539,247                                    |
| Other equipment                | 63,796                                     | 101,017           | (4,206)            | 160,607                                    |
| Furniture & fixtures           | 116,026                                    | -                 | -                  | 116,026                                    |
| Vehicles                       | <u>215,097</u>                             | <u>-</u>          | <u>(46,728)</u>    | <u>168,369</u>                             |
| Total capital assets at cost   | 760,590                                    | 304,221           | (50,934)           | 1,013,877                                  |
| Less: accumulated depreciation | <u>(325,796)</u>                           | <u>(124,184)</u>  | <u>45,839</u>      | <u>(404,141)</u>                           |
| Total Net Capital Assets       | <u>\$ 434,794</u>                          | <u>\$ 180,037</u> | <u>\$ (5,095)</u>  | <u>\$ 609,736</u>                          |

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### Note D - Deferred Revenue

The components of deferred revenue as of December 31, 2010 and 2009 are as follows:

|                           | 2010       | 2009       |
|---------------------------|------------|------------|
| Prepaid dues              | \$ 431,194 | \$ 378,287 |
| Deferred revenue - trusts | 530,818    | 339,445    |
| Other deferred revenue    | 7,350      | 11,267     |
| Total deferred revenue    | \$ 969,362 | \$ 728,999 |

Members pay dues on an annual basis with a July 1 renewal date. Member dues are recognized as revenue over the membership year to which they relate, with any unearned amounts recorded as deferred revenue. Deferred revenue is reduced ratably as membership dues are earned throughout the year.

Deferred revenue attributable to the trusts represents the book value of capital assets purchased by VLCT on behalf of the trusts and reimbursed to VLCT by the trusts. The value of the capital assets are classified as an asset and depreciated over their estimated useful lives. The reimbursement from the trusts is classified as a liability (deferred revenue) and recognized as income over the same useful lives.

The components of deferred revenue attributable to the trusts as of December 31, 2010 and 2009 are as follows:

|  | 2010       | 2009       |
|--|------------|------------|
| Deferred Revenue - Trusts, Beginning of Year | \$ 339,445 | \$ 213,621 |
| Add: reimbursement for new assets            | 357,605    | 193,079    |
| Less: amortization related to depreciation   | (166,232)  | (67,255)   |
| Deferred Revenue - Trusts, End of Year       | \$ 530,818 | \$ 339,445 |

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### Note E - Long-Term Debt

In March, 2009, VLCT purchased new copiers and financed the purchase with a \$96,000 installment loan from People's United Bank. The term of the loan is for four years with interest accruing annually at 5%. Future annual payments are as follows:

| <u>Year ending December 31,</u> | <u>Total</u>     |
|---------------------------------|------------------|
| 2011                            | \$ 24,161        |
| 2012                            | 25,414           |
| 2013                            | <u>8,948</u>     |
| Total                           | <u>\$ 58,523</u> |

As of December 31, 2010 and 2009, the current portion of the long-term debt is \$24,161 and \$22,969, and respectively. As of December 31, 2010 and 2009, the long-term portion of the long-term debt is \$34,362 and \$58,520, respectively.

#### Note F - Future Minimum Lease Payments

VLCT leases office space from City Center Associates under a four year operating lease agreement expiring August 12, 2012. Rent expense was \$208,776 and \$204,908 for the years ended December 31, 2010 and 2009, respectively. Future minimum lease payments are as follows:

| <u>Year ending December 31,</u> | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2011                            | \$ 213,043        |
| 2012                            | <u>144,631</u>    |
| Total                           | <u>\$ 357,674</u> |

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note G - Allocation to Trusts**

Per contractual agreement, VLCT provides administrative services, office space and equipment usage to VLCT Unemployment Trust, Inc. ("UI"), VLCT Health Trust, Inc. ("HT"), and VLCT Property and Casualty Intermunicipal Fund, Inc ("PACIF"), three related nonprofit corporations (collectively referred to as "the Trusts"). VLCT bills the Trusts annually for these services and the Trusts pay quarterly. Salaries for employees working directly for the specific Trusts are charged directly to that Trust. Salaries for employees not directly charged to a specific Trust and other operating costs are allocated based on personnel charge time at full time equivalents. For the year ended December 31, 2010, VLCT allocated budgeted expenses to the Trusts at rates of 2.2%, 15.3% and 58.7% for UI, HT and PACIF, respectively. For the year ended December 31, 2009, VLCT allocated budgeted expenses to the Trusts at rates of 2.2%, 14.6% and 58.4% for UI, HT and PACIF, respectively. A reconciliation is performed at year-end based on actual expenses and employee charge times, with any over/under accruals reimbursed to or collected from the Trusts subsequent to year-end.

