

Vermont League of Cities and Towns

Audited Financial Statements with Required Supplementary Information and Other Information

*Years ended December 31, 2025 and 2024
with Report of Independent Auditors*

Vermont League of Cities and Towns

Audited Financial Statements
with Required Supplementary Information and
Other Information

Years ended December 31, 2025 and 2024

Contents

Report of Independent Auditors.....	1 - 3
Management's Discussion and Analysis (Unaudited).....	4 - 14

Audited Financial Statements

Statements of Net Position.....	15
Statements of Revenues, Expenses and Changes in Net Position.....	16
Statements of Cash Flows.....	17 - 18
Notes to the Financial Statements.....	19 - 42

Required Supplementary Information

Schedule of Employer Pension Information (Unaudited).....	44
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Other Information

Statement of Revenues and Expenses - Budgetary Basis (Unaudited).....	46 - 49
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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, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VLCT as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VLCT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VLCT's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 - 14 and the Schedule of Employer Pension Information on page 44 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 46 - 49 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

October 2, 2026

Vermont firm registration: 092-0000267

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

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, 2025, 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

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the end of 2025 by \$392,715, of which \$51,244 was invested in capital assets, leaving a deficit of \$341,471 as unrestricted net position. This compares with a net position deficit of \$643,594 at December 31, 2024, of which \$336,637 was invested in capital assets, net of related debt, leaving an accumulated deficit of \$306,957 as unrestricted net position. The decrease in the unrestricted net position deficit at the end of 2025 amounted to \$250,879, the majority of which was from savings in consulting, salaries and software maintenance expenses.
- Net position increased \$250,879 from a surplus realized during the year ended December 31, 2025. This was due to savings in consulting expense from less equity and technology work than planned. Salaries and benefits were lower than budgeted due to two vacant positions during the year. Software maintenance also saw savings relative to budget as a delay in website development work reduced this cost in 2025.
- 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 \$53,347 as of December 31, 2025, compared to \$120,132 at December 31, 2024. 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.
- Total revenue in 2025 was \$438,652 higher than in 2024 primarily due to an increase in revenue from the trusts, as well as revenue from a new sublease and new grants. Trust revenue increased 4.0% in 2025 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) sublease was in place for all of 2025 vs. just 9 months of 2024. Similarly, grant revenue increased in 2025 due to the Cooperative Agreement with the United States Department of Agriculture (USDA) being in place for the full year vs. 8.5 months in 2024.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

Highlights (Continued)

- As of December 31, 2025, total expenses were \$528,126 higher than 2024 primarily due to increases in salaries and health insurance benefits. Salaries increased 4.1% from 2024 due to inflationary wage growth combined with new positions from 2024 that were in place for all of 2025 vs. a portion of 2024. Health insurance increased 25.0% due to carrier increases in the small group health insurance premiums combined with the increase in positions. The GASB 68 pension expense adjustment of \$39,849 was recorded to account for VLCT's share of the net pension liability, a decrease of \$71,307 from the 2024 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

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.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

Overview of the Financial Statements (Continued)

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, 2025 and 2024 and financial developments during the years ended December 31, 2025 and 2024 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.

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.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

Overview of the Financial Statements (Continued)

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, 2025 and 2024

Results and Analysis

The following table summarizes the Statements of Net Position:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>Percentage Change</u>	<u>December 31, 2023 (restated)</u>	<u>Percentage Change</u>
Assets					
Current assets	\$ 3,584,946	\$ 3,748,466	(4.4)%	\$ 3,042,823	23.2 %
ROU assets - leases (net)	195,609	424,899	(54.0)%	687,870	(20.0)%
ROU assets - SBITA (net)	13,691	447,284	(96.9)%	459,407	(2.6)%
Capital assets	<u>205,219</u>	<u>134,410</u>	52.7 %	<u>179,707</u>	(25.2)%
Total Assets	3,999,465	4,755,059	(15.9)%	4,369,807	8.8 %
Deferred Outflows of Resources					
Deferred pension amounts	526,060	512,289	2.7 %	694,301	(26.2)%
Liabilities					
Current payables and accruals	381,013	991,019	(61.6)%	924,979	7.1 %
Current deferred revenue	754,707	723,766	4.3 %	695,825	4.0 %
Accrued compensated absences	411,070	441,804	(7.0)%	386,182	14.4 %
Non-current liabilities	<u>3,063,332</u>	<u>3,344,298</u>	(8.4)%	<u>3,948,571</u>	(15.3)%
Total Liabilities	<u>4,610,122</u>	<u>5,500,887</u>	(16.2)%	<u>5,955,557</u>	(7.6)%
Deferred Inflow of Resources					
Deferred pension expenses	277,639	232,394	19.5 %	92,498	151.2 %
Deferred sublease	<u>30,479</u>	<u>177,661</u>	(82.8)%	<u>-</u>	DIV/0 %
Total Deferred Inflow of Resources	<u>308,118</u>	<u>410,055</u>	(24.9)%	<u>92,498</u>	343.3 %
Net Position, End of Year	<u>\$ (392,715)</u>	<u>\$ (643,594)</u>	39.0 %	<u>\$ (983,947)</u>	34.6 %

Total assets as of December 31, 2025 were \$3,999,475, down from \$4,755,059 as of December 31, 2024. This decrease of \$755,594 or 15.9% is primarily due to a decrease in the Right-of-Use (ROU) lease and SBITA assets and partly offset by an increase in capital assets. Deferred outflows of pension amounts (the future value of contributions paid after the June 30th reporting date of the actuarial report) increased by \$13,771 or 2.7% due primarily to the difference between expected and actual experience.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

Results and Analysis (Continued)

In 2024, total assets increased by \$385,252 or 8.8% 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 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.

