

Vermont League of Cities and Towns

Audited Financial Statements

with Required Supplementary Information

and Other Information

Years ended December 31, 2024 and 2023 (restated)
with Report of Independent Auditors

Vermont League of Cities and Towns
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Other Information

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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, 2024 and 2023 (restated), and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended (restated in 2023), 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, 2024 and 2023 (restated), and the results of its operations and its cash flows for the years then ended (restated in 2023) 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 B to the financial statements, effective January 1, 2024, VLCT adopted Governmental Accounting Standards Board (GASB) Accounting Standards Update No. 101, *Compensated Absences* (GASB 101). VLCT has restated its 2023 financial statements during the current year in relation to the adoption of GASB 101. 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 - 15 and the Schedule of Employer Pension Information on page 45 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 47 - 50 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
September 19, 2025
Vermont firm registration: 092-0000267

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (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, 2024, 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 2023 financials were restated due to the required adoption of GASB statement number 101 *Compensated Absences* (GASB 101), which was applied retroactively to 2023. VLCT has leave policies that provide staff with paid vacation, holiday and sick leave. Prior to adoption of GASB 101, VLCT recorded the liability for earned vacation and holiday leave balances, but with the adoption of GASB 101 VLCT also included a portion of sick leave balances. The adoption of GASB 101 resulted in a recording of an additional compensated absences liability as of January 1, 2023 of \$108,464.
- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the end of 2024 by \$643,597, of which \$336,637 was invested in capital assets, leaving an accumulated deficit of \$306,957. This compares with a net position deficit of \$983,947 at December 31, 2023, of which \$375,189 was invested in capital assets, net of related debt, leaving an accumulated deficit of \$608,758 as unrestricted net position. The decrease in the unrestricted net position deficit at the end of 2024 amounted to \$301,801, the majority of which was from savings in software maintenance, travel and consulting expenses.
- 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, totaled \$120,132 as of December 31, 2024, compared to \$147,158 at December 31, 2023. 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 \$340,353 from a surplus realized during the year ended December 31, 2024. This was due to savings in software maintenance, travel and consulting expenses, combined with higher commissions and investment income than expected.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (restated)

Highlights (Continued)

- Total revenue in 2024 was \$553,006 higher than in 2023 primarily due to an increase in revenue from the trusts, as well as revenue from a new sublease and new grants. Trust revenue increased 6.4% in 2024 and was mainly attributable to salary and benefit increases for Risk Management Services staff and administrative support staff for the trusts. Sublease revenue increased as the United States Postal Service (USPS) began subleasing a portion of VLCT's office space in 2024. Grant income increased due to a new Municipal Technical Assistance grant from the Vermont Agency of Administration (AOA) and a Cooperative Agreement with the United States Department of Agriculture (USDA).
- As of December 31, 2024, total expenses were \$230,818 higher than 2023 primarily due to increases in salaries and health insurance benefits. Salaries increased 8.6% from 2023 due to inflationary wage growth combined with the addition of several positions, while health insurance increased 18.2% due to carrier increases in the small group health insurance premiums. The GASB 68 pension expense adjustment of \$111,156 was recorded to account for VLCT's share of the net pension liability, a decrease of \$201,983 from the 2023 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, 2024 and 2023 (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, 2024 and 2023 and financial developments during the years ended December 31, 2024 and 2023 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, 2024 and 2023 (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, 2024 and 2023 (restated)

Results and Analysis

The following table summarizes the Statements of Net Position:

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> (restated) | <u>Percentage Change</u> | <u>December 31, 2022</u> (restated) | <u>Percentage Change</u> |
|---------------------------------------|------------------------------|--|------------------------------|--|------------------------------|
| Assets | | | | | |
| Current assets | \$ 3,748,466 | \$ 3,042,823 | 23.2 % | \$ 2,475,763 | 22.9 % |
| ROU assets - leases (net) | 424,899 | 687,870 | (38.2)% | 917,160 | (20.0)% |
| ROU assets - SBITA (net) | 447,284 | 459,407 | (2.6)% | 481,902 | (4.7)% |
| Capital assets | <u>134,410</u> | <u>179,707</u> | (25.2)% | <u>298,837</u> | (39.9)% |
| Total Assets | 4,755,059 | 4,369,807 | 8.8 % | 4,173,662 | 4.7 % |
| Deferred Outflows of Resources | | | | | |
| Deferred pension amounts | 512,289 | 694,301 | (26.2)% | 904,328 | (23.2)% |
| Liabilities | | | | | |
| Current payables and accruals | 991,019 | 924,979 | 7.1 % | 786,155 | 17.7 % |
| Current deferred revenue | 723,766 | 695,825 | 4.0 % | 706,869 | (1.6)% |
| Accrued compensated absences | 441,804 | 386,182 | 14.4 % | 261,432 | 47.7 % |
| Non-current liabilities | <u>3,344,298</u> | <u>3,948,571</u> | (15.3)% | <u>4,080,127</u> | (3.2)% |
| Total Liabilities | <u>5,500,887</u> | <u>5,955,557</u> | (7.6)% | <u>5,834,583</u> | 2.1 % |
| Deferred Inflow of Resources | | | | | |
| Deferred pension expenses | 232,394 | 92,498 | 151.2 % | 137,055 | (32.5)% |
| Deferred sublease | <u>177,661</u> | <u>-</u> | DIV/0 % | <u>137,055</u> | (100.0)% |
| Total Deferred Inflow of Resources | <u>410,055</u> | <u>92,498</u> | 343.3 % | <u>274,110</u> | (66.3)% |
| Net Position, End of Year | <u>\$ (643,594)</u> | <u>\$ (983,947)</u> | 34.6 % | <u>\$ (893,648)</u> | (10.1)% |

Total assets as of December 31, 2024 were \$4,755,059, up from \$4,369,807 as of December 31, 2023. This increase of \$385,252 or 8.8% is due to an increase in cash from operations offset by a decrease in the Right-of-Use (ROU) lease and SBITA assets as well as a decrease in 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 \$182,012 or 26.2% due primarily to the difference between expected and actual experience combined with the difference between projected and actual investments earnings.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (restated)

Results and Analysis (Continued)

In 2023, total assets increased by \$196,145 or 4.7% 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 decreased by \$210,027, or 23.2% due to the difference between projected and actual investments earnings.

