JohnsonLambert LLP
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Vermont League of Cities and Towns

Audited Financial Statements
with Required Supplementary Information
and Other Information

Years ended December 31, 2022 and 2021 (restated)
with Report of Independent Auditors

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Other Information

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Contents

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, 2022 and 2021 (restated), and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended (restated in 2021), 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, 2022 and 2021 (restated), and the results of its operations and its cash flows for the years then ended (restated in 2021) in accordance with accounting principles generally accepted in the United States of America.

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

Adoption of New Accounting Standard and Adjustments to Prior Year Financial Statements
As discussed in Note A to the financial statements, effective January 1, 2022, VLCT adopted Governmental Accounting Standards Board (GASB) Accounting Standards Update No. 87, *Leases* (GASB 87). VLCT has restated its 2021 financial statements during the current year in relation to the adoption of GASB 87. Our opinion is not modified with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VLCT's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VLCT's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 - 14 and the Schedule of Employer Pension Information on page 41 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 43 - 46 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.

Johnson Lambert LLP

Williston, Vermont
September 25, 2023
Vermont firm registration: 092-0000267

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2022 and 2021 (restated)

Management of the Vermont League of Cities and Towns (VLCT) presents the following overview and analysis of its financial operations for the year ended December 31, 2022, 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 2022 by $893,648, of which $307,914 was invested in capital assets, net of related debt, leaving an accumulated deficit of $585,734 as unrestricted net position. This compares with a net position deficit of $862,508 at December 31, 2021, of which $267,393 was invested in capital assets, net of related debt, leaving an accumulated deficit of $595,115 as unrestricted net position. The decrease in the unrestricted net position deficit at the end of 2022 amounted to $9,381, which is mainly a result of recording VLCT's share of the net pension liability from the Vermont Municipal Employees Retirement System (VMERS) defined benefit (DB) pension plan offset by an increase in sponsorship and Trust contracts revenue.

- The 2021 financials were restated due the required adoption of GASB statement number 87 for leases, which was applied retroactively to 2021. VLCT leases its office space at City Center in Montpelier and the adoption of GASB 87 resulted in a $570,019 downward adjustment to the opening net position balance at the beginning of 2021 and an upward adjustment in 2021 of $29,632. This was due to the required methodology of recording the lease liability and right-of-use (ROU) asset as of 2021 for the City Center lease that spans from 2014 through 2026.

- Debt related to capital assets includes the nondepreciated balance of all capital assets paid for by the Trusts at the time the assets were purchased, a total of $119,827 as of December 31, 2022, compared to $175,837 at December 31, 2021. 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.

Highlights (Continued)

- Net position decreased $31,140 from an operating deficit realized during the year ended December 31, 2022. This was due to an adjustment of $208,355 to the VMERS DB pension expense to account for VLCT's share of the net pension liability. By comparison, the pension adjustment in 2021 was $69,489. Offsetting the pension adjustment expense in 2022 was an increase in several revenue streams, most notably sponsorship revenue and trust contracts revenue.

Total revenue in 2022 is $824,184 higher than in 2021 primarily due to higher sponsorships, professional services, and trust revenue. The Business Alliance Program generated $117,953 more sponsorship revenue than 2021, while professional services revenues were up $111,994 from new financial consulting and additional recruitment consulting work for members. Trust revenue is up $550,497 due to VLCT assessments for equity work and technology improvements as well as an increase in the cost of the administrative services for the trusts. In 2021, total revenue was $151,890 higher than in 2020 primarily due to an increase in trust agreement revenue to fund a new position (claim attorney for PACIF).

As of December 31, 2022, total expenses were $970,898 higher than the prior year and exceeded budget by $87,929 largely due to the GASB 68 pension adjustment which is not budgeted. Total expenses in 2021 exceeded prior year by $9,730 and exceeded budget by $125,741, both due to the GASB 68 pension adjustment which is not budgeted.

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

Overview of the Financial Statements (Continued)

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.

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

Overview of the Financial Statements (Continued)

These statements present VLCT's status as of December 31, 2022 and 2021 and financial developments during the years ended December 31, 2022 and 2021 for all cost centers combined.

The Statements of Net Position present the economic position of VLCT, showing the assets owned by VLCT and how those assets are financed: by debt or short-term obligations, or by net position (VLCT's equity). The Statements of 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.

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.

