

Vermont League of Cities and Towns

Audited Financial Statements
with Supplementary Information

*Years ended December 31, 2014 and 2013
with Report of Independent Auditors*

Vermont League of Cities and Towns

Audited Financial Statements
with Supplementary Information

Years ended December 31, 2014 and 2013

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 - 27
<u>Supplementary Schedule</u>	
Statement of Revenues and Expenses - Budgetary Basis (unaudited).....	28 - 31

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, 2014 and 2013 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, 2014 and 2013 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 28 - 31 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 main text block.

Burlington, Vermont
March 31, 2015

Vermont firm registration: 092-0000267

Vermont League of Cities and Towns

Management Discussion and Analysis

Years ended December 31, 2014 and 2013

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, 2014, to be reviewed and considered in conjunction with the more detailed statements, schedules and notes in the ensuing pages of this report.

Highlights

- Assets exceeded liabilities at the end of 2014 by \$579,482, of which \$210,527 was unrestricted and \$368,955 was invested in capital assets, net of related debt. This compares with a net position of \$480,150 at December 31, 2013, of which \$239,323 was unrestricted and \$240,827 was invested in capital assets, net of related debt.
- Unrestricted net position at the end of 2014 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 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. Debt related to capital assets also includes the remaining amount owed on capital lease obligations through which capital assets were acquired during 2014.
- Net position increased by \$99,332 during the year ended December 31, 2014. This increase was primarily due to equipment and depreciation cost savings from budgeted amounts of \$41,120 and \$64,420, respectively. In 2013, the change in net position from operations was \$254,102 and was mainly due to savings in health insurance costs, salaries, postage and depreciation.
- Total revenue is \$46,875 more than budgeted primarily due to trust reimbursements. The trusts' share of the salaries and benefits cost savings resulted in income to VLCT that was \$74,874 more than anticipated. This was partially offset by equipment revenue from the trusts that was lower than budgeted by \$30,234 due to late year capital acquisitions that reduced the amount that the trusts had to reimburse to VLCT.

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, 2014 and 2013 and financial developments during the years ended December 31, 2014 and 2013 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, 2014</u>	<u>December 31, 2013</u>	<u>Percentage Change</u>	<u>December 31, 2012</u>	<u>Percentage Change</u>
Assets					
Current assets	\$ 1,017,319	\$ 994,964	2.2 %	\$ 1,058,232	(6.0)%
Capital assets	<u>891,937</u>	<u>505,738</u>	76.4 %	<u>501,326</u>	0.9 %
Total Assets	1,909,256	1,500,702	27.2 %	1,559,558	(3.8)%
Liabilities					
Current payables and accruals	297,494	168,917	76.1 %	419,429	(59.7)%
Current deferred revenue	598,828	586,189	2.2 %	595,528	(1.6)%
Non-current liabilities	<u>433,452</u>	<u>265,446</u>	63.3 %	<u>318,553</u>	(16.7)%
Total Liabilities	<u>1,329,774</u>	<u>1,020,552</u>	30.3 %	<u>1,333,510</u>	(23.5)%
Net Position, End of Year	<u>\$ 579,482</u>	<u>\$ 480,150</u>	20.7 %	<u>\$ 226,048</u>	112.4 %

Total assets at December 31, 2014 are \$1,909,256, up from \$1,500,702 at December 31, 2013. This increase of \$408,554 or approximately 27% is a combination of an increase in capital assets and the amount due from the trusts, offset by a decrease in cash for the purchase of a portion of the capital assets. The \$386,199 increase in capital assets (net of accumulated depreciation) was partially offset by cash used for the acquisition of the non-financed equipment. In addition, PACIF owed VLCT additional funds to cover the cost of a mid-year hire in the claims department, as well as reimbursement for implementation of claim document management software, increasing receivables from the trusts (under current assets) by \$216,561.

As of December 31, 2014, total liabilities increased \$309,222 or approximately 30% from this time last year as a result of a capital lease that financed the purchase of office furniture for the renovation that occurred in 2014. In addition, there was an increase in deferred revenue from the trusts related to the claim document management software implemented by PACIF.