The tables below show the final allocation to the Trusts by expense category for the years ended December 31, 2010 and 2009:

|                               | December 31, 2010                   |                            |   |                     |
|-------------------------------|-------------------------------------|----------------------------|---|---------------------|
|                               | VLCT<br>Unemployment<br>Trust, Inc. | VLCT Health<br>Trust, Inc. | VLCT Property<br>and Casualty<br>Intermunicipal<br>Fund, Inc. | Total               |
| Salaries - allocated directly | \$ 39,972                           | \$ 347,993                 | \$ 1,184,426  | \$ 1,572,391        |
| Salaries - administration     | 11,661                              | 92,459                     | 346,180   | 450,300             |
| Employee benefits             | 19,601                              | 140,377                    | 516,216   | 676,194             |
| Office space                  | 5,812                               | 46,081                     | 172,535   | 224,428             |
| Office equipment              | 2,200                               | 17,445                     | 65,317  | 84,962              |
| Communications                | 1,613                               | 12,791                     | 47,890  | 62,294              |
| Printing and supplies         | 963                                 | 7,632                      | 28,576  | 37,171              |
| Travel and training           | 198                                 | 1,570                      | 5,877   | 7,645               |
| Officers costs                | 627                                 | 4,972                      | 18,616  | 24,215              |
| Contracted services           | 1,361                               | 10,790                     | 40,402  | 52,553              |
| Dues and subscriptions        | 41                                  | 325                        | 1,216   | 1,582               |
| Miscellaneous                 | 78                                  | 620                        | 2,323   | 3,021               |
| <b>Total</b>                  | <b>\$ 84,127</b>                    | <b>\$ 683,055</b>          | <b>\$ 2,429,574</b>   | <b>\$ 3,196,756</b> |

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note G - Allocation to Trusts (Continued)**

|                               | December 31, 2009                   |                            |   |                     |
|-------------------------------|-------------------------------------|----------------------------|---|---------------------|
|                               | VLCT<br>Unemployment<br>Trust, Inc. | VLCT Health<br>Trust, Inc. | VLCT Property<br>and Casualty<br>Intermunicipal<br>Fund, Inc. | Total               |
| Salaries - allocated directly | \$ 46,797                           | \$ 326,404                 | \$ 1,167,197  | \$ 1,540,398        |
| Salaries - administration     | 13,478                              | 87,141                     | 343,800   | 444,419             |
| Employee benefits             | 20,745                              | 131,856                    | 515,262   | 667,863             |
| Office space                  | 6,751                               | 43,647                     | 172,203   | 222,601             |
| Office equipment              | 3,607                               | 23,319                     | 92,002  | 118,928             |
| Communications                | 2,106                               | 13,615                     | 53,716  | 69,437              |
| Printing and supplies         | 1,268                               | 8,195                      | 32,332  | 41,795              |
| Travel and training           | 428                                 | 2,769                      | 10,926  | 14,123              |
| Officers costs                | 827                                 | 5,346                      | 21,094  | 27,267              |
| Contracted services           | 1,928                               | 12,471                     | 49,199  | 63,598              |
| Dues and subscriptions        | 68                                  | 440                        | 1,736   | 2,244               |
| Miscellaneous                 | 220                                 | 1,422                      | 5,605   | 7,247               |
| <b>Total</b>                  | <b>\$ 98,223</b>                    | <b>\$ 656,625</b>          | <b>\$ 2,465,072</b>   | <b>\$ 3,219,920</b> |

The following tables show the accounts receivable (payable) to VLCT from the Trusts as of December 31, 2010 and 2009:

|                     | December 31, 2010                   |                            |   |                     |
|---------------------|-------------------------------------|----------------------------|---|---------------------|
|                     | VLCT<br>Unemployment<br>Trust, Inc. | VLCT Health<br>Trust, Inc. | VLCT Property<br>and Casualty<br>Intermunicipal<br>Fund, Inc. | Total               |
| Accounts receivable | \$ -                                | \$ -                       | \$ 33,830   | \$ 33,830           |
| Accounts payable    | (13,950)                            | (61,930)                   | (180,167)   | (256,047)           |
| <b>Net Payable</b>  | <b>\$ (13,950)</b>                  | <b>\$ (61,930)</b>         | <b>\$ (146,337)</b>   | <b>\$ (222,217)</b> |

