

Vermont League of Cities and Towns

Audited Financial Statements
with Supplementary Information

*Years ended December 31, 2012 and 2011
with Report of Independent Auditors*

Vermont League of Cities and Towns

Audited Financial Statements
with Supplementary Information

Years ended December 31, 2012 and 2011

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Report of Independent Auditors

Board of Directors
Vermont League of Cities and Towns

We have audited the accompanying financial statements of Vermont League of Cities and Towns (VLCT), which comprise the statements of net position as of December 31, 2012 and 2011 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Vermont League of Cities and Towns as of December 31, 2012 and 2011 and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States require that the Management Discussion and Analysis on pages 4 - 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers 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 of America, 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on VLCT's basic audited financial statements. The other information on pages 26 - 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned to the right of the date and location information.

Burlington, Vermont
March 25, 2013

Vermont firm registration: 092-0000267

Vermont League of Cities and Towns

Management Discussion and Analysis

Years ended December 31, 2012 and 2011

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, 2012, to be reviewed and considered in conjunction with the more detailed statements, schedules and notes in the ensuing pages of this report.

Highlights

- Assets exceed liabilities at the end of 2012 by \$226,048, of which \$64,355 is unrestricted and \$161,693 is invested in capital assets, net of related debt. This compares with a net position of \$208,916 at December 31, 2011, of which \$(6,394) was unrestricted and \$215,310 was invested in capital assets, net of related debt. As of December 31, 2010, net position was \$140,710, of which \$(135,142) was unrestricted and \$275,852 was invested in capital assets, net of related debt.
- Unrestricted net position at the end of 2012 includes \$50,000 that management has budgeted and not spent that is being held to cover any insurance deductible for defending against potential lawsuits. Debt related to capital assets for all three years includes the non-depreciated balance of all capital assets paid for by the trusts at the time the assets were purchased. VLCT owns all capital assets, and all trust-funded purchases become a liability to VLCT (under deferred revenue) with the balance reduced each year by the annual depreciation of the assets.
- Net position increased by \$17,132 during the year ended December 31, 2012. This increase is primarily due to savings resulting from the decision not to relocate this year, with a shortfall in revenue offset by expenses that were less than budgeted. In addition, there is over \$96,000 unexpended in the benefits budget, mostly from unused Health Retirement Account (HRA) funds set up for employees for prescription drug reimbursements. In 2011, the change in net position from operations was \$68,206 and was mainly the result of savings from staff vacancies.
- Revenues are \$271,476 less than budgeted due to reduced trust reimbursement income, and expenses are under budget by \$282,662 primarily in building, capital and depreciation savings. Administrative and depreciation expenses that were budgeted in anticipation of VLCT's office relocation are significantly lower than expected as a result of the decision to remain at the present location with a reduced annual lease cost. The trusts' share of these savings resulted in income to VLCT that was \$310,925 lower than anticipated.

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Management Discussion and Analysis (Continued)

Overview of the Financial Statements

VLCT's fiscal year is January 1 through December 31. 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 for which he or she is responsible. Those cost centers are:

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

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 of expenses that exceed what was budgeted. The full expense of capital investments that are acquired specifically for the trusts is funded by the trusts during the year of purchase. The amount of this funding is booked to deferred revenue that is then recognized as an offset to the associated depreciation expense in ensuing years.

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

These statements present VLCT's status as of December 31, 2012 and 2011, and financial developments during the years ended December 31, 2012 and 2011 for all cost centers combined.

The Statements of Net Position present 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 position (VLCT's equity).

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

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

The Statements of Cash Flows outline the cash flows 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.

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 Position:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Percentage Change</u>	<u>December 31, 2010</u>	<u>Percentage Change</u>
Assets					
Current assets	\$ 1,058,232	\$ 940,116	12.6 %	\$ 856,963	9.7 %
Capital assets	<u>501,326</u>	<u>696,461</u>	(28.0)%	<u>806,670</u>	(13.7)%
Total Assets	1,559,558	1,636,577	(4.7)%	1,663,633	(1.6)%
Liabilities					
Current payables and accruals	419,429	373,109	12.4 %	392,171	(4.9)%
Current deferred revenue	595,528	591,671	0.7 %	569,495	3.9 %
Non-current liabilities	<u>318,553</u>	<u>462,881</u>	(31.2)%	<u>561,257</u>	(17.5)%
Total Liabilities	<u>1,333,510</u>	<u>1,427,661</u>	(6.6)%	<u>1,522,923</u>	(6.3)%
Net Position, End of Year	<u>\$ 226,048</u>	<u>\$ 208,916</u>	8.2 %	<u>\$ 140,710</u>	48.5 %

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Management Discussion and Analysis (Continued)

Total assets at December 31, 2012 are \$1,559,558, down from \$1,636,577 at the same time last year. This decrease of \$77,019 or 5% is due to the combination of a decrease in capital assets that is partially offset by an increase in cash, resulting in a net decrease. Depreciation exceeded purchases of new capital assets in 2012 due to an increase in the capitalization threshold (the amount over which capital is recognized as an asset in the financial statements) from \$1,000 to \$5,000 and no new large acquisitions. Depreciation has exceeded capital additions since 2010 when VLCT purchased new software for PACIF's claims and underwriting operations.