As indicated in the Highlights section, net position increased by \$99,332 during the year ended December 31, 2014. This increase was primarily due to equipment and depreciation cost savings of \$41,120 and \$64,420, respectively. In 2013, the change in net position from operations was \$254,102 and was mainly due to savings in health insurance costs, salaries, postage and depreciation.

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, 2014	December 31, 2013	Percentage Change	December 31, 2012	Percentage Change
Operating Revenues					
Member dues	\$ 976,937	\$ 923,713	5.8 %	\$ 902,825	2.3 %
Services	253,599	302,975	(16.3)%	226,136	34.0 %
Trusts	3,893,672	3,890,387	0.1 %	3,567,834	9.0 %
Other revenue	<u>115,810</u>	<u>84,663</u>	36.8 %	<u>83,235</u>	1.7 %
Total operating revenues	5,240,018	5,201,738	0.7 %	4,780,030	8.8 %
Operating Expenses					
Combined cost centers **	4,926,404	4,759,863	3.5 %	4,568,490	4.2 %
Capital costs	<u>215,243</u>	<u>188,978</u>	13.9 %	<u>195,135</u>	(3.2)%
Total operating expenses	5,141,647	4,948,841	3.9 %	4,763,625	3.9 %
Operating income	98,371	252,897	(61.1)%	16,405	1,441.6 %
Non-Operating Revenue	<u>961</u>	<u>1,205</u>	(20.2)%	<u>727</u>	65.7 %
Change in Net Position	99,332	254,102	(60.9)%	17,132	1,383.2 %
Net Position, Beginning of Year	<u>480,150</u>	<u>226,048</u>	112.4 %	<u>208,916</u>	8.2 %
Net Position, End of Year	<u>\$ 579,482</u>	<u>\$ 480,150</u>	20.7 %	<u>\$ 226,048</u>	112.4 %

** Refer to the Statement of Revenues and Expenses - Budgetary Basis 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 28 - 31:

	<u>Budget</u>	<u>Actual</u>	<u>Percentage Variance</u>
Operating Revenues			
Member dues	\$ 976,948	\$ 976,937	- %
Services	266,700	253,599	(4.9)%
Trusts	3,845,098	3,893,672	1.3 %
Other revenue	<u>104,458</u>	<u>115,810</u>	<u>10.9 %</u>
Total operating revenues	5,193,204	5,240,018	0.9 %
Operating Expenses			
Combined cost centers **	4,936,750	4,926,404	(0.2)%
Capital costs	<u>260,112</u>	<u>215,243</u>	<u>(17.2)%</u>
Total operating expenses	5,196,862	5,141,647	(1.1)%
Operating (loss) income	(3,658)	98,371	(2,789.2)%
Non-Operating Revenue	<u>900</u>	<u>961</u>	<u>6.8 %</u>
Change in net position	<u>\$ (2,758)</u>	<u>\$ 99,332</u>	<u>(3,701.6)%</u>

** Refer to the Statement of Revenues and Expenses - Budgetary Basis at the end of the financial statements for a breakdown of expenses by function.

As shown in the tables above, VLCT ended the year with an overall surplus of \$99,332, with operating revenues higher than projected by \$46,814 (1%) and expenses lower than projected by \$55,215 (1%). The additional revenue over budget was primarily from PACIF reimbursement for a new claim adjuster and the cost savings that resulted mainly from lower than anticipated depreciation expense.

Comparing the results of VLCT's operations for the year ended December 31, 2014 to the year ended December 31, 2013, operating revenues were up by almost 1%, a total of \$38,280, and operating expenses were up by almost 4% or \$192,806 from the prior year. The change in operating results from 2012 to 2013 included a 9% or \$421,708 increase in revenue, offset by a 4% or \$185,216 increase in expenses.

The primary driver for the revenue increase from 2013 to 2014 was the dues increase (\$53,224), which included a \$150 per member surcharge to allow VLCT to provide members with assistance from the Health Trust with the transition to the state's health insurance exchange. The excess of revenue over budget was the combination of additional administrative services revenue from PACIF (\$74,874) primarily for a new claim adjuster, offset by a reduction in PACIF equipment reimbursement revenue (\$30,234) due to claim document management software having been implemented later in the year than anticipated.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Results and Analysis (Continued)

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

- Town Fair revenue was under budget by \$12,896 and less than 2013 by \$17,793 as a result of fewer vendor booths sold, resulting in less exhibitor revenue.
- Workshop revenue was lower than 2013 by \$20,427 with three fewer workshops planned, resulting in a drop in attendees from 1,487 in 2013 to 1,176 in 2014.