As of December 31, 2024, total liabilities decreased by \$454,670 or 7.6% due to the decrease in the net pension liability of \$210,752 and a decrease in the lease liability of \$322,024. VLCT's proportionate share of VMERS DB liability was \$2,642,541 with \$512,289 in deferred outflows of resources and \$232,394 in deferred inflows of resources. The VMERS DB total pension expense for 2024 of \$394,411 is the estimated expense inclusive of VLCT's share of the pension fund's unfunded liability. Deferred inflow of resources also includes the \$177,661 present value of the sublease revenue expected in future periods.

In 2023, total liabilities increased by \$120,974 or 2.1% due to the GASB 101 restatement that increased accrued compensated balances, an increase in the net pension liability of \$147,669 and an increase in current payables of 138,824 that were partially 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.

Net position increased by \$340,353 for the year ended December 31, 2024 as a result of a surplus from operations during the year. The operating gain was primarily from higher commissions, sponsorships and grant revenue than budgeted as well as savings relative to budget in software maintenance, travel and consulting expenses. Non-operating revenue from interest income was also higher than expected contributing to the increase in net position for the year. Net position decreased \$90,299 or 10.1% for the year ended December 31, 2023 as a result of the restatement from the adoption of GASB 101 that more than offset the surplus generated by operating and non-operating revenue.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (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, 2024 | December 31, 2023 (restated) | Percentage Change | December 31, 2022 | Percentage Change |
|---------------------------------|----------------------|------------------------------------|----------------------|----------------------|----------------------|
| Operating Revenues | | | | | |
| Member dues | \$ 1,290,020 | \$ 1,237,967 | 4.2 % | \$ 1,190,697 | 4.0 % |
| Services | 80,755 | 120,580 | (33.0)% | 247,191 | (51.2)% |
| Trusts | 6,250,538 | 5,872,698 | 6.4 % | 5,583,870 | 5.2 % |
| Commission income | 122,270 | 119,810 | 2.1 % | 125,600 | (4.6)% |
| Sponsorships | 130,306 | 154,719 | (15.8)% | 166,902 | (7.3)% |
| Other revenue | <u>524,934</u> | <u>363,439</u> | 44.4 % | <u>257,414</u> | 41.2 % |
| Total operating revenues | 8,398,823 | 7,869,213 | 6.7 % | 7,571,674 | 3.9 % |
| Operating Expenses | | | | | |
| Combined cost centers | 8,101,369 | 7,755,328 | 4.5 % | 7,466,236 | 3.9 % |
| Capital costs | <u>74,287</u> | <u>189,510</u> | (60.8)% | <u>150,165</u> | 26.2 % |
| Total operating expenses | 8,175,656 | 7,944,838 | 2.9 % | 7,616,401 | 4.3 % |
| Operating gain (loss) | 223,167 | (75,625) | (395.1)% | (44,727) | (69.1)% |
| Non-Operating Revenues | <u>117,186</u> | <u>93,790</u> | 24.9 % | <u>13,587</u> | 590.3 % |
| Change in Net Position | 340,353 | 18,165 | 1,773.7 % | (31,140) | (158.3)% |
| Net Position, Beginning of Year | (983,947) | (893,648) | (10.1)% | (862,508) | 3.6 % |
| GASB 101 adoption | <u>-</u> | <u>(108,464)</u> | | <u>-</u> | |
| Net Position, End of Year | <u>\$ (643,594)</u> | <u>\$ (983,947)</u> | 34.6 % | <u>\$ (893,648)</u> | (10.1)% |

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (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 47 - 50 for the year ended December 31, 2024:

| | Budget | Actual | Percentage Over (Under) Budget |
|---------------------------|------------------|-------------------|--------------------------------------|
| Operating Revenues | | | |
| Member dues | \$ 1,289,134 | \$ 1,290,020 | 0.1 % |
| Services | 273,440 | 80,755 | (70.5)% |
| Trusts | 6,323,198 | 6,250,538 | (1.1)% |
| Commissions | 98,800 | 122,270 | 23.8 % |
| Other revenue | <u>302,500</u> | <u>655,240</u> | 116.6 % |
| Total operating revenues | 8,287,072 | 8,398,823 | 1.35 % |
| Operating Expenses | | | |
| Combined cost centers ** | 8,231,902 | 8,101,369 | (1.6)% |
| Capital costs | <u>71,722</u> | <u>74,287</u> | 3.6 % |
| Total operating expenses | <u>8,303,624</u> | <u>8,175,656</u> | (1.5)% |
| Operating (loss) gain | (16,552) | 223,167 | (1,448.3)% |
| Non-Operating Revenues | <u>64,000</u> | <u>117,186</u> | 83.1 % |
| Change in Net Position | <u>\$ 47,448</u> | <u>\$ 340,353</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 \$340,353. Operating revenues increased by \$529,610 or 6.7% from the prior year and were higher than budgeted by \$111,751 or 1.35%. Operating expenses increased by \$230,818 or 2.9% from prior year and were lower than budgeted by \$127,968 or 1.5%.

During the year ended December 31, 2023, VLCT had an overall deficit of \$90,299. 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%.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (restated)

Results and Analysis (Continued)

In 2024, total revenue increased 6.9% due to the administrative agreement with the insurance trusts, sublease revenue, grant revenue and interest income. Trust revenue increased 6.4% in 2024 due to salary and benefit increases for staff that support trust operations. Sublease revenue increased significantly due to the additional sublease with the USPS. Grant revenue increased 22.4% due to a new Cooperative Agreement with USDA and a new Municipal Technical Assistance grant from the Vermont AOA that were slightly offset by the completion of the American Rescue Plan Act (ARPA) and Federal Funding Assistance (FFA) grants from the Vermont Agency of Commerce and Community Development (ACCD). Interest income also benefited from a higher balance invested in certificates of deposit and money market funds.

2024 expenses were up 2.9% from 2023 primarily due to increases in salaries for existing staff combined with the addition of two new grant funded positions and a municipal policy position. Partially offsetting this was a decrease in services expense and lower equipment and depreciation expenses.

In 2023, Trust revenue increased 5.2% in 2023 due to salary and benefit increases for staff that support trust operations. Grant revenue increased due to additional FFA grant revenue from the Vermont ACCD and 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.