As of December 31, 2012, total liabilities decreased \$94,151 or 7% from this time last year as a result of the decrease in the deferred revenue portion of non-current liabilities. This includes deferred income from the trusts for capital equipment purchases. The trusts' deferred revenue related to capital assets decreased by \$141,518, the amount of depreciation for trust-funded capital, resulting in the reduction of total liabilities from the prior year.

As of December 31, 2012, VLCT owes the Trusts a total of \$295,403 after adjusting the full-time equivalency (FTE) allocation at year-end. As previously indicated in the Highlights section, building-related, depreciation and benefits cost savings decreased these allocated costs, thereby increasing the amount owed back to the trusts.

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

	December 31, 2012	December 31, 2011	Percentage Change	December 31, 2010	Percentage Change
Operating Revenues					
Member dues	\$ 902,825	\$ 874,390	3.3 %	\$ 810,505	7.9 %
Services	226,136	240,851	(6.1)%	302,101	(20.3)%
Trusts	3,567,834	3,283,346	8.7 %	3,396,818	(3.3)%
Other revenue	<u>83,235</u>	<u>109,859</u>	(24.2)%	<u>85,483</u>	28.5 %
Total operating revenues	4,780,030	4,508,446	6.0 %	4,594,907	(1.9)%
Operating Expenses					
Combined cost centers **	4,568,491	4,277,084	6.8 %	4,454,259	(4.0)%
Capital costs	<u>195,134</u>	<u>164,097</u>	18.9 %	<u>204,216</u>	(19.6)%
Total operating expenses	4,763,625	4,441,181	7.3 %	4,658,475	(4.7)%
Operating income (loss)	16,405	67,265	(75.6)%	(63,568)	(205.8)%
Non-Operating Revenue	<u>727</u>	<u>941</u>	(22.7)%	<u>806</u>	16.7 %
Change in Net Position	17,132	68,206	(74.9)%	(62,762)	(208.7)%
Net Position, Beginning of Year	<u>208,916</u>	<u>140,710</u>	48.5 %	<u>203,472</u>	(30.8)%
Net Position, End of Year	<u>\$ 226,048</u>	<u>\$ 208,916</u>	8.2 %	<u>\$ 140,710</u>	48.5 %

** 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 in summarized form from the Statement of Revenues and Expenses - Budgetary Basis on pages 26 - 29:

	Budget	Actual	Percentage Variance
Operating Revenues			
Member dues	\$ 901,687	\$ 902,825	0.1 %
Services	191,830	226,136	15.2 %
Trusts	3,878,759	3,567,834	(8.7)%
Other revenue	78,957	83,235	5.1 %
Total operating revenues	5,051,233	4,780,030	(5.7)%
Operating Expenses			
Combined cost centers **	4,795,125	4,568,491	(5.0)%
Capital costs	251,162	195,134	(28.7)%
Total operating expenses	5,046,287	4,763,625	(5.9)%
Operating income	4,946	16,405	69.9 %
Non-Operating Revenue			
	1,000	727	(37.6)%
Excess of revenues over expenses	\$ 5,946	\$ 17,132	65.3 %

** 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 surplus of \$17,132, with operating revenue (including trusts' reimbursements) and expenses both lower than projected by 5% and 6%, respectively, revenue by \$271,203 and operating and capital expenses by \$282,662.

Comparing the results of VLCT's operations for the year ended December 31, 2012 to the year ended December 31, 2011, operating revenues were up by 6%, a total of \$271,584, and operating and capital expenses were up by 7% or \$322,444 from the prior year. The change in operating results from 2010 to 2011 included a 2% or \$86,461 decrease in revenue with a 5% or \$217,294 decrease in expenses.

The primary driver for both the revenue increase from 2011 to 2012 and the shortfall of revenue to budget was the revenue from the trusts, which includes income from allocated administrative services and Municipal Assistance Center consulting contracts, as well as revenue for the annual depreciation of trust-funded capital assets. The 9% decrease from budget was due to a decrease in allocated expenses as previously explained, resulting in a return of the funds that were the trusts' share of the total. This includes all under-expended funds that are allocated across the various VLCT programs, with the bulk of those being in the office, capital and benefits line items. Despite being below budget, the revenue from the trusts was significantly higher (9%) than in 2011, primarily because of cost savings experienced in 2011 from staff vacancies.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Other revenue includes member dues, which increased \$28,435 or 3% from last year, reflecting the dues rate increase approved for the second half of the 2012 budget and the first half of the 2013 budget. Although services revenue was \$34,306 (15%) higher than budgeted primarily due to higher workshop attendance, this category experienced a 6% overall decrease from 2011 as a result of a decrease in professional services contracts.

The 7% increase in operating expenses from December 31, 2011 to December 31, 2012 was mainly in salaries and benefits, attributable to lower than budgeted expenses in 2011 from staff vacancies, making the increase higher than it would have been had there been no vacancies. In addition, depreciation experienced a 19% increase with the additional depreciation from the prior year PACIF claims and underwriting software purchases.

Of the expense categories that varied materially from budget, benefits are under-expended by \$96,913 (9%) due to a surplus balance in the health retirement account (HRA) funds along with savings from individual employee coverage changes, accounting for about a third of the total. Much of the balance is related to the change in office relocation plans:

- Office expenses and equipment are \$68,280 or 16% below budget, including \$44,572 in lease cost savings. A higher lease expense was anticipated for the new location and when VLCT renewed its lease with the current owners, a lower monthly rate was negotiated.
- Budgeted depreciation costs included \$36,000 for furniture and furnishings that were originally budgeted for the office relocation and unspent at year-end. Total depreciation expense was \$56,028 or 22% under budget.
- Consulting costs under the contracted services category included \$10,000 for design consulting services for the new office space; most of those funds were unspent.