Expenses in 2014 were below budget by 1% primarily due to the late purchase of capital assets. Budgeted capital assets were purchased later in the year than anticipated, reducing the number of months to book depreciation. This resulted in savings from budget of \$64,420.

The 4% increase in 2014 expenses as compared to 2013 was mainly in salaries (\$140,509) and benefits (\$31,269), attributable to pay raises as well as an additional position in IT to help manage the new document management application purchased for claims.

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

- Salaries are over budget by \$46,214 or 1.5% due to a new claim adjuster position added mid-year and funded by PACIF through the administrative services agreement.
- Office space costs increased \$21,135 or 7% over 2013 primarily from higher lease payments, electric and insurance costs for a renovated open space that is slightly larger in square footage than before.
- Office equipment costs were under budget by \$41,120 or 26% from purchasing fewer and less expensive displays for the conference and huddle rooms; from savings realized for additional components for the new work stations; and from lower maintenance costs for new production equipment. This line item was \$30,569 or 21% less than in 2013.
- Printing and supplies costs exceeded 2013 by \$10,614 or 21% mainly due to the outsourcing of mailing services for the VLCT newsletter.
- Travel and training costs were under budget by \$22,005 or 44% from lower than anticipated conference attendance and reduced mileage for outreach to members. The Municipal Assistance Center replaced two attorneys who left at the end of 2013, and training time for the replacements reduced the number of on-site workshops and consulting normally done each year.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Results and Analysis (Continued)

- Contracted services were lower than 2013 by \$16,154 or 24% mainly due to reduced legal fees from fewer hours spent handling lawsuits.
- Workshop expenses were lower than in 2013 by \$13,822 or 18%, reflecting the decrease in attendees from three fewer workshops than the year before.
- Loss from the sale of assets is over budget by \$19,551, due to salvage value written off on furniture disposed of before the office move.

Outlook and Economic Factors

VLCT ended its 2014 fiscal year by adding to its positive total net position. Revenues exceeded those budgeted by 1% and expenditures were less than budgeted by 1%, due to several developments as explained in the above Results and Analysis section, increasing our overall net position. VLCT is now in a very sound financial position with a positive net position of over 10% of its operating budget. It is expected that we will add modestly to our positive unrestricted net position in the future, with any large increases coming from only unexpected expenditure savings or higher revenues from services than budgeted.

Staff is our most valuable asset and represents 80% 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 2014, the same as during the two previous years. The outlook for us to continue providing a quality service program appears very strong. VLCT will have an unusual challenge to face in 2015 with the announced retirement of the long-time executive director. The Board of Directors and its selection committee are already well underway with a succession plan, and the soon-to-be-former director has agreed to provide consulting assistance to his successor. The fact that the staff has been stable will assure that the transition goes smoothly.

