

Vermont League of Cities and Towns

Audited Financial Statements
with Supplementary Information

*Years ended December 31, 2013 and 2012
with Report of Independent Auditors*

Vermont League of Cities and Towns

Audited Financial Statements
with Supplementary Information

Years ended December 31, 2013 and 2012

Contents

Report of Independent Auditors.....	2 - 3
Management Discussion and Analysis.....	4 - 13
<u>Audited Financial Statements</u>	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position.....	15
Statements of Cash Flows.....	16
Notes to the Financial Statements.....	17 - 26
<u>Supplementary Schedule</u>	
Statement of Revenues and Expenses - Budgetary Basis (unaudited).....	27 - 30

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, which comprise the statements of net position as of December 31, 2013 and 2012 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, 2013 and 2012 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 - 13 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 Vermont League of Cities and Towns' basic audited financial statements. The other information on pages 27 - 30 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 27, 2014

Vermont firm registration: 092-0000267

Vermont League of Cities and Towns

Management Discussion and Analysis

Years ended December 31, 2013 and 2012

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, 2013, 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 2013 by \$480,150, of which \$239,323 is unrestricted and \$240,827 is invested in capital assets, net of related debt. This compares with a net position of \$226,048 at December 31, 2012, of which \$64,355 was unrestricted and \$161,693 was invested in capital assets, net of related debt. As of December 31, 2011, net position was \$208,916, of which \$(6,394) was unrestricted and \$215,310 was invested in capital assets, net of related debt.
- Unrestricted net position at the end of 2013 includes \$75,000 that management has budgeted and not spent in prior years 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 \$254,102 during the year ended December 31, 2013. This increase is primarily due to savings in health insurance costs, salaries, postage and depreciation. In 2012, the change in net position from operations was \$17,132 and was mainly the result of savings of \$96,000 from unexpended Health Retirement Account (HRA) funds set up for employees for prescription drug reimbursements in the benefits budget.
- Revenues overall are \$65,513 less than budgeted due to trust reimbursements. The trusts' share of the salaries and benefits cost savings resulted in income to VLCT that was \$84,602 less than anticipated. This was partially offset by services revenue that exceeded budgeted estimates by \$66,775.

Vermont League of Cities and Towns

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. With the exception of administrative staff, the budget for each employee is allocated to one of the following cost centers based on his or her primary responsibility:

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

Administrative staff includes employees working in the following departments:

- Executive Director
- Human Resources and Administrative Services
- Finance
- IT and Communications

Direct costs including salaries, benefits and all other operating costs for each cost center are charged directly to that cost center. The direct costs for the three trusts include salaries and benefits, along with employee-related costs such as company vehicle, travel and training, and any costs that may be attributed to the trust budget for that employee. These costs are charged to the trusts and reimbursed to VLCT on a quarterly basis with quarterly reconciliations to account for overpayments of salaries and benefits that exceed what was budgeted.

The costs of administrative departments are allocated to all cost centers based on a ratio determined during budget preparation. The ratio is based on the department's assessment of its major activities and the average percentage of time spent for each cost center. These percentages are used to allocate the administrative department's budget across cost centers for that year's budget and are the basis for the administrative cost portion of the annual agreement between VLCT and each trust. The amount is not changed during the year, and there is no quarterly reconciliation process for these costs. Whenever possible, any adjustments, including adding or eliminating staff or programs, will occur during the budgeting process to avoid disruption of services across the cost centers.

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.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Overview of the Financial Statements (Continued)

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, 2013 and 2012 and financial developments during the years ended December 31, 2013 and 2012 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).