Other notable variances of expenses from budget include:

- Communications costs are below budget by \$30,507 or 29% primarily due to postage savings. The 2012 budget for postage was not reduced to accurately reflect the increased use of electronic communications to members that resulted in savings at year end.
- Printing/supplies costs are \$22,036 or 31% below budget. Printing, paper and office supplies all came in well below budget with staff taking advantage of sales, discounts and making use of current inventory, including recycled items. The shift to electronic distribution also reduced expenses in this category.
- Travel/training costs are \$17,713 (42%) under budget due to unspent training funds. Fewer staff participated in training opportunities than budgeted due to scheduling and workload constraints.

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Management Discussion and Analysis (Continued)

- The contracted services category ended the year under budget by \$23,390 (33%). The more material under-expenditures were in legal (\$6,673) and consulting costs (\$7,364). A total of \$25,000 was budgeted for legal expenses in 2012 with the expectation that the balance would be added back to net position as part of a legal contingency. Consulting costs of \$10,000 were budgeted for 2012 for the new office space design as mentioned above, however those funds were not spent. The \$4,636 expenditure in that line item was for accounting software training for new staff that was not anticipated in the 2012 budget.
- Services costs are over budget by \$41,310 (47%) with offsetting revenue for each of the line items to cover some or all of the excess costs. The budget for Town Fair was lower than it should have been with the Essex venue, and only \$4,527 was collected in added revenue, resulting in a net over-expenditure of \$11,960. The workshops expense line item was over budget by \$12,140 but offset by excess revenue of \$28,960.

Outlook and Economic Factors

VLCT ended its 2012 fiscal year with its first positive unrestricted net position since FY08. We did have a surplus of revenues over expenses slightly higher than expected, due to several developments as explained in the above Results and Analysis section, increasing our overall net position slightly. The steps taken to eliminate the negative unrestricted fund balance at the end of 2010 by December 31, 2012 paid off, and VLCT appears to have emerged relatively unscathed from the economic downturn of the past four years. Revenues jumped in 2012 after having leveled off in the mid-four million dollar range for several years, and they appear strong going into 2013. Revenues from services provided have shown significant growth reflecting member demand and appreciation for the activities of the Municipal Assistance Center. Risk Management Services (RMS) as a bundle of insurance programs appear strong but have leveled off as a percent of total League activities. RMS has averaged about 72% of League staffing and expenses for the past fifteen years, peaking at over three-quarters of our operations in 2007 and 2008. It is expected that we will add modestly to our positive unrestricted net position in the future with large increases coming from unexpected expenditure savings or higher revenues from services than budgeted.

Staff is our most valuable asset and represents eighty percent of our costs. Having a well-qualified staff is the most important investment VLCT can make. We are fortunate to have a staff with growing tenure and expertise. Turnover is very low, with only three positions having turned over during 2012. The outlook for us to continue providing a quality service program appears very strong.

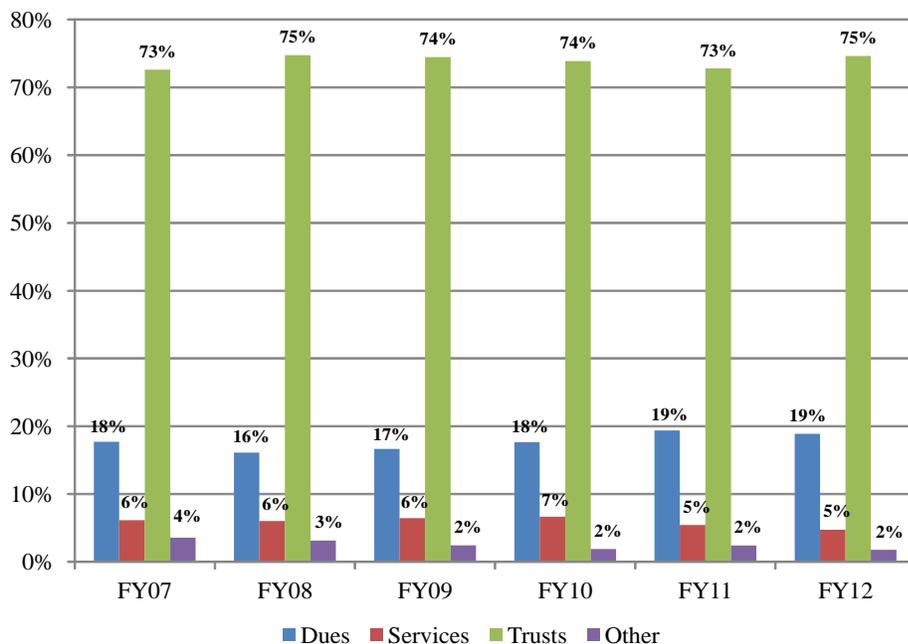
Membership in VLCT remains at 100% for the twelfth year in a row. Participation in both VLCT PACIF and the Unemployment Insurance Trust remain at record levels. The VLCT Health Trust is an area of concern for VLCT as we embark on Vermont's early and aggressive entry into the