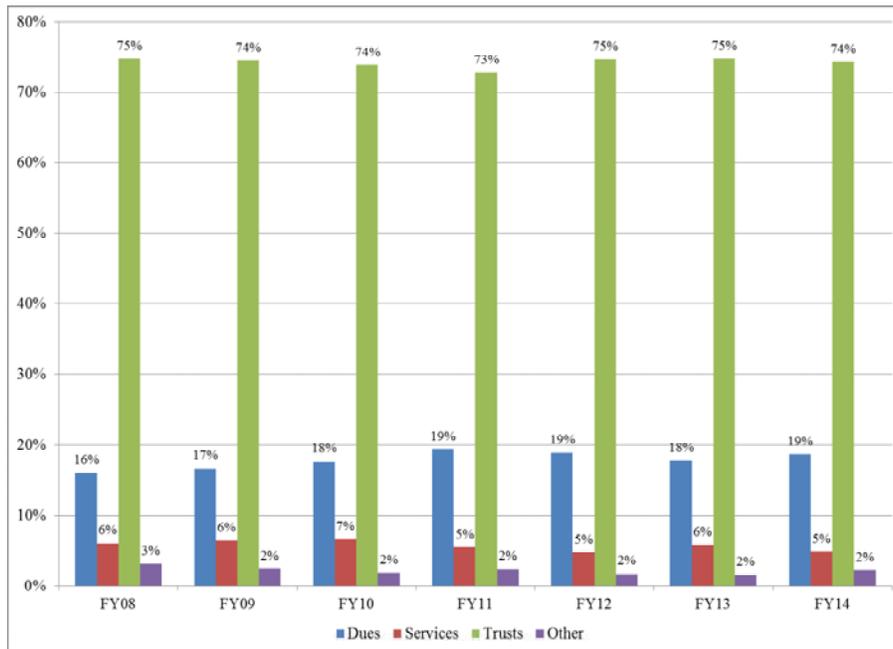
Membership in VLCT remains at 100% for the fourteenth year in a row. Participation in VLCT PACIF remains at record levels. The close of 2014 saw the merger of the VLCT Health Trust and the VLCT Unemployment Trust into the new VLCT Employment Resource and Benefit Trust, or VERB. The Health Trust had been phasing out of its primary service of providing members access to employee health insurance markets with the advent of Vermont Health Connect. VERB will continue to provide that market for our larger employer groups and provide access to other employee benefit programs including dental, life, disability, and long-term care insurances. VERB will continue the longest running VLCT risk management program, unemployment compensation pooling, under its new name. VERB is also involved in strategically planning for the services it can provide our members, including the development of a Human Resources Services Business Plan and Needs assessment.

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. VERB, PACIF and VLCT board members are currently meeting to determine how to fund the Human Resources program service for the members, which could possibly begin to serve the members in this capacity during 2015.

VLCT's newly renovated office space is working wonderfully with improved workspace and increased communication and interaction without significant noise interference.

In the financial management arena, the first year of capital budgeting has allowed us to better project and modulate the costs necessary to keep our staff well equipped to best serve our members, without the fluctuations experienced in the past dealing with depreciation costs.

Vermont League of Cities and Towns

Management Discussion and Analysis (Continued)

Outlook and Economic Factors (Continued)

A new standard issued by the Governmental Accounting Standards Board, Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in 2012 and requires more extensive reporting for pension liabilities. VLCT participates in the Vermont State Municipal Employees' Retirement System (VMERS), a cost-sharing multiple employer plan sponsored by the State of Vermont. Implementation of this will occur with the 2015 financial statements at year-end and will effectively reduce or increase net position by VLCT's proportional share of either VMERS' net liability, if the pension fund is underfunded, or net asset, if the pension fund is overfunded. Future financial statements will reflect the change in the VMERS net liability or asset each year.

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,	
	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 514,665	\$ 755,839
Accounts receivable	35,163	31,168
Amounts due from trusts	332,698	116,137
Prepaid expenses	134,793	91,820
Total current assets	1,017,319	994,964
Non-Current Assets		
Capital assets (net of accumulated depreciation)	891,937	505,738
Total Assets	\$ 1,909,256	\$ 1,500,702
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 90,285	\$ 68,203
Amounts due to trusts	-	18,971
Capital lease obligations	102,241	-
Accrued payroll	104,968	81,743
Deferred revenue	475,337	465,769
Deferred revenue - trusts	123,491	120,420
Total current liabilities	896,322	755,106
Non-Current Liabilities		
Capital lease obligations	118,520	-
Accrued compensated absences	136,202	120,955
Deferred revenue - trusts	178,730	144,491
Total non-current liabilities	433,452	265,446
Total Liabilities	1,329,774	1,020,552
Net Position		
Net investment in capital assets	368,955	240,827
Unrestricted	210,527	239,323
Total Net Position	579,482	480,150
Total Liabilities and Net Position	\$ 1,909,256	\$ 1,500,702