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 the operating, 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.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Results and Analysis

The following table summarizes the Statements of Net Position:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>Percentage Change</u>	<u>December 31, 2011</u>	<u>Percentage Change</u>
Assets					
Current assets	\$ 994,964	\$ 1,058,232	(6.0)%	\$ 940,116	12.6 %
Capital assets	<u>505,738</u>	<u>501,326</u>	0.9 %	<u>696,461</u>	(28.0)%
Total Assets	1,500,702	1,559,558	(3.8)%	1,636,577	(4.7)%
Liabilities					
Current payables and accruals	168,917	419,429	(59.7)%	373,109	12.4 %
Current deferred revenue	586,189	595,528	(1.6)%	591,671	0.7 %
Non-current liabilities	<u>265,446</u>	<u>318,553</u>	(16.7)%	<u>462,881</u>	(31.2)%
Total Liabilities	<u>1,020,552</u>	<u>1,333,510</u>	(23.5)%	<u>1,427,661</u>	(6.6)%
Net Position, End of Year	<u>\$ 480,150</u>	<u>\$ 226,048</u>	112.4 %	<u>\$ 208,916</u>	8.2 %

Total assets at December 31, 2013 are \$1,500,702, down from \$1,559,558 at December 31, 2012. This decrease of \$58,856 or approximately 4% is due to the change in the frequency of the reconciliation and payment of direct cost reimbursements to the trusts. This payment was done on an annual basis in prior years and is now done quarterly, resulting in less cash held at year-end. Purchases of new capital assets in 2013 were slightly higher than depreciation, resulting in a small increase in capital assets.

As of December 31, 2013, total liabilities decreased \$312,958 or approximately 24% from this time last year as a result of a decrease in payables due to the trusts. The change in the allocation process increased the frequency of reconciliation of the direct costs, resulting in quarterly reimbursements. In addition, it stabilized the administrative (indirect) costs by eliminating the reimbursement of funds at year-end. The goal of the change was to reduce the volatility of the administrative operations, as well as to provide sufficient capital to plan and acquire the resources necessary to sustain the various cost centers' needs, including those of the trusts. As of December 31, 2013, VLCT owes the trusts a total of \$18,971 after adjusting the final quarter allocation, compared with the trust payable of \$295,403 at the end of 2012.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Results and Analysis (Continued)

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

	December 31, 2013	December 31, 2012	Percentage Change	December 31, 2011	Percentage Change
Operating Revenues					
Member dues	\$ 923,713	\$ 902,825	2.3 %	\$ 874,390	3.3 %
Services	302,975	226,136	34.0 %	240,851	(6.1)%
Trusts	3,890,387	3,567,834	9.0 %	3,283,346	8.7 %
Other revenue	<u>84,663</u>	<u>83,235</u>	1.7 %	<u>109,859</u>	(24.2)%
Total operating revenues	5,201,738	4,780,030	8.8 %	4,508,446	6.0 %
Operating Expenses					
Combined cost centers **	4,759,863	4,568,490	4.2 %	4,277,084	6.8 %
Capital costs	<u>188,978</u>	<u>195,135</u>	(3.2)%	<u>164,097</u>	18.9 %
Total operating expenses	4,948,841	4,763,625	3.9 %	4,441,181	7.3 %
Operating income	252,897	16,405	1,441.6 %	67,265	(75.6)%
Non-Operating Revenue	<u>1,205</u>	<u>727</u>	65.7 %	<u>941</u>	(22.7)%
Change in Net Position	254,102	17,132	1,383.2 %	68,206	(74.9)%
Net Position, Beginning of Year	<u>226,048</u>	<u>208,916</u>	8.2 %	<u>140,710</u>	48.5 %
Net Position, End of Year	<u>\$ 480,150</u>	<u>\$ 226,048</u>	112.4 %	<u>\$ 208,916</u>	8.2 %

** 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)

Results 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 27 - 30:

	<u>Budget</u>	<u>Actual</u>	<u>Percentage Variance</u>
Operating Revenues			
Member dues	\$ 926,102	\$ 923,713	(0.3)%
Services	236,200	302,975	28.3 %
Trusts	4,010,649	3,890,387	(3.0)%
Other revenue	<u>94,300</u>	<u>84,663</u>	<u>(10.2)%</u>
Total operating revenues	5,267,251	5,201,738	(1.2)%
Operating Expenses			
Combined cost centers **	5,021,996	4,759,863	(5.2)%
Capital costs	<u>245,120</u>	<u>188,978</u>	<u>(22.9)%</u>
Total operating expenses	5,267,116	4,948,841	(6.0)%
Operating income	135	252,897	187,231.1 %
Non-Operating Revenue	<u>800</u>	<u>1,205</u>	<u>50.6 %</u>
Excess of revenues over expenses	<u>\$ 935</u>	<u>\$ 254,102</u>	<u>27,076.7 %</u>

** 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 \$254,102, with operating revenue (including trusts' reimbursements) and expenses both lower than projected by 1% and 6%, with revenue by \$65,513 and operating and capital expenses by \$318,275, respectively.

