

# **Vermont League of Cities and Towns**

## **Audited Financial Statements**

### **with Required Supplementary Information**

### **and Other Information**

*Years ended December 31, 2023 and 2022 (restated)*  
*with Report of Independent Auditors*

Vermont League of Cities and Towns  
Audited Financial Statements  
with Required Supplementary Information and  
Other Information

Years ended December 31, 2023 and 2022 (restated)

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## Report of Independent Auditors

Board of Directors  
Vermont League of Cities and Towns

### **Opinion**

We have audited the accompanying financial statements of Vermont League of Cities and Towns (VLCT), which comprise the statements of net position as of December 31, 2023 and 2022 (restated), and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended (restated in 2022), and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VLCT as of December 31, 2023 and 2022 (restated), and the results of its operations and its cash flows for the years then ended (restated in 2022) in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VLCT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Adoption of New Accounting Standard and Adjustments to Prior Year Financial Statements**

As discussed in Note A to the financial statements, effective January 1, 2023, VLCT adopted Governmental Accounting Standards Board (GASB) Accounting Standards Update No. 96, *Subscriptions-Based Information Technology Arrangements* (GASB 96). VLCT has restated its 2022 financial statements during the current year in relation to the adoption of GASB 96. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VLCT's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VLCT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VLCT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 - 14 and the Schedule of Employer Pension Information on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audits were conducted for the purpose of forming an opinion on VLCT's basic audited financial statements. The Schedule of Revenues and Expenses – Budgetary Basis on pages 44 - 47 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 black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Williston, Vermont  
November 15, 2024  
Vermont firm registration: 092-0000267

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

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, 2023, to be reviewed and considered in conjunction with the more detailed statements, schedules and notes in the ensuing pages of this report.

VLCT is a nonprofit, nonpartisan organization that serves Vermont's municipal governments (its members) by providing services through its advocacy and Municipal Assistance Center operations. VLCT also provides administrative services, office space and equipment usage to VLCT Employment Resource and Benefits Trust, Inc. (VERB) and VLCT Property and Casualty Intermunicipal Fund, Inc. (PACIF). Collectively, these are referred to as "the Trusts".

#### **Highlights**

- The 2022 financials were restated due to the required adoption of GASB statement number 96 during 2023 for *Subscriptions-Based Information Technology Arrangements* (GASB 96), which was applied retroactively to 2022. VLCT has subscription-based information technology arrangements and the adoption of GASB 96 resulted in a recording of a subscription liability and right-of-use asset (ROU) asset as of January 1, 2022 of \$727,922.
- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the end of 2023 by \$875,483, of which \$375,189 was invested in capital assets, leaving an accumulated deficit of \$500,294. This compares with a net position deficit of \$893,648 at December 31, 2022, of which \$307,914 was invested in capital assets, net of related debt, leaving an accumulated deficit of \$585,735 as unrestricted net position. The increase in the unrestricted net position deficit at the end of 2023 amounted to \$85,441, which is mainly a result of savings in salary and benefits expenses due to staff turnover.
- Debt related to capital assets includes the nondepreciated balance of all capital assets paid for by the Trusts at the time the assets were purchased, a total of \$147,158 as of December 31, 2023, compared to \$119,827 at December 31, 2022. 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 \$18,165 from a surplus realized during the year ended December 31, 2023. This was due to savings in salaries and benefits expenses in 2023 due to staff turnover, higher investment income and offset by an adjustment of \$313,139 in the Vermont Municipal Employees Retirement System (VMERS) Defined Benefit pension expense. By comparison, the pension adjustment in 2022 was of \$208,355 and in 2021 was \$69,489.

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### **Highlights (Continued)**

- Total revenue in 2023 was \$377,742 higher than in 2022 primarily due to an increase in revenue from the trusts, additional grant revenue and interest income. Trust revenue increased 4.7% in 2023 and was mainly attributable to salary and benefit increases for Risk Management Services staff and administrative support staff for the trusts. Grant income increased due to the first full year of the Federal Funding Assistance (FFA) grant from the Vermont Agency of Commerce and Community Development (ACCD), while interest income benefited from higher rates on cash and money market funds. In 2022, trust revenue was up \$550,497 due to VLCT assessments for equity work and technology improvements as well as an increase in the cost of the administrative services for the trusts.
- As of December 31, 2023, total expenses were \$328,437 higher than 2022 primarily due to increases in salaries, health insurance benefits and the VMERS GASB 68 pension adjustment. Salaries increased 3.3% from 2022 due to inflationary wage growth and were offset slightly by turnover, while health insurance increased 8% due to carrier increases in the small group health insurance premiums. The GASB 68 pension expense adjustment of \$313,139 was recorded to account for VLCT's share of the net pension liability, an increase of \$104,784 from the 2022 adjustment.

#### **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
- VLCT Employment Resource and Benefits Trust
- VLCT Property and Casualty Intermunicipal Fund

Administrative staff includes employees working in the following departments:

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

# Vermont League of Cities and Towns

## Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

### ***Overview of the Financial Statements (Continued)***

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 Trusts include salaries and benefits, along with employee-related costs such as company vehicles, travel and training, and any costs that may be attributed to the Trust budget for that employee. These costs are charged to the Trusts on a quarterly basis and then reimbursed to VLCT at year-end. Accruals and reconciliations are completed quarterly 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.

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, 2023 and 2022 and financial developments during the years ended December 31, 2023 and 2022 for all cost centers combined.

The Statements of Net Position present the economic position of VLCT, showing the assets owned or in use by VLCT and how those assets are financed: by debt or short-term obligations, or by net position (VLCT's equity). The Statements of Net Position also show the deferred outflows and inflows of resources related to VLCT's participation in the VMERS defined benefit pension plan.



# Vermont League of Cities and Towns

## Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

### ***Overview of the Financial Statements (Continued)***

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

The Statements of Cash Flows outline the cash flows resulting from 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.

The Schedule of Employer Pension Information (unaudited) provides supplemental information about the VMERS DB pension plan as required by GASB 68 and can be found immediately following the notes to the financial statements.

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

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### **Results and Analysis**

The following table summarizes the Statements of Net Position:

	<u>December 31, 2023</u>	<u>December 31, 2022</u> (restated)	<u>Percentage Change</u>	<u>December 31, 2021</u>	<u>Percentage Change</u>
<b>Assets</b>					
Current assets	\$ 3,042,823	\$ 2,475,763	22.9 %	\$ 2,164,710	14.4 %
ROU assets - leases (net)	687,870	917,160	(25.0)%	1,146,450	(20.0)%
ROU assets - SBITA (net)	459,407	481,902	(4.7)%	-	- %
Capital assets	<u>179,707</u>	<u>298,837</u>	(39.9)%	<u>449,002</u>	(33.4)%
Total Assets	4,369,807	4,173,662	4.7 %	3,760,162	11.0 %
<b>Deferred Outflows of Resources</b>					
Deferred pension amounts	694,301	904,328	(23.2)%	583,387	55.0 %
<b>Liabilities</b>					
Current payables and accruals	924,979	786,155	17.7 %	447,336	75.7 %
Current deferred revenue	695,825	706,869	(1.6)%	708,753	(0.3)%
Accrued compensated absences	277,718	261,432	6.2 %	212,674	22.9 %
Non-current liabilities	<u>3,948,571</u>	<u>4,080,127</u>	(3.2)%	<u>2,933,858</u>	39.1 %
Total Liabilities	<u>5,847,093</u>	<u>5,834,583</u>	(0.2)%	<u>4,302,621</u>	35.6 %
<b>Deferred Inflow of Resources</b>					
Deferred pension expenses	<u>92,498</u>	<u>137,055</u>	(32.5)%	<u>903,436</u>	(84.8)%
Net Position, End of Year	<u>\$ (875,483)</u>	<u>\$ (893,648)</u>	2.0 %	<u>\$ (862,508)</u>	(3.6)%

Total assets as of December 31, 2023 were \$4,369,807, down from \$4,173,662 as of December 31, 2022. This decrease of \$196,145 or 4.7% is due to an increase in cash from operations offset by a decrease in the Right-of-Use (ROU) lease asset and capital assets. Deferred outflows of pension amounts (the future value of contributions paid after the June 30th reporting date of the actuarial report) decreased by \$210,027 or 23.2% due primarily to the difference between projected and actual investments earnings.