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note G - Allocation to Trusts (Continued)**

|                     | December 31, 2009                   |                            |   |                  |
|---------------------|-------------------------------------|----------------------------|---|------------------|
|                     | VLCT<br>Unemployment<br>Trust, Inc. | VLCT Health<br>Trust, Inc. | VLCT Property<br>and Casualty<br>Intermunicipal<br>Fund, Inc. | Total            |
| Accounts receivable | \$ 5,458                            | \$ 11,446                  | \$ 32,643   | \$ 49,547        |
| Accounts payable    | -                                   | -                          | (29,676)  | (29,676)         |
| Net Receivable      | <u>\$ 5,458</u>                     | <u>\$ 11,446</u>           | <u>\$ 2,967</u>   | <u>\$ 19,871</u> |

**Note H - Net Assets**

The net investment in capital assets for the years ended December 31, 2010 and 2009 are as follows:

|                                  | December 31,<br>2010 | December 31,<br>2009 |
|----------------------------------|----------------------|----------------------|
| Capital assets (cost)            | \$ 1,380,708         | \$ 1,013,877         |
| Less: accumulated depreciation   | (574,038)            | (404,141)            |
| Deferred income - trusts         | <u>(530,818)</u>     | <u>(339,445)</u>     |
| Net investment in capital assets | <u>\$ 275,852</u>    | <u>\$ 270,291</u>    |

There were no designated net assets as of December 31, 2010 and 2009.

**Note I - Benefit Plans**

VLCT participates in the Vermont State Municipal Employees' Retirement System ("VMERS"). VMERS is a cost-sharing multi-employer plan. During the year, VLCT participated in Plan DB, a defined benefit plan, and Plan DC, a defined contribution plan. Eligible employees become enrolled in Plan DB when they are hired, and have the option of electing Plan DC during the first sixty days of their employment. Thereafter, employees cannot change plans. The Executive Director of VLCT is currently serving as the Chairman of the VMERS Board of Directors. Additional information regarding the VMERS is available upon request from the State of Vermont Office of the State Treasurer.

*VMERS Plan DB*

Plan DB requires a 4.5% contribution by the employee and a 5.0% contribution by the employer. The premise of Plan DB is to provide a retirement plan covering municipal employees at a uniform statewide contribution rate based on an actuarial valuation of all State of Vermont

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note I - Benefit Plans (Continued)**

municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as present value of vested and non-vested plan benefits of VLCT are not determinable.

Total payroll for the year ended December 31, 2010, was \$2,744,190, while covered payroll was \$1,989,665 for the VMERS Plan DB. VLCT's contribution was \$99,483 for the year ended December 31, 2010. Total payroll for the year ended December 31, 2009, was \$2,680,598, while covered payroll was \$1,927,618 for the VMERS Plan DB. VLCT's contribution was \$96,381 for the year ended December 31, 2009. Total payroll for the six month period ended December 31, 2008, was \$1,349,516, while covered payroll was \$949,309 for the VMERS Plan DB. VLCT's contribution was \$47,466 for the six month period ended December 31, 2008.

#### *VMERS Plan DC*

Plan DC requires a 5% contribution by the employee and a 5.125% contribution by the employer (increased from 5 % as of July 1, 2008). The premise of Plan DC is to allow the employees to have choice in investing their retirement assets. Employees will receive the value of their account upon retirement.

Total payroll for the year ended December 31, 2010, was \$2,744,190, while covered payroll was \$671,518 for the VMERS Plan DC. VLCT's contribution was \$34,415 for the year ended December 31, 2010. Total payroll for the year ended December 31, 2009, was \$2,680,598, while covered payroll was \$690,258 for the VMERS Plan DC. VLCT's contribution was \$35,376 for the year ended December 31, 2009. Total payroll for the six month period ended December 31, 2008, was \$1,349,516, while covered payroll was \$384,022 for the VMERS Plan DC. VLCT's contribution was \$19,720 for the six month period ended December 31, 2008

#### *ICMA Plans*

VLCT has a defined contribution compensation plan through the ICMA Retirement Corporation in accordance with Internal Revenue Code Section 401(a). Employees who participate in this plan do not participate in the Social Security program. The Plan requires a 4.5% contribution by the employee and a 7.1% contribution by VLCT. For the year ended December 31, 2010, covered payroll under this plan was \$2,571,071 and VLCT's contribution was \$182,546. For the year ended December 31, 2009, covered payroll under this plan was \$2,581,116 and VLCT's contribution was \$183,260.