Comparing the results of VLCT's operations for the year ended December 31, 2013 to the year ended December 31, 2012, operating revenues were up by almost 9%, a total of \$421,708, and operating and capital expenses were up by almost 4% or \$185,216 from the prior year. The change in operating results from 2011 to 2012 included a 6% or \$271,584 increase in revenue with a 7% or \$322,444 increase in expenses.

The primary driver for both the revenue increase from 2012 to 2013 and the shortfall of revenue to budget was the revenue from the trusts, which includes income from allocated administrative services. The 1% decrease from budget was due to a decrease in allocated expenses, as briefly outlined in the Highlights section, resulting in a return of the funds that were the trusts' share of the total. This includes salaries and benefits from staff vacancies in the Risk Management Services department, which provides direct services to the trusts. Despite being below budget, the revenue from the trusts was almost 10% higher than in 2012 due to staff vacancies in 2012. These vacancies reduced the trusts' liability to VLCT and, with nearly full staffing in 2013, showed a larger percentage increase over the prior year.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Results and Analysis (Continued)

Other revenue contributing to the increase from 2012 includes regular member dues, which increased \$20,956 or approximately 3% from last year, reflecting the dues rate increase approved for the second half of the 2013 budget and the first half of the 2014 budget. An increase in attendees drove up workshop revenue by \$20,285 (nearly 25%) and more members requiring consulting services increased professional services by \$45,370 (over 75%).

Expenses in 2013 that resulted in the year ending below budget by 6% include salaries and benefits (\$206,062), communications (\$46,850) and depreciation (\$56,142). Health insurance savings make up most of the savings in the salaries and benefits category, with the balance resulting from staff vacancies. In addition, postage costs were well below what was anticipated and budgeted, and budgeted capital assets were purchased late in the year, reducing the number of months to book depreciation.

The 4% increase in 2013 expenses as compared to 2012 expenses was mainly in salaries (\$99,810) and equipment (\$77,142), attributable to pay raises and an additional position in IT, along with planned IT hardware and software upgrades.

Other notable variances of expenses from budget or changes from the prior year:

- Telephone costs dropped from the prior year by \$12,968 or 38% and were under budget by \$14,895 or 42% due to savings from a new voice provider contract acquired through a bid process.
- Printing and supplies costs were under budget by \$19,966 or 28%, largely due to conservative budgeting. In addition, a reduction in paper consumption from moving to more electronic communications contributed to the lower than anticipated expenses in this category.
- Travel and training costs were under budget by \$19,275 or 42% but exceeded last year's expense by \$2,487 or 10%. Most of the savings (\$14,216) resulted from fewer staff attending conferences than anticipated with the 2013 budget.
- The contracted services category increased as compared to 2012 by \$21,603 (46%). Legal costs for lawsuits were significantly higher this year than in 2012, but the overall costs stayed within the budget for 2013.
- Services costs exceeded the budget by \$26,851 (24%). Workshops and reimbursable consulting expenses were over by \$11,188 and \$14,374, respectively, with both covered by additional revenue. Workshop costs exceeded the target due to higher attendance, which was covered by fees, and the consulting costs were passed on to the members under contract.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Outlook and Economic Factors

VLCT ended its 2013 fiscal year with the largest positive unrestricted net position in its 46 year history. 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 significantly. Much of the surplus was generated from expenses being substantially less than budgeted and a new financial relationship with the insurance trusts that did not require reimbursement to the trusts for administrative service expenses budgeted that were not actually incurred.

The steps taken to eliminate the negative unrestricted fund balance at the end of 2010 by December 31, 2012 paid off, and VLCT emerged relatively unscathed from the economic downturn of that four year period. Revenues jumped in 2012 after having leveled off in the mid-four million dollar range for several years and were good again in 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. 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. RMS reimbursements ended up representing over 78% of the total for 2013. It is expected that we will add modestly to our positive unrestricted net position in the future with large increases coming from only 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 2013, the same as during the previous year. The outlook for us to continue providing a quality service program appears very strong.