In 2022, total assets increased by \$413,500 or 11% primarily due to an increase in cash from operations, the adoption of GASB 96 for subscription assets, and a decrease in the Right-of-Use (ROU) lease asset and capital assets. Deferred outflows of pension amounts increased by \$320,941, or 55% due to the difference between projected and actual investments earnings.

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### ***Results and Analysis (Continued)***

As of December 31, 2023, total liabilities increased by \$12,509 or 0.2% due to the increase in the net pension liability of \$147,669 and current payables of 144,066 that was mostly offset by a decrease in the lease liability of \$308,476. VLCT's proportionate share of VMERS DB liability was \$2,853,293 with \$694,301 in deferred outflows of resources and \$92,498 in deferred inflows of resources. The VMERS DB total pension expense for 2023 of \$568,994 is the estimated expense inclusive of VLCT's share of the pension fund's unfunded liability.

In 2022, total liabilities increased by \$1,531,963 or 35.6% due to the increase in the net pension liability of \$1,295,677, the adoption of GASB 96 which was partially offset by a decrease in the lease liability of \$282,924. VLCT's proportionate share of VMERS DB liability was \$2,705,624 with \$904,328 in deferred outflows of resources and \$137,055 in deferred inflows of resources.

Net position increased \$18,166 or 2.0% for the year ended December 31, 2023 from a surplus due to staff turnover and higher investment income that was offset by the VMERS GASB 68 pension adjustment. Net position decreased by \$31,143 for the year ended December 31, 2022 as a result of a loss from operations during the year. The operating loss was primarily from an increase in the GASB 68 adjustment, partially offset by savings relative to budget in consulting and depreciation expenses.

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### **Results and Analysis (Continued)**

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

	December 31, 2023	December 31, 2022	Percentage Change	December 31, 2021	Percentage Change
<b>Operating Revenues</b>					
Member dues	\$ 1,237,967	\$ 1,190,697	4.0 %	\$ 1,178,471	1.0 %
Services	120,580	247,191	(51.2)%	133,976	85.5 %
Trusts	5,872,698	5,583,870	5.2 %	5,010,654	11.4 %
Commission income	119,810	125,600	(4.6)%	95,001	32.2 %
Sponsorships	154,719	166,902	(7.3)%	48,949	241.0 %
Other revenue	<u>363,439</u>	<u>257,414</u>	41.2 %	<u>280,439</u>	8.2 %
Total operating revenues	7,869,213	7,571,674	3.9 %	6,747,490	12.2 %
<b>Operating Expenses</b>					
Combined cost centers	7,755,328	7,466,236	3.9 %	6,474,581	15.3 %
Capital costs	<u>189,510</u>	<u>150,165</u>	26.2 %	<u>170,922</u>	(12.1)%
Total operating expenses	7,944,838	7,616,401	4.3 %	6,645,503	14.6 %
Operating gain (loss)	(75,625)	(44,727)	69.1 %	101,987	143.9 %
Non-Operating Revenues	<u>93,790</u>	<u>13,587</u>	590.3 %	<u>1,588</u>	755.6 %
Change in Net Position	18,165	(31,140)	(158.3)%	103,575	(130.1)%
Net Position, Beginning of Year	(893,648)	(862,508)	3.6 %	(395,893)	117.9 %
GASB 87 adoption	<u>-</u>	<u>-</u>		<u>(570,190)</u>	
Net Position, End of Year	<u>\$ (875,483)</u>	<u>\$ (893,648)</u>	2.0 %	<u>\$ (862,508)</u>	(3.6)%

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### **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 (unaudited) on pages 44 - 47 for the year ended December 31, 2023:

	Budget	Actual	Percentage Over (Under) Budget
<b>Operating Revenues</b>			
Member dues	\$ 1,232,230	\$ 1,237,967	0.5 %
Services	435,370	276,799	(36.4)%
Trusts	5,981,478	5,872,698	(1.8)%
Commissions	98,800	119,810	21.3 %
Other revenue	<u>420,000</u>	<u>361,939</u>	(18.1)%
Total operating revenues	8,167,878	7,869,213	(3.66)%
<b>Operating Expenses</b>			
Combined cost centers **	7,937,563	7,755,328	(2.3)%
Capital costs	<u>234,771</u>	<u>189,510</u>	(19.3)%
Total operating expenses	<u>8,172,334</u>	<u>7,944,838</u>	(2.8)%
Operating loss	(4,456)	(75,625)	1,597.1 %
Non-Operating Revenues	<u>4,800</u>	<u>93,790</u>	1,854.0 %
Change in Net Position	<u>\$ 344</u>	<u>\$ 18,165</u>	

\*\* Refer to the Statement of Revenues and Expenses - Budgetary Basis (Unaudited) 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 \$18,165. Operating revenues increased by \$297,539 or 3.9% from the prior year and were lower than budgeted by \$298,665 or 3.66%. Operating expenses increased by \$328,437 or 4.3% from prior year and were higher than budgeted by \$227,496 or 2.9%.

During the year ended December 31, 2022, VLCT had an overall deficit of \$31,140. Operating revenues increased by \$824,184 or 12.2% from the prior year and were higher than budgeted by \$156,479 or 2.1%. Operating expenses increased by \$970,898 or 14.6% from prior year and were higher than budgeted by \$87,930 or 1.2%.

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### **Results and Analysis (Continued)**

In 2023, total revenue increased due to the administrative agreement with the insurance trusts, grant revenue and interest income. Trust revenue increased 5.2% in 2023 due to salary and benefit increases for staff that support the trust operations. Grant revenue increased due to the first full year of the FFA grant from the Vermont ACCD in addition to subgrant revenue from the Ottauquechee Two-Rivers Regional Commission for municipal technical assistance work. Interest income benefited from higher rates on cash held in certificates of deposit and money market funds.

2023 expenses were up 4.4% from 2022 primarily due to salary increases that were partially offset by staff turnover as well as an increase in benefits that resulted from the VMERS GASB 68 pension expense adjustment. The GASB 68 pension expense adjustment was not budgeted and was \$104,784 higher than 2022.

In 2022, the increase in total revenue was primarily due to an increase in the trust contracts for administrative services. The trust contracts also included a one-time assessment for diversity, equity, and inclusion work of \$150,000 and \$100,000 for technology to implement an association management system (AMS). Additionally, there was an increase in professional services revenue and a new grant for FFA.

Salary expense rose in 2022 primarily because of additional staff to provide professional services and to support the new grant. Benefits expense increased as well because of the new staff, but also due to the GASB 68 pension expense adjustment that was unbudgeted and \$138,865 higher than 2021.