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Management Discussion and Analysis (Continued)

world of health care reform. The Health Trust Board of Directors will be making decisions in the coming months on what role the Trust will play in assisting the member municipalities navigate through the new tangle of health care. As it is uncertain what the role of employers will be in the provision of health insurance beginning in 2014, the Health Trust is continuously monitoring state and federal rules as they develop so as to be able to assist the membership with the decisions they will have to make when the exchange market becomes a reality. The Trust is also evaluating its revenue and expense projections and considering what adjustments will need to be made over the next several years, including the potential for program and staff reductions as well as whether the Trust will continue to offer value to the membership. The Health Trust reimburses about fifteen percent of the total administrative operations of VLCT, so there could be some impact on finance, information technology, and human resources and administrative services if the Health Trust cuts back on its levels of service during 2014. No changes are expected during 2013, and there are several alternative roles that the Trust Board may chose for VLCT to play in 2014, potentially resulting in no reduction of service or staffing.

The major revenue sources that fund all six of VLCT's cost centers include dues, charges for services, reimbursements from the trusts, grants from federal or state sources and other miscellaneous sources. The following chart shows the gradual shift over time of the four types of revenue. The gradual growth in the trust operations increased trust reimbursement revenue as a percentage of total revenue until the past few years, when the growth stabilized. MAC has been providing more core and user charge based services, thus increasing dues and revenue from consulting and training to support those programs. These ratios have been fairly consistent over time and we don't anticipate any significant change to the trend in 2013.



Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

VLCT will continue to have its service program "leaf out" in different directions to add value to membership. We continue to work to expand our services available through consulting, particularly in the financial management area, and to expand services dealing with water pollution challenges through grant programs with the state and federal governments. We also continue to believe that there is substantial opportunity to be able to assist members in meeting the human resources and administrative "back office" needs of towns.

VLCT's office space has been and continues to be a challenge to the Board and staff. In the past five years, two full fledged attempts to secure a new long term home for VLCT have come almost to fruition; however, in each case an agreement was unable to be reached, each less than a year from actual move-in. Each time, fortunately, we have been able to work with our current landlord to accommodate us a bit longer. Such efforts have been costly in money, staff time and morale. Currently, we have secured the existing space through August 31, 2015, actually at a lower rent expense than during our last lease. We are hopeful that we will be able to use this additional time to secure the best location for our organization through the lessons we have learned. In the past, the concern was whether our space could keep up with the growth that we were experiencing at the time. Now the concern is how to avoid over-leasing if we have to downsize due to changes in the health care area. A constant concern is dealing with new approaches to organizational work space and the need for office space, given telecommuting and other forms of work not in a central location.

In the financial management arena, we plan to implement capital budgeting to better project and modulate the costs necessary to keep our staff well equipped to best serve our 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 Position

	As of December 31,	
	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 839,278	\$ 728,432
Accounts receivable	86,407	74,732
Due from trusts	60,912	80,349
Prepaid expenses	<u>71,635</u>	<u>56,603</u>
Total current assets	1,058,232	940,116
Non-Current Assets		
Capital assets (net of accumulated depreciation)	<u>501,326</u>	<u>696,461</u>
Total Assets	<u>\$ 1,559,558</u>	<u>\$ 1,636,577</u>
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 42,504	\$ 35,635
Due to trusts	295,403	254,132
Note payable - current portion	8,959	25,410
Accrued payroll	72,563	57,932
Deferred revenue	461,705	449,616
Deferred revenue - trusts - current portion	<u>133,823</u>	<u>142,055</u>
Total current liabilities	1,014,957	964,780
Non-Current Liabilities		
Note payable - long-term portion	-	8,959
Accrued compensated absences	112,743	114,826
Deferred revenue - trusts - long-term portion	<u>205,810</u>	<u>339,096</u>
Total non-current liabilities	<u>318,553</u>	<u>462,881</u>
Total liabilities	1,333,510	1,427,661
Net Position		
Net investment in capital assets	161,693	215,310
Unrestricted	<u>64,355</u>	<u>(6,394)</u>
Total net position	<u>226,048</u>	<u>208,916</u>
Total Liabilities and Net Position	<u>\$ 1,559,558</u>	<u>\$ 1,636,577</u>

See accompanying notes to the financial statements

Vermont League of Cities and Towns

Statements of Revenues, Expenses and Changes in Net Position

	Years ended December 31,	
	2012	2011
Operating Revenues		
Dues - regular	\$ 797,307	\$ 771,889
Dues - associate	94,607	90,951
Dues - contributing	10,911	11,550
Town fair	63,527	66,889
Publications	5,408	5,422
Workshops	81,240	75,715
Professional services	60,418	79,736
Administrative services	77,350	96,880
Newsletter advertising	15,543	13,089
Trust contracts	3,380,116	3,136,593
PACIF loss prevention contract	46,200	45,255
Equipment revenue from trusts	141,518	101,498
Gain on sale of equipment	-	2,074
Other income	5,885	10,905
Total operating revenues	4,780,030	4,508,446
Operating Expenses		
Salaries	2,868,288	2,653,605
Employee benefits	941,317	909,555
Office space	296,120	293,669
Office equipment	67,857	62,805
Communications	76,453	81,626
Printing and supplies	49,849	43,106
Travel and training	24,033	28,284
Officers' costs	27,804	29,667
Contracted services	46,685	38,751
Dues and subscriptions	36,732	33,365
Town fair	55,667	37,941
Workshops	50,140	34,363
Administrative services	22,683	23,569
Depreciation	195,135	164,097
Other expenses	4,862	6,778
Total operating expenses	4,763,625	4,441,181
Operating income	16,405	67,265
Non-Operating Revenues		
Investment income	727	941
Change in Net Position	17,132	68,206
Net Position, Beginning of Year	208,916	140,710
Net Position, End of Year	\$ 226,048	\$ 208,916