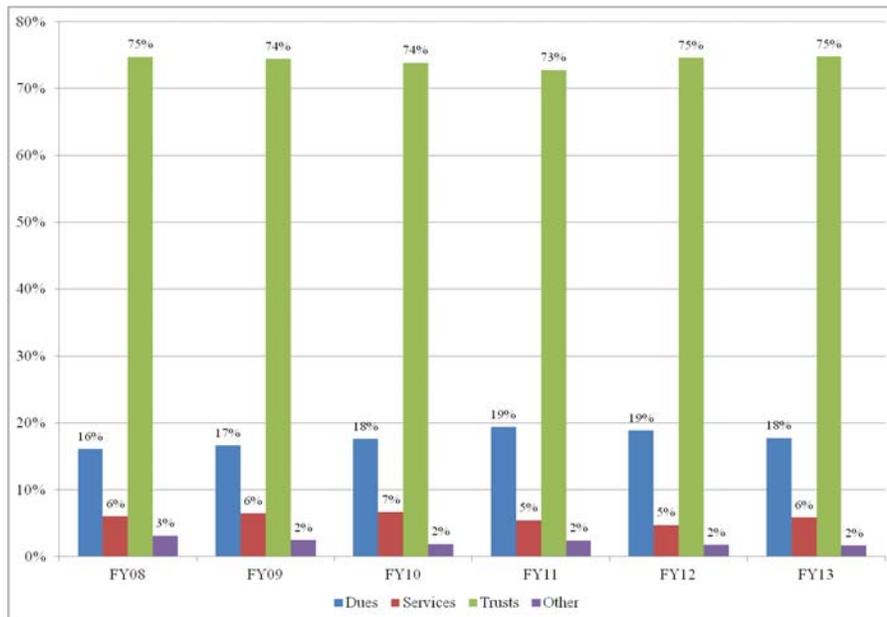
Membership in VLCT remains at 100% for the thirteenth year in a row. Participation in both VLCT PACIF and the Unemployment Insurance Trust remain at record levels. The VLCT Health Trust is being phased out as our members transfer into Vermont Health Connect. The Health Trust is still brokering for some of our larger members but spent 2013 largely consulting with members dealing with the transition to the exchange. That role will continue for 2014 and 2015 while the Trust weighs its options for operating beyond 2016, when employers of between 50 and 100 will be required to obtain health insurance for their employees through the exchange. At its height and through 2013, the Health Trust reimbursed about 15% of the total administrative operations of VLCT. Operations for 2014 have been reduced significantly with both direct and total administrative staff cost allocations cut in half, some through attrition and the rest through reassignment of duties to other risk management services.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Outlook and Economic Factors (Continued)

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.



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 and human resource 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 other "back office" needs of towns.

VLCT's office space has been 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. This year saw us finally resolve this issue with a new lease in totally renovated space at the same location.

In the financial management arena, we are implementing capital budgeting to better project and modulate the costs necessary to keep our staff well equipped to best serve our members.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

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,	
	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 755,839	\$ 839,278
Accounts receivable	31,168	86,407
Due from trusts	116,137	60,912
Prepaid expenses	91,820	71,635
Total current assets	994,964	1,058,232
Non-Current Assets		
Capital assets (net of accumulated depreciation)	505,738	501,326
Total Assets	\$ 1,500,702	\$ 1,559,558
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 68,203	\$ 42,504
Due to trusts	18,971	295,403
Note payable - current portion	-	8,959
Accrued payroll	81,743	72,563
Deferred revenue	465,769	461,705
Deferred revenue - trusts - current portion	120,420	133,823
Total current liabilities	755,106	1,014,957
Non-Current Liabilities		
Accrued compensated absences	120,955	112,743
Deferred revenue - trusts - long-term portion	144,491	205,810
Total non-current liabilities	265,446	318,553
Total Liabilities	1,020,552	1,333,510
Net Position		
Net investment in capital assets	240,827	161,693
Unrestricted	239,323	64,355
Total Net Position	480,150	226,048
Total Liabilities and Net Position	\$ 1,500,702	\$ 1,559,558