Other notable variances of 2023 revenues and expenses from budget or changes from the prior year include:

- Travel/Training was under budget by \$33,708 or 37.3% as staff travel expenses for training were less than planned for in the budget.
- Contracted services were under budget by 50,036 or 27% mainly due to lower consulting spend than anticipated for DEI work.
- Board expenses were under budget by 45% due to fewer committee meetings and fewer in-person attendees at board meetings than anticipated.
- Salaries expense was below budget by 4.7% due mostly to turnover in the Advocacy and MAC teams as several positions remained vacant for a significant portion of the year.
- Services were higher than budgeted by 40.6% as venue expenses drove up the costs of Town Fair and in-person workshops.

# Vermont League of Cities and Towns

## Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

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

VLCT continued to provide its members with valued services in 2023, and is on strong financial and organizational footings to continue doing so for the foreseeable future. VLCT retained 100 percent membership in 2023, reflecting the value our members place on the organization. The organization played a critical role in the response to the July 2023 flooding, providing hundreds of hours of technical assistance to flood stricken municipalities, working hand in glove with Vermont Emergency Management, and advocating for climate resilience and recovery investments in the state house.

VLCT continues to make investments in people, new technology, and new services to help the organization adapt to the needs of 21<sup>st</sup> century municipalities. The VLCT five-year strategic plan ("VLCT's Plan to Support Vibrant Local Government") lays out four key goals:

- To grow a sustainable and relevant member-focused organization
- To strengthen the capacity of local government
- To develop and attract outstanding talent to local government
- To champion inclusive and resilient communities

The organization has adopted annual workplans to operationalize these goals along with a three-year justice, diversity, equity, inclusion and belonging plan that overlays the entire organization. These plans will help VLCT maintain its relevance and expand offerings to municipal officials. In addition to our traditional services, VLCT also made several direct investments in Vermont in 2023 through our risk pools and through VLCT's finances. In 2024 our risk pools partnered with the Vermont Bond Bank to subsidize the cost of borrowing to near zero percent for those communities that suffered extensive flood damage. And in 2024 we began a community reinvestment pilot program that invests a portion of our net position directly in our communities in partnership with the Vermont Community Loan Fund, the first known local investment initiative taken on by a municipal association or municipal risk pool in the country.

Embedded in nearly every goal, objective and tactic undertaken by VLCT is an underlying commitment to increase efficiencies, increase services, and diversify revenues. VLCT's new association management system has enabled the organization to have a better picture of member interactions and a central record for every member contact. VLCT's Business Alliance Program has enabled the organization to engage with the private sector throughout the year and increase non-dues revenues. Our staff have secured an organizational-record \$2 million in state and federal grants in the past three years, using the funds to expand programming at little to no cost to the membership. This grant work will be a continued focus of the organization for at least the next three years, and we intend to continue partnering with the State and Federal governments to identify shared objectives that can be funded with non-dues revenue. Each new initiative has demonstrated to the membership that the organization is responsive to their needs and willing to invest time, energy and money to serve them.

## Vermont League of Cities and Towns

### Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2023 and 2022 (restated)

#### ***Outlook and Economic Factors (Continued)***

VLCT remains a cohesive organization, governed by its members through an active board and affiliated boards of our risk pools. The staff, all 54 individuals, remain the most valuable assets of the organization. As such, VLCT invests in the workforce by providing competitive benefits, dedicated resources for professional development, and a flexible workplace. Despite the workforce issues in and around Vermont, VLCT has retained a super majority of its team, and when openings have occurred, there have not been significant issues filling vacancies. One of the largest threats to our ability to attract and retain great people is the escalating cost of health insurance. It is the second largest expense at VLCT, second only to payroll, and increases have significantly outpaced inflation in recent years. VLCT is unable to pass these increases on to our members through dues increases, resulting in increases being absorbed in the rates our trusts charge the membership and through new non-dues revenues such as commissions, and services. In the coming 24 months, VLCT will also be designing its future workspace, as our nearly two-decades long relationship with our landlord in City Center will come to an end in the winter of 2026/2027. We will be evaluating whether owning office space instead of leasing could be a better option for our long-term operational and financial needs. VLCT's net position has been and will continue to be a frequent topic of discussion for our leadership. Despite having significant cash on hand, the VMERS pension liability has had, and will continue to have, a significant negative impact on our net position. In an effort to reduce VLCT's exposure, we have amended our agreements with our affiliated risk pools to formalize an agreement that should the pension liability ever be recognized, the risk pools will cover their proportionate share of the liability.

By balancing the immediate needs of VLCT members with a strategic vision for the future of municipal government and the organization itself, VLCT is well positioned to be financially and organizationally healthy.

#### ***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, 2023 and 2022 (restated)

	2023	2022 (restated)
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 2,675,388	\$ 2,279,866
Accounts receivable	189,027	171,552
Amounts due from trusts	169,857	2,862
Prepaid expenses	8,551	21,483
Total current assets	3,042,823	2,475,763
Non-Current Assets		
Capital assets (net of accumulated depreciation)	179,707	298,837
ROU assets - leases (net of accumulated amortization)	687,870	917,160
ROU assets - subscriptions (net of accumulated amortization)	459,407	481,902
Total non-current assets	1,326,984	1,697,899
Total Assets	4,369,807	4,173,662
<b>Deferred Outflows of Resources</b>		
Deferred pension amounts	694,301	904,328
Total Deferred Outflows of Resources	694,301	904,328
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	98,507	97,745
Amounts due to trusts	136,295	13,267
Accrued payroll	113,660	101,141
Accrued compensated absences	277,718	261,432
Deferred revenue	665,447	649,561
Deferred revenue - trusts	30,378	57,308
Lease liability	322,023	308,475
Subscription liability	254,494	265,527
Total current liabilities	1,898,522	1,754,456
Non-Current Liabilities		
Deferred revenue - trusts	116,780	62,519
Net pension liability	2,853,293	2,705,624
Lease liability	773,585	1,095,609
Subscription liability	204,913	216,375
Total non-current liabilities	3,948,571	4,080,127
Total Liabilities	5,847,093	5,834,583
<b>Deferred Inflow of Resources</b>		
Deferred pension expenses	92,498	137,055
Total Deferred Inflow of Resources	92,498	137,055
<b>Net Position</b>		
Net investment in capital assets	(375,189)	(307,914)
Unrestricted	(500,294)	(585,734)
Total Net Position	\$ (875,483)	\$ (893,648)

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, 2023 and 2022 (restated)

	2023	2022 (restated)
<b>Operating Revenues</b>		
Dues - regular	\$ 1,091,578	\$ 1,055,969
Dues - associate	146,389	134,728
Commission income	119,810	125,600
Sponsorships	154,719	166,902
Town fair	32,878	22,360
Publications	4,339	2,443
Workshops	23,800	39,197
Professional services	57,233	174,642
Administrative services	(1,500)	1,319
Newsletter advertising	3,830	7,230
Trust contracts	5,729,663	5,472,860
PACIF loss prevention contract	100,000	55,000
Equipment revenue from trusts	43,035	56,010
Grants	327,313	250,000
Other revenues	36,126	7,414
Total operating revenues	7,869,213	7,571,674
<b>Operating Expenses</b>		
Salaries	4,504,045	4,360,004
Employee benefits	1,819,186	1,624,518
Office space - other	181,722	174,697
Office space - interest	61,656	76,428
Amortization - office space	229,290	229,290
Subscriptions - interest	9,596	19,282
Amortization - subscriptions	260,735	252,201
Office equipment	124,439	92,277
Depreciation - other	189,510	150,165
Communications	110,993	102,462
Printing and supplies	6,426	3,855
Travel and training	56,707	53,439
Officers' costs	30,850	26,863
Contracted services	133,349	221,408
Dues and subscriptions	76,579	137,771
Town fair	135,110	71,807
Workshops	2,962	203
Administrative services	9,041	11,433
Other expenses	2,642	8,298
Total operating expenses	7,944,838	7,616,401
Operating loss	(75,625)	(44,727)
<b>Non-Operating Revenues</b>		
Investment income	93,790	13,587
Change in Net Position	18,165	(31,140)
Net Position, Beginning of Year	(893,648)	(862,508)
Net Position, End of Year	\$ (875,483)	\$ (893,648)