See accompanying notes to the financial statements

Vermont League of Cities and Towns

Statements of Cash Flows

	Years ended 2012	December 31, 2011
Cash Flows from Operating Activities		
Receipts from membership dues	\$ 914,914	\$ 885,462
Receipts from trusts	3,440,824	3,179,359
Other receipts	343,897	355,110
Payments for salaries and benefits	(3,797,057)	(3,567,793)
Payments to vendors	<u>(767,049)</u>	<u>(746,917)</u>
Net cash provided by operating activities	135,529	105,221
Cash Flows from Financing Activities		
Receipts from sales of capital assets	-	6,518
Purchase of capital assets	-	(58,332)
Principal payments on note payable	<u>(25,410)</u>	<u>(24,154)</u>
Net cash used in financing activities	(25,410)	(75,968)
Cash Flows from Investing Activities		
Net receipts for interest and dividends	<u>727</u>	<u>941</u>
Net cash provided by investing activities	<u>727</u>	<u>941</u>
Net Change in Cash and Cash Equivalents	110,846	30,194
Cash and Cash Equivalents, Beginning of Year	<u>728,432</u>	<u>698,238</u>
Cash and Cash Equivalents, End of Year	<u>\$ 839,278</u>	<u>\$ 728,432</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	\$ 16,405	\$ 67,265
Add (deduct) items not affecting cash:		
Depreciation	195,135	164,097
Gain on sale of equipment	-	(2,074)
Changes in assets and liabilities:		
Accounts receivable	(11,675)	586
Due from trusts	19,437	(46,519)
Prepaid expenses	(15,032)	(7,026)
Accounts payable	6,869	(25,965)
Due to trusts	41,271	(1,915)
Accrued payroll	14,631	7,569
Accrued compensated absences	(2,083)	(12,202)
Deferred revenue	12,089	11,072
Deferred revenue - trusts	<u>(141,518)</u>	<u>(49,667)</u>
Net Cash Provided By Operating Activities	<u>\$ 135,529</u>	<u>\$ 105,221</u>

See accompanying notes to the financial statements

Vermont League of Cities and Towns

Notes to the Financial Statements

Years ended December 31, 2012 and 2011

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 that serves the needs and best interests of Vermont municipalities. VLCT represents cities and towns working together to promote legislation, strengthen local government and provide 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 is 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 also 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 (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 financial statements of VLCT have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental entities. In accordance with Government Accounting Standards Board (GASB) Statement No. 62 *Codification of Accounting and Financial Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, VLCT follows all applicable GASB pronouncements. VLCT uses the economic resources measurement focus and the accrual basis of accounting, and it is accounted for as a proprietary enterprise fund.

Subsequent Events

VLCT has evaluated subsequent events for disclosure and recognition through March 25, 2013, the date on which these financial statements were available to be issued.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. VLCT holds funds with People's United Bank in excess of the FDIC insured amount. These excess funds are 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 consist of the following at December 31:

	2012		2011	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Unsecured and collateralized	589,128	597,147	478,225	483,988
Petty cash	150	-	207	-
Total	\$ 839,278	\$ 847,147	\$ 728,432	\$ 733,988

The difference between the carrying amount of cash deposits 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 during 2012 and 2011 were substantially higher than at year end.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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, 2012 and 2011.

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 \$5,000 (\$1,000 prior to January 1, 2012 and \$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 is \$195,135 and \$164,097 for the years ended December 31, 2012 and 2011, respectively. The estimated useful lives of capital assets are as follows for the years ended December 31, 2012 and 2011:

	<u>Estimated Useful Life (Years)</u>
Leasehold improvements	2 - 7
Computer equipment	4 - 5
Other equipment	4 - 10
Furniture	5 - 10
Vehicles	4

Deferred Revenue

As more fully described in Note D, 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.

Accrued Vacation

VLCT permits employees to accumulate earned but unused vacation time. The accrual is recorded in the financial statements as a liability based on current rates. No employee may carry vacation leave at the end of the calendar year in excess of the amount earned in 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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Net Position

Unrestricted net position represents resources that have met all applicable restrictions and are considered to be available for unrestricted use. Net positions are classified based upon any restrictions that have been placed on those balances. Restrictions of net positions 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 and 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 for 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.

Line of Credit

VLCT has a \$150,000 unsecured line of credit with People's United Bank. As of December 31, 2012 and 2011, VLCT has not drawn on the line of credit.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation. These changes have no effect on the net position or change in net position for the year ended and as of December 31, 2011.