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,	
	2013	2012
Operating Revenues		
Dues - regular	\$ 818,263	\$ 797,307
Dues - associate	96,000	94,607
Dues - contributing	9,450	10,911
Town fair	72,897	63,527
Publications	5,811	5,408
Workshops	101,525	81,240
Professional services	105,788	60,418
Administrative services	76,517	77,350
Newsletter advertising	16,954	15,543
Trust contracts	3,705,657	3,380,116
PACIF loss prevention contract	45,000	46,200
Equipment revenue from trusts	139,730	141,518
Net gain on sale of equipment	1,052	-
Other income	7,094	5,885
Total operating revenues	5,201,738	4,780,030
Operating Expenses		
Salaries	2,968,098	2,868,288
Employee benefits	943,958	941,317
Office space	285,306	296,120
Office equipment	144,999	67,857
Communications	64,650	76,453
Printing and supplies	50,584	49,849
Travel and training	26,520	24,033
Officers' costs	30,794	27,804
Contracted services	68,288	46,685
Dues and subscriptions	34,204	36,732
Town fair	41,149	55,667
Workshops	74,788	50,140
Administrative services	24,374	22,683
Depreciation	188,978	195,135
Other expenses	2,151	4,862
Total operating expenses	4,948,841	4,763,625
Operating income	252,897	16,405
Non-Operating Revenues		
Investment income	1,205	727
Change in Net Position	254,102	17,132
Net Position, Beginning of Year	226,048	208,916
Net Position, End of Year	\$ 480,150	\$ 226,048

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows

	Years ended 2013	December 31, 2012
Cash Flows from Operating Activities		
Receipts from membership dues	\$ 927,777	\$ 914,914
Receipts from trusts	3,484,008	3,440,824
Other receipts	441,825	343,897
Payments for salaries and benefits	(3,894,664)	(3,797,057)
Payments to vendors	(842,293)	(767,049)
Net cash provided by operating activities	116,653	135,529
Cash Flows from Financing Activities		
Purchase of capital assets	(192,337)	-
Principal payments on note payable	(8,960)	(25,410)
Net cash used in financing activities	(201,297)	(25,410)
Cash Flows from Investing Activities		
Net receipts for interest and dividends	1,205	727
Net cash provided by investing activities	1,205	727
Net Change in Cash and Cash Equivalents	(83,439)	110,846
Cash and Cash Equivalents, Beginning of Year	839,278	728,432
Cash and Cash Equivalents, End of Year	\$ 755,839	\$ 839,278
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	\$ 252,897	\$ 16,405
Add (deduct) items not affecting cash:		
Depreciation	188,978	195,135
Net gain on sale of equipment	(1,052)	-
Changes in assets and liabilities:		
Accounts receivable	55,239	(11,675)
Due from trusts	(55,225)	19,437
Prepaid expenses	(20,185)	(15,032)
Accounts payable	25,699	6,869
Due to trusts	(276,432)	41,271
Accrued payroll	9,180	14,631
Accrued compensated absences	8,212	(2,083)
Deferred revenue	4,064	12,089
Deferred revenue - trusts	(74,722)	(141,518)
Net cash provided by operating activities	\$ 116,653	\$ 135,529

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

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 27, 2014, 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. However, VLCT's financial statements do not include any significant estimates as of December 31, 2013 and 2012 or for the years then ended.

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 at 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 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:

	2013		2012	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Unsecured and collateralized	505,689	760,911	589,128	597,147
Petty cash	150	-	150	-
Total	\$ 755,839	\$ 1,010,911	\$ 839,278	\$ 847,147

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 2013 and 2012 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, 2013 and 2012.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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

Capital asset acquisitions greater than \$5,000 (\$1,000 prior to January 1, 2012 and \$500 prior to July 1, 2008) are capitalized at cost net of salvage value. Capital assets are depreciated or amortized using the straight-line basis over their estimated useful lives. Depreciation expense was \$188,978 and \$195,135 for the years ended December 31, 2013 and 2012, respectively. The estimated useful lives of capital assets are as follows for the years ended December 31, 2013 and 2012:

	<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.