*See accompanying notes to the financial statements.*

Vermont League of Cities and Towns

Statements of Cash Flows

Years ended December 31, 2023 and 2022 (restated)

	<u>2023</u>	<u>2022</u> (restated)
<b>Cash Flows from Operating Activities</b>		
Receipts from membership dues	\$ 1,253,853	\$ 1,187,515
Receipts from commissions	119,810	125,600
Receipts from sponsorships	154,719	166,902
Receipts from trusts	5,856,062	5,543,000
Receipts from grants	325,813	251,319
Other receipts	140,731	194,574
Payments for salaries and benefits	(5,981,287)	(5,720,230)
Payments to vendors	<u>(928,378)</u>	<u>(952,283)</u>
Net cash flows from operating activities	941,323	796,397
<b>Cash Flows from Financing Activities</b>		
Disposal of capital assets	22,000	-
Purchase of capital assets	(75,498)	-
Lease payments	(308,476)	(282,924)
Subscription asset payments	<u>(277,617)</u>	<u>(265,301)</u>
Net cash flows from financing activities	(639,591)	(548,225)
<b>Cash Flows from Investing Activities</b>		
Net receipts for interest	<u>93,790</u>	<u>13,587</u>
Net Change in Cash and Cash Equivalents	395,522	261,759
Cash and Cash Equivalents, Beginning of Year	<u>2,279,866</u>	<u>2,018,107</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,675,388</u>	<u>\$ 2,279,866</u>

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows (Continued)

Years ended December 31, 2023 and 2022 (restated)

	<u>2023</u>	<u>2022</u> (restated)
<b>Reconciliation of Operating Loss to Net Cash flows from Operating Activities</b>		
Operating loss	\$ (75,625)	\$ (44,727)
Add (deduct) items not affecting cash:		
Depreciation expense - other	189,510	150,165
Amortization expense - office space	229,290	229,290
Amortization expense - subscription	260,735	265,301
Changes in statement of net position accounts:		
Accounts receivable	(17,475)	(59,671)
Amounts due from trusts	(166,995)	1,873
Prepaid expenses	12,932	8,504
Deferred pension amounts	210,027	(320,941)
Accounts payable	762	27,295
Amounts due to trusts	123,028	13,267
Accrued payroll	12,519	7,179
Accrued compensated absences	16,286	48,758
Deferred revenue	15,886	(3,182)
Deferred revenue - trusts	27,331	(56,010)
Net pension liability	147,669	1,295,677
Deferred pension expenses	<u>(44,557)</u>	<u>(766,381)</u>
Net cash provided by operating activities	<u>\$ 941,323</u>	<u>\$ 796,397</u>

See accompanying notes to the financial statements.

# Vermont League of Cities and Towns

## Notes to the Financial Statements

Years ended December 31, 2023 and 2022 (restated)

### **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 (the members) 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), and organizations for which VLCT is financially accountable. It also includes 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 (the Board) is elected by the members and consists of thirteen municipal officials from the municipalities that are VLCT's 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 of America (GAAP) as applied to governmental entities. VLCT 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 is accounted for as a proprietary enterprise fund.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

##### *Adoption of Accounting Standard*

VLCT adopted GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (GASB 96) during 2023. GASB 96, requires entities entering into subscription based information technology arrangements (SBITAs) to recognize the following: 1) a subscription liability, which is the entities obligation to make future payments arising from the SBITA, measured on a discounted basis; and 2) a subscription asset, which is an intangible asset representing the entities right to use (ROU) the system over the term of the SBITA. Subscription assets under SBITA contracts also include prepayments of subscription fees and capitalized initial implementation costs that meet the requirements of GASB 96. GASB 96 is required to be applied retroactively by restating financial statements of prior periods, if practical. Upon adoption of GASB 96 on January 1, 2022, VLCT recognized a subscription asset and subscription liability of \$727,922. See Note I for further details regarding the impact of adoption of GASB 96.

##### *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. Actual results could differ from those estimates. As of December 31, 2023 and 2022, significant estimates included in these financial statements primarily relate to the net pension liability (including the discount rate used and other assumptions) and the related deferred inflows and outflows of resources, as more fully described in Note H.

##### *Subsequent Events*

VLCT has evaluated the financial statements for subsequent events through November 15, 2024, the date that the financial statements were available to be issued.

##### *Reclassifications*

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation. These changes had no effect on net position as of December 31, 2022 or change in net position for the year then ended.

##### *Membership Dues*

Membership dues are recognized on a straight-line basis over the membership year to which they relate, with any unearned amounts recorded as deferred revenue as more fully described in Note F.

##### *Trust Contract Revenue*

VLCT provides administrative services, office space, and equipment usage to VLCT Employment Resource and Benefits Trust, Inc. (VERB) and VLCT Property and Casualty Intermunicipal Fund, Inc. (PACIF), collectively, the Trusts. Revenues are deferred for services or events to take place in subsequent years as more fully described in Notes E and F.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

##### *Commission Income*

VLCT receives commission income for facilitating the placement of health coverage, dental coverage, vision coverage, group and voluntary life and disability insurance.

##### *Grants*

VLCT was awarded a grant from the State of Vermont's Agency of Commerce and Community Development, Department of Housing and Community Development for \$650,000 with an award start date of May 1, 2021 and end date of April 30, 2024. This grant is to support municipal and regional planning and related activities (ARPA Municipal Coordination and assistance program). VLCT received \$200,000 during 2023 and 2022, respectively, which was recognized in income. VLCT was also awarded a grant from the State of Vermont's Agency of Commerce and Community Development, Department of Housing and Community Development for \$250,000 with an award start date of July 1, 2022 and end date of July 1, 2024. This grant is to support municipal and regional planning and related activities through the Federal Funding Assistance Program (FFA). VLCT received \$100,000 and \$50,000 during 2023 and 2022, respectively, which was recognized in income. In 2023, the Municipal Technical Assistance Program (MTAP) grant was awarded to the State of Vermont to the Two Rivers Ottoquechee Regional Commission (TRORC) in May 2023. In July 2023, VLCT became a subrecipient of the grant and received \$24,313 in revenue, recognizing all MTAP funds in 2023.

##### *Sponsorship Revenues*

Sponsorship revenues are recognized on a straight line basis or at a point in time based on the sponsorship agreement terms and when the performance obligations are fulfilled.

##### *Other Revenues*

Other revenues are recognized when the service is provided.

##### *Subscription Based Information Technology Arrangements (SBITA)*

VLCT has entered into a contract that conveys control of the right to use information technology software. VLCT has recognized a subscription liability and a subscription asset in the financial statements.

At the commencement of the subscription term, VLCT initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the sum of the initial subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The Trust uses the interest rate charged by VLCT's incremental borrowing rate as the discount rate.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

The subscription asset and subscription liability is \$459,407 and \$481,409 as of December 31, 2023 and 2022, respectively.

Amortization expense was \$260,735 and \$252,201 for 2023 and 2022, respectively.