As of December 31, 2025, total liabilities decreased by \$890,765 or 16.2% due to the decrease in the SBITA liability of \$435,821 and the decrease in the lease liability of \$374,860. VLCT's proportionate share of VMERS DB liability was \$2,650,916 with \$526,060 in deferred outflows of resources and \$277,639 in deferred inflows of resources. The VMERS DB total pension expense for 2025 of \$350,930 is the estimated expense inclusive of VLCT's share of the pension fund's unfunded liability. Deferred inflow of resources also includes the \$30,479 present value of the sublease revenue expected in future periods.

In 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.

Net position increased by \$250,879 for the year ended December 31, 2025 as a result of a surplus from operations during the year. The operating gain was primarily from higher sponsorships, trust revenue, and grant revenue than budgeted as well as savings relative to budget in salaries, software maintenance, and consulting expenses. Nonoperating revenue from interest income was also slightly higher than expected contributing to the increase in net position for the year. Net position increased \$340,353 or 34.6% 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.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

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, 2025	December 31, 2024	Percentage Change	December 31, 2023	Percentage Change
Operating Revenues					
Member dues	\$ 1,328,450	\$ 1,290,020	3.0 %	\$ 1,237,967	4.2 %
Services	105,489	80,755	30.6 %	120,580	(33.0)%
Trusts	6,498,015	6,250,538	4.0 %	5,872,698	6.4 %
Commission income	59,626	122,270	(51.2)%	119,810	2.1 %
Sponsorships	211,563	130,306	62.4 %	154,719	(15.8)%
Other revenue	<u>653,128</u>	<u>524,934</u>	24.4 %	<u>363,439</u>	44.4 %
Total operating revenues	8,856,271	8,398,823	5.4 %	7,869,213	6.7 %
Operating Expenses					
Combined cost centers	8,621,275	8,101,369	6.4 %	7,755,328	4.5 %
Capital costs	<u>82,507</u>	<u>74,287</u>	11.1 %	<u>189,510</u>	(60.8)%
Total operating expenses	8,703,782	8,175,656	6.5 %	7,944,838	2.9 %
Operating gain (loss)	152,489	223,167	(31.7)%	(75,625)	(395.1)%
Non-Operating Revenues	<u>98,390</u>	<u>117,186</u>	(16.0)%	<u>93,790</u>	24.9 %
Change in Net Position	250,879	340,353	(26.3)%	18,165	1,773.7 %
Net Position, Beginning of Year	(643,594)	(983,947)	34.6 %	(893,648)	(10.1)%
GASB 101 adoption	<u>-</u>	<u>-</u>		<u>(108,464)</u>	
Net Position, End of Year	<u>\$ (392,715)</u>	<u>\$ (643,594)</u>	39.0 %	<u>\$ (983,947)</u>	34.6 %

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

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 46 - 49 for the year ended December 31, 2025:

	Budget	Actual	Percentage Over (Under) Budget
Operating Revenues			
Member dues	\$ 1,326,006	\$ 1,328,450	0.2 %
Services	329,525	317,052	(3.8)%
Trusts	6,683,404	6,498,015	(2.8)%
Administrative services	641,333	537,043	(16.3)%
Other revenue	<u>173,112</u>	<u>175,711</u>	1.5 %
Total operating revenues	9,153,380	8,856,271	(3.2)%
Operating Expenses			
Combined cost centers **	9,149,520	8,621,274	(5.8)%
Capital costs	<u>75,053</u>	<u>82,507</u>	9.9 %
Total operating expenses	<u>9,224,573</u>	<u>8,703,781</u>	(5.6)%
Operating (loss) gain	(71,193)	152,490	(314.2)%
Non-Operating Revenues	<u>85,000</u>	<u>98,390</u>	15.8 %
Change in Net Position	<u><u>\$ 13,807</u></u>	<u><u>\$ 250,880</u></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 \$250,879. Operating revenues increased by \$457,448 or 5.4% from the prior year and were lower than budgeted by \$297,109 or 3.20%. Operating expenses increased by \$528,126 or 6.5% from prior year and were lower than budgeted by \$520,792 or 5.6%.