Other notable variances of 2024 revenues and expenses from budget or changes from the prior year include:

- Travel/Training was under budget by \$40,350 or 38.5% due to less staff travel than planned even though the expense was higher than 2023. Lower maintenance costs for VLCT owned vehicles further contributed to the budget savings for this expense line.
- Equipment expense was lower than budgeted by \$94,961 or 20.6% as a result of postponing software maintenance projects related to sharepoint and server upgrades.
- Board expenses were under budget by 41.3% due to fewer committee meetings and fewer in-person attendees at board meetings than anticipated.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (restated)

Results and Analysis (Continued)

- Contracted services were under budget by 84,698 or 40.2% as a result of lower consulting spending on municipal policy as the Intergovernmental Relations team hired a second staff person in Q4 of 2024.
- Benefits expense decreased 0.3% from 2023 despite significantly higher health insurance costs because the 2024 VMERS DB GASB 68 pension adjustment expense was \$201,983 lower than in 2023.
- Services expenses were lower than 2023 by 36.0% as the costs of Town Fair were reduced significantly by shortening the event from two days to only one day.

Outlook and Economic Factors

VLCT remains the one-stop-shop for municipal officials seeking assistance leading their communities. In 2024, we maintained 100% membership among Vermont's 247 cities and towns and another 147 units of municipal government saw value in being dues-paying associate members, a slight increase over 2023. This broad support reflects the value we provide from answering more than 3,300 legal questions and training 4,500 municipal officials to delivering grant assistance to 4,000 officials and generating nearly half a million website views. Since 1968, VLCT has a proven track record and is seen by its members and other municipal organizations as an institution. This long-standing reputation, combined with the stable and supportive administrative agreements with our affiliated government risk pools, PACIF and VERB, ensured VLCT's financial predictability and stability in 2024.

VLCT continues to implement a strategic plan that emphasizes investments in people, new technology, and new services our members demand. 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

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (restated)

Outlook and Economic Factors (Continued)

The organization has operationalized board-adopted annual workplans to meet these goals and maintain VLCT's relevance as we expand offerings to municipal officials. Some of the services expanded in 2024 include the creation of our Municipal Operations Support Team – a USDA Rural Development grant funded unit dedicated to supporting our smallest municipalities master the basics of finance and management in preparation for future disasters. Thanks in part to the capacity of this new grant, VLCT more than doubled our training offerings for members, all without putting new pressure on dues. We plan to continue seeking state and federal grants to provide additional operational support to our members, particularly those that help municipalities address housing development and cybersecurity.

As a municipal association, VLCT has largely been isolated from the uncertainty and volatility many non-profit organizations have experienced following the 2024 elections. Our federal funding has not been reduced, and while some of our members have struggled with unexpected federal grant reductions for specific projects, they remain financially sound. The federal uncertainty does not appear to be inhibiting our members from paying dues or participating in VLCT events.

A core goal of VLCT is to connect municipal officials with one another, fostering a network of peers that learn from one another and share each other's experiences. While in-person events remain an important part of VLCT's programming, we have expanded remote participation to meet member demand. This shift has changed our workshop revenue model, but it has also allowed us to serve more members and reduce the associated costs of workshops, resulting in only minor changes to our budget.

VLCT's members continue to be actively involved in our advocacy work. After one of VLCT's longest-serving employees and director of our advocacy department retired in 2023, our newly formed Intergovernmental Relations Department engaged with our members in 2024 to establish our biannual municipal policy – a six month-long process that coalesced the membership around a shared vision for our advocacy work in the state house. Several hundred members engaged each week with our Intergovernmental Relations Department through the weekly legislative report, advocacy chats, or one-on-one interactions. Many members continue to point to this work as among the most valuable services we provide.

VLCT remains a cohesive organization, governed by its members through an active board and affiliated boards of our risk pools. Our 55 staff members are our most valuable asset and we invest in them through providing competitive benefits, dedicated professional development resources and a flexible workplace. Despite the workforce challenges in and around Vermont, we have retained a majority of our team and have had no 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. As our second largest expense after salaries, its costs have significantly outpaced inflation in recent years.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2024 and 2023 (restated)

Outlook and Economic Factors (Continued)

In the coming 18 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 are currently evaluating whether owning our office space would be a better long-term operational and financial option than leasing.

While VLCT's financial stability allows us to serve our members efficiently, our net position is a frequent topic of discussion. Despite having significant cash on hand, the VMERS pension liability has a notable negative impact on our finances. To reduce VLCT's exposure, we have formally amended our agreements with our affiliated risk pools, ensuring they will cover their proportionate share should the pension liability need to be paid.

VLCT remains a trusted organization that demonstrates tremendous value to its members. By managing our finances prudently, we are able to expand member services, retain an excellent workforce and maintain our relevance at the forefront of local government.

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, 2024 and 2023

| | 2024 | 2023 (Restated) |
|--|--------------|--------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,850,847 | \$ 2,675,388 |
| Note receivable from Vermont Community Loan Fund | 250,000 | - |
| Accounts receivable | 312,443 | 189,027 |
| Amounts due from trusts | 127,543 | 169,857 |
| Prepaid expenses | 34,746 | 8,551 |
| Sublease receivable | 172,887 | - |
| Total current assets | 3,748,466 | 3,042,823 |
| Non-Current Assets | | |
| Capital assets (net of accumulated depreciation) | 134,410 | 179,707 |
| ROU assets - leases (net of accumulated amortization) | 424,899 | 687,870 |
| ROU assets - subscriptions (net of accumulated amortization) | 447,284 | 459,407 |
| Total non-current assets | 1,006,593 | 1,326,984 |
| Total Assets | 4,755,059 | 4,369,807 |
| Deferred Outflows of Resources | | |
| Deferred pension amounts | 512,289 | 694,301 |
| Total Deferred Outflows of Resources | 512,289 | 694,301 |
| Liabilities and Net Position | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 99,400 | 98,507 |
| Amounts due to trusts | 142,069 | 136,295 |
| Accrued payroll | 149,885 | 113,660 |
| Accrued compensated absences | 441,804 | 386,182 |
| Deferred revenue | 681,958 | 665,447 |
| Deferred revenue - trusts | 41,808 | 30,378 |
| Lease liability | 374,860 | 322,023 |
| Subscription liability | 224,805 | 254,494 |
| Total current liabilities | 2,156,589 | 2,006,986 |
| Non-Current Liabilities | | |
| Deferred revenue - trusts | 78,324 | 116,780 |
| Net pension liability | 2,642,541 | 2,853,293 |
| Lease liability | 398,725 | 773,585 |
| Subscription liability | 224,708 | 204,913 |
| Total non-current liabilities | 3,344,298 | 3,948,571 |
| Total Liabilities | 5,500,887 | 5,955,557 |
| Deferred Inflow of Resources | | |
| Deferred pension expenses | 232,394 | 92,498 |
| Deferred sublease | 177,661 | - |
| Total Deferred Inflow of Resources | 410,055 | 92,498 |
| Net Position | | |
| Net investment in capital assets | (336,637) | (375,189) |
| Unrestricted | (306,957) | (608,758) |
| Total Net Position | \$ (643,594) | \$ (983,947) |