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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 Section 115. 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.

Note C - Capital Assets

Capital asset activity for the year ended December 31, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets at cost:				
Leasehold improvements	\$ 29,628	\$ -	\$ -	\$ 29,628
Computer equipment	866,615	134,428	-	1,001,043
Other equipment	197,681	13,774	-	211,455
Furniture & fixtures	116,026	-	(41,934)	74,092
Vehicles	<u>172,869</u>	<u>57,192</u>	<u>(58,524)</u>	<u>171,537</u>
Total capital assets at cost	1,382,819	205,394	(100,458)	1,487,755
Less: accumulated depreciation	<u>(881,493)</u>	<u>(188,978)</u>	<u>88,454</u>	<u>(982,017)</u>
Total net capital assets	<u>\$ 501,326</u>	<u>\$ 16,416</u>	<u>\$ (12,004)</u>	<u>\$ 505,738</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note C - Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending 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>

Note D - Deferred Revenue

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

	<u>2013</u>	<u>2012</u>
Deferred membership dues	\$ 462,249	\$ 456,411
Deferred revenue - trusts	264,911	339,633
Other deferred revenue	<u>3,520</u>	<u>5,294</u>
Total deferred revenue	<u>\$ 730,680</u>	<u>\$ 801,338</u>

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note D - Deferred Revenue (Continued)

The components of deferred revenue attributable to the trusts are as follows at December 31:

	2013	2012
Deferred revenue - trusts, beginning of year	\$ 339,633	\$ 481,151
Add: reimbursement for new assets	122,200	-
Less: accumulated depreciation on disposed assets	(57,192)	-
Less: amortization related to depreciation	(139,730)	(141,518)
Deferred revenue - trusts, end of year	\$ 264,911	\$ 339,633

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 was 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 was due in 2013 and classified as a current liability. VLCT paid the remaining balance on the loan during 2013, and the loan was released on March 20, 2013.

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 2013, VLCT extended its lease agreement with City Center Associates to December 31, 2026. Rent expense amounted to \$177,800 and \$203,898 for the years ended December 31, 2013 and 2012, respectively. Future minimum lease payments as of December 31, 2013 are as follows:

	Amount
2014	\$ 189,022
2015	221,586
2016	254,150
2017	286,715
2018	319,279
2019 - 2023	1,745,949
2024 - 2026	1,178,362
Total	\$ 4,195,063

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"). For the year ended December 31, 2013, the allocation of operating costs to the Trusts is based on actual direct costs incurred and budgeted indirect costs. Direct costs include salaries and benefits for those employees working directly for a specific Trust and other expenses that can be charged to a specific Trust. Indirect costs include salaries and benefits for administrative services staff and other operating costs and are allocated at a fixed rate based on budgeted functions within the individual cost centers. On a quarterly basis, the Trusts pay VLCT for operating costs based on budgeted direct and indirect expenses. A reconciliation is performed quarterly to calculate the actual direct costs incurred. Any over/under accruals for direct costs are reimbursed to or collected from the trusts on a quarterly basis.

Prior to January 1, 2013, salaries for employees working directly for the specific Trusts were charged directly to that Trust. Salaries for administrative services staff and other operating costs were allocated based on personnel charge time at full-time equivalents. A reconciliation was performed at year-end to calculate the actual personnel charge times. The final expenses allocated to the Trusts were based on the greater of the budgeted personnel charge times or the actual personnel charge times. Any over/under accruals were reimbursed to or collected from the Trusts subsequent to year-end.