During the year ended December 31, 2024, VLCT had 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 1.4%. Operating expenses increased by \$230,818 or 2.9% from prior year and were lower than budgeted by \$127,968 or 1.5%.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

Results and Analysis (Continued)

In 2025, total revenue increased 5.4% due to the administrative agreement with the insurance trusts, sublease revenue, grant revenue and services. Trust revenue increased 4.0% in 2025 due to salary and benefit increases for staff that support trust operations. Sublease revenue increased 50.0% due to the USPS sublease being in place for a full year rather than just 9 months in 2024. Grant revenue increased 19.7% due to the Cooperative Agreement with USDA being in place for the full year. Services revenue increased 51.7% due to higher Town Fair and sponsorships income.

2025 expenses were up 6.5% from 2024 primarily due to increases in salaries and benefits for existing staff combined with the two new grant funded positions and a municipal policy position that were hired in late 2024 and in place for all of 2025. Partially offsetting this was a decrease in office expense due to the GASB 87 lease amortization.

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%, sublease revenue increased 679% due to the USPS sublease, and grant revenue increased 22.4% due to the Cooperative Agreement with USDA and the Municipal Technical Assistance grant from the Vermont AOA. Interest income also benefited from 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 in the latter half of the year. Partially offsetting this was a decrease in services expense and lower equipment and depreciation expenses.

Other notable variances of 2025 revenues and expenses from budget or changes from the prior year include:

- Travel/Training was under budget by \$8,597 or 8.2% due to less staff travel than planned even though the expense was higher than 2024. Lower maintenance costs for VLCT owned vehicles contributed slightly to the budget savings for this expense line.
- Software/Equipment expense was lower than budgeted by \$64,688 or 14.8% as a result of postponing the website conversion to 2026.
- Board expenses were under budget by 31.0% due to fewer committee meetings and fewer in-person attendees at board meetings than anticipated.
- Contracted services were under budget by \$228,092 or 54.5% as a result of lower consulting spending on equity and technology work than planned.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2025 and 2024

Results and Analysis (Continued)

- Benefits expense increased 12.7% from 2024 as a result of significantly higher health insurance costs, but was partly offset by a decrease of \$71,307 in the 2025 VMERS DB GASB 68 pension adjustment expense.
- Services expenses were higher than 2024 by 28.3% as in person workshops were expanded in 2025 and the costs of Town Fair increased over 2024, but were lower than budgeted.

Outlook and Economic Factors

VLCT remains the one stop shop for municipal officials seeking assistance leading their communities. In 2026, we maintained 100% membership among Vermont's 247 cities and towns and increased our associate membership to 148 additional organizations. This broad support reflects the value we provide from answering thousands of legal and operational questions, educating thousands of municipal officials, and giving nearly a half million web visitors access to tools, models, and other resources. Since 1968, VLCT has a proven track record and is seen by its members and other municipal organizations as an institution they depend upon.

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

Our strategic plan has led us increasingly to pursue grants to expand our services with the goal of reducing reliance on member dues and trust administration revenue. We've secured philanthropic, state and federal grants in recent years to create our Municipal Operations Support Team, undertake engagement work, and assist with the implementation of new statewide initiatives, such as a tax increment financing program to support infrastructure and housing development.

Our 55 staff members are our most valuable asset and we invest in them by 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, 2025 and 2024

Outlook and Economic Factors (Continued)

In an effort to further reduce costs, VLCT secured a short-term lease at our current home, City Center, at a substantially reduced cost. As we evaluate future workspace options that meet the modern needs of VLCT, we are considering ownership and leasing options to ensure the best long-term value.

VLCT remains a cohesive organization, governed by its members through an active board and affiliated boards of our risk pools. At the end of 2025, our affiliated trust boards requested that the administrative support services agreement and the associated fee addendums be renegotiated in 2026. VLCT anticipates that these negotiations may result in governance, budget, and service changes in future years.

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, 056022948, or by calling 802-229-9111.

Vermont League of Cities and Towns

Statements of Net Position

As of December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,659,188	\$ 2,850,847
Note receivable from Vermont Community Loan Fund	250,000	250,000
Accounts receivable	276,541	312,443
Amounts due from trusts	28,021	127,543
Prepaid expenses	340,831	34,746
Sublease receivable	30,365	172,887
Total current assets	3,584,946	3,748,466
Non-Current Assets		
Capital assets (net of accumulated depreciation)	205,219	134,410
ROU assets - leases (net of accumulated amortization)	195,609	424,899
ROU assets - subscriptions (net of accumulated amortization)	13,691	447,284
Total non-current assets	414,519	1,006,593
Total Assets	3,999,465	4,755,059
Deferred Outflows of Resources		
Deferred pension amounts	526,060	512,289
Total Deferred Outflows of Resources	526,060	512,289
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	133,704	99,400
Amounts due to trusts	92,418	142,069
Accrued payroll	154,891	149,885
Accrued compensated absences	411,070	441,804
Deferred revenue	701,360	681,958
Deferred revenue - trusts	53,347	41,808
Lease liability	-	374,860
Subscription liability	-	224,805
Total current liabilities	1,546,790	2,156,589
Non-Current Liabilities		
Deferred revenue - trusts	-	78,324
Net pension liability	2,650,916	2,642,541
Lease liability	398,724	398,725
Subscription liability	13,692	224,708
Total non-current liabilities	3,063,332	3,344,298
Total Liabilities	4,610,122	5,500,887
Deferred Inflow of Resources		
Deferred pension expenses	277,639	232,394
Deferred sublease	30,479	177,661
Total Deferred Inflow of Resources	308,118	410,055
Net Position		
Net investment in capital assets	(51,244)	(336,637)
Unrestricted	(341,471)	(306,957)
Total Net Position	\$ (392,715)	\$ (643,594)

