

Board of Directors
Vermont League of Cities and Towns

In planning and performing our audit of the financial statements of Vermont League of Cities and Towns ("VLCT") as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of VLCT's internal control. Accordingly, we do not express an opinion on the effectiveness of VLCT's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During the course of our audit work, we had the opportunity to observe the operations of VLCT in some detail. We submit the following comments to you, which are not considered to be material weaknesses, but represent areas in which internal controls could be strengthened.

The following control deficiencies were noted during the course of our audit:

Financial statement process:

- Currently the financial statements are reviewed by multiple individuals utilizing a "top-down" approach; however there isn't a detailed review performed in the finance department. A detailed review provides evidence that all accounts reported in the financial statements are accurate and supported by proper documentation. We recommend that management perform a detailed review of the financial statements and retain documentation substantiating this review.

Staff Response: Management reviews the monthly financial statements and analysis summary and emails final approval. With increased staffing in the finance department, Staff will continue to enhance this month end reconciliation process and will create additional documentation to clearly identify significant areas of review and cross checking to work papers. Finance also plans to meet quarterly with the department heads to review their budget vs. actual reports.

Fixed Assets:

- JLCO recommends that management conduct a more thorough review of their fixed asset schedule. Currently, VLCT's fixed asset schedule is maintained in Excel and is susceptible to manual and calculation errors. During our audit, we noticed there were columns being incorrectly calculated and certain assets were not properly shown as additions/retirements. We also noted that retired assets did not report proper retirement dates. A more thorough review or the use of a different method to track fixed assets (i.e. software) could streamline this process and make it more efficient. This control deficiency resulted in an adjustment that management has elected to pass on recording until 2011. JLCO. also notes that VLCT's current capitalization threshold is \$1,000, above which asset purchases are depreciated. Management could consider increasing this threshold to alleviate the administrative burden of recording and depreciating relatively small assets.

Staff Response: The finance staff will review the current asset/depreciation schedules and assess the value of enhancing the current system vs. setting up a new process. Ultimately, Finance will process entries and reconciliation's quarterly instead of annually. Staff will also review the current capitalization threshold and determine if an increase to \$5,000 is more appropriate.

This communication is intended solely for the information and use of the Board of Directors management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Lambert & Co. LLP

Burlington, Vermont
May 25, 2011