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, 2024 and 2023

| | 2024 | 2023 (Restated) |
|---------------------------------|--------------|--------------------|
| Operating Revenues | | |
| Dues - regular | \$ 1,132,809 | \$ 1,091,578 |
| Dues - associate | 157,211 | 146,389 |
| Commission income | 122,270 | 119,810 |
| Sponsorships | 130,306 | 154,719 |
| Town fair | 32,711 | 32,878 |
| Publications | 1,558 | 4,339 |
| Workshops | 19,515 | 23,800 |
| Professional services | 20,406 | 57,233 |
| Administrative services | 2,000 | 1,500 |
| Newsletter advertising | 4,565 | 3,830 |
| Trust contracts | 6,094,522 | 5,729,663 |
| PACIF loss prevention contract | 100,000 | 100,000 |
| Equipment revenue from trusts | 56,016 | 43,035 |
| Grants | 397,068 | 324,313 |
| Other revenues | 127,866 | 36,126 |
| Total operating revenues | 8,398,823 | 7,869,213 |
| Operating Expenses | | |
| Salaries | 4,889,282 | 4,504,045 |
| Employee benefits | 1,814,512 | 1,819,186 |
| Office space - other | 196,466 | 181,722 |
| Office space - interest | 92,893 | 61,656 |
| Amortization - office space | 229,290 | 229,290 |
| Subscriptions - interest | 3,356 | 9,596 |
| Amortization - subscriptions | 255,626 | 260,735 |
| Office equipment | 106,686 | 124,439 |
| Depreciation - other | 74,287 | 189,510 |
| Communications | 105,894 | 110,993 |
| Printing and supplies | 5,229 | 6,426 |
| Travel and training | 64,315 | 56,707 |
| Officers' costs | 33,461 | 30,850 |
| Contracted services | 126,188 | 133,349 |
| Dues and subscriptions | 78,450 | 76,579 |
| Town fair | 72,218 | 135,110 |
| Workshops | 3,100 | 2,962 |
| Administrative services | 18,770 | 9,041 |
| Other expenses | 5,633 | 2,642 |
| Total operating expenses | 8,175,656 | 7,944,838 |
| Operating income (loss) | 223,167 | (75,625) |
| Non-Operating Revenues | | |
| Investment income | 117,186 | 93,790 |
| Change in Net Position | 340,353 | 18,165 |
| Net Position, Beginning of Year | (983,947) | (893,648) |
| GASB 101 adoption - see Note B | - | (108,464) |
| Net Position, End of Year | \$ (643,594) | \$ (983,947) |

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows

Years ended December 31, 2024 and 2023

| | <u>2024</u> | <u>2023</u> (Restated) |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Receipts from membership dues | \$ 1,306,531 | \$ 1,253,853 |
| Receipts from commissions | 122,270 | 119,810 |
| Receipts from sponsorships | 130,306 | 154,719 |
| Receipts from trusts | 6,271,600 | 5,856,062 |
| Receipts from grants | 399,068 | 325,813 |
| Other receipts | 81,578 | 140,731 |
| Payments for salaries and benefits | (6,500,791) | (5,981,287) |
| Payments to vendors | <u>(937,961)</u> | <u>(928,378)</u> |
| Net cash flows from operating activities | 872,601 | 941,323 |
| Cash Flows from Financing Activities | | |
| Disposal of capital assets | 22,000 | 22,000 |
| Purchase of capital assets | (36,499) | (75,498) |
| Lease payments | (322,024) | (308,476) |
| Subscription asset payments | <u>(227,805)</u> | <u>(277,617)</u> |
| Net cash flows from financing activities | (564,328) | (639,591) |
| Cash Flows from Investing Activities | | |
| Net receipts for interest and net cash from investing activities | 117,186 | 93,790 |
| Issuance of note receivable to Vermont Community Loan Fund | <u>(250,000)</u> | <u>-</u> |
| Net cash flows from investing activities | <u>(132,814)</u> | <u>93,790</u> |
| Net Change in Cash and Cash Equivalents | 175,459 | 395,522 |
| Cash and Cash Equivalents, Beginning of Year | <u>2,675,388</u> | <u>2,279,866</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 2,850,847</u></u> | <u><u>\$ 2,675,388</u></u> |

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows (Continued)

Years ended December 31, 2024 and 2023

| | <u>2024</u> | <u>2023</u> (Restated) |
|---|-------------------|---------------------------|
| Reconciliation of Operating Loss to Net Cash flows from Operating Activities | | |
| Operating income (loss) | \$ 223,167 | \$ (75,625) |
| Add (deduct) items not affecting cash: | | |
| Depreciation expense - other | 74,287 | 189,510 |
| Amortization expense - office space | 229,290 | 229,290 |
| Amortization expense - subscription | 253,999 | 260,735 |
| Changes in statement of net position accounts: | | |
| Accounts receivable | (123,416) | (17,475) |
| Amounts due from trusts | 42,314 | (166,995) |
| Prepaid expenses | (26,195) | 12,932 |
| Deferred pension amounts | 182,012 | 210,027 |
| Accounts payable | 893 | 762 |
| Amounts due to trusts | 5,774 | 123,028 |
| Accrued payroll | 36,225 | 12,519 |
| Accrued compensated absences | 55,622 | 16,286 |
| Deferred revenue | 16,511 | 15,886 |
| Deferred revenue - trusts | (27,026) | 27,331 |
| Net pension liability | (210,752) | 147,669 |
| Deferred pension expenses | <u>139,896</u> | <u>(44,557)</u> |
| Net cash provided by operating activities | <u>\$ 872,601</u> | <u>\$ 941,323</u> |

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Notes to the Financial Statements

Years ended December 31, 2024 and 2023

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. 101 *Compensated Absences* (GASB 101), requiring entities with compensated absences to align the recognition and measurement criteria for all types of compensated absences to allow for more consistent reporting. Entities are required to recognize liabilities for compensated absences if all the following are true 1) leave is attributed to service already rendered; 2) the leave accumulates; and 3) the leave is more than likely not to be used for time off or otherwise paid in cash or settled through non cash means. The liability for leave should be measured for leave that is unused, leave that has been used but not yet paid or settled, and liabilities for certain types of compensated absences. GASB 101 is required to be applied retroactively by restating financial statements of prior periods, if practical. Upon adoption of GASB 101 on January 1, 2023, VLCT recognized an initial accrual of \$108,464, associated with earned but unused sick time VLCT estimates will be used in the following year. The resulting compensated absence accrual increase as a result of adopting GASB 101 by \$108,340 and \$108,464 as of December 31, 2024 and 2023, respectively, which is included as a component of accrued compensated absences on the statements of net position.