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, 2025 and 2024

	2025	2024
Operating Revenues		
Dues - regular	\$ 1,164,731	\$ 1,132,809
Dues - associate	163,719	157,211
Commission income	59,626	122,270
Sponsorships	211,563	130,306
Town fair	32,736	32,711
Publications	2,078	1,558
Workshops	23,614	19,515
Professional services	42,131	20,406
Administrative services	-	2,000
Newsletter advertising	4,930	4,565
Trust contracts	6,326,231	6,094,522
PACIF loss prevention contract	105,000	100,000
Equipment revenue from trusts	66,784	56,016
Grants	477,417	397,068
Other revenues	175,711	127,866
Total operating revenues	8,856,271	8,398,823
Operating Expenses		
Salaries	5,114,103	4,889,282
Employee benefits	2,045,255	1,814,512
Office space - other	192,223	196,466
Office space - interest	17,813	92,893
Amortization - office space	229,290	229,290
Subscriptions - interest	13,122	3,356
Amortization - subscriptions	221,009	255,626
Office equipment	138,233	106,686
Depreciation - other	82,507	74,287
Communications	95,352	105,894
Printing and supplies	8,135	5,229
Travel and training	96,368	64,315
Officers' costs	27,723	33,461
Contracted services	190,293	126,188
Dues and subscriptions	107,985	78,450
Town fair	89,698	72,218
Workshops	20,329	3,100
Administrative services	10,644	18,770
Other expenses	3,700	5,633
Total operating expenses	8,703,782	8,175,656
Operating income	152,489	223,167
Non-Operating Revenues		
Investment income	98,390	117,186
Change in Net Position	250,879	340,353
Net Position, Beginning of Year	(643,594)	(983,947)
Net Position, End of Year	\$ (392,715)	\$ (643,594)

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows

Years ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Receipts from membership dues	\$ 1,347,852	\$ 1,306,531
Receipts from commissions	59,626	122,270
Receipts from sponsorships	211,563	130,306
Receipts from trusts	6,481,101	6,271,600
Receipts from grants	477,417	399,068
Other receipts	312,442	81,578
Payments for salaries and benefits	(7,145,237)	(6,500,791)
Payments to vendors	(1,285,628)	(937,961)
Net cash flows from operating activities	459,136	872,601
Cash Flows from Financing Activities		
Disposal of capital assets	-	22,000
Purchase of capital assets	(153,316)	(36,499)
Lease payments	(374,860)	(322,024)
Subscription asset payments	(221,009)	(227,805)
Net cash flows from financing activities	(749,185)	(564,328)
Cash Flows from Investing Activities		
Net receipts for interest	98,390	117,186
Issuance of note receivable to Vermont Community Loan Fund	(250,000)	(250,000)
Maturity of note receivable to Vermont Community Loan Fund	250,000	-
Net cash flows from investing activities	98,390	(132,814)
Net Change in Cash and Cash Equivalents	(191,659)	175,459
Cash and Cash Equivalents, Beginning of Year	2,850,847	2,675,388
Cash and Cash Equivalents, End of Year	<u>\$ 2,659,188</u>	<u>\$ 2,850,847</u>

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows (Continued)

Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash flows from Operating Activities		
Operating income	\$ 152,489	\$ 223,167
Add (deduct) items not affecting cash:		
Depreciation expense - other	82,507	74,287
Amortization expense - office space	229,290	229,290
Amortization expense - subscription	214,120	253,999
Changes in statement of net position accounts:		
Accounts receivable	35,902	(123,416)
Amounts due from trusts	99,522	42,314
Prepaid expenses	(306,085)	(26,195)
Deferred pension amounts	(13,771)	182,012
Accounts payable	34,304	893
Amounts due to trusts	(49,651)	5,774
Accrued payroll	5,006	36,225
Accrued compensated absences	(30,734)	55,622
Deferred revenue	19,402	16,511
Deferred revenue - trusts	(66,785)	(27,026)
Net pension liability	8,375	(210,752)
Deferred pension expenses	<u>45,245</u>	<u>139,896</u>
Net cash flows from operating activities	<u>\$ 459,136</u>	<u>\$ 872,601</u>

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Notes to the Financial Statements

Years ended December 31, 2025 and 2024

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. 102, Certain Risk Disclosures (GASB 102), for the year ended December 31, 2025. GASB 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. A concentration, as defined by GASB 102, is a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. VLCT's disclosures of these matters are included in the risks and uncertainties section below.