VLCT also offers a voluntary deferred compensation plan through the ICMA Retirement Corporation in accordance with Internal Revenue Code Section 457. Deferred compensation is not available to employees until termination, retirement, death, or for unforeseeable emergencies.

Vermont League of Cities and Towns

Statement of Revenue and Expenses - Budgetary Basis

Year ended December 31, 2010  
(Unaudited)

|                                | <u>Budget</u> | <u>Actual</u>  | <u>Variance -<br/>Positive/(Negative)</u> |
|--------------------------------|---------------|----------------|---|
| <b>Revenues</b>                |               |                |   |
| Dues                           |               |                |   |
| Regular members                | \$ 715,916    | \$ 715,918     | \$ 2                                      |
| Associate members              | 87,233        | 85,887         | (1,346)                                   |
| Contributing members           | <u>6,725</u>  | <u>8,700</u>   | <u>1,975</u>                              |
| Total dues                     | 809,874       | 810,505        | 631                                       |
| Services                       |               |                |   |
| Town fair                      | 59,000        | 57,397         | (1,603)                                   |
| Publications                   | 7,000         | 5,793          | (1,207)                                   |
| Workshops                      | 53,000        | 80,320         | 27,320                                    |
| Professional services          | 143,570       | 142,939        | (631)                                     |
| Sponsorships                   | 5,000         | 3,650          | (1,350)                                   |
| Newsletter advertising         | <u>15,200</u> | <u>15,652</u>  | <u>452</u>                                |
| Total services                 | 282,770       | 305,751        | 22,981                                    |
| Administrative services        |               |                |   |
| Administrative contracts       | 8,275         | 9,485          | 1,210                                     |
| Grant administration           | <u>64,000</u> | <u>66,216</u>  | <u>2,216</u>                              |
| Total administrative services  | 72,275        | 75,701         | 3,426                                     |
| Trust reimbursements           |               |                |   |
| Trust agreements               | 3,452,803     | 3,196,756      | (256,047)                                 |
| PACIF loss prevention contract | 44,750        | 33,830         | (10,920)                                  |
| PACIF and HT equipment revenue | <u>78,718</u> | <u>166,232</u> | <u>87,514</u>                             |
| Total trust reimbursements     | 3,576,271     | 3,396,818      | (179,453)                                 |
| Miscellaneous                  | 10,000        | 9,279          | (721)                                     |
| Interest earnings              | <u>750</u>    | <u>806</u>     | <u>56</u>                                 |
| <b>Total Revenue</b>           | 4,751,940     | 4,598,860      | (153,080)                                 |

\*\* Some accounts have been reclassified in the audited financial statements for presentation purposes.

Vermont League of Cities and Towns

Statement of Revenue and Expenses - Budgetary Basis

Year ended December 31, 2010  
(Unaudited)

|                                   | <u>Budget</u>  | <u>Actual</u>  | <u>Variance -<br/>Positive/(Negative)</u> |
|-----------------------------------|----------------|----------------|---|
| <b>Expenses</b>                   |                |                |   |
| Salaries                          | \$ 2,788,752   | \$ 2,744,190   | \$ 44,562                                 |
| Benefits                          |                |                |   |
| Payroll taxes                     | 37,590         | 38,036         | (446)                                     |
| VMERS employer contributions      | 138,684        | 133,898        | 4,786                                     |
| 401 employer contributions        | 195,709        | 182,546        | 13,163                                    |
| Health insurance                  | 544,780        | 514,978        | 29,802                                    |
| Long-term care insurance          | 8,304          | 7,866          | 438                                       |
| Dental insurance                  | 19,533         | 18,717         | 816                                       |
| Life and disability insurance     | 39,004         | 38,877         | 127                                       |
| Unemployment insurance            | 1,795          | 2,414          | (619)                                     |
| Flex plan administration          | 647            | 594            | 53  |
| Total benefits                    | <u>986,046</u> | <u>937,926</u> | <u>48,120</u>                             |
| Office expenses                   |                |                |   |
| Lease payment                     | 208,776        | 208,776        | -   |
| Electricity                       | 13,500         | 12,698         | 802                                       |
| Building maintenance              | 20,000         | 18,603         | 1,397                                     |
| Insurance - office                | 42,000         | 49,212         | (7,212)                                   |
| Property taxes                    | 9,500          | 8,688          | 812                                       |
| Parking                           | 16,000         | 1,308          | 14,692                                    |
| Total office expenses             | <u>309,776</u> | <u>299,285</u> | <u>10,491</u>                             |
| Equipment expenses                |                |                |   |
| Equipment maintenance             | 50,000         | 24,484         | 25,516                                    |
| Equipment purchases - capital     | 87,750         | 53,882         | 33,868                                    |
| Equipment purchases - non-capital | 10,000         | 9,851          | 149                                       |
| Copier maintenance                | 18,000         | 13,914         | 4,086                                     |
| Software purchases                | 45,000         | 8,978          | 36,022                                    |
| Total equipment expenses          | <u>210,750</u> | <u>111,109</u> | <u>99,641</u>                             |
| Communications                    |                |                |   |
| Postage                           | 70,000         | 48,362         | 21,638                                    |
| Postage meter rental              | 900            | 728            | 172                                       |
| Telephone                         | 14,500         | 26,772         | (12,272)                                  |
| Cell phones                       | 11,000         | 4,575          | 6,425                                     |
| On-line/cable services            | 7,500          | 1,029          | 6,471                                     |
| Total communications              | <u>103,900</u> | <u>81,466</u>  | <u>22,434</u>                             |