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, 2012 is as follows:

	<u>December 31,</u> <u>2011 Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31,</u> <u>2012 Balance</u>
Capital assets at cost:				
Leasehold improvements	\$ 29,628	\$ -	\$ -	\$ 29,628
Computer equipment	866,615	-	-	866,615
Other equipment	197,681	-	-	197,681
Furniture & fixtures	116,026	-	-	116,026
Vehicles	<u>172,869</u>	<u>-</u>	<u>-</u>	<u>172,869</u>
Total capital assets at cost	1,382,819	-	-	1,382,819
Less: accumulated depreciation	<u>(686,358)</u>	<u>(195,135)</u>	<u>-</u>	<u>(881,493)</u>
Total net capital assets	<u>\$ 696,461</u>	<u>\$ (195,135)</u>	<u>\$ -</u>	<u>\$ 501,326</u>

Capital asset activity for the year ended December 31, 2011 is as follows:

	<u>December 31,</u> <u>2010 Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31,</u> <u>2011 Balance</u>
Capital assets at cost:				
Leasehold improvements	\$ 29,628	\$ -	\$ -	\$ 29,628
Computer equipment	868,992	28,750	(31,127)	866,615
Other equipment	195,185	2,496	-	197,681
Furniture & fixtures	116,026	-	-	116,026
Vehicles	<u>170,877</u>	<u>27,086</u>	<u>(25,094)</u>	<u>172,869</u>
Total capital assets at cost	1,380,708	58,332	(56,221)	1,382,819
Less: accumulated depreciation	<u>(574,038)</u>	<u>(164,097)</u>	<u>51,777</u>	<u>(686,358)</u>
Total net capital assets	<u>\$ 806,670</u>	<u>\$ (105,765)</u>	<u>\$ (4,444)</u>	<u>\$ 696,461</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note D - Deferred Revenue

The components of deferred revenue are as follows at December 31:

	2012	2011
Deferred membership dues	\$ 456,411	\$ 441,716
Deferred revenue - trusts	339,633	481,151
Other deferred revenue	5,294	7,900
 Total Deferred Revenue	 \$ 801,338	 \$ 930,767

Members pay dues on an annual basis with a July 1 renewal date. Member dues are recognized as revenue ratably 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 is classified as an asset and depreciated over the capital assets' 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 are as follows at December 31:

	2012	2011
Deferred revenue - trusts, beginning of year	\$ 481,151	\$ 530,818
Add: reimbursement for new assets	-	51,831
Less: amortization related to depreciation	(141,518)	(101,498)
 Deferred revenue - trusts, end of year	 \$ 339,633	 \$ 481,151

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%. As of December 31, 2012, the remaining balance on the loan amounted to \$8,959, which is due in 2013 and classified as a current liability. As of December 31, 2011, the current portion of the long-term debt was \$25,410 and the long-term portion of the long-term debt was \$8,959.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note F - Future Minimum Lease Payments

VLCT leases office space from City Center Associates. The lease was set to expire on August 12, 2012. During 2012, VLCT extended its lease agreement with City Center Associates to August 31, 2015. Rent expense amounted to \$203,898 and \$213,043 for the years ended December 31, 2012 and 2011, respectively. Future minimum lease payments as of December 31, 2012 are as follows:

	<u>Amount</u>
2013	\$ 177,800
2014	177,800
2015	<u>118,533</u>
Total	<u>\$ 474,133</u>

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 charged directly 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, 2012, VLCT allocated budgeted expenses to the Trusts at rates of 2.0%, 14.9% and 61.7% for UI, HT and PACIF, respectively. For the year ended December 31, 2011, VLCT allocated budgeted expenses to the Trusts at rates of 2.2%, 15.3% and 58.7% for UI, HT and PACIF, respectively. A reconciliation is performed at year-end to calculate the actual personnel charge times. The final expenses allocated to the Trusts are based on the greater of the budgeted personnel charge times or the actual personnel charge times. Any over/under accruals are reimbursed to or collected from the Trusts subsequent to year-end.

For the year ended December 31, 2013, the allocation of operating costs to the Trusts and the other cost centers will be based on function rather than staffing, thereby eliminating the volatility of the full-time equivalency method. The direct salaries and benefits costs will be charged to individual cost centers based on each employee's primary function, and indirect costs for administrative services staff will be charged at a fixed rate based on budgeted functions within the individual cost centers.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note G - Allocation to Trusts (Continued)

The final allocation to the Trusts by expense category for the years ended December 31, 2012 and 2011 are as follows:

	VLCT Unemployment Trust, Inc.	VLCT Health Trust, Inc.	VLCT Property and Casualty Intermunicipal Fund, Inc.	Total
December 31, 2012:				
Salaries - allocated directly	\$ 41,551	\$ 341,795	\$ 1,297,850	\$ 1,681,196
Salaries - administration	13,384	99,633	414,094	527,111
Employee benefits	20,051	146,505	546,817	713,373
Office space	5,804	43,207	179,576	228,587
Office equipment	1,360	10,124	42,077	53,561
Communications	1,530	11,386	47,324	60,240
Printing and supplies	1,068	7,949	33,037	42,054
Travel and training	307	2,282	9,486	12,075
Officers' costs	556	4,141	17,210	21,907
Contracted services	934	6,953	28,897	36,784
Dues and subscriptions	78	583	2,422	3,083
Miscellaneous	4	27	114	145
	<u>4</u>	<u>27</u>	<u>114</u>	<u>145</u>
Total	<u>\$ 86,627</u>	<u>\$ 674,585</u>	<u>\$ 2,618,904</u>	<u>\$ 3,380,116</u>
December 31, 2011:				
Salaries - allocated directly	\$ 45,173	\$ 345,435	\$ 1,147,178	\$ 1,537,786
Salaries - administration	14,396	96,941	371,606	482,943
Employee benefits	22,589	148,202	499,830	670,621
Office space	6,647	44,762	171,586	222,995
Office equipment	1,508	10,152	38,914	50,574
Communications	1,887	12,705	48,702	63,294
Printing and supplies	1,087	7,322	28,069	36,478
Travel and training	411	2,767	10,607	13,785
Officers' costs	686	4,618	17,701	23,005
Contracted services	818	5,510	24,373	30,701
Dues and subscriptions	77	518	1,987	2,582
Miscellaneous	54	366	1,409	1,829
	<u>54</u>	<u>366</u>	<u>1,409</u>	<u>1,829</u>
Total	<u>\$ 95,333</u>	<u>\$ 679,298</u>	<u>\$ 2,361,962</u>	<u>\$ 3,136,593</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note G - Allocation to Trusts (Continued)

VLCT's net payable to the Trusts consists of the following for the years ended:

	VLCT Unemployment Trust, Inc.	VLCT Health Trust, Inc.	VLCT Property and Casualty Intermunicipal Fund, Inc.	Total
December 31, 2012:				
Accounts receivable	\$ 135	\$ 6,210	\$ 54,567	\$ 60,912
Accounts payable	<u>(11,007)</u>	<u>(54,609)</u>	<u>(229,787)</u>	<u>(295,403)</u>
Net payable	<u>\$ (10,872)</u>	<u>\$ (48,399)</u>	<u>\$ (175,220)</u>	<u>\$ (234,491)</u>
December 31, 2011:				
Accounts receivable	\$ 26	\$ 19,470	\$ 60,853	\$ 80,349
Accounts payable	<u>(9,541)</u>	<u>(42,693)</u>	<u>(201,898)</u>	<u>(254,132)</u>
Net payable	<u>\$ (9,515)</u>	<u>\$ (23,223)</u>	<u>\$ (141,045)</u>	<u>\$ (173,783)</u>

Note H - Net Position

The net investment in capital assets is as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Capital assets at cost	\$ 1,382,819	\$ 1,382,819
Less: accumulated depreciation	(881,493)	(686,358)
Deferred revenue - trusts	<u>(339,633)</u>	<u>(481,151)</u>
Net investment in capital assets	<u>\$ 161,693</u>	<u>\$ 215,310</u>

There were no designated net positions as of December 31, 2012 and 2011.

Note I - Benefit Plans

VMERS Plans

VLCT participates in the Vermont State Municipal Employees' Retirement System (VMERS). VMERS is a cost-sharing multi-employer plan. During 2012 and 2011, VLCT participated in Group B of Plan DB, a defined benefit plan, and Plan DC, a defined contribution plan. Eligible employees are automatically enrolled in Plan DB upon their date of hire, but they have the option to elect Plan DC during their first sixty days of employment. Thereafter, employees cannot change plans.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note I - Benefit Plans (Continued)

The Executive Director of VLCT is currently serving as the Chairman of the VMERS Board of Trustees. Additional information regarding VMERS is available upon request from the State of Vermont Office of the State Treasurer.

VMERS Plan DB requires a 4.5% contribution by the employee and a 5.0% contribution by the employer. Effective July 1, 2013, the employee and employer contribution rates will increase to 4.625% and 5.125%, respectively. 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 municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, the net position available for benefits and the present value of vested and non-vested plan benefits are not determinable for VLCT.

VMERS 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 employees to have a choice in investing their retirement assets and for such assets to be portable if the employees leave for other employment. Employees will receive the value of their account upon retirement.

Total payroll for the year ended December 31, 2012 was \$2,814,958. For VMERS Plan DB, covered payroll was \$2,185,750 and VLCT's contribution was \$109,287. For VMERS Plan DC, covered payroll was \$559,648 and VLCT's contribution was \$28,682. Total payroll for the year ended December 31, 2011 was \$2,612,915. For VMERS Plan DB, covered payroll was \$1,967,179 and VLCT's contribution was \$98,359. For VMERS Plan DC, covered payroll was \$585,426 and VLCT's contribution was \$29,959. Total payroll for the year ended December 31, 2010 was \$2,744,190. For VMERS Plan DB, covered payroll was \$1,989,665 and VLCT's contribution was \$99,483. For VMERS Plan DC, covered payroll was \$671,518 and VLCT's contribution was \$34,415.

ICMA Plans

VLCT has a defined contribution 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 ICMA Plan requires a 4.5% contribution by the employee and a 7.1% contribution by VLCT. For the year ended December 31, 2012, covered payroll under this plan was \$2,748,061 and VLCT's contribution was \$195,112. For the year ended December 31, 2011, covered payroll under this plan was \$2,534,505 and VLCT's contribution was \$180,174. For the year ended December 31, 2010, covered payroll under this plan was \$2,571,071 and VLCT's contribution was \$182,546.

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 an unforeseeable emergency.