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, 2024 and 2023, 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 September 19, 2025, 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, 2023 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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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.

Commission Income

VLCT receives commission income for facilitating the placement of health coverage, dental coverage, vision coverage, group and voluntary life and disability insurance. Commission income is earned ratably over the terms of the policies to which they relate.

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 \$25,000 during 2024 and \$200,000 during 2023, 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 during 2024 and 2023, which was recognized in income. VLCT was also awarded the Municipal Technical Assistance (MTAP) grant from the State of Vermont's Agency of Administration (AOA) for \$250,000 with an award start date of January 1, 2024 and end date of December 31, 2025. VLCT received \$125,000 during 2024, which was recognized in income. In 2023, VLCT was a subrecipient of the MTAP grant awarded to Two Rivers-Ottawaquechee Regional Commission and received \$24,313, which was recognized in income. VLCT was also awarded the USDA Rural Development cooperative agreement for \$1,000,000 with an award start date of April 15, 2024 and end date of April 14, 2027. This grant is to support VLCT's planned work to provide municipal finance and operations support to Vermont's municipalities. VLCT accrued \$136,942 during 2024, which was recognized in income.

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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.

The subscription asset is \$447,284 and \$459,407 and subscription liability is \$449,513 and \$459,407 as of December 31, 2024 and 2023, respectively.

Amortization expense was \$253,999 and \$260,735 for 2024 and 2023, 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. 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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

VLCT's carrying amount of cash deposits and the bank balance consist of the following at December 31:

| | 2024 | | 2023 | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Book Balance | Bank Balance | Book Balance | Bank Balance |
| Insured/FDIC | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Unsecured and collateralized | 299,619 | 299,619 | 275,014 | 275,014 |
| Unsecured and uncollateralized | <u>2,051,228</u> | <u>2,051,950</u> | <u>1,900,374</u> | <u>1,917,274</u> |
| Total | <u>\$ 2,850,847</u> | <u>\$ 2,851,569</u> | <u>\$ 2,675,388</u> | <u>\$ 2,692,288</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.

Note Receivable from Vermont Community Loan Fund

On July 15, 2024, VLCT entered into a note receivable for \$250,000 to the Vermont Community Loan Fund (VCLF) to support various causes across the state of Vermont. This note matures on July 15, 2025. The investment earns interest of 3.5% annually.

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, 2024 and 2023, and VLCT did not write off any amounts during 2024 and 2023.

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

VLCT subleases office space pursuant to lease agreements summarized in Note D. At the commencement of a new sublease in excess of twelve months, VLCT recognizes a sublease receivable equal to the present value of future sublease payments over the lease term and a deferred inflow of resources equal to the unearned portion of the sublease receivable, plus any sublease prepayments received. VLCT recognizes sublease income on a straight line basis over the remaining lease term. Subleases twelve months or less are recognized as rental income on a straight line basis over the lease term.

Sublease income of \$110,021 is included in other revenues as of December 31, 2024.

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, 2024 and 2023:

| | 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. Unused sick time is not a vested benefit, however under VLCT's adoption of GASB 101, management accrues for earned but unused sick time expected to be taken in the following year. As of December 31, 2024 and 2023, VLCT had accrued annual leave of \$441,804 and \$386,182, respectively.

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Net Position

Unrestricted net position represents resources that have met all applicable restrictions and are considered to be available for unrestricted use. Net positions are classified based upon any restrictions that have been placed on those balances. Restrictions of net positions represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract or other binding agreement. There are no restrictions on net position as of December 31, 2024 and 2023.

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 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.

Note C - Capital Assets

Capital asset activity for the year ended December 31, 2024 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 | 161,089 | 28,990 | (29,060) | 161,019 |
| Total capital assets at cost | 2,397,920 | 28,990 | (29,060) | 2,397,850 |
| Less: accumulated depreciation | (2,218,213) | - | 29,060 | (2,189,153) |
| Less: depreciation expense | - | - | - | (74,287) |
| Total net capital assets | <u>\$ 179,707</u> | <u>\$ 28,990</u> | <u>\$ -</u> | <u>\$ 134,410</u> |

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note C - Capital Assets (Continued)

Capital asset activity for the year ended December 31, 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> |

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, 2024, the right of use asset and lease liability balances were \$424,899 and \$773,585, respectively. As of December 31, 2023, the right of use asset and lease liability balances were \$687,870 and \$1,095,608, respectively.

Subleases

VLCT entered into two separate sublease agreements with Just Basics (a Montpelier Food Shelf) and the United States Postal Service (USPS) for subletting of office space under the lease with City Center Montpelier, LLC.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note D - Leases (Continued)

The sublease with Just Basics originally ran from September 2023 through August 2024 and was renewed for another year ending in August 2025, with no option for renewal unless agreed upon. The sublease with USPS runs from April 2024 through March 2026. At the end of the initial sublease term, USPS has the option to renew the lease for either one renewal term of 6 months up to 9 months. VLCT did not recognize any renewal options as it is not reasonable certain USPS will exercise. VLCT used an estimated borrowing rate of 4.5% as the subleases do not provide the implicit rate. VLCT's rent receivable and deferred inflow of resources related to sublease activity were \$172,887 and \$177,661, respectively, as of December 31, 2024.

As of December 31, 2024, VLCT recognized an impairment loss on the subleases of \$33,681, reducing the right of use asset for the original lease and recognizing the expense, due to subleases being offered at a rate per square foot less than the original lease.