#### *Cash and Cash Equivalents*

VLCT's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturity of 3 months or less. Cash and cash equivalents are held at M&T Bank. VLCT's investment in a certificate of deposit is held at TD Bank, N.A. with a maturity date of three months. 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. Effective in December 2022, these funds in excess of the FDIC insured amount were transferred to a money rate sweep account held at M&T Bank and are not collateralized. Prior to December 23, 2022, these funds were collateralized by U.S. government securities held by M&T Bank's trust department, with a security interest granted to VLCT. As of December 31, 2022, the certificate of deposit funds held in excess of the FDIC insured amount are collateralized by a letter of credit with the Federal Home Loan Bank of Pittsburgh for up to \$300,000 by TD Bank, N.A. for the benefit of 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:

	2023		2022	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Unsecured and collateralized	275,014	275,014	253,880	253,880
Unsecured and uncollateralized	<u>1,900,374</u>	<u>1,917,274</u>	<u>1,525,986</u>	<u>1,552,451</u>
Total	<u>\$ 2,675,388</u>	<u>\$ 2,692,288</u>	<u>\$ 2,279,866</u>	<u>\$ 2,306,331</u>

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.



# Vermont League of Cities and Towns

## Notes to the Financial Statements (Continued)

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

#### *Accounts Receivable*

Accounts receivable are stated at net realizable value. VLCT uses the allowance method to determine the uncollectible accounts receivable, which are based on management's judgment, experience and review of the current status of existing receivables. All receivables are deemed collectible by management at December 31, 2023 and 2022, and VLCT did not write off any amounts during 2023 and 2022.

#### *Leases*

VLCT determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as a financed purchase lease or other lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. VLCT office lease is considered "other lease". VLCT records a right of use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The lease term includes options to extend or to terminate the lease that VLCT is reasonably certain to exercise. ROU assets are subject to review for impairment.

#### *Capital Assets*

Capital asset acquisitions greater than \$5,000 are capitalized at cost. 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 years ended December 31, 2023 and 2022:

	Estimated Useful Life (Years)
Leasehold improvements	7
Computer equipment	5
Other equipment	5
Furniture	10
Vehicles	4

#### *Accrued compensated absences*

VLCT permits employees to accumulate earned but unused vacation time. The accrual is recorded in the financial statements as a liability based on current rates. No employee may carry vacation leave at the end of the calendar year in excess of the amount earned in that calendar year. Unused vacation time is paid to the employee upon termination of their employment. No liability is recorded for earned but unused sick time because it is not a vested benefit.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

##### *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.

##### *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 on net position as of December 31, 2023 and 2022.

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

VLCT reports itself as a business-type activity as defined in GASB Statement No. 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 and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of VLCT include member dues, and fees received for providing services and reimbursement from the trusts for administrative services provided. Operating expenses include salaries and benefits, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2023 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets at cost:				
Leasehold improvements	\$ 47,295	\$ -	\$ -	\$ 47,295
Computer equipment	1,650,662	-	-	1,650,662
Other equipment	190,874	-	-	190,874
Furniture & fixtures	348,000	-	-	348,000
Vehicles	151,723	70,380	(61,014)	161,089
Total capital assets at cost	2,388,554	70,380	(61,014)	2,397,920
Less: accumulated depreciation	(2,089,717)	-	61,014	(2,028,703)
Less: depreciation expense	-	-	-	(189,510)
Total net capital assets	<u>\$ 298,837</u>	<u>\$ 70,380</u>	<u>\$ -</u>	<u>\$ 179,707</u>

Capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets at cost:				
Leasehold improvements	\$ 47,295	\$ -	\$ -	\$ 47,295
Computer equipment	1,650,662	-	-	1,650,662
Other equipment	190,874	-	-	190,874
Furniture & fixtures	348,000	-	-	348,000
Vehicles	151,723	-	-	151,723
Total capital assets at cost	2,388,554	-	-	2,388,554
Less: accumulated depreciation	(1,939,552)	-	-	(1,939,552)
Less: depreciation expense	-	-	-	(150,165)
Total net capital assets	<u>\$ 449,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,837</u>

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note D - Leases**

##### *Leases*

VLCT entered into a lease with City Center Montpelier, LLC for office space in Montpelier, VT, which runs from January 2014 through December 2026. The lease also contains preset yearly rental increases. VLCT does not have any options to terminate the lease. At the end of the initial lease term, VLCT has the option to renew the lease for either one renewal term of two years, or up to three renewal terms of two years each. VLCT did not recognize any renewal options as it is not reasonably certain to exercise. VLCT used its estimated borrowing rate of 5% as the lease does not provide the implicit rate.

As of December 31, 2023, the right of use asset and lease liability balances were \$687,870 and \$1,095,608, respectively. As of December 31, 2022, the right of use asset and lease liability balances were \$917,160 and \$1,404,084, respectively.

The Company's gross asset balance, accumulated amortization and net asset balance at December 31, 2023 and 2022 for the office lease:

	<u>Net Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Gross Asset Balance</u>
December 31, 2023	\$ 687,870	\$ 2,292,900	\$ 2,980,770
December 31, 2022	\$ 917,160	\$ 2,063,610	\$ 2,980,770

Future minimum lease payments are as follows for the office lease:

	<u>Cash</u>	<u>Interest Expense</u>	<u>Liability Reduction</u>
2024	\$ 381,236	\$ 59,212	\$ 322,024
2025	\$ 392,673	\$ 17,813	\$ 374,860
2026	\$ 404,453	\$ 5,728	\$ 398,725

The VLCT does not have any lease commitments that have not yet commenced as of December 31, 2023.

#### **Note E - Affiliated Organizations and Related Party Transactions**

Per contractual agreements, VLCT provides administrative services, office space and equipment usage to VERB and PACIF.

Some members of VLCT are also members and insureds of PACIF and/or members of VERB.

Certain Board members and officers of VLCT are also Board members and officers of PACIF and/or VERB. Certain employees of VLCT are officers of VLCT, PACIF and/or VERB.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note E - Affiliated Organizations and Related Party Transactions (Continued)**

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 support 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 recorded on a quarterly basis and collected or billed at year end.

The final allocation to the trusts by expense category for the year ended December 31, 2023 is as follows:

	VERB	PACIF	Total
Salaries - allocated directly	\$ 92,398	\$ 2,071,497	\$ 2,163,895
Salaries - administration	29,220	1,081,756	1,110,976
Employee benefits - allocated directly	31,353	702,908	734,261
Employee benefits - administration	10,792	414,174	424,966
Office space	10,849	422,211	433,060
Office equipment	5,801	292,850	298,651
Communications	1,813	93,337	95,150
Printing and supplies	136	10,606	10,742
Travel and training	721	40,955	41,676
Officers' costs	760	42,931	43,691
Contracted services	3,186	81,300	84,486
Dues and subscriptions	1,115	53,748	54,863
Miscellaneous	2,413	55,426	57,839
Other	4,668	2,898	7,566
Depreciation	-	167,841	167,841
Total trust contracts revenue	<u>\$ 195,225</u>	<u>\$ 5,534,438</u>	<u>\$ 5,729,663</u>

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note E - Affiliated Organizations and Related Party Transactions (Continued)**

The final allocation to the trusts by expense category for the year ended December 31, 2022 is as follows:

	<u>VERB</u>	<u>PACIF</u>	<u>Total</u>
Salaries - allocated directly	\$ 92,157	\$ 1,914,266	\$ 2,006,423
Salaries - administration	35,821	1,020,653	1,056,474
Employee benefits - allocated directly	31,748	659,462	691,210
Employee benefits - administration	12,546	354,490	367,036
Office space	13,588	342,867	356,455
Office equipment	6,343	309,625	315,968
Communications	2,033	65,173	67,206
Printing and supplies	95	2,285	2,380
Travel and training	796	34,899	35,695
Officers' costs	748	23,043	23,791
Contracted services	668	126,884	127,552
Dues and subscriptions	2,340	107,413	109,753
Miscellaneous	1,571	34,115	35,686
Other	2,203	25,028	27,231
Trust assessments (separate charge)	-	250,000	250,000
Total trust contracts revenue	<u>\$ 202,657</u>	<u>\$ 5,270,203</u>	<u>\$ 5,472,860</u>