Results and Analysis

The following table summarizes the Statements of Net Position:

	December 31, 2022	December 31, 2021 (restated)	Percentage Change	December 31, 2020	Percentage Change
Assets					
Current assets	$ 2,475,763	$ 2,164,710	14.4 %	$ 1,874,131	15.5 %
ROU assets - leases (net)	917,160	1,146,450	(20.0)%	-	100.0 %
Capital assets	298,837	449,002	(33.4)%	520,736	(13.8)%
Total Assets	3,691,760	3,760,162	(1.8)%	2,394,867	57.0 %
Deferred Outflows of Resources					
Deferred pension amounts	904,328	583,387	55.0 %	878,482	(33.6)%
Liabilities					
Current payables and accruals	520,628	447,336	16.4 %	158,996	181.4 %
Current deferred revenue	706,869	708,753	(1.4)%	651,142	8.8 %
Accrued compensated absences	261,432	212,674	22.9 %	240,888	(11.7)%
Non-current liabilities	3,863,752	2,933,858	31.7 %	2,516,386	16.6 %
Total Liabilities	5,352,681	4,302,621	24.4 %	3,567,412	20.6 %
Deferred Inflow of Resources					
Deferred pension expenses	137,055	903,436	(84.8)%	101,830	787.2 %
Net Position, End of Year	$ (893,648)	$ (862,508)	(3.6)%	$ (395,893)	117.9 %

Total assets as of December 31, 2022 were $3,691,760, down from $3,760,162 as of December 31, 2021. This decrease of $68,402 or 1.8% is due to an increase in cash from operations offset by a decrease in the Right-of-Use (ROU) lease asset and capital assets. Deferred outflows of pension amounts (the future value of contributions paid after the June 30th reporting date of the actuarial report) increased by $320,941 or 55% due primarily to the difference between projected and actual investments earnings.

In 2021, total assets increased by $1,365,295 or 57% primarily due to the required, retro-effective adoption of GASB 87 related to the main office lease, which restated 2021 recording both a ROU asset and a lease liability. The lease liability was larger than the ROU asset resulting in a decrease in net position of $540,558 at December 31, 2021. Partially offsetting this restatement, 2021 saw an increase in cash from operations and a decrease in capital assets. Deferred outflows of pension amounts decreased by $295,095, or 34% due to the forecasted VMERS rate increases.

Results and Analysis (Continued)

As of December 31, 2022, total liabilities increased by $1,050,060 or 24.4% due to the increase in the net pension liability of $1,295,677 that was partially offset by a decrease in the lease liability of $282,924. VLCT's proportionate share of VMERS DB liability was $2,705,624 with $904,328 in deferred outflows of resources and $137,055 in deferred inflows of resources. The VMERS DB total pension expense for 2022 of $445,885 is the estimated expense inclusive of VLCT's share of the pension fund's unfunded liability.

In 2021, total liabilities increased by $735,209 or 20.6% from 2020 primarily due to the GASB 87 lease restatement offset by a decrease in the net pension liability.

Net position decreased by $466,615 for the year ended December 31, 2021 as a result of the GASB 87 downward restatement of $570,190 offset by $103,575 from operations during the year. The operating surplus was primarily from American Rescue Plan Act (ARPA) grant revenue, commission and sponsorship revenue combined with a decrease in depreciation expense and a reduction in the VMERS DB pension expense from $336,734 to $69,489, offset by an increase in salaries and other expenses related to the grants.

Vermont League of Cities and Towns

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2022 and 2021 (restated)

Results and Analysis (Continued)

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

	December 31, 2022	December 31, 2021 (restated)	Percentage Change	December 31, 2020	Percentage Change
Operating Revenues					
Member dues	$ 1,190,697	$ 1,178,471	1.0 %	$ 1,159,165	1.7 %
Services	245,872	119,976	104.9 %	88,408	35.7 %
Trusts	5,583,870	5,010,654	11.4 %	5,264,827	(4.8)%
Commission income	125,600	95,003	32.2 %	-	- %
Sponsorships	166,902	48,949	241.0 %	-	- %
Other revenue	258,733	294,437	(12.1)%	100,658	192.5 %
Total operating revenues	7,571,674	6,747,490	12.2 %	6,613,058	2.0 %
Operating Expenses					
Combined cost centers	7,466,236	6,474,581	15.3 %	6,535,650	(0.9)%
Capital costs	150,165	170,922	(12.1)%	230,694	(25.9)%
Total operating expenses	7,616,401	6,645,503	14.6 %	6,766,344	(1.8)%
Operating gain (loss)	(44,727)	101,987	(161.8)%	(153,286)	166.5 %
Non-Operating Revenues	13,587	1,588	755.6 %	6,388	(75.1)%
Change in Net Position	(31,140)	103,575	(130.1)%	(146,898)	170.5 %
Net Position, Beginning of Year	(862,508)	(395,893)	117.9 %	(248,995)	59.0 %
GASB 87 adoption		(570,190)			
Net Position, End of Year	$ (893,648)	$ (862,508)	(3.6)%	$ (395,893)	(117.9)%

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 43 - 46 for the year ended December 31, 2022:

	Budget	Actual	Percentage Over (Under) Budget
Operating Revenues			
Member dues	$ 1,179,547	$ 1,190,697	0.9 %
Services	256,500	412,774	60.9 %
Trusts	5,635,648	5,583,870	(0.9)%
Commissions	106,500	125,600	17.9 %
Other revenue	237,000	258,733	9.2 %
Total operating revenues	7,415,195	7,571,674	2.1 %
Operating Expenses			
Combined cost centers **	7,302,553	7,236,946	(0.9)%
Capital costs	225,918	379,455	68.0 %
Total operating expenses	7,528,471	7,616,401	1.2 %
Operating loss	(113,276)	(44,727)	(60.5)%
Non-Operating Revenues	15,000	13,587	(9.4)%
Change in Net Position	$ (98,276)	$ (31,140)	

** 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 deficit of $31,140. Operating revenues increased by $824,184 or 12.2% from the prior year and were higher than budgeted by $156,479 or 2.1%. Operating expenses increased by $970,898 or 14.6% from prior year and were higher than budgeted by $87,930 or 1.2%.