VLCT's gross asset balance, accumulated amortization and net asset balance at December 31, 2024 and 2023 for the office lease:

| | Net Asset Balance | Accumulated Amortization | Gross Asset Balance |
|-------------------|----------------------|-----------------------------|------------------------|
| December 31, 2024 | \$ 424,899 | \$ 2,555,871 | \$ 2,980,770 |
| December 31, 2023 | \$ 687,870 | \$ 2,292,900 | \$ 2,980,770 |

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

| | Cash | Interest Expense | Liability Reduction |
|------|------------|------------------|------------------------|
| 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, 2024.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note D - Leases (Continued)

VLCT's future minimum sublease receipts and the net present value of those receipts as of December 31, 2024 are as follows:

| | Minimum Lease Receipts Office Space |
|-----------------------------------|---|
| Years ending December 31: | |
| 2025 | \$ 147,182 |
| 2026 | <u>30,479</u> |
| Future undiscounted rent receipts | 177,661 |
| Less present value discount | <u>(4,774)</u> |
| Sublease receivable | <u><u>\$ 172,887</u></u> |

Rent income recognized by VLCT on sublease activity during the year ended December 31, 2024 totaled \$110,021, which included interest income recognized by VLCT on sublease agreements of \$8,251.

Note E - Affiliated Organizations and Related Party Transactions

Per contractual agreements, VLCT provides administrative services, office space and equipment usage to VERB and PACIF. In accordance with the agreement, should VLCT be obligated to pay part of its pension obligations, PACIF and VERB would reimburse VLCT for their proportionate share of the obligations.

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.

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.

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, 2024 is as follows:

| | VERB | PACIF | Total |
|--|-------------------|---------------------|---------------------|
| Salaries - allocated directly | \$ 98,890 | \$ 2,204,036 | \$ 2,302,926 |
| Salaries - administration | 33,430 | 1,251,410 | 1,284,840 |
| Employee benefits - allocated directly | 34,078 | 759,523 | 793,601 |
| Employee benefits - administration | 12,654 | 478,981 | 491,635 |
| Office space | 11,062 | 357,054 | 368,116 |
| Office equipment | 5,059 | 356,536 | 361,595 |
| Communications | 1,913 | 95,730 | 97,643 |
| Printing and supplies | 124 | 10,693 | 10,817 |
| Travel and training | 1,053 | 59,290 | 60,343 |
| Officers' costs | 902 | 43,843 | 44,745 |
| Contracted services | 2,027 | 102,288 | 104,315 |
| Dues and subscriptions | 1,162 | 55,000 | 56,162 |
| Miscellaneous | 1,327 | 56,920 | 58,247 |
| Other | 137 | 3,098 | 3,235 |
| Depreciation | 1,552 | 54,750 | 56,302 |
| Total trust contracts revenue | <u>\$ 205,370</u> | <u>\$ 5,889,152</u> | <u>\$ 6,094,522</u> |

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)

VLCT's net receivable from the trusts consists of the following as of December 31, 2024:

| | VERB | PACIF | Total |
|----------------------------------|------|-------------|-------------|
| Amounts due from trusts | \$ - | \$ 127,543 | \$ 127,543 |
| Amounts due to trusts | - | (142,069) | (142,069) |
| Net amounts due (to) from trusts | \$ - | \$ (14,526) | \$ (14,526) |

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

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

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 \$100,00 in 2024 and in 2023.

VLCT purchases unemployment insurance for its employees through VERB. Contributions paid by VLCT to VERB for unemployment insurance amounted to \$10,980 and \$11,932 for the years ended December 31, 2024 and 2023, 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:

| | 2024 | 2023 |
|---------------------------|------------|------------|
| Deferred membership dues | \$ 656,180 | \$ 634,944 |
| Deferred revenue - trusts | 120,132 | 147,158 |
| Deferred sponsorship | 25,778 | 29,679 |
| Other deferred revenue | - | 824 |
| Total deferred revenue | \$ 802,090 | \$ 812,605 |

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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note F - Deferred Revenue (Continued)

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:

| | 2024 | 2023 |
|--|------------|------------|
| Deferred revenue - trusts, beginning of year | \$ 147,158 | \$ 119,827 |
| Add: reimbursement for new assets | 34,503 | 70,366 |
| Less: current depreciation | (61,529) | (43,035) |
| Deferred revenue - trusts, end of year | \$ 120,132 | \$ 147,158 |

Note G - Net Position

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

| | 2024 | 2023 |
|----------------------------------|--------------|--------------|
| Capital assets at cost | \$ 2,405,128 | \$ 2,397,920 |
| Less: accumulated depreciation | (2,270,718) | (2,218,213) |
| ROU asset - leases | 424,899 | 687,870 |
| Lease liability | (773,584) | (1,095,608) |
| ROU asset - subscriptions | 447,284 | 459,407 |
| Subscriptions liability | (449,514) | (459,407) |
| Deferred revenue - trusts | (120,132) | (147,158) |
| Net investment in capital assets | \$ (336,637) | \$ (375,189) |

There are no restricted uses of net positions as of December 31, 2024 and 2023.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

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, 2025 and 2024, and a 6.000% and 5.125% contribution by the employer for the plan years ending June 30, 2025 and 2024. 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, 2024, covered payroll was \$503,093 and VLCT's contribution was \$30,185. For the year ended December 31, 2023, covered payroll was \$494,399 and VLCT's contribution was \$27,440. 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 6.375% and 6.125% contribution by the employee for plan years ending June 30, 2025 and 2024, respectively, and a 7.000% and 6.750% contribution by the employer for the plan years ending June 30, 2025 and 2024, 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.

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, 2024 and 2023, the retirement system consisted of 362 and 357 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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note H - Benefit Plans (Continued)

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:

| System Provisions and Benefits | Group B |
|---|--|
| 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, 2023 and June 30, 2022.

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, 2025, Plan DB requires a 6.375% contribution by the employee and a 7.000% contribution by the employer for Group B. 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. Contribution rates are anticipated to increase 0.25% 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:

| | 2024 | 2023 |
|---|--------------|--------------|
| Contractually required contributions | \$ 262,067 | \$ 253,920 |
| Contributions in relation to the contractually required contributions | 283,255 | 255,854 |
| Contribution deficiency (excess) | \$ (21,188) | \$ (1,934) |
| VLCT's covered payroll | \$ 4,118,765 | \$ 3,864,717 |
| Contributions as a percentage of covered payroll | 6.87 % | 6.62 % |

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, 2024, VLCT reported a liability of \$2,642,541 and a pension expense of \$394,411, 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, 2024, 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, 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.