Risks and Uncertainties

VLCT's revenue is primarily generated through membership dues from cities and towns, sponsorships, grants and the revenue from the contract with VLCT Employment Resources and Benefits Trust, Inc. (VERB) and VLCT Property and Casualty Intermunicipal Fund, Inc. (PACIF). This reliance on a single geographic area and a limited membership base creates a concentration in its resource inflow. Additionally, VLCT operates under regulations set for nonprofit organizations. These regulatory constraints could potentially affect VLCT's capacity to generate revenue and manage its financial operations. VLCT consistently maintains compliance with all current regulations. While VLCT cannot independently change this framework, it continuously monitors legislative and regulatory developments. These considerations are then integrated into VLCT's financial planning and revenue budgeting processes to mitigate any potential adverse impacts.

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, 2025 and 2024, 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 October 2, 2026, the date that the financial statements were available to be issued.

Membership Dues

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

Trust Contract Revenue

VLCT provides administrative services, office space, and equipment usage to VERB and PACIF, collectively, the Trusts. Revenues are deferred for services or events to take place in subsequent years as more fully described in Notes E and F.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Commission Income

VLCT receives commission income for facilitating the placement of health coverage, dental coverage, vision coverage, group and voluntary life and disability insurance. 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, 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, 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 2025 and 2024, 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 received \$350,417 and \$136,942 during 2025 and 2024, respectively, 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.

Subscription Based Information Technology Arrangements (SBITA)

VLCT has entered into contracts 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.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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 \$13,691 and \$447,284 and subscription liability is \$13,692 and \$449,513 as of December 31, 2025 and 2024, respectively.

Amortization expense was \$214,120 and \$253,999 for 2025 and 2024, 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. These funds in excess of the FDIC insured amount are transferred to a money rate sweep account held at M&T Bank and are not collateralized. Certificate of deposit funds held in excess of the FDIC insured amount are collateralized by a letter of credit with the Federal Home Loan Bank of Pittsburgh for up to \$300,000 by TD Bank, N.A. for the benefit of VLCT. VLCT has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

	2025		2024	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Unsecured and collateralized	319,175	319,175	299,619	299,619
Unsecured and uncollateralized	1,840,013	1,897,255	2,051,228	2,051,950
Total	<u>\$ 2,659,188</u>	<u>\$ 2,716,430</u>	<u>\$ 2,850,847</u>	<u>\$ 2,851,569</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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 receivable matured during 2025. Effective July 9, 2025, VLCT entered into a new note receivable for \$250,000 to the VCLF with maturity on July 15, 2026. The investments earn 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, 2025 and 2024, and VLCT did not write off any amounts during 2025 and 2024.

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.

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 \$165,069 and \$110,021 is included in other revenues as of December 31, 2025 and 2024, respectively.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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, 2025 and 2024:

	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 statement No. 101 *Compensated Absences* (GASB 101), management accrues for earned but unused sick time expected to be taken in the following year. As of December 31, 2025 and 2024, VLCT had accrued annual leave of \$411,070 and \$441,804, 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.

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, 2025 and 2024.

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Classification of Revenues and Expenses

VLCT reports itself as a business-type activity as defined in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Business-type activities are financed in whole or in part by fees charged to external parties and distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of VLCT include member dues, and fees received for providing services and reimbursement from the trusts for administrative services provided. Operating expenses include salaries and benefits, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note C - Capital Assets

Capital asset activity for the year ended December 31, 2025 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets at cost:				
Leasehold improvements	\$ 47,295	\$ -	\$ -	\$ 47,295
Computer equipment	1,650,662	153,316	-	1,803,978
Other equipment	190,874	-	-	190,874
Furniture & fixtures	348,000	-	-	348,000
Vehicles	161,019	-	-	161,019
Total capital assets at cost	2,397,850	153,316	-	2,551,166
Less: accumulated depreciation	(2,263,440)	-	-	(2,263,440)
Less: depreciation expense	-	-	-	(82,507)
Total net capital assets	<u>\$ 134,410</u>	<u>\$ 153,316</u>	<u>\$ -</u>	<u>\$ 205,219</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, 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>

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 future 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, 2025, the right of use asset and lease liability balances were \$195,609 and \$398,724, respectively. As of December 31, 2024, the right of use asset and lease liability balances were \$424,899 and \$773,585, 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. A month to month renewal was agreed upon effective September 1, 2025, ultimately terminating as of December 31, 2025. This was treated as rental income during 2025, in line with VLCT's policy for sublease terms less than 12 months. 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 anything in relation to the additional renewal option during 2024 or 2025 as it was not reasonably certain USPS would exercise the renewal option, as of December 31, 2024 or 2025. 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 \$30,365 and \$30,479, respectively, as of December 31, 2025. 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.

During March 2026, USPS exercised its renewal option extending the lease for a 6 month term from April 2026 through September 2026. The related lease receivable and sublease rental income were recognized during 2026 when renewal became reasonably certain.

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. There was no impairment gain or loss recognized as of December 31, 2025.