During the year ended December 31, 2021, VLCT had an operating surplus of $103,575. Operating revenues were up 2%, a total of $134,434 from the prior year and higher than budgeted by 2.7% or $180,493. Operating expenses were down from the prior year by 1.3% or $91,209 and higher than budgeted by 1.5% or $102,133.

Results and Analysis (Continued)

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

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

In 2021, the decline in total expenses was primarily due to the GASB 68 pension expense adjustment falling by $257,324. This was offset by increases in health insurance expense, staff travel, and contracted services expenses for diversity, equity, and inclusion training as well as a new lockbox payment processing service.

Revenues increased 2% in 2021 as a result of new grant revenue and the transfer of commission income related to the Hickock and Boardman HBRIQ program from the VERB trust to VLCT. This was offset by lower trust reimbursements due to staff turnover.

Other notable variances of 2022 revenues and expenses from budget or changes from the prior year include:

- Office expenses were under budget as a result of GASB 87 adoption. This caused a recategorization of a portion of office expense as amortization.

- Equipment was under budget by $39,301 or 9.8%. Copier and printer usage was significantly lower than expected and software maintenance for the general ledger software and payroll system was under budget.

- Contracted services were under budget mainly due to lower consulting spend than anticipated for DEI work. Other consulting projects included TIF consulting work that was partially offset by member reimbursements as well as ARPA consulting, which was provided by the MAC Finance Specialist with revenue recorded under professional services.

Results and Analysis (Continued)

- Salaries expense was ahead of budget by 6.6% due mostly to new positions that were not budgeted but were paid for with additional revenues. The MAC Finance Specialist was funded by professional services revenue, the FFA Coordinator by a new grant, while the Event Coordinator was an early replacement for a retiring communications staff person. The accrual for unused vacation and holiday time also contributed to the overage, which increased $48,897 from 2021 and was not budgeted. Benefits are up in line with salaries.

Outlook and Economic Factors

VLCT continued to provide its members with valued services in 2022, and is on strong financial and organizational footings to continue doing so for the foreseeable future. The 2022 VLCT Member Survey Report indicated that 95 percent of respondents were satisfied with the value of their VLCT membership. More than 80 percent described the value as excellent or very good. This measure is supported by the fact that VLCT retained all 246 members in 2022, and even expanded with the creation of a new city – the City of Essex Junction – to 247 full members. Our 144 associate members remained steady also, demonstrating a continued reliance on VLCT for knowledge, connection and pooled services.

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

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

The organization has adopted annual workplans to operationalize those goals and a three-year justice, diversity, equity, inclusion and belonging plan that overlays over the entire organization. These plans will help VLCT remain relevant, direct investment, and expand offerings to municipal officials. Examples of these plans in action during 2022 include launching a new Information Technology toolkit to help municipalities navigate procuring managed IT services, offering the first cohort of the Welcoming and Engaging Communities Cohort aimed at providing a diversity, equity and inclusion lens to municipal governance, and establishing the Federal Funding Assistance Program to help municipalities access federal funding.

Outlook and Economic Factors (Continued)

Embedded in nearly every goal, objective and tactic undertaken by VLCT is an underlying commitment to increase efficiencies, increase services, and increase and diversify revenues. VLCT's new association management system has enabled the organization to have a better picture of member interactions and a central record for every member contact. VLCT's Business Alliance Program has enabled the organization to engage with the private sector throughout the year and increase non-dues revenues. Staff have continued to seek out new grants to provide members services inline with the strategic vision, including state funding through the state's newly established Municipal Technical Assistance Program. Each new initiative has demonstrated to the membership that the organization is responsive to their needs and willing to invest time, energy and money to serve them.

VLCT remains a cohesive organization, governed by its members through an active board and affiliated boards of our risk pools. The staff, all 54 individuals, remain the most valuable assets of the organization. As such, VLCT invests in the workforce by providing generous benefits, dedicated resources for professional development, and a flexible workplace. Despite the workforce issues in and around Vermont, VLCT has retained a super majority of its team, and when openings have occurred, there have not been significant issues filling vacancies.

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

Requests for Information

This financial report is designed to provide a general overview of the Vermont League of Cities and Towns' finances for all those with an interest in the League's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer at the Vermont League of Cities and Towns, 89 Main Street, Suite 4, Montpelier, Vermont, 05602-2948, or by calling 802-229-9111.