VLCT's net receivable from the trusts consists of the following as of December 31, 2023:

	<u>VERB</u>	<u>PACIF</u>	<u>Total</u>
Amounts due from trusts	\$ 5	\$ 169,852	\$ 169,857
Amounts due to trusts	<u>(10,855)</u>	<u>(125,440)</u>	<u>(136,295)</u>
Net amounts due (to) from trusts	<u>\$ (10,850)</u>	<u>\$ 44,412</u>	<u>\$ 33,562</u>

VLCT's net payable from the trusts consists of the following as of December 31, 2022:

	<u>VERB</u>	<u>PACIF</u>	<u>Total</u>
Amounts due from trusts	\$ 171	\$ 2,691	\$ 2,862
Amounts due to trusts	<u>-</u>	<u>(13,267)</u>	<u>(13,267)</u>
Net amounts due from (to) trusts	<u>\$ 171</u>	<u>\$ (10,576)</u>	<u>\$ (10,405)</u>

VLCT has a loss prevention contract with PACIF whereby PACIF subsidizes the cost of the workshops held by VLCT and pays for VLCT's staff to assist with special projects developed in conjunction with PACIF's claims staff. Revenue recognized from this agreement amounted to \$100,000 in 2023 and \$55,000 in 2022.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note E - Affiliated Organizations and Related Party Transactions (Continued)**

VLCT purchases unemployment insurance for its employees through VERB. Contributions paid by VLCT to VERB for unemployment insurance amounted to \$11,932 and \$11,432 for the years ended December 31, 2023 and 2022, respectively, and are included in employee benefits on the statements of revenues, expenses and changes in net position.

#### **Note F - Deferred Revenue**

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

	2023	2022
Deferred membership dues	\$ 634,944	\$ 603,956
Deferred revenue - trusts	147,158	119,827
Deferred sponsorship	29,679	45,605
Other deferred revenue	824	-
Total deferred revenue	\$ 812,605	\$ 769,388

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

Sponsorship revenues are recognized on a straight line basis or at a point in time based on the sponsorship agreement terms and when the performance obligations are fulfilled. Unearned amounts are recorded as deferred revenue.

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:

	2023	2022
Deferred revenue - trusts, beginning of year	\$ 119,827	\$ 175,837
Add: reimbursement for new assets	70,366	-
Less: current depreciation	(43,035)	(56,010)
Deferred revenue - trusts, end of year	\$ 147,158	\$ 119,827

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### **Note G - Net Position**

The net investment in capital assets is as follows as of December 31:

	2023	2022
Capital assets at cost	\$ 2,397,920	\$ 2,388,554
Less: accumulated depreciation	(2,218,213)	(2,089,717)
ROU asset - leases	687,870	917,160
Lease liability	(1,095,608)	(1,404,084)
ROU asset - subscriptions	459,407	481,902
Subscriptions liability	(459,407)	(481,902)
Deferred revenue - trusts	(147,158)	(119,827)
Net investment in capital assets	\$ (375,189)	\$ (307,914)

There are no restricted uses of net positions as of December 31, 2023 and 2022.

#### **Note H - Benefit Plans**

##### VMERS Defined Contribution Plan

VLCT participates in the VMERS defined contribution plan (Plan DC). Plan DC requires a 5% by the employee for plan years ending June 30, 2024 and 2023, and a 5.125% contribution by the employer for the plan years ending June 30, 2024 and 2023. Eligible employees have the option to elect Plan DC during their first sixty days of employment. 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. For the year ended December 31, 2023, covered payroll was \$494,399 and VLCT's contribution was \$27,440. For the year ended December 31, 2022, covered payroll was \$460,320 and VLCT's contribution was \$23,592. VERB and PACIF are responsible for any VMERS liabilities.

##### VMERS Defined Benefit Plan

###### *Plan Description*

VLCT also participates in the VMERS defined benefit plan (Plan DB). Plan DB requires a 6.125% and 5.875% contribution by the employee for plan years ending June 30, 2024 and 2023, respectively, and a 6.750% and 6.500% contribution by the employer for the plan years ending June 30, 2024 and 2023, respectively. Plan DB is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the Vermont State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees. An employee of any employer that becomes affiliated with the system is eligible to participate. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.



## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

Plan DB was established effective July 1, 1975 and is governed by Title 24, VSA Chapter 125 of the Vermont Statutes. During the plan years ended June 30, 2023 and 2022, the retirement system consisted of 357 and 359 participating employers, respectively.

The general administration and responsibility for the proper operation of the System is vested in the Board of Trustees, as outlined in 24 V.S.A. § 5062. Effective July 1, 2010, the Board consists of five members: the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives--one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association. The Chair is elected by the Board and acts as executive officer of the Board. A Board Member of VERB is on VMERS' Board of Trustees.

Plan DB is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

VLCT participates in Group B of Plan DB only.

#### *Summary of Significant Accounting Policies*

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense reported by Plan DB have been determined using the accrual basis of accounting in conformity with GAAP as applied to governmental entities. Invested assets are reported at fair value.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

*Summary of System Provisions and Benefits*

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation and years of creditable service and are summarized below:

<u>System Provisions and Benefits</u>	<u>Group B</u>
Membership	Full time employees of participating municipalities
Creditable service	Service as a member plus purchased service
Normal service retirement eligibility	Age 62 with 5 years of service, or age 55 with 30 years of service
Average Final Compensation (AFC)	Average annual compensation during highest 3 consecutive years
Benefit formula - normal service retirement	1.7% x creditable service x AFC + previous service: 1.4% x Group A service x AFC
Maximum Benefit Payable	60% of AFC
Vested	5 years of service
Early Retirement Eligibility	Age 55 with 5 years of service
Early Retirement Reduction	6% per year from age 62**
Disability Retirement Eligibility	5 years of service and disability as determined by Retirement Board
Disability Retirement Amount	Immediate allowance based on AFC and service to date of disability
Death Benefit Eligibility	Death after 5 years of service
Death Benefit Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death
Optional Benefit and Death after Retirement	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded
Post-Retirement Adjustments	Allowances in payment for at least one year increased on each January 1 by one-half of the percentage increase in the consumer price index but not more than 3%. If receiving an Early Retirement benefit, no increases until after reaching attaining Normal Retirement eligibility. If receiving a Disability Retirement benefit, no increases until after attaining age 62.

\*\* A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowances subject to meeting various eligibility requirements.

The State legislature has sole authority to amend plan benefit provisions. There were no changes to benefit terms that affected measurement of the total pension liability since the prior measurement date of June 30, 2022 and June 30, 2021.

#### *Contributions*

Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees.

For the plan year ended June 30, 2024, Plan DB requires a 6.125% contribution by the employee and a 6.750% contribution by the employer for Group B. For the plan year ended June 30, 2023, Plan DB requires a 5.875% contribution by the employee and a 6.500% contribution by the employer for Group B. Contribution rates are anticipated to increase 0.5% a year beginning June 30, 2025 through June 30, 2030, the contribution will be split evenly between the employers and employees.

GASB 68 requires participating employers in VMERS to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The employer allocation percentages are based on the ratio of each employer's contributions to VMERS to the total employer contributions during the measurement period. Contributions from employers are recognized when due, based on statutory requirements. Actuarially determined contributions are calculated as of the first day of each plan year (i.e., July 1).