VLCT's gross asset balance, accumulated amortization and net asset balance at December 31, 2025 and 2024 for the office lease:

	Net Asset Balance	Accumulated Amortization	Gross Asset Balance
December 31, 2025	\$ 195,609	\$ 2,785,161	\$ 2,980,770
December 31, 2024	\$ 424,899	\$ 2,555,871	\$ 2,980,770

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

	Cash	Interest Expense	Liability Reduction
2026	\$ 404,453	\$ 5,729	\$ 398,724

The VLCT does not have any lease commitments that have not yet commenced as of December 31, 2025.

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, 2025 are \$30,479 and \$30,365, respectively.

Rent income recognized by VLCT on sublease activity during the years ended December 31, 2025 and 2024 totaled \$165,069 and \$110,021, respectively, which included interest income recognized by VLCT on sublease agreements of \$4,660 and \$8,251, respectively.

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, 2025 is as follows:

	VERB	PACIF	Total
Salaries - allocated directly	\$ 95,876	\$ 2,304,024	\$ 2,399,900
Salaries - administration	34,982	1,244,487	1,279,469
Employee benefits - allocated directly	36,058	866,514	902,572
Employee benefits - administration	14,104	506,872	520,976
Office space	10,000	316,961	326,961
Office equipment	8,076	335,010	343,086
Communications	1,912	66,093	68,005
Printing and supplies	184	9,158	9,342
Travel and training	1,548	62,239	63,787
Officers' costs	631	30,926	31,557
Contracted services	3,747	156,711	160,458
Dues and subscriptions	2,091	63,871	65,962
Miscellaneous	2,042	84,307	86,349
Other	84	8,806	8,890
Depreciation	1,878	57,039	58,917
Total trust contracts revenue	<u>\$ 213,213</u>	<u>\$ 6,113,018</u>	<u>\$ 6,326,231</u>

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>

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, 2025:

	VERB	PACIF	Total
Amounts due from trusts	\$ 5,971	\$ 22,050	\$ 28,021
Amounts due to trusts	-	(92,418)	(92,418)
Net amounts due (to) from trusts	<u>\$ 5,971</u>	<u>\$ (70,368)</u>	<u>\$ (64,397)</u>

VLCT's net payable 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 from (to) trusts	<u>\$ -</u>	<u>\$ (14,526)</u>	<u>\$ (14,526)</u>

VLCT has a loss prevention contract with PACIF whereby PACIF subsidizes the cost of the workshops held by VLCT and pays for VLCT's staff to assist with special projects developed in conjunction with PACIF's claims staff. Revenue recognized from this agreement amounted \$105,000 and \$100,000 in 2025 and in 2024.

VLCT purchases unemployment insurance for its employees through VERB. Contributions paid by VLCT to VERB for unemployment insurance amounted to \$10,520 and \$10,980 for the years ended December 31, 2025 and 2024, 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:

	2025	2024
Deferred membership dues	\$ 684,860	\$ 656,180
Deferred revenue - trusts	53,347	120,132
Deferred sponsorship	16,500	25,778
Other deferred revenue	-	-
Total deferred revenue	<u>\$ 754,707</u>	<u>\$ 802,090</u>

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:

	<u>2025</u>	<u>2024</u>
Deferred revenue - trusts, beginning of year	\$ 120,132	\$ 147,158
Add: reimbursement for new assets	-	34,503
Less: remaining depreciation on disposed assets	(40,566)	-
Less: current depreciation	<u>(26,219)</u>	<u>(61,529)</u>
Deferred revenue - trusts, end of year	<u><u>\$ 53,347</u></u>	<u><u>\$ 120,132</u></u>

Note G - Net Position

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

	<u>2025</u>	<u>2024</u>
Capital assets at cost	\$ 2,551,166	\$ 2,405,128
Less: accumulated depreciation	(2,345,947)	(2,270,718)
ROU asset - leases	195,609	424,899
Lease liability	(398,724)	(773,584)
ROU asset - subscriptions	13,691	447,284
Subscriptions liability	(13,692)	(449,514)
Deferred revenue - trusts	<u>(53,347)</u>	<u>(120,132)</u>
Net investment in capital assets	<u><u>\$ (51,244)</u></u>	<u><u>\$ (336,637)</u></u>

There are no restricted uses of net positions as of December 31, 2025 and 2024.

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, 2026 and 2025, and 6.000% contribution by the employer for the plan years ending June 30, 2026 and 2025. 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, 2025, covered payroll was \$536,218 and VLCT's contribution was \$32,173. For the year ended December 31, 2024, covered payroll was \$503,093 and VLCT's contribution was \$30,185. 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 6.625% and 6.375% contribution by the employee for plan years ending June 30, 2026 and 2025, respectively, and a 7.250% and 7.000% contribution by the employer for the plan years ending June 30, 2026 and 2025, 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, 2025 and 2024, the retirement system consisted of 363 and 362 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, 2024 and June 30, 2023.