Vermont League of Cities and Towns

Statements of Net Position

As of December 31, 2022 and 2021 (restated)

	2022	2021 (restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 2,279,866	$ 2,018,107
Accounts receivable	171,552	111,881
Amounts due from trusts	2,862	4,735
Prepaid expenses	21,483	29,987
Total current assets	2,475,763	2,164,710
Non-Current Assets		
Capital assets (net of accumulated depreciation)	298,837	449,002
ROU assets - leases (net of accumulated amortization)	917,160	1,146,450
Total non-current assets	1,215,997	1,595,452
Total Assets	3,691,760	3,760,162
Deferred Outflows of Resources		
Deferred pension amounts	904,328	583,387
Total Deferred Outflows of Resources	904,328	583,387
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	97,745	70,450
Amounts due to trusts	13,267	-
Accrued payroll	101,141	93,962
Accrued compensated absences	261,432	212,674
Deferred revenue	649,561	652,743
Deferred revenue - trusts	57,308	56,010
Lease liability	308,475	282,924
Total current liabilities	1,488,929	1,368,763
Non-Current Liabilities		
Deferred revenue - trusts	62,519	119,827
Net pension liability	2,705,624	1,409,947
Lease liability	1,095,609	1,404,084
Total non-current liabilities	3,863,752	2,933,858
Total Liabilities	5,352,681	4,302,621
Deferred Inflow of Resources		
Deferred pension expenses	137,055	903,436
Total Deferred Inflow of Resources	137,055	903,436
Net Position		
Net investment in capital assets	(307,914)	(267,393)
Unrestricted	(585,734)	(595,115)
Total Net Position	$ (893,648)	$ (862,508)

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, 2022 and 2021 (restated)

	2022	2021 (restated)
Operating Revenues		
Dues - regular	$ 1,055,969	$ 1,049,133
Dues - associate	134,728	129,338
Commission income	125,600	95,001
Sponsorships	166,902	48,949
Town fair	22,360	11,684
Publications	2,443	9,099
Workshops	39,197	23,577
Professional services	174,642	62,648
Administrative services	1,319	14,000
Newsletter advertising	7,230	12,968
Trust contracts	5,472,860	4,922,363
PACIF loss prevention contract	55,000	55,000
Equipment revenue from trusts	56,010	33,291
Grants	250,000	275,000
Other revenues	7,414	5,439
Total operating revenues	7,571,674	6,747,490
Operating Expenses		
Salaries	4,360,004	3,902,238
Employee benefits	1,624,518	1,422,568
Office space - other	174,697	155,438
Office space - interest	76,428	89,963
Office equipment	363,760	336,571
Communications	102,462	104,322
Printing and supplies	3,855	6,132
Travel and training	53,439	33,324
Officers' costs	26,863	21,620
Contracted services	221,408	103,300
Dues and subscriptions	137,771	47,648
Town fair	71,807	8,657
Workshops	203	-
Administrative services	11,433	11,391
Amortization - office space	229,290	229,290
Depreciation - other	150,165	170,922
Other expenses	8,298	2,119
Total operating expenses	7,616,401	6,645,503
Operating (loss) income	(44,727)	101,987
Non-Operating Revenues		
Investment income	13,587	1,588
Change in Net Position	(31,140)	103,575
Net Position, Beginning of Year	(862,508)	(395,893)
GASB 87 adoption - see Note B	-	(570,190)
Net Position, End of Year	$ (893,648)	$ (862,508)

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows

Years ended December 31, 2022 and 2021 (restated)

	2022	2021 (restated)
Cash Flows from Operating Activities		
Receipts from membership dues	$ 1,187,515	$ 1,225,168
Receipts from commissions	125,600	95,001
Receipts from sponsorships	166,902	48,949
Receipts from trusts	5,543,000	5,124,156
Receipts from grants	251,319	275,000
Other receipts	194,574	157,501
Payments for salaries and benefits	(5,720,230)	(5,257,747)
Payments to vendors	(1,217,584)	(786,117)
Net cash flows from operating activities	531,096	881,911
Cash Flows from Financing Activities		
Purchase of capital assets	-	(99,188)
Lease payments	(282,924)	(258,922)
Payments on line of credit	-	(7,055)
Net cash flows from financing activities	(282,924)	(365,165)
Cash Flows from Investing Activities		
Net receipts for interest	13,587	1,588
Net Change in Cash and Cash Equivalents	261,759	518,334
Cash and Cash Equivalents, Beginning of Year	2,018,107	1,499,773
Cash and Cash Equivalents, End of Year	$ 2,279,866	$ 2,018,107

See accompanying notes to the financial statements.