The schedule of VLCT's contributions to the plan is as follows as of and for the years ended December 31:

	2023	2022
Contractually required contributions	\$ 253,920	\$ 223,139
Contributions in relation to the contractually required contributions	255,854	237,538
Contribution deficiency (excess)	\$ (1,934)	\$ (14,399)
VLCT's covered payroll	\$ 3,864,717	\$ 3,724,416
Contributions as a percentage of covered payroll	6.62 %	6.38 %

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

##### *Net Pension Liability*

As of and for the year ended December 31, 2023, VLCT reported a liability of \$2,853,293 and a pension expense of \$568,994, which is included in employee benefits, for its proportionate share of the VMERS Plan DB net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The pension expense is included as a component of employee benefits on the statement of revenues, expenses and changes in net position.

As of and for the year ended December 31, 2022, VLCT reported a liability of \$2,705,624 and a pension expense of \$445,885 which is included in employee benefits, for its proportionate share of the VMERS Plan DB net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The pension expense is included as a component of employee benefits on the statement of revenues, expenses and changes in net position.

VLCT's proportion of the net pension liability is based on a projection of VLCT's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2023, VLCT's proportion was 0.89084%, which was a decrease of 0.00101 percentage points from its proportion measured as of June 30, 2022. At June 30, 2022, VLCT's proportion was 0.89185%, which was a decrease of 0.06610 percentage points from its proportion measured as of June 30, 2021.

##### *Deferred Outflows and Inflows of Resources*

As of and for the years ended December 31, 2023 and 2022, VLCT reported its proportionate share of Plan DB's deferred outflows of resources related to pensions from the following sources:

<u>Sources of Deferred Outflows of Resources</u>	<u>2023</u>	<u>2022</u>
Difference between expected and actual economic experience	\$ 178,944	\$ 203,194
Changes in assumptions and other inputs	93,002	138,324
Net difference between projected and actual earnings on plan investments	<u>324,620</u>	<u>439,259</u>
Total allocated deferred pension amounts	596,566	780,777
Contributions paid to Plan DB subsequent to the measurement date	<u>97,735</u>	<u>123,551</u>
Total deferred pension amounts	<u>\$ 694,301</u>	<u>\$ 904,328</u>

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

#### Note H - Benefit Plans (Continued)

There were deferred outflows of resources related to differences between expected and actual experience of \$178,944, a change in assumptions of \$93,002 and a difference between projected and actual earnings of \$324,620 as of December 31, 2023. There were deferred inflows of resources related to the changes in proportion and differences between employer contributions and proportionate share of contributions of \$92,498.

The net amounts of VLCT's balances of net deferred outflows of resources as of December 31, 2023 related to pensions will be recognized as pension expense as follows during the years ended December 31:

	Pension Expense Amount
2024	\$ 175,011
2025	62,528
2026	273,247
2027	<u>(6,717)</u>
Total	<u>\$ 504,069</u>

#### *Actuarial Methods and Assumptions*

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022 with update procedures used to roll forward the total pension liability to June 30, 2023.

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021 with update procedures used to roll forward the total pension liability to June 30, 2022.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note H - Benefit Plans (Continued)**

The significant assumptions and methods used in the actuarial valuation for the June 30, 2023 measurement period are as follows:

Investment rate of return:	7.00%
Salary increases:	Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years,
Deaths:	104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.
Actuarial cost method:	Entry age actuarial cost method
Cost-of-living adjustments to benefits of terminated vested and retired participants:	Assumed to occur at the rate of 1.20% per annum.
Inflation:	2.30%

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note H - Benefit Plans (Continued)**

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Passive Global Equities	44.00 %	5.35 %
Private Equity	10.00 %	7.50 %
Emerging Market Debt	2.00 %	5.00 %
Private and Alternate Credit	10.00 %	5.50 %
Non-Core Real Estate	4.00 %	5.50 %
Core Fixed Income	19.00 %	1.50 %
Core Real Estate	4.00 %	3.25 %
US TIPS	2.00 %	1.50 %
Infrastructure Farmland	5.00 %	4.25 %
Total	100.00 %	

The expected long-term real rates of return for these asset classes are calculated as the long-term nominal rates of return minus the expected long-term inflation rate of 2.3%.

## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

##### *Discount Rate*

The discount rate used to measure the total pension liability as of June 30, 2023 and 2022 was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2024. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with paragraph 29 of GASB 68, professional judgment was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The actuarially determined contribution rate is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

##### *Discount Rate Sensitivity Analysis*

The following presents VLCT's proportionate share of the net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate at June 30, 2023:

	1% Rate Decrease (6.0%)	Current Discount Rate (7.0%)	1% Rate Increase (8.0%)
VLCT's Proportionate Share of the Net Pension Liability:	<u>\$ 4,294,647</u>	<u>\$ 2,853,293</u>	<u>\$ 1,668,558</u>

##### *Additional Information*

Additional information regarding VMERS is available upon request from the State of Vermont Office of the State Treasurer or on VMERS' website at:

<http://www.vermonttreasurer.gov/vmers>



## Vermont League of Cities and Towns

### Notes to the Financial Statements (Continued)

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

VMERS does not issue stand-alone financial reports, and Plan DB is instead included as a fiduciary fund in the State of Vermont's Annual Comprehensive Financial Report (ACFR). Plan DB's fiduciary net position has been determined on the same basis of accounting as it is reported by Plan DB. Detailed information about Plan DB's fiduciary net position is available in the ACFR, which can be viewed on the State's Department of Finance & Management website at:

<https://auditor.vermont.gov/reports/audit/financial>

#### ICMA Plans:

VLCT does not participate in the social security program, instead offering employees a defined contribution plan through the ICMA Retirement Corporation in accordance with IRS Revenue Code Section 401(a). The ICMA plan requires a 4.5% contribution by the employee and a 7.1% contribution by VLCT. For the year ended 2023, covered payroll under this plan was \$4,310,551 and VLCT's contribution was \$306,050. For the year ended December 31, 2022, covered payroll under this plan was \$4,142,259 and VLCT's contribution was \$294,101.

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 I - Subscription Assets**

As of October 1, 2020, VLCT entered into a subscription based information technology arrangement (SBITA) with a vendor for its cloud based software for managed IT. The liability is discounted at 3%. In 2022, the contract was renegotiated and set to expire on September 30, 2025 including the option to renew for one year. The liability is discounted at 4.5%. The liability also includes another small cloud base software. VLCT adopted GASB 96 beginning January 1, 2022. For the years ended December 31, 2023 and December 31, 2022, VLCT reported a SBITA right-to-use intangible asset and a SBITA liability in the amount of \$459,407 and \$481,902, respectively.

VLCT's future minimum subscription payments, principal, and interest as of December 31, 2023 are as follows:

	Minimum Subscription Payments	Principal	Interest
Years ending December 31:			
2024	\$ 269,656	\$ 254,494	\$ 15,162
2025	206,815	204,913	1,902
	\$ 476,471	\$ 459,407	\$ 17,064

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

**Note I - Subscription Assets (Continued)**

VLCT's subscription asset and related accumulated amortization as of December 31, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
Subscription asset	\$ 1,247,043	\$ 1,008,803
Accumulated amortization	<u>(787,636)</u>	<u>(526,901)</u>
Net subscription asset	<u>\$ 459,407</u>	<u>\$ 481,902</u>

Required Supplementary Information

## Vermont League of Cities and Towns

### Schedule of Employer Pension Information (Unaudited)

The following unaudited schedule presents VLCT's proportionate share of the Plan's net pension liability and related ratios for multiple years.