## Vermont League of Cities and Towns

### Statement of Revenue and Expenses - Budgetary Basis

Year ended December 31, 2010  
(Unaudited)

|                              |         |         |          |
|------------------------------|---------|---------|----------|
| Printing and supplies        |         |         |          |
| Job printing                 | 32,000  | 35,254  | (3,254)  |
| Paper purchases              | 9,000   | 6,654   | 2,346    |
| Office supplies              | 15,000  | 11,756  | 3,244    |
| Total printing and supplies  | 56,000  | 53,664  | 2,336    |
| Travel and training          |         |         |          |
| Vehicle expense              | 900     | 356     | 544      |
| Mileage                      | 10,000  | 8,337   | 1,663    |
| Travel                       | 10,425  | 6,785   | 3,640    |
| Staff training               | 11,600  | 2,918   | 8,682    |
| Total travel and training    | 32,925  | 18,396  | 14,529   |
| Officers expenses            |         |         |          |
| Board meetings               | 33,600  | 27,365  | 6,235    |
| Directors' insurance         | 3,800   | 2,503   | 1,297    |
| President's stipend          | 1,800   | 1,800   | -        |
| Total officers expenses      | 39,200  | 31,668  | 7,532    |
| Contracted services          |         |         |          |
| Auditing and accounting      | 10,000  | 23,293  | (13,293) |
| Bank services                | 2,400   | 2,143   | 257      |
| Legal services               | 1,000   | 41,461  | (40,461) |
| Consultants                  | -       | 2,325   | (2,325)  |
| Advertising and recruiting   | 5,000   | 9,174   | (4,174)  |
| Total contracted services    | 18,400  | 78,396  | (59,996) |
| Dues and subscriptions       |         |         |          |
| National League of Cities    | 16,000  | 16,079  | (79)     |
| Professional associations    | 2,150   | 1,717   | 433      |
| Books and subscriptions      | 12,000  | 15,293  | (3,293)  |
| Total dues and subscriptions | 30,150  | 33,089  | (2,939)  |
| Services                     |         |         |          |
| Town fair                    | 51,000  | 46,194  | 4,806    |
| Workshops                    | 35,500  | 36,303  | (803)    |
| Grant administration         | 2,500   | 8,838   | (6,338)  |
| Consulting                   | 20,000  | 17,596  | 2,404    |
| Total services               | 109,000 | 108,931 | 69       |

## Vermont League of Cities and Towns

### Statement of Revenue and Expenses - Budgetary Basis

Year ended December 31, 2010  
(Unaudited)

|                               |                  |                    |                    |
|-------------------------------|------------------|--------------------|--------------------|
| Miscellaneous                 |                  |                    |                    |
| Miscellaneous                 | 6,000            | 6,415              | (415)              |
| Loss on disposal of equipment | -                | 3,147              | (3,147)            |
| Interest expense              | 5,100            | 3,605              | 1,495              |
| Depreciation expense          | <u>56,250</u>    | <u>150,335</u>     | <u>(94,085)</u>    |
| Total miscellaneous           | <u>67,350</u>    | <u>163,502</u>     | <u>(96,152)</u>    |
| <br>                          |                  |                    |                    |
| Total expenses                | <u>4,752,249</u> | <u>4,661,622</u>   | <u>90,627</u>      |
| <br>                          |                  |                    |                    |
| Total                         | <u>\$ (309)</u>  | <u>\$ (62,762)</u> | <u>\$ (62,453)</u> |

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