Vermont League of Cities and Towns

Statements of Cash Flows (Continued)

Years ended December 31, 2022 and 2021 (restated)

	2022	2021 (restated)
Reconciliation of Operating Income (Loss) to Net Cash flows from Operating Activities		
Operating (loss) income	$ (44,727)	$ 101,987
Add (deduct) items not affecting cash:		
Depreciation expense - other	150,165	170,922
Amortization expense - office space	229,290	229,290
Changes in statement of net position accounts:		
Accounts receivable	(59,671)	18,086
Amounts due from trusts	1,873	55,101
Prepaid expenses	8,504	154,568
Deferred pension amounts	(320,941)	295,095
Accounts payable	27,295	(20,200)
Amounts due to trusts	13,267	(168)
Accrued payroll	7,179	25,784
Accrued compensated absences	48,758	(28,214)
Deferred revenue	(3,182)	46,697
Deferred revenue - trusts	(56,010)	58,569
Net pension liability	1,295,677	(1,027,212)
Deferred pension expenses	(766,381)	801,606
Net cash provided by operating activities	$ 531,096	$ 881,911

See accompanying notes to the financial statements.

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.

Note B - Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Standard
VLCT adopted GASB Statement No. 87, *Leases* (GASB 87) effective January 1, 2022. Among other requirements, lessees such as VLCT are required to recognize the following for its leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right of use asset, which is an intangible asset that represents the lessee's right to use, or control the use of a specified asset for the lease term. On adoption, the Company applied the guidance retrospective by restating the prior year financial statements. An opening balance adjustment to net position of ($570,019) was recorded on January 1, 2021 and an adjustment of $29,632 was recorded for the year ended December 31, 2021 through the statements of revenues, expenses and changes in net position.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. As of December 31, 2022 and 2021, significant estimates included in these financial statements primarily relate to the net pension liability (including the discount rate used and other assumptions) and the related deferred inflows and outflows of resources, as more fully described in Note H.

Subsequent Events
VLCT has evaluated the financial statements for subsequent events through September 25, 2023, the date that the financial statements were available to be issued.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation. These changes had no effect on net position as of December 31, 2021 or change in net position for the year then ended, except for the adoption of GASB 87 as described above.

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

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

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 effective January 1, 2021. Prior to this date, this service was provided through VERB.

Grants
VLCT was awarded a grant from the State of Vermont's Agency of Commerce and Community Development, Department of Housing and Community Development for $650,000 with an award start date of May 1, 2021 and end date of April 30, 2024. This grant is to support municipal and regional planning and related activities (ARPA Municipal Coordination and assistance program). VLCT received $200,000 and $225,000 during 2022 and 2021, respectively, which was recognized in income. VLCT was also awarded a grant from the State of Vermont's Agency of Commerce and Community Development, Department of Housing and Community Development for $250,000 with an award start date of July 1, 2022 and end date of July 1, 2023. This grant is to support municipal and regional planning and related activities through the Federal Funding Assistance Program (FFA). VLCT received $50,000 during 2022, which was recognized in income. In 2021, VLCT received and recognized a $50,000 grant from the Vermont Community Foundation to support the increase in resources and understanding for Vermont communities around equity, inclusion, and racial justice through VLCT's work plan and equity committee priorities. Grants are recognized based on the award agreements requirements.

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.

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents
VLCT's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturity of 3 months or less. Cash and cash equivalents are held at M&T Bank. VLCT's investment in a certificate of deposit is held at TD Bank, N.A. with a maturity date of three months. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. VLCT holds funds in excess of the FDIC insured amount. Effective in December 2022, these funds in excess of the FDIC insured amount were transferred to a money rate sweep account held at M&T Bank and are not collateralized. Prior to December 23, 2022, these funds were collateralized by U.S. government securities held by M&T Bank's trust department, with a security interest granted to VLCT. As of December 31, 2022, the certificate of deposit funds held in excess of the FDIC insured amount are collateralized by a letter of credit with the Federal Home Loan Bank of Pittsburgh for up to $300,000 by TD Bank, N.A. for the benefit of VLCT. VLCT has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

	2022		2021	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	$ 500,000	$ 500,000	$ 250,000	$ 250,000
Unsecured and collateralized	253,880	253,880	1,767,807	1,551,054
Unsecured and uncollateralized	1,525,986	1,552,451	-	-
Petty cash	-	-	300	-
Total	$ 2,279,866	$ 2,306,331	$ 2,018,107	$ 1,801,054

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.

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, 2022 and 2021, and VLCT did not write off any amounts during 2022 and 2021.

Note B - Summary of Significant Accounting Policies (Continued)

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

Capital Assets
Capital asset acquisitions greater than $5,000 are capitalized at cost. Capital assets are depreciated or amortized using the straight-line basis over their estimated useful lives. The estimated useful lives of capital assets are as follows for the years ended December 31, 2022 and 2021:

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

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

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.

Note B - Summary of Significant Accounting Policies (Continued)

Net Position
Unrestricted net position represents resources that have met all applicable restrictions and are considered to be available for unrestricted use. Net positions are classified based upon any restrictions that have been placed on those balances. Restrictions of net positions represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract or other binding agreement. There are no restrictions on net position as of December 31, 2022 and 2021.