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, 2026, Plan DB requires a 6.625% contribution by the employee and a 7.250% contribution by the employer for Group B. 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. Contribution rates are anticipated to increase 0.25% a year beginning July 1, 2026 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:

	<u>2025</u>	<u>2024</u>
Contractually required contributions	\$ 296,798	\$ 262,067
Contributions in relation to the contractually required contributions	<u>311,100</u>	<u>283,255</u>
Contribution deficiency (excess)	<u>\$ (14,302)</u>	<u>\$ (21,188)</u>
VLCT's covered payroll	\$ 4,168,844	\$ 4,118,765
Contributions as a percentage of covered payroll	7.46 %	6.87 %

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note H - Benefit Plans (Continued)

Net Pension Liability

For the year ended December 31, 2025, VLCT reported a liability of \$2,650,916 and a pension expense of \$350,931 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, 2025, 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.

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.

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, 2025, VLCT's proportion was 0.79763%, which was a increase of (0.00203) percentage points from its proportion measured as of June 30, 2024. 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.

Deferred Outflows and Inflows of Resources

As of and for the years ended December 31, 2025 and 2024, 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>2025</u>	<u>2024</u>
Difference between expected and actual economic experience	\$ 353,585	\$ 286,194
Changes in assumptions and other inputs	7,139	14,241
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,383	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>65,184</u>
Total allocated deferred pension amounts	365,107	365,619
Contributions paid to Plan DB subsequent to the measurement date	<u>160,953</u>	<u>146,670</u>
Total deferred pension amounts	<u><u>\$ 526,060</u></u>	<u><u>\$ 512,289</u></u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note H - Benefit Plans (Continued)

There were deferred inflows of resources related to the changes in proportion and differences between employer contributions and proportionate share of contributions of \$277,639 and \$232,395 as of December 31, 2025 and 2024, respectively.

The net amounts of VLCT's balances of net deferred outflows of resources as of December 31, 2025 related to pensions will be recognized as pension expense as follows during the years ended December 31:

	Pension Expense Amount
2026	\$ 213,118
2027	(34,964)
2028	(34,406)
2029	<u>(56,280)</u>
Total	<u>\$ 87,468</u>

Actuarial Methods and Assumptions

The total pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024 with update procedures used to roll forward the total pension liability to June 30, 2025.

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.

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, 2025 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 normal cost method
Cost-of-living adjustments to benefits of terminated vested and retired participants:	Assumed to occur at the rate of 1.20% per annum.
Inflation:	2.30%

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note H - Benefit Plans (Continued)

Long-Term Expected Rate of Return

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Passive Global Equities	32.00 %	4.79 %
Private Equity	11.00 %	7.45 %
Private and Alternate Credit	11.00 %	5.70 %
Non-Core Real Estate	4.00 %	5.95 %
Core Fixed Income	19.00 %	2.20 %
Core Real Estate	3.00 %	3.95 %
US TIPS	2.00 %	1.70 %
Infrastructure Farmland	2.00 %	3.70 %
Private Core Infrastructure	4.00 %	4.95 %
US Equity - Large/Med Cap	4.00 %	3.70 %
US Equity - Small Cap	3.00 %	4.45 %
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, 2025 and 2024 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, 2025. 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, 2025:

	<u>1% Rate Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Rate Increase (8.0%)</u>
VLCT's Proportionate Share of the Net Pension Liability:	<u>\$ 4,168,844</u>	<u>\$ 2,650,917</u>	<u>\$ 1,406,452</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 2025, covered payroll under this plan was \$4,849,291 and VLCT's contribution was \$344,300. For the year ended December 31, 2024, covered payroll under this plan was \$4,581,916 and VLCT's contribution was \$325,315.

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 expired on October 31, 2025 with no renewal. The liability is discounted at 4.5%. The liability also includes two other small cloud base software subscriptions. For the years ended December 31, 2025 and 2024, VLCT reported a SBITA right-to-use intangible asset of \$13,691 and \$447,284 and a SBITA liability in the amount of \$13,692 and \$449,513, respectively.

VLCT's future minimum subscription payments, principal, and interest as of December 31, 2025 are as follows:

	Minimum Subscription Payments	Principal	Interest
Years ending December 31:			
2026	\$ 9,583	\$ 8,950	\$ 633
2027	4,792	4,741	51
	<u>\$ 14,375</u>	<u>\$ 13,691</u>	<u>\$ 684</u>

Vermont League of Cities and Towns

Notes to the Financial Statements (Continued)

Note I - Subscription Assets (Continued)

VLCT's subscription asset and related accumulated amortization as of December 31, 2025 are as follows:

	<u>2025</u>	<u>2024</u>
Subscription asset	\$ 431,504	\$ 806,319
Accumulated amortization	<u>(417,813)</u>	<u>(359,035)</u>
Net subscription asset	<u>\$ 13,691</u>	<u>\$ 447,284</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%
2025	0.7976%	\$ 2,650,917	\$ 4,168,844	63.59%	77.15%

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	6.87%
2025	\$ 296,798	\$ 311,081	\$ (14,283)	\$ 4,168,844	7.46%

Other Information

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis (Unaudited)