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,	
	2014	2013
Operating Revenues		
Dues - regular	\$ 862,447	\$ 818,263
Dues - associate	105,490	96,000
Dues - contributing	9,000	9,450
Town fair	55,104	72,897
Publications	5,956	5,811
Workshops	81,098	101,525
Professional services	99,644	105,788
Administrative services	97,893	76,517
Newsletter advertising	11,797	16,954
Trust contracts	3,719,493	3,705,657
PACIF loss prevention contract	48,934	45,000
Equipment revenue from trusts	125,245	139,730
Net gain on sale of equipment	-	1,052
Other income	17,917	7,094
Total operating revenues	5,240,018	5,201,738
Operating Expenses		
Salaries	3,108,607	2,968,098
Employee benefits	975,227	943,958
Office space	306,441	285,306
Office equipment	114,430	144,999
Communications	66,657	64,650
Printing and supplies	61,198	50,584
Travel and training	28,214	26,520
Officers' costs	34,621	30,794
Contracted services	52,134	68,288
Dues and subscriptions	40,917	34,204
Town fair	44,626	41,149
Workshops	60,966	74,788
Administrative services	21,203	24,374
Depreciation	195,692	188,978
Net loss on sale of equipment	19,551	-
Other expenses	11,163	2,151
Total operating expenses	5,141,647	4,948,841
Operating income	98,371	252,897
Non-Operating Revenues		
Investment income	961	1,205
Change in Net Position	99,332	254,102
Net Position, Beginning of Year	480,150	226,048
Net Position, End of Year	\$ 579,482	\$ 480,150

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows

	Years ended 2014	December 31, 2013
Cash Flows from Operating Activities		
Receipts from membership dues	\$ 986,505	\$ 927,777
Receipts from trusts	3,695,450	3,484,008
Other receipts	365,414	441,825
Payments for salaries and benefits	(4,045,362)	(3,894,664)
Payments to vendors	(863,461)	(842,293)
Net cash provided by operating activities	138,546	116,653
Cash Flows from Financing Activities		
Receipts from sales of capital assets	7,000	
Purchase of capital assets	(302,479)	(192,337)
Principal payments on capital lease	(85,202)	-
Principal payments on note payable	-	(8,960)
Net cash used in financing activities	(380,681)	(201,297)
Cash Flows from Investing Activities		
Net receipts for interest and dividends	961	1,205
Net cash provided by investing activities	961	1,205
Net Change in Cash and Cash Equivalents	(241,174)	(83,439)
Cash and Cash Equivalents, Beginning of Year	755,839	839,278
Cash and Cash Equivalents, End of Year	\$ 514,665	\$ 755,839
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	\$ 98,371	\$ 252,897
Add (deduct) items not affecting cash:		
Depreciation expense	195,692	188,978
Net gain (loss) on sale of equipment	19,551	(1,052)
Changes in assets and liabilities:		
Accounts receivable	(3,995)	55,239
Due from trusts	(216,561)	(55,225)
Prepaid expenses	(42,973)	(20,185)
Accounts payable	22,082	25,699
Due to trusts	(18,971)	(276,432)
Accrued payroll	23,225	9,180
Accrued compensated absences	15,247	8,212
Deferred revenue	9,568	4,064
Deferred revenue - trusts	37,310	(74,722)
Net cash provided by operating activities	\$ 138,546	\$ 116,653
Non-Cash Transactions		
Capital assets acquired under capital lease obligations	\$ 305,963	\$ -

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

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. VLCT also follows all statements in accordance with the Governmental Accounting Standards Board (GASB). 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 31, 2015, 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, 2014 and 2013 or for the years then ended.

Cash and Cash Equivalents

VLCT's cash and cash equivalents are considered to be cash on hand and demand deposits. 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:

	2014		2013	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Unsecured and collateralized	264,515	278,809	505,689	760,911
Petty cash	150	-	150	-
Total	\$ 514,665	\$ 528,809	\$ 755,839	\$ 1,010,911

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 2014 and 2013 may be 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, 2014 and 2013, and VLCT did not write off any amounts during 2014 and 2013.

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 (cost net of salvage value prior to January 1, 2013). Capital assets are depreciated or amortized using the straight-line basis over their estimated useful lives. The estimated useful lives of capital assets are as follows for the year ended December 31, 2014:

	<u>Estimated Useful Life (Years)</u>
Leasehold improvements	7
Computer equipment	4 - 5
Other equipment	4 - 10
Furniture	10
Vehicles	3

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. There are no restrictions of net position as of December 31, 2014 and 2013.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

The Board has elected to designate a portion of the unrestricted net position to cover any insurance deductible for defending against potential lawsuits. The amount designated for this purpose was \$75,000 as of December 31, 2014 and 2013.