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, 2022 is as follows:

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

Note C - Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets at cost:				
Leasehold improvements	$ 47,295	$ -	$ -	$ 47,295
Computer equipment	1,551,474	99,188	-	1,650,662
Other equipment	190,874	-	-	190,874
Furniture & fixtures	348,000	-	-	348,000
Vehicles	151,723	-	-	151,723
Total capital assets at cost	2,289,366	99,188	-	2,388,554
Less: accumulated depreciation	(1,768,630)	-	-	(1,768,630)
Less: depreciation expense	-	-	-	(170,922)
Total net capital assets	$ 520,736	$ 99,188	$ -	$ 449,002

Note D - Leases

Leases

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

In accordance with GASB 87, VLCT recognized a right of use asset and lease liability upon adoption of GASB 87. As of December 31, 2022, the right of use asset and lease liability balances were $917,160 and $1,404,084, respectively. As of December 31, 2021 (restated), the right of use asset and lease liability balances were $1,146,450 and $1,687,008, respectively.

The Company's gross asset balance, accumulated amortization and net asset balance at December 31, 2022 and 2021 (restated) for the office lease:

	Net Asset Balance	Accumulated Amortization	Gross Asset Balance
December 31, 2022	$ 917,160	$ 2,063,610	$ 2,980,770
December 31, 2021	$ 1,146,450	$ 1,834,320	$ 2,980,770

Note D - Leases (Continued)

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

	Cash	Interest Expense	Liability Reduction
2023	$ 370,132	$ 61,656	$ 308,476
2024	$ 381,236	$ 59,212	$ 322,024
2025	$ 392,673	$ 17,813	$ 374,860
2026	$ 404,453	$ 5,728	$ 398,725

The VLCT does not have any lease commitments that have not yet commenced as of December 31, 2022.

Note E - Affiliated Organizations and Related Party Transactions

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

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

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

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.

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

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

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

The final allocation to the trusts by expense category for the year ended December 31, 2021 is as follows:

	VERB	PACIF	Total
Salaries - allocated directly	$ 84,878	$ 1,756,120	$ 1,840,998
Salaries - administration	27,317	928,740	956,057
Employee benefits - allocated directly	39,827	699,809	739,636
Employee benefits - administration	9,669	292,502	302,171
Office space	13,247	400,733	413,980
Office equipment	10,610	320,960	331,570
Communications	1,450	43,847	45,297
Printing and supplies	1,171	35,427	36,598
Travel and training	818	24,754	25,572
Officers' costs	975	29,485	30,460
Contracted services	1,378	41,694	43,072
Dues and subscriptions	1,243	37,597	38,840
Miscellaneous	1,180	35,695	36,875
Other	2,600	78,637	81,237
Total trust contracts revenue	$ 196,363	$ 4,726,000	$ 4,922,363

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

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

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

VLCT's net payable from the trusts consists of the following as of December 31, 2021:

	VERB	PACIF	Total
Amounts due from trusts	$ -	$ 4,735	$ 4,735
Amounts due to trusts	-	-	-
Net amounts due from (to) trusts	$ -	$ 4,735	$ 4,735

VLCT has a loss prevention contract with PACIF whereby PACIF subsidizes the cost of the workshops held by VLCT and pays for VLCT's staff to assist with special projects developed in conjunction with PACIF's claims staff. Revenue recognized from this agreement amounted to $55,000 in both 2022 and 2021.

VLCT purchases unemployment insurance for its employees through VERB. Contributions paid by VLCT to VERB for unemployment insurance amounted to $11,432 and $11,625 for the years ended December 31, 2022 and 2021, 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:

	2022	2021
Deferred membership dues	$ 603,956	$ 586,583
Deferred revenue - trusts	119,827	175,837
Deferred sponsorship	45,605	62,665
Other deferred revenue	-	3,495
Total deferred revenue	$ 769,388	$ 828,580

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.

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:

	2022	2021
Deferred revenue - trusts, beginning of year	$ 175,837	$ 117,268
Add: reimbursement for new assets	-	91,860
Less: current depreciation	(56,010)	(33,291)
Deferred revenue - trusts, end of year	$ 119,827	$ 175,837

Note G - Net Position

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

	2022	2021 (restated)
Capital assets at cost	$ 2,390,332	$ 2,388,554
Less: accumulated depreciation	(2,091,495)	(1,939,552)
ROU asset - leases	917,160	1,146,450
Lease liability	(1,404,084)	(1,687,008)
Deferred revenue - trusts	(119,827)	(175,837)
Net investment in capital assets	$ (307,914)	$ (267,393)

There are no restricted uses of net positions as of December 31, 2022 and 2021 (restated).

Note H - Benefit Plans

VMERS Defined Contribution Plan
VLCT participates in the VMERS defined contribution plan (Plan DC). Plan DC requires a 5% contribution by the employee for plan years ending June 30, 2023 and 2022, and a 5.125% contribution by the employer for the plan years ending June 30, 2023 and 2022. 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, 2022, covered payroll was $460,320 and VLCT's contribution was $23,592. For the year ended December 31, 2021, covered payroll was $226,151 and VLCT's contribution was $11,592.