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, 2024, VLCT's proportion was 0.79560%, which was a decrease of 0.09524 percentage points from its proportion measured as of June 30, 2023. 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.

Deferred Outflows and Inflows of Resources

As of and for the years ended December 31, 2024 and 2023, 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>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Difference between expected and actual economic experience | \$ 286,194 | \$ 178,944 |
| Changes in assumptions and other inputs | 14,241 | 93,002 |
| Net difference between projected and actual earnings on plan investments | <u>65,184</u> | <u>324,620</u> |
| Total allocated deferred pension amounts | 365,619 | 596,566 |
| Contributions paid to Plan DB subsequent to the measurement date | <u>146,670</u> | <u>97,735</u> |
| Total deferred pension amounts | <u>\$ 512,289</u> | <u>\$ 694,301</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 \$286,194, a change in assumptions of \$14,241 and a difference between projected and actual earnings of \$65,184 as of December 31, 2024. There were deferred inflows of resources related to the changes in proportion and differences between employer contributions and proportionate share of contributions of \$232,395.

The net amounts of VLCT's balances of net deferred outflows of resources as of December 31, 2024 related to pensions will be recognized as pension expense as follows during the years ended December 31:

| | Pension Expense Amount |
|-------|---------------------------|
| 2025 | \$ 15,526 |
| 2026 | 203,918 |
| 2027 | (43,465) |
| 2028 | <u>(42,755)</u> |
| Total | <u>\$ 133,224</u> |

Actuarial Methods and Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023 with update procedures used to roll forward the total pension liability to June 30, 2024.

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.

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, 2024 measurement period are as follows:

| | |
|---|---|
| Investment rate of return: | 7.00% |
| Salary increases: | Varying service-based rates ranging from 4.07% to 6.21%. Salary increases include an assumed inflation rate of 2.30%. |
| Deaths: | PubG-2010 General Healthy Retiree Amount-Weighted Below Median Table with credibility adjustments of 90% and 87% for the Male and Female tables, respectively, with generational projection using scale MP-2021. |
| 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:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------------|---|
| Passive Global Equities | 32.00 % | 5.25 % |
| Private Equity | 11.00 % | 7.45 % |
| Private and Alternate Credit | 11.00 % | 5.70 % |
| Non-Core Real Estate | 4.00 % | 5.70 % |
| Core Fixed Income | 19.00 % | 1.70 % |
| Core Real Estate | 3.00 % | 3.45 % |
| US TIPS | 2.00 % | 1.70 % |
| Infrastructure Farmland | 2.00 % | 3.95 % |
| Private Core Infrastructure | 4.00 % | 4.95 % |
| US Equity - Large/Med Cap | 4.00 % | 4.20 % |
| US Equity - Small Cap | 3.00 % | 4.70 % |
| Non US Developed US Equities | 5.00 % | 5.95 % |
| Total | <u>100.00 %</u> | |

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, 2024 and 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the rates set by the Board (employers) and statute (members). 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 Plan's FNP was projected to be available to make all projected future benefit payments for current plan members. 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 as June 30, 2024. At the May 2024 Board meeting, the Board voted unanimously to authorize employer contribution rate increases of 0.25% each year for a period of four years, beginning July 1, 2026. Also in May 2024, the Legislature passed H.883, which included an increase in the member rate of 0.25% for each group for four years, beginning July 1, 2026.

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, 2024:

| | 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>\$ 4,040,058</u> | <u>\$ 2,642,541</u> | <u>\$ 1,495,495</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 2024, covered payroll under this plan was \$4,581,916 and VLCT's contribution was \$325,315. For the year ended December 31, 2023, covered payroll under this plan was \$4,310,551 and VLCT's contribution was \$306,050.

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 two other small cloud base software, which includes one that was signed but is not effective until January 1, 2025. VLCT adopted GASB 96 beginning January 1, 2022. For the years ended December 31, 2024 and December 31, 2023, VLCT reported a SBITA right-to-use intangible asset of \$447,284 and \$459,407 and a SBITA liability in the amount of \$449,513 and \$459,407, respectively.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note I - Subscription Assets (Continued)

VLCT's future minimum subscription payments, principal, and interest as of December 31, 2024 are as follows:

| | Minimum Subscription Payments | Principal | Interest |
|---------------------------|-------------------------------------|-------------------|------------------|
| Years ending December 31: | | | |
| 2025 | \$ 251,738 | \$ 236,232 | \$ 22,777 |
| 2026 | 211,600 | 208,542 | 3,058 |
| 2027 | 4,792 | 4,740 | 51 |
| | <u>\$ 468,130</u> | <u>\$ 449,514</u> | <u>\$ 25,886</u> |

VLCT's subscription asset and related accumulated amortization as of December 31, 2024 are as follows:

| | 2024 | 2023 |
|--------------------------|-------------------|-------------------|
| Subscription asset | \$ 806,319 | \$ 1,247,043 |
| Accumulated amortization | <u>(359,035)</u> | <u>(787,636)</u> |
| Net subscription asset | <u>\$ 447,284</u> | <u>\$ 459,407</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% |
| 2024 | 0.7956% | \$ 2,642,541 | \$ 3,991,741 | 66.20% | 75.22% |

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% |
| 2024 | \$ 262,067 | \$ 283,255 | \$ (21,188) | \$ 4,118,765 | 6.88% |

Other Information

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis (Unaudited)

Year ended December 31, 2024

| | Budget | Actual | Over/(Under) Budget |
|--------------------------------|--------------|--------------|------------------------|
| Revenues | | | |
| Dues | | | |
| Regular members | \$ 1,132,809 | \$ 1,132,809 | \$ - |
| Associate members | 156,325 | 157,211 | 886 |
| Total dues | 1,289,134 | 1,290,020 | 886 |
| Services | | | |
| Town fair | 144,570 | 32,711 | (111,859) |
| Sponsorships | - | 130,306 | 130,306 |
| Publications | 4,000 | 1,558 | (2,442) |
| Workshops | 33,000 | 19,515 | (13,485) |
| Professional services | 83,870 | 20,406 | (63,464) |
| Newsletter advertising | 8,000 | 4,565 | (3,435) |
| Total services | 273,440 | 209,061 | (64,379) |
| Administrative services | | | |
| Commission income | 98,800 | 122,270 | 23,470 |
| Administrative contracts | - | 2,000 | 2,000 |
| Grant | 191,250 | 397,068 | 205,818 |
| Total administrative services | 290,050 | 521,338 | 231,288 |
| Trust reimbursements | | | |
| Trust contracts | 6,166,734 | 6,094,522 | (72,212) |
| PACIF loss prevention contract | 100,000 | 100,000 | - |
| Equipment revenue from trusts | 56,464 | 56,016 | (448) |
| Total trust reimbursements | 6,323,198 | 6,250,538 | (72,660) |
| Other revenues | 111,250 | 127,866 | 16,616 |
| Investment income | 64,000 | 117,186 | 53,186 |
| Total Revenues | \$ 8,351,072 | \$ 8,516,009 | \$ 164,937 |