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.

Standards to be Adopted During 2015

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. VLCT participates in the Vermont State Municipal Employees' Retirement System (VMERS), as more fully described in Note I. Management plans to adopt this standard during 2015 upon the effective date. As a result of this adoption, VLCT will record its proportionate share of VMERS' net pension liability or asset on the statement of net position. The amount of this net pension liability or asset is not known at this time but will impact the net position of VLCT when recorded.

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, 2014 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	\$ 41,836	\$ (29,628)	\$ 41,836
Computer equipment	1,001,043	170,236	(72,033)	1,099,246
Other equipment	211,455	67,926	(17,755)	261,626
Furniture & fixtures	74,092	328,842	(74,092)	328,842
Vehicles	<u>171,537</u>	<u>-</u>	<u>(20,714)</u>	<u>150,823</u>
Total capital assets at cost	1,487,755	608,840	(214,222)	1,882,373
Less: accumulated depreciation	<u>(982,017)</u>	<u>(195,692)</u>	<u>187,273</u>	<u>(990,436)</u>
Total net capital assets	<u>\$ 505,738</u>	<u>\$ 413,148</u>	<u>\$ (26,949)</u>	<u>\$ 891,937</u>

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 D - Deferred Revenue

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

	2014	2013
Deferred membership dues	\$ 471,568	\$ 462,249
Deferred revenue - trusts	302,221	264,911
Other deferred revenue	3,769	3,520
 Total deferred revenue	 \$ 777,558	 \$ 730,680

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:

	2014	2013
Deferred revenue - trusts, beginning of year	\$ 264,911	\$ 339,633
Add: reimbursement for new assets	162,555	122,200
Less: remaining depreciation on disposed assets	-	(57,192)
Less: current depreciation	(125,245)	(139,730)
 Deferred revenue - trusts, end of year	 \$ 302,221	 \$ 264,911

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%. VLCT paid the remaining balance on the loan during 2013, and the loan was released on March 20, 2013.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note F - Leases

Operating Leases

Effective March 1, 2010, VLCT entered into a lease agreement with City Center Associates for office space. Effective January 1, 2014, this lease was superseded by a twelve-year lease agreement with City Center Montpelier, LLC. Monthly rental payments were \$15,752 and \$14,817 for the years ended December 31, 2014 and 2013, respectively, and are included in office space expense on the statements of revenues, expenses and changes in net position. Future minimum lease payments as of December 31, 2014 are as follows:

	<u>Amount</u>
2015	\$ 221,586
2016	254,150
2017	286,715
2018	319,279
2019	328,858
2020 - 2024	1,798,328
2025 - 2026	<u>797,126</u>
Total	<u>\$ 4,006,042</u>

Capital Lease Obligations

During 2014, VLCT leased furniture and fixtures under capital lease obligations with a value totaling \$305,963. Pursuant to the lease agreements, total monthly principal payments are \$8,520 with a \$2 buy-out option at the end of the lease term. Accumulated depreciation and depreciation expense on assets purchased under capital lease agreements was \$25,497 as of and for the year ended December 31, 2014. Future minimum lease payments as of December 31, 2014 are as follows:

	<u>Amount</u>
2015	\$ 102,241
2016	<u>118,520</u>
Total	<u>\$ 220,761</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note G - Allocation to Trusts

Per contractual agreement, VLCT provides administrative services, office space and equipment usage to VLCT Unemployment Trust, Inc. (UI), VLCT Health Trust, Inc. (HT) and VLCT Property and Casualty Intermunicipal Fund, Inc. (PACIF), three related nonprofit corporations (collectively referred to as "the Trusts"). 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.