Year ended December 31, 2025

	Budget	Actual	Over/(Under) Budget
Revenues			
Dues			
Regular members	\$ 1,164,509	\$ 1,164,731	\$ 222
Associate members	161,497	163,719	2,222
Total dues	1,326,006	1,328,450	2,444
Services			
Town fair	39,250	32,736	(6,514)
Sponsorships	169,155	211,563	42,408
Publications	2,500	2,078	(422)
Workshops	82,150	23,614	(58,536)
Professional services	26,470	42,131	15,661
Newsletter advertising	10,000	4,930	(5,070)
Total services	329,525	317,052	(12,473)
Administrative services			
Commission income	50,000	59,626	9,626
Grant	591,333	477,417	(113,916)
Total administrative services	641,333	537,043	(104,290)
Trust reimbursements			
Trust contracts	6,430,527	6,326,231	(104,296)
PACIF loss prevention contract	105,000	105,000	-
Equipment revenue from trusts	72,877	66,784	(6,093)
Trust equity assessment	75,000	-	(75,000)
Total trust reimbursements	6,683,404	6,498,015	(185,389)
Other revenues	173,112	175,711	2,599
Investment income	85,000	98,390	13,390
Total Revenues	<u>\$ 9,238,380</u>	<u>\$ 8,954,661</u>	<u>\$ (283,719)</u>

** 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, 2025

	Budget	Actual	Over/(Under) Budget
Expenses			
Salaries			
Salaries	\$ 5,200,075	\$ 5,018,187	\$ (181,888)
Temp services	-	2,205	2,205
Payroll taxes	98,281	93,711	(4,570)
Total salaries	5,298,356	5,114,103	(184,253)
Employee benefits			
VMERS Plan DB	324,898	350,931	26,033
VMERS Plan DC	31,596	32,173	577
401(a) employer contributions	361,147	344,299	(16,848)
Health insurance	1,237,450	1,241,281	3,831
Dental insurance	24,275	24,156	(119)
Life and disability insurance	41,007	39,987	(1,020)
Unemployment insurance	12,730	10,520	(2,210)
Employee assistance	1,100	1,080	(20)
Benefit plan administration	1,147	828	(319)
Total employee benefits	2,035,350	2,045,255	9,905
Office expenses			
Office space - other	462,916	163,410	(299,506)
Office space - interest	-	17,813	17,813
Amortization expense - office	-	229,290	229,290
Property taxes	24,200	28,813	4,613
Total office expenses	487,116	439,326	(47,790)
Equipment expenses			
Equipment maintenance/lease	2,000	985	(1,015)
Non-capital equipment purchases	22,000	6,600	(15,400)
Copier contracts	1,620	1,930	310
Software purchases	3,000	8,078	5,078
Software maintenance	408,432	120,640	(287,792)
Amortization expense - subscription	-	221,009	221,009
Subscription - interest	-	13,122	13,122
Total equipment expenses	437,052	372,364	(64,688)

Vermont League of Cities and Towns

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

Year ended December 31, 2025

	Budget	Actual	Over/(Under) Budget
Expenses			
Communications			
Postage	30,000	17,690	(12,310)
Postage meter rental	1,000	1,840	840
Job printing	10,000	31,283	21,283
Telecommunications	44,968	44,539	(429)
Total communications	85,968	95,352	9,384
Printing and supplies			
Paper purchases	1,000	-	(1,000)
Supplies	5,000	4,901	(99)
Program supplies	3,500	781	(2,719)
Building supplies	2,000	1,105	(895)
Coffee/water supplies	900	1,348	448
Total printing and supplies	12,400	8,135	(4,265)
Travel and training			
Vehicle expense	21,350	8,118	(13,232)
Staff travel/training	75,965	71,453	(4,512)
Member outreach	7,650	16,797	9,147
Total travel and training	104,965	96,368	(8,597)
Officers' expenses			
Board costs	38,400	25,923	(12,477)
President's stipend	1,800	1,800	-
Total officers' expenses	40,200	27,723	(12,477)
Contracted services			
Auditing and accounting	43,000	52,267	9,267
Bank services	21,885	26,417	4,532
Legal services	2,500	3,108	608
Consultants	275,000	73,912	(201,088)
Recruiting	76,000	34,589	(41,411)
Total contracted services	418,385	190,293	(228,092)
Dues and subscriptions			
National League of Cities	19,373	18,529	(844)
Professional associations	76,555	89,456	12,901
Total dues and subscriptions	95,928	107,985	12,057

Vermont League of Cities and Towns

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

Year ended December 31, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
Expenses			
Services			
Town fair	110,000	89,698	(20,302)
Workshops	10,800	20,329	9,529
Administrative	<u>9,000</u>	<u>10,644</u>	<u>1,644</u>
Total services	129,800	120,671	(9,129)
Miscellaneous			
Miscellaneous	4,000	3,700	(300)
Depreciation expense - other	<u>75,053</u>	<u>82,507</u>	<u>7,454</u>
Total miscellaneous	<u>79,053</u>	<u>86,207</u>	<u>7,154</u>
Total Expenses	<u>9,224,573</u>	<u>8,703,782</u>	<u>(520,791)</u>
Change in Net Position	<u>\$ 13,807</u>	<u>\$ 250,879</u>	<u>\$ 237,072</u>

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