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2012
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive/(Negative)</u>
Revenues			
Dues			
Regular members	\$ 797,309	\$ 797,307	\$ (2)
Associate members	92,078	94,607	2,529
Contributing members	<u>12,300</u>	<u>10,911</u>	<u>(1,389)</u>
Total dues	901,687	902,825	1,138
Services			
Town fair	59,000	63,527	4,527
Publications	5,000	5,408	408
Workshops	52,280	81,240	28,960
Professional services	62,550	60,418	(2,132)
Newsletter advertising	<u>13,000</u>	<u>15,543</u>	<u>2,543</u>
Total services	191,830	226,136	34,306
Administrative services			
Administrative contracts	8,028	8,355	327
Grant administration	<u>64,929</u>	<u>68,995</u>	<u>4,066</u>
Total administrative services	72,957	77,350	4,393
Trust reimbursements			
Trust contracts	3,675,520	3,380,116	(295,404)
PACIF loss prevention contract	38,150	46,200	8,050
Equipment revenue from trusts	<u>165,089</u>	<u>141,518</u>	<u>(23,571)</u>
Total trust reimbursements	3,878,759	3,567,834	(310,925)
Miscellaneous	6,000	5,885	(115)
Interest earnings	<u>1,000</u>	<u>727</u>	<u>(273)</u>
Total Revenue	5,052,233	4,780,757	(271,476)

** 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, 2012
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive/(Negative)</u>
Expenses			
Salaries	\$ 2,833,108	\$ 2,827,869	\$ 5,239
Benefits			
Payroll taxes	41,002	40,419	583
VMERS employer contributions	139,704	137,969	1,735
401 employer contributions	200,767	195,112	5,655
Health insurance	622,537	532,226	90,311
Long-term care insurance	8,002	8,073	(71)
Dental insurance	20,053	18,496	1,557
Life and disability insurance	39,284	39,836	(552)
Unemployment insurance	3,800	4,934	(1,134)
Flex plan administration	3,500	4,671	(1,171)
Total benefits	<u>1,078,649</u>	<u>981,736</u>	<u>96,913</u>
Office expenses			
Lease payment	248,470	203,898	44,572
Electricity	15,180	13,189	1,991
Building maintenance	20,146	28,836	(8,690)
Insurance - office	55,709	45,336	10,373
Property taxes	2,000	4,861	(2,861)
Parking	200	-	200
Total office expenses	<u>341,705</u>	<u>296,120</u>	<u>45,585</u>
Equipment expenses			
Equipment maintenance	20,806	18,603	2,203
Equipment lease payments	4,450	-	4,450
Equipment purchases - non-capital	14,310	28,373	(14,063)
Copier maintenance	14,400	14,719	(319)
Software maintenance	16,986	900	16,086
Software purchases	19,600	5,262	14,338
Total equipment expenses	<u>90,552</u>	<u>67,857</u>	<u>22,695</u>
Communications			
Postage	70,360	42,063	28,297
Postage meter rental	900	617	283
Telephone	35,700	33,773	1,927
Total communications	<u>106,960</u>	<u>76,453</u>	<u>30,507</u>

(continued)

Vermont League of Cities and Towns

Statement of Revenue and Expenses - Budgetary Basis

Year ended December 31, 2012
(Unaudited)

Printing and supplies			
Job printing	\$ 37,500	\$ 28,680	\$ 8,820
Paper purchases	10,000	6,986	3,014
Supplies	<u>24,385</u>	<u>14,183</u>	<u>10,202</u>
Total printing and supplies	71,885	49,849	22,036
Travel and training			
Vehicle expense	1,500	1,144	356
Mileage	10,150	10,148	2
Staff training	<u>30,096</u>	<u>12,741</u>	<u>17,355</u>
Total travel and training	41,746	24,033	17,713
Officers' expenses			
Board meetings	31,350	26,004	5,346
President's stipend	<u>1,800</u>	<u>1,800</u>	<u>-</u>
Total officers' expenses	33,150	27,804	5,346
Contracted services			
Auditing and accounting	20,175	16,390	3,785
Bank services	2,400	535	1,865
Legal services	27,500	20,827	6,673
Consultants	12,000	4,636	7,364
Advertising and recruiting	<u>8,000</u>	<u>4,297</u>	<u>3,703</u>
Total contracted services	70,075	46,685	23,390
Dues and subscriptions			
National League of Cities	16,100	16,401	(301)
Professional associations	<u>20,615</u>	<u>20,331</u>	<u>284</u>
Total dues and subscriptions	36,715	36,732	(17)
Services			
Town fair	39,180	55,667	(16,487)
Workshops	38,000	50,140	(12,140)
Grant administration	-	6,814	(6,814)
Consulting	<u>10,000</u>	<u>15,869</u>	<u>(5,869)</u>
Total services	87,180	128,490	(41,310)

(continued)

Vermont League of Cities and Towns

Statement of Revenue and Expenses - Budgetary Basis

Year ended December 31, 2012
(Unaudited)

Miscellaneous			
Miscellaneous	\$ 1,000	\$ 3,702	\$ (2,702)
Interest expense	2,400	1,160	1,240
Depreciation expense	<u>251,162</u>	<u>195,135</u>	<u>56,027</u>
Total miscellaneous	<u>254,562</u>	<u>199,997</u>	<u>54,565</u>
Total Expenses	<u>5,046,287</u>	<u>4,763,625</u>	<u>282,662</u>
Total	<u>\$ 5,946</u>	<u>\$ 17,132</u>	<u>\$ 11,186</u>

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