The final allocation to the Trusts by expense category for the year ended December 31, 2014 is as follows:

	<u>UI</u>	<u>HT</u>	<u>PACIF</u>	<u>Total</u>
Salaries - allocated directly	\$ 59,755	\$ 122,822	\$ 1,438,131	\$ 1,620,708
Salaries - administration	17,976	52,793	689,951	760,720
Employee benefits	23,145	55,962	666,341	745,448
Office space	6,990	13,980	192,842	213,812
Office equipment	2,697	7,956	110,895	121,548
Communications	1,687	5,084	48,642	55,413
Printing and supplies	1,105	3,308	36,467	40,880
Travel and training	620	1,846	20,390	22,856
Officers' costs	539	1,534	24,161	26,234
Contracted services	1,208	3,537	44,806	49,551
Dues and subscriptions	451	1,330	16,592	18,373
Miscellaneous	2,587	5,212	71,401	79,200
Consulting revenue	-	(35,250)	-	(35,250)
Total	<u>\$ 118,760</u>	<u>\$ 240,114</u>	<u>\$ 3,360,619</u>	<u>\$ 3,719,493</u>

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, 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	<u>1,565</u>	<u>9,972</u>	<u>43,872</u>	<u>55,409</u>
Total	<u>\$ 108,644</u>	<u>\$ 738,326</u>	<u>\$ 2,858,687</u>	<u>\$ 3,705,657</u>

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

	<u>UI</u>	<u>HT</u>	<u>PACIF</u>	<u>Total</u>
December 31, 2014:				
Amounts due from trusts	<u>\$ 3,781</u>	<u>\$ 10,133</u>	<u>\$ 318,784</u>	<u>\$ 332,698</u>
December 31, 2013:				
Amounts due from trusts	\$ 4,122	\$ 12,621	\$ 99,394	\$ 116,137
Amounts due to trusts	<u>(126)</u>	<u>(4,621)</u>	<u>(14,224)</u>	<u>(18,971)</u>
Net amounts due from trusts	<u>\$ 3,996</u>	<u>\$ 8,000</u>	<u>\$ 85,170</u>	<u>\$ 97,166</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:

	2014	2013
Capital assets at cost	\$ 1,882,373	\$ 1,487,755
Less: accumulated depreciation	(990,436)	(982,017)
Capital lease obligations	(220,761)	-
Deferred revenue - trusts	(302,221)	(264,911)
Net investment in capital assets	\$ 368,955	\$ 240,827

There are no restricted uses of net positions as of December 31, 2014 and 2013.

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 2014 and 2013, 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. The State legislature has sole authority to amend plan benefit provisions.

VMERS Plan DB requires a 4.75% contribution by the employee and a 5.375% contribution by the employer. Prior to July 1, 2014, the employee and employer contribution rates were 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.

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, 2014 was \$3,062,670. For VMERS Plan DB, covered payroll was \$2,719,635 and VLCT's contribution was \$142,901. For VMERS Plan DC, covered payroll was \$211,731 and VLCT's contribution was \$10,843. 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.

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, 2014, covered payroll under this plan was \$2,924,924 and VLCT's contribution was \$207,669. 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.

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, 2014
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive/(Negative)</u>
Revenues			
Dues			
Regular members	\$ 868,798	\$ 862,447	\$ (6,351)
Associate members	98,750	105,490	6,740
Contributing members	<u>9,400</u>	<u>9,000</u>	<u>(400)</u>
Total dues	976,948	976,937	(11)
Services			
Town fair	68,000	55,104	(12,896)
Publications	5,000	5,956	956
Workshops	80,500	81,098	598
Professional services	98,200	99,644	1,444
Newsletter advertising	<u>15,000</u>	<u>11,797</u>	<u>(3,203)</u>
Total services	266,700	253,599	(13,101)
Administrative services			
Administrative contracts	8,000	8,555	555
Grant administration	<u>88,158</u>	<u>89,338</u>	<u>1,180</u>
Total administrative services	96,158	97,893	1,735
Trust reimbursements			
Trust contracts	3,644,619	3,719,493	74,874
PACIF loss prevention contract	45,000	48,934	3,934
Equipment revenue from trusts	<u>155,479</u>	<u>125,245</u>	<u>(30,234)</u>
Total trust reimbursements	3,845,098	3,893,672	48,574
Miscellaneous	8,300	17,917	9,617
Interest earnings	<u>900</u>	<u>961</u>	<u>61</u>
Total Revenue	5,194,104	5,240,979	46,875