The final allocation to the Trusts by expense category for the year ended December 31, 2013 is as follows:

	<u>UI</u>	<u>HT</u>	<u>PACIF</u>	<u>Total</u>
Salaries - allocated directly	\$ 47,340	\$ 329,136	\$ 1,194,109	\$ 1,570,585
Salaries - administration	20,311	129,374	569,247	718,932
Employee benefits	22,439	161,631	575,324	759,394
Office space	6,385	40,672	178,955	226,012
Office equipment	3,016	19,212	84,534	106,762
Communications	2,378	15,146	66,644	84,168
Printing and supplies	1,464	9,324	41,025	51,813
Travel and training	791	5,040	22,175	28,006
Officers' costs	784	4,991	21,960	27,735
Contracted services	1,613	10,272	45,198	57,083
Dues and subscriptions	558	3,556	15,644	19,758
Miscellaneous	1,565	9,972	43,872	55,409
Total	\$ 108,644	\$ 738,326	\$ 2,858,687	\$ 3,705,657

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 year ended December 31, 2012 is as follows:

	<u>UI</u>	<u>HT</u>	<u>PACIF</u>	<u>Total</u>
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
Total	<u>\$ 86,627</u>	<u>\$ 674,585</u>	<u>\$ 2,618,904</u>	<u>\$ 3,380,116</u>

VLCT's net receivable or payable to the Trusts consists of the following:

	<u>UI</u>	<u>HT</u>	<u>PACIF</u>	<u>Total</u>
December 31, 2013:				
Due from trusts	\$ 4,122	\$ 12,621	\$ 99,394	\$ 116,137
Due to trusts	<u>(126)</u>	<u>(4,621)</u>	<u>(14,224)</u>	<u>(18,971)</u>
Net due from trusts	<u>\$ 3,996</u>	<u>\$ 8,000</u>	<u>\$ 85,170</u>	<u>\$ 97,166</u>
December 31, 2012:				
Due from trusts	\$ 135	\$ 6,210	\$ 54,567	\$ 60,912
Due to trusts	<u>(11,007)</u>	<u>(54,609)</u>	<u>(229,787)</u>	<u>(295,403)</u>
Net due to trusts	<u>\$ (10,872)</u>	<u>\$ (48,399)</u>	<u>\$ (175,220)</u>	<u>\$ (234,491)</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note H - Net Position

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

	<u>2013</u>	<u>2012</u>
Capital assets at cost	\$ 1,487,755	\$ 1,382,819
Less: accumulated depreciation	(982,017)	(881,493)
Deferred revenue - trusts	<u>(264,911)</u>	<u>(339,633)</u>
Net investment in capital assets	<u>\$ 240,827</u>	<u>\$ 161,693</u>

There are no designated net positions as of December 31, 2013 and 2012.

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 2013 and 2012, 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.

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 4.625% contribution by the employee and a 5.125% contribution by the employer. Prior to July 1, 2013, the employee and employer contribution rates were 4.5% and 5.0%, 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.

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note I - Benefit Plans (Continued)

Total payroll for the year ended December 31, 2013 was \$2,917,369. For VMERS Plan DB, covered payroll was \$2,278,552 and VLCT's contribution was \$115,329. For VMERS Plan DC, covered payroll was \$544,374 and VLCT's contribution was \$27,899. 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.

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, 2013, covered payroll under this plan was \$2,822,961 and VLCT's contribution was \$200,430. 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.

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.

Note J - Subsequent Events

Effective March 11, 2014, VLCT entered into a capital lease agreement with Steelcase Financial Services Inc. for the purchase of furniture and equipment in the amount of \$305,963. The term of the lease is for three years with payments of \$8,520 due monthly. The lease includes an option to purchase the furniture and equipment at the end of the lease term for \$1.

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2013
(Unaudited)

	Budget	Actual	Variance - Positive/(Negative)
Revenues			
Dues			
Regular members	\$ 818,267	\$ 818,263	\$ (4)
Associate members	95,535	96,000	465
Contributing members	12,300	9,450	(2,850)
Total dues	926,102	923,713	(2,389)
Services			
Town fair	60,000	72,897	12,897
Publications	5,000	5,811	811
Workshops	75,000	101,525	26,525
Professional services	83,200	105,788	22,588
Newsletter advertising	13,000	16,954	3,954
Total services	236,200	302,975	66,775
Administrative services			
Administrative contracts	6,000	8,355	2,355
Grant administration	80,000	68,162	(11,838)
Total administrative services	86,000	76,517	(9,483)
Trust reimbursements			
Trust contracts	3,790,259	3,705,657	(84,602)
PACIF loss prevention contract	45,000	45,000	-
Equipment revenue from trusts	175,390	139,730	(35,660)
Total trust reimbursements	4,010,649	3,890,387	(120,262)
Miscellaneous	8,300	8,146	(154)
Interest earnings	800	1,205	405
Total Revenue	5,268,051	5,202,943	(65,108)