Plan years ended June 30,	% Proportionate share of the collective net pension liability	Proportionate share of the collective net pension liability	Covered payroll	Proportionate share of the collective net pension liability as a % of covered payroll	Plan's fiduciary net position as a % of total pension liability
2017	1.1104%	\$ 1,345,333	\$ 3,222,390	41.75%	83.64%
2018	1.0453%	\$ 1,470,811	\$ 3,484,249	42.21%	82.60%
2019	1.0117%	\$ 1,764,044	\$ 3,436,492	51.33%	80.35%
2020	0.9634%	\$ 2,437,159	\$ 3,472,503	70.18%	74.52%
2021	0.9580%	\$ 1,409,947	\$ 3,524,558	40.00%	86.29%
2022	0.8919%	\$ 2,705,624	\$ 3,634,185	74.45%	73.60%
2023	0.8908%	\$ 2,853,293	\$ 3,794,566	74.45%	74.01%

The following unaudited schedule presents VLCT's employer contributions to the Plan and related ratios for multiple years.

Fiscal years ended December 31,	Actuarially determined contribution	Actual contribution	Contribution deficiency (excess)	Covered payroll	Actual contribution as a % of covered payroll
2017	\$ 181,342	\$ 177,231	\$ 4,111	\$ 3,222,390	5.50%
2018	\$ 181,132	\$ 193,863	\$ (12,731)	\$ 3,484,249	5.56%
2019	\$ 195,360	\$ 192,741	\$ 2,619	\$ 3,388,735	5.69%
2020	\$ 199,669	\$ 207,078	\$ (7,409)	\$ 3,525,162	5.87%
2021	\$ 212,984	\$ 217,002	\$ (4,018)	\$ 3,543,954	4.77%
2022	\$ 223,139	\$ 237,538	\$ (14,399)	\$ 3,724,416	5.59%
2023	\$ 253,920	\$ 255,854	\$ (1,934)	\$ 3,864,717	5.59%

Other Information

## Vermont League of Cities and Towns

### Statement of Revenues and Expenses - Budgetary Basis (Unaudited)

Year ended December 31, 2023

	Budget	Actual	Over/(Under) Budget
<b>Revenues</b>			
Dues			
Regular members	\$ 1,090,294	\$ 1,091,578	\$ 1,284
Associate members	141,936	146,389	4,453
Total dues	1,232,230	1,237,967	5,737
Services			
Town fair	144,570	32,878	(111,692)
Publications	4,000	4,339	339
Workshops	13,000	23,800	10,800
Professional services	265,800	57,233	(208,567)
Newsletter advertising	8,000	3,830	(4,170)
Sponsorships	-	154,719	154,719
Total services	435,370	276,799	(158,571)
Administrative services			
Commission income	98,800	119,810	21,010
Administrative contracts	-	1,500	1,500
Grant	300,000	324,313	24,313
Total administrative services	398,800	445,623	46,823
Trust reimbursements			
Trust contracts	5,786,958	5,729,663	(57,295)
PACIF loss prevention contract	100,000	100,000	-
Equipment revenue from trusts	94,520	43,035	(51,485)
Total trust reimbursements	5,981,478	5,872,698	(108,780)
Other revenues	120,000	36,126	(83,874)
Investment income	4,800	93,790	88,990
Total Revenues	\$ 8,172,678	\$ 7,963,003	\$ (209,675)

\*\* 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 (Unaudited) (Continued)

Year ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
<b>Expenses</b>			
Salaries			
Salaries	\$ 4,655,220	\$ 4,438,113	\$ (217,107)
Temp services	1,000	-	(1,000)
Payroll taxes	<u>67,501</u>	<u>65,932</u>	<u>(1,569)</u>
Total salaries	4,723,721	4,504,045	(219,676)
Employee benefits			
VMERS Plan DB	267,129	568,994	301,865
VMERS Plan DC	27,258	27,440	182
401(a) employer contributions	324,044	306,050	(17,994)
Health insurance	919,417	840,083	(79,334)
Long-term care insurance	8,857	7,423	(1,434)
Dental insurance	22,724	21,159	(1,565)
Life and disability insurance	36,974	36,617	(357)
Unemployment insurance	12,000	11,932	(68)
Employee assistance	1,100	1,080	(20)
Benefit plan administration	<u>1,275</u>	<u>(1,592)</u>	<u>(2,867)</u>
Total employee benefits	1,620,778	1,819,186	198,408
Office expenses			
Office space - other	555,561	181,722	(373,839)
Office space - interest	-	61,656	61,656
Amortization expense - office	<u>-</u>	<u>229,290</u>	<u>229,290</u>
Total office expenses	555,561	472,668	(82,893)
Equipment expenses			
Equipment maintenance/lease	3,490	835	(2,655)
Non-capital equipment purchases	31,400	18,815	(12,585)
Copier contracts	2,640	4,945	2,305
Software purchases	5,626	13,652	8,026
Software maintenance	339,976	86,192	(253,784)
Amortization expense - subscription	-	260,735	260,735
Subscription - interest	<u>-</u>	<u>9,596</u>	<u>9,596</u>
Total equipment expenses	383,132	394,770	11,638

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis (Unaudited) (Continued)

Year ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
<b>Expenses</b>			
Communications			
Postage	30,000	27,934	(2,066)
Postage meter rental	1,000	863	(137)
Job printing	48,825	40,647	(8,178)
Telecommunications	<u>42,240</u>	<u>41,549</u>	<u>(691)</u>
Total communications	122,065	110,993	(11,072)
Printing and supplies			
Paper purchases	3,000	553	(2,447)
Supplies	5,000	2,243	(2,757)
Program supplies	3,500	203	(3,297)
Building supplies	2,000	1,849	(151)
Coffee/water supplies	<u>780</u>	<u>1,578</u>	<u>798</u>
Total printing and supplies	14,280	6,426	(7,854)
Travel and training			
Vehicle expense	21,350	17,825	(3,525)
Staff travel/training	62,515	31,510	(31,005)
Member outreach	<u>6,550</u>	<u>7,372</u>	<u>822</u>
Total travel and training	90,415	56,707	(33,708)
Officers' expenses			
Board costs	54,250	30,850	(23,400)
President's stipend	<u>1,800</u>	<u>-</u>	<u>(1,800)</u>
Total officers' expenses	56,050	30,850	(25,200)
Contracted services			
Auditing and accounting	26,000	35,261	9,261
Bank services	21,885	20,671	(1,214)
Legal services	2,500	1,364	(1,136)
Consultants	120,000	59,800	(60,200)
Recruiting	<u>13,000</u>	<u>16,253</u>	<u>3,253</u>
Total contracted services	183,385	133,349	(50,036)
Dues and subscriptions			
National League of Cities	18,261	-	(18,261)
Professional associations	<u>62,715</u>	<u>76,579</u>	<u>13,864</u>
Total dues and subscriptions	80,976	76,579	(4,397)



Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis (Unaudited) (Continued)

Year ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
<b>Expenses</b>			
Services			
Town fair	74,200	135,110	60,910
Workshops	10,400	2,962	(7,438)
Administrative	<u>20,000</u>	<u>9,041</u>	<u>(10,959)</u>
Total services	104,600	147,113	42,513
Miscellaneous			
Miscellaneous	2,600	2,642	42
Depreciation expense - other	<u>234,771</u>	<u>189,510</u>	<u>(45,261)</u>
Total miscellaneous	<u>237,371</u>	<u>192,152</u>	<u>(45,219)</u>
Total Expenses	<u>8,172,334</u>	<u>7,944,838</u>	<u>(227,496)</u>
Change in Net Position	<u>\$ 344</u>	<u>\$ 18,165</u>	<u>\$ 17,821</u>

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