VMERS Defined Benefit Plan
Plan Description
VLCT also participates in the VMERS defined benefit plan (Plan DB). Plan DB requires a 5.875% and 5.625% contribution by the employee for plan years ending June 30, 2023 and 2022, respectively, and a 6.500% and 6.250% contribution by the employer for the plan years ending June 30, 2023 and 2022, 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, 2022 and 2021, the retirement system consisted of 359 and 352 participating employers, respectively.

The general administration and responsibility for formulating administrative policy and procedures of VMERS for its members and their beneficiaries is vested in the Board of Trustees, which consists of five members. They are 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. A Board Member of VERB is on VMERS' Board of Trustees.

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.

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.

Note H - Benefit Plans (Continued)

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

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

Contributions
Title 24, VSA Chapter 125 of the Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to 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, 2022, Plan DB requires a 5.875% contribution by the employee and a 6.500% contribution by the employer for Group B. For the plan year ended June 30, 2021, Plan DB requires a 5.625% contribution by the employee and a 6.250% contribution by the employer for Group B.

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:

	2022	2021
Contractually required contributions	$ 223,139	$ 212,984
Contributions in relation to the contractually required contributions	237,538	217,002
Contribution deficiency (excess)	$ (14,399)	$ (4,018)
VLCT's covered payroll	$ 3,724,416	$ 3,543,954
Contributions as a percentage of covered payroll	6.38 %	4.77 %

Note H - Benefit Plans (Continued)

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

As of and for the year ended December 31, 2021, VLCT reported a liability of $1,409,947 and a pension expense of $286,488 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, 2021, 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, 2022, VLCT's proportion was 0.89185%, which was a decrease of 0.06610 percentage points from its proportion measured as of June 30, 2021. At June 30, 2021, VLCT's proportion was 0.95795%, which was a decrease of 0.00545 percentage points from its proportion measured as of June 30, 2020.

Deferred Outflows and Inflows of Resources
As of and for the years ended December 31, 2022 and 2021, VLCT reported its proportionate share of Plan DB's deferred outflows of resources related to pensions from the following sources:

Sources of Deferred Outflows of Resources	2022	2021
Difference between expected and actual economic experience	$ 203,194	$ 262,789
Changes in assumptions and other inputs	138,324	222,863
Net difference between projected and actual earnings on plan investments	439,259	-
Total allocated deferred pension amounts	780,777	485,652
Contributions paid to Plan DB subsequent to the measurement date	123,551	97,735
Total deferred pension amounts	$ 904,328	$ 583,387

Note H - Benefit Plans (Continued)

There were deferred outflows of resources related to differences between expected and actual experience of $203,194, a change in assumptions of $138,324 and a difference between projected and actual earnings of $439,259 as of December 31, 2022. There were deferred inflows of resources related to the changes in proportion and differences between employer contributions and proportionate share of contributions of $137,055.

The net amounts of VLCT's balances of net deferred outflows of resources as of December 31, 2022 related to pensions will be recognized as pension expense as follows during the years ended December 31:

	Pension Expense Amount
2023	$ 198,937
2024	153,027
2025	40,400
2026	251,357
Total	$ 643,721

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

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 with update procedures used to roll forward the total pension liability to June 30, 2021.

Note H - Benefit Plans (Continued)

The significant assumptions and methods used in the actuarial valuation for the June 30, 2022 measurement period are as follows:

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

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Passive Global Equities	24.00 %	4.30 %
Active Global Equities	5.00 %	4.30 %
US Equity - Large Cap	4.00 %	3.25 %
US Equity - Small/Med Cap	3.00 %	3.75 %
Non US Developed US Equities	7.00 %	5.00 %
Private Equity	10.00 %	6.50 %
Emerging Market Debt	4.00 %	3.50 %
Private and Alternate Credit	10.00 %	4.75 %
Non-Core Real Estate	4.00 %	6.00 %
Core Fixed Income	19.00 %	- %
Core Real Estate	3.00 %	3.50 %
US TIPS	3.00 %	(0.50)%
Infrastructure Farmland	4.00 %	4.25 %
Total	100.00 %	

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

Note H - Benefit Plans (Continued)

Discount Rate
The discount rate used to measure the total pension liability as of June 30, 2022 and 2021 was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2023. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate Sensitivity Analysis
The following presents VLCT's proportionate share of the net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate at June 30, 2022:

	1% Rate Decrease (6.0%)	Current Discount Rate (7.0%)	1% Rate Increase (8.0%)
VLCT's Proportionate Share of the Net Pension Liability:	$ 4,054,257	$ 2,705,623	$ 1,596,315

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

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 2022, covered payroll under this plan was $4,142,259 and VLCT's contribution was $294,101. For the year ended December 31, 2021, covered payroll under this plan was $0 and VLCT's contribution was $261,184. For the year ended December 31, 2020, covered payroll under this plan was $3,681,366 and VLCT's contribution was $20,570.

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.