** 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, 2014
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	Variance - <u>Positive/(Negative)</u>
Expenses			
Salaries	\$ 3,016,875	\$ 3,063,089	\$ (46,214)
Benefits			
Payroll taxes	42,537	45,518	(2,981)
VMERS employer contributions	152,342	153,744	(1,402)
401 employer contributions	208,988	207,669	1,319
Health insurance	554,167	541,212	12,955
Long-term care insurance	7,853	7,796	57
Dental insurance	18,303	18,889	(586)
Life and disability insurance	42,084	37,355	4,729
Unemployment insurance	6,000	7,062	(1,062)
Flex plan administration	500	1,500	(1,000)
Total benefits	<u>1,032,774</u>	<u>1,020,745</u>	<u>12,029</u>
Office expenses			
Lease payment	183,600	189,022	(5,422)
Electricity	14,000	18,909	(4,909)
Building maintenance	21,587	29,082	(7,495)
Insurance - office	61,800	56,800	5,000
Property taxes	7,000	12,628	(5,628)
Total office expenses	<u>287,987</u>	<u>306,441</u>	<u>(18,454)</u>
Equipment expenses			
Equipment maintenance	25,100	34,624	(9,524)
Equipment purchases - non-capital	49,100	29,218	19,882
Copier maintenance	17,000	20,653	(3,653)
Software maintenance	59,350	28,904	30,446
Software purchases	5,000	1,031	3,969
Total equipment expenses	<u>155,550</u>	<u>114,430</u>	<u>41,120</u>
Communications			
Postage	55,000	42,322	12,678
Postage meter rental	1,200	1,056	144
Telephone	24,360	23,279	1,081
Total communications	<u>80,560</u>	<u>66,657</u>	<u>13,903</u>

(continued)

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2014
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	Variance - <u>Positive/(Negative)</u>
Printing and supplies			
Job printing	\$ 28,000	\$ 29,492	\$ (1,492)
Paper purchases	10,000	6,489	3,511
Supplies	<u>19,550</u>	<u>25,217</u>	<u>(5,667)</u>
Total printing and supplies	57,550	61,198	(3,648)
Travel and training			
Vehicle expense	1,000	1,500	(500)
Mileage	-	7,587	(7,587)
Member outreach	21,369	851	20,518
Staff travel/training	<u>27,850</u>	<u>18,276</u>	<u>9,574</u>
Total travel and training	50,219	28,214	22,005
Officers' expenses			
Board meetings	29,000	34,621	(5,621)
President's stipend	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total officers' expenses	30,800	34,621	(3,821)
Contracted services			
Auditing and accounting	19,000	19,416	(416)
Bank services	3,600	4,249	(649)
Legal services	7,500	1,470	6,030
Legal insurance deductible	25,000	18,246	6,754
Consultants	2,500	5,497	(2,997)
Advertising and recruiting	<u>6,000</u>	<u>3,256</u>	<u>2,744</u>
Total contracted services	63,600	52,134	11,466
Dues and subscriptions			
National League of Cities	17,250	17,029	221
Professional associations	<u>18,935</u>	<u>23,888</u>	<u>(4,953)</u>
Total dues and subscriptions	36,185	40,917	(4,732)
Services			
Town fair	55,000	44,626	10,374
Workshops	54,350	60,966	(6,616)
Consulting	<u>13,200</u>	<u>21,203</u>	<u>(8,003)</u>
Total services	122,550	126,795	(4,245)

(continued)

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis

Year ended December 31, 2014
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	Variance - <u>Positive/(Negative)</u>
Miscellaneous			
Miscellaneous	\$ 2,100	\$ 11,163	\$ (9,063)
Net loss on sale of equipment	-	19,551	(19,551)
Depreciation expense	<u>260,112</u>	<u>195,692</u>	<u>64,420</u>
Total miscellaneous	<u>262,212</u>	<u>226,406</u>	<u>35,806</u>
Total Expenses	<u>5,196,862</u>	<u>5,141,647</u>	<u>55,215</u>
Total	<u>\$ (2,758)</u>	<u>\$ 99,332</u>	<u>\$ 102,090</u>

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