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

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2013
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive/(Negative)</u>
Expenses			
Salaries	\$ 2,982,695	\$ 2,925,191	\$ 57,504
Benefits			
Payroll taxes	43,130	42,907	223
VMERS employer contributions	152,288	143,228	9,060
401 employer contributions	207,004	200,430	6,574
Health insurance	654,204	523,000	131,204
Long-term care insurance	8,475	8,068	407
Dental insurance	19,443	18,090	1,353
Life and disability insurance	42,379	40,169	2,210
Unemployment insurance	4,000	6,434	(2,434)
Flex plan administration	4,500	4,539	(39)
Total benefits	<u>1,135,423</u>	<u>986,865</u>	<u>148,558</u>
Office expenses			
Lease payment	179,582	177,800	1,782
Electricity	14,000	7,290	6,710
Building maintenance	19,000	45,702	(26,702)
Insurance - office	62,000	44,939	17,061
Property taxes	7,000	9,575	(2,575)
Parking	200	-	200
Total office expenses	<u>281,782</u>	<u>285,306</u>	<u>(3,524)</u>
Equipment expenses			
Equipment maintenance	23,350	26,016	(2,666)
Equipment purchases - non-capital	53,520	67,159	(13,639)
Equipment interest expense	2,400	90	2,310
Copier maintenance	16,400	18,497	(2,097)
Software maintenance	26,142	6,340	19,802
Software purchases	17,250	26,897	(9,647)
Total equipment expenses	<u>139,062</u>	<u>144,999</u>	<u>(5,937)</u>
Communications			
Postage	75,000	42,679	32,321
Postage meter rental	800	1,166	(366)
Telephone	35,700	20,805	14,895
Total communications	<u>111,500</u>	<u>64,650</u>	<u>46,850</u>

(continued)

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2013
(Unaudited)

	Budget	Actual	Variance - Positive/(Negative)
Printing and supplies			
Job printing	\$ 37,500	\$ 23,879	\$ 13,621
Paper purchases	10,000	5,616	4,384
Supplies	23,050	21,089	1,961
Total printing and supplies	70,550	50,584	19,966
Travel and training			
Vehicle expense	1,000	3,647	(2,647)
Member outreach	16,800	9,094	7,706
Staff travel/training	27,995	13,779	14,216
Total travel and training	45,795	26,520	19,275
Officers' expenses			
Board meetings	30,000	29,294	706
President's stipend	1,800	1,500	300
Total officers' expenses	31,800	30,794	1,006
Contracted services			
Auditing and accounting	19,000	19,836	(836)
Bank services	2,400	3,589	(1,189)
Legal services	7,500	4,066	3,434
Legal insurance deductible	25,000	32,015	(7,015)
Consultants	7,000	7,000	-
Advertising and recruiting	8,000	1,782	6,218
Total contracted services	68,900	68,288	612
Dues and subscriptions			
National League of Cities	16,729	17,229	(500)
Professional associations	22,100	16,975	5,125
Total dues and subscriptions	38,829	34,204	4,625
Services			
Town fair	39,860	41,149	(1,289)
Workshops	63,600	74,788	(11,188)
Consulting	10,000	24,374	(14,374)
Total services	113,460	140,311	(26,851)

(continued)

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2013
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive/(Negative)</u>
Miscellaneous			
Miscellaneous	\$ 2,200	\$ 2,151	\$ 49
Depreciation expense	<u>245,120</u>	<u>188,978</u>	<u>56,142</u>
Total miscellaneous	<u>247,320</u>	<u>191,129</u>	<u>56,191</u>
Total Expenses	<u>5,267,116</u>	<u>4,948,841</u>	<u>318,275</u>
Total	<u>\$ 935</u>	<u>\$ 254,102</u>	<u>\$ 253,167</u>

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