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%

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%

Other Information

Vermont League of Cities and Towns

Statement of Revenues and Expenses - Budgetary Basis (Unaudited)

Year ended December 31, 2022

	Budget	Actual	Over/(Under) Budget
Revenues			
Dues			
Regular members	$ 1,055,881	$ 1,055,969	$ 88
Associate members	123,666	134,728	11,062
Total dues	1,179,547	1,190,697	11,150
Services			
Town fair	107,350	22,360	(84,990)
Publications	5,000	2,443	(2,557)
Workshops	50,460	39,197	(11,263)
Professional services	85,690	174,642	88,952
Newsletter advertising	8,000	7,230	(770)
Sponsorships	-	166,902	166,902
Total services	256,500	412,774	156,274
Administrative services			
Commission income	106,500	125,600	19,100
Administrative contracts	2,000	1,319	(681)
Grant	200,000	250,000	50,000
Total administrative services	308,500	376,919	68,419
Trust reimbursements			
Trust contracts	5,486,128	5,472,860	(13,268)
PACIF loss prevention contract	55,000	55,000	-
Equipment revenue from trusts	94,520	56,010	(38,510)
Total trust reimbursements	5,635,648	5,583,870	(51,778)
Other revenues	35,000	7,414	(27,586)
Investment income	15,000	13,587	(1,413)
Total Revenues	$ 7,430,195	$ 7,585,261	$ 155,066

** 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, 2022

	Budget	Actual	Over/(Under) Budget
Expenses			
Salaries			
Salaries	$ 4,029,430	$ 4,295,266	$ 265,836
Temp services	3,000	1,545	(1,455)
Payroll taxes	58,427	63,193	4,766
Total salaries	4,090,857	4,360,004	269,147
Employee benefits			
VMERS Plan DB	237,105	445,885	208,780
VMERS Plan DC	11,137	23,592	12,455
401(a) employer contributions	278,447	294,101	15,654
Health insurance	776,102	778,293	2,191
Long-term care insurance	7,762	8,310	548
Dental insurance	20,993	21,625	632
Life and disability insurance	40,694	35,680	(5,014)
Unemployment insurance	12,000	11,432	(568)
Employee assistance	1,080	1,080	-
Benefit plan administration	1,527	4,520	2,993
Total employee benefits	1,386,847	1,624,518	237,671
Office expenses			
Office space - other	547,541	174,697	(372,844)
Office space - interest	-	76,428	76,428
Amortization expense - office	-	229,290	229,290
Total office expenses	547,541	480,415	(67,126)
Equipment expenses			
Equipment maintenance/lease	5,560	2,151	(3,409)
Non-capital equipment purchases	10,206	23,390	13,184
Equipment interest expense	420	-	(420)
Copier contracts	25,200	5,045	(20,155)
Software maintenance	355,049	324,293	(30,756)
Software purchases	6,626	8,881	2,255
Total equipment expenses	403,061	363,760	(39,301)

Vermont League of Cities and Towns

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

Year ended December 31, 2022

	Budget	Actual	Over/(Under) Budget
Expenses			
Communications			
Postage	36,000	22,377	(13,623)
Postage meter rental	1,000	962	(38)
Job printing	48,825	37,736	(11,089)
Telecommunications	61,600	41,387	(20,213)
Total communications	147,425	102,462	(44,963)
Printing and supplies			
Paper purchases	7,000	639	(6,361)
Supplies	5,000	1,592	(3,408)
Program supplies	3,500	85	(3,415)
Building supplies	2,000	674	(1,326)
Coffee/water supplies	2,000	865	(1,135)
Total printing and supplies	19,500	3,855	(15,645)
Travel and training			
Vehicle expense	19,150	12,583	(6,567)
Staff travel/training	48,650	29,613	(19,037)
Member outreach	7,400	11,243	3,843
Total travel and training	75,200	53,439	(21,761)
Officers' expenses			
Board costs	43,250	26,863	(16,387)
President's stipend	1,800	-	(1,800)
Total officers' expenses	45,050	26,863	(18,187)
Contracted services			
Auditing and accounting	23,000	26,560	3,560
Bank services	15,000	10,731	(4,269)
Legal services	2,500	1,166	(1,334)
Consultants	297,000	165,536	(131,464)
Recruiting	5,000	17,415	12,415
Total contracted services	342,500	221,408	(121,092)
Dues and subscriptions			
National League of Cities	18,261	-	(18,261)
Professional associations	119,312	137,771	18,459
Total dues and subscriptions	137,573	137,771	198

Vermont League of Cities and Towns

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

Year ended December 31, 2022

	Budget	Actual	Over/(Under) Budget
Expenses			
Services			
Town fair	74,200	71,807	(2,393)
Workshops	13,500	203	(13,297)
Administrative	16,500	11,433	(5,067)
Total services	104,200	83,443	(20,757)
Miscellaneous			
Miscellaneous	2,800	8,298	5,498
Depreciation expense - other	225,918	150,165	(75,753)
Total miscellaneous	228,718	158,463	(70,255)
Total Expenses	7,528,472	7,616,401	87,929
Change in Net Position	$ (98,277)	$ (31,140)	$ 67,137

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