** 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, 2024

| | Budget | Actual | Over/(Under) Budget |
|--|--------------|--------------|------------------------|
| Expenses | | | |
| Salaries | | | |
| Salaries | \$ 4,773,734 | \$ 4,810,732 | \$ 36,998 |
| Temp services | 1,000 | - | (1,000) |
| Payroll taxes | 69,219 | 78,550 | 9,331 |
| Total salaries | 4,843,953 | 4,889,282 | 45,329 |
| Employee benefits | | | |
| VMERS Plan DB | 288,747 | 394,411 | 105,664 |
| VMERS Plan DC | 30,314 | 30,185 | (129) |
| 401(a) employer contributions | 334,069 | 325,315 | (8,754) |
| Health insurance | 1,015,756 | 993,148 | (22,608) |
| Long-term care insurance | 8,972 | - | (8,972) |
| Dental insurance | 23,406 | 22,160 | (1,246) |
| Life and disability insurance | 39,245 | 38,227 | (1,018) |
| Unemployment insurance | 12,360 | 10,980 | (1,380) |
| Employee assistance | 1,100 | 1,080 | (20) |
| Benefit plan administration | 795 | (994) | (1,789) |
| Total employee benefits | 1,754,764 | 1,814,512 | 59,748 |
| Office expenses | | | |
| Office space - other | 456,276 | 169,859 | (286,417) |
| Office space - interest | - | 92,893 | 92,893 |
| Amortization expense - office | - | 229,290 | 229,290 |
| Property taxes | 23,000 | 26,607 | 3,607 |
| Total office expenses | 479,276 | 518,649 | 39,373 |
| Equipment expenses | | | |
| Equipment maintenance/lease | 3,490 | 3,078 | (412) |
| Non-capital equipment purchases | 21,858 | 26,587 | 4,729 |
| Copier contracts | 1,200 | 2,245 | 1,045 |
| Software purchases | 8,317 | 1,586 | (6,731) |
| Software maintenance | 425,765 | 73,190 | (352,575) |
| Amortization expense - subscription | - | 255,626 | 255,626 |
| Subscription - interest | - | 3,356 | 3,356 |
| Total equipment expenses | 460,630 | 365,668 | (94,962) |

Vermont League of Cities and Towns

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

Year ended December 31, 2024

| | <u>Budget</u> | <u>Actual</u> | <u>Over/(Under) Budget</u> |
|------------------------------|---------------|---------------|--------------------------------|
| Expenses | | | |
| Communications | | | |
| Postage | 30,000 | 21,420 | (8,580) |
| Postage meter rental | 1,000 | 1,812 | 812 |
| Job printing | 48,825 | 36,513 | (12,312) |
| Telecommunications | <u>43,180</u> | <u>46,149</u> | <u>2,969</u> |
| Total communications | 123,005 | 105,894 | (17,111) |
| Printing and supplies | | | |
| Paper purchases | 3,000 | 377 | (2,623) |
| Supplies | 5,000 | 2,747 | (2,253) |
| Program supplies | 3,500 | 260 | (3,240) |
| Building supplies | 2,000 | 531 | (1,469) |
| Coffee/water supplies | <u>780</u> | <u>1,314</u> | <u>534</u> |
| Total printing and supplies | 14,280 | 5,229 | (9,051) |
| Travel and training | | | |
| Vehicle expense | 21,350 | 11,941 | (9,409) |
| Staff travel/training | 72,865 | 40,945 | (31,920) |
| Member outreach | <u>10,450</u> | <u>11,429</u> | <u>979</u> |
| Total travel and training | 104,665 | 64,315 | (40,350) |
| Officers' expenses | | | |
| Board costs | 55,200 | 31,661 | (23,539) |
| President's stipend | <u>1,800</u> | <u>1,800</u> | <u>-</u> |
| Total officers' expenses | 57,000 | 33,461 | (23,539) |
| Contracted services | | | |
| Auditing and accounting | 32,500 | 55,294 | 22,794 |
| Bank services | 21,885 | 21,828 | (57) |
| Legal services | 2,500 | 3,068 | 568 |
| Consultants | 128,000 | 34,820 | (93,180) |
| Recruiting | <u>26,000</u> | <u>11,178</u> | <u>(14,822)</u> |
| Total contracted services | 210,885 | 126,188 | (84,697) |
| Dues and subscriptions | | | |
| National League of Cities | 18,809 | 18,529 | (280) |
| Professional associations | <u>65,585</u> | <u>59,921</u> | <u>(5,664)</u> |
| Total dues and subscriptions | 84,394 | 78,450 | (5,944) |

Vermont League of Cities and Towns

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

Year ended December 31, 2024

| | <u>Budget</u> | <u>Actual</u> | <u>Over/(Under) Budget</u> |
|------------------------------|------------------|-------------------|--------------------------------|
| Expenses | | | |
| Services | | | |
| Town fair | 74,200 | 72,218 | (1,982) |
| Workshops | 10,400 | 3,100 | (7,300) |
| Administrative | <u>11,250</u> | <u>18,770</u> | <u>7,520</u> |
| Total services | 95,850 | 94,088 | (1,762) |
| Miscellaneous | | | |
| Miscellaneous | 3,200 | 5,633 | 2,433 |
| Depreciation expense - other | <u>71,722</u> | <u>74,287</u> | <u>2,565</u> |
| Total miscellaneous | <u>74,922</u> | <u>79,920</u> | <u>4,998</u> |
| Total Expenses | <u>8,303,624</u> | <u>8,175,656</u> | <u>(127,968)</u> |
| Change in Net Position | <u>\$ 47,448</u> | <u>\$ 340,353</u> | <u>\$ 292,905</u> |

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