

Board of Directors
Vermont League of Cities and Towns

We have audited the financial statements of Vermont League of Cities and Towns ("VLCT") as of and for the year ended December 31, 2010, and have issued our report thereon dated May 25, 2011. The auditor is responsible for forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The auditor is also responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Auditing standards generally accepted in the United States do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

Consistent with our professional standards, the policy of our firm and our commitment to keep the lines of communication open with you, Management, and our audit team, we would like to share with you the following:

Significant Accounting Policies and Their Application

Management is responsible for the selection and use of appropriate accounting policies. As is the case with virtually all organizations, VLCT has available alternative accounting principles from which to choose. The significant accounting policies followed by VLCT are summarized in Note B of the financial statements.

The accounting policies selected and applied by VLCT are appropriate under the circumstances and are consistent with those used by similar organizations. The application of existing policies was not changed during 2010 and we noted no transactions entered into by VLCT during the year for which there is a lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by Management and are based upon Management's current judgments. Such estimates and assumptions could change in the future as more information becomes known, which could impact future periods.

The most sensitive estimates affecting the financial statements included determination of estimated useful lives and cost allocations to the three insurance trusts.

Significant Difficulties in Performing the Audit

We are responsible for discussing with those charged with governance any significant difficulties encountered in dealing with Management related to the performance of the audit. No significant difficulties were encountered in performing the audit.

Management Representations and Uncorrected Misstatements

We have requested certain representations from Management that are included in the management representation letter dated May 25, 2011. We have included the management representation letter as an exhibit to this document.

We are not aware of any misstatements left uncorrected in the financial statements.

Disagreements with Management, Including Matters Discussed and Resolved

We are responsible for discussing with those charged with governance any disagreements with Management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to VLCT's financial statements or the auditor's report. There were no disagreements with Management.

Audit Adjustments

During 2010, VLCT passed on one adjustment. Management will take appropriate steps to properly account for the adjustment in 2011.

An adjustment was proposed to properly account for the claims system which was recorded as a fixed asset in 2010 but was not placed in service until 2011. This also had an effect on the recognition of deferred revenue from PACIF, a related organization. VLCT passed on the following adjustment:

Accumulated depreciation - computer equipment	\$46,974	
Depreciation expense		\$46,974
PACIF Equipment Reimbursement	\$46,974	
Deferred Income - PACIF Equipment	\$46,974	

The adjustment had no effect on net assets or net loss as of December 31, 2010.

Management's Consultations with Other Accountants

Relative to the 2010 audit, we are not aware of consultations with other accountants regarding audit or accounting issues.

Other Matters

As reported in the internal control communication letter which is required by Statement of Auditing Standard No. 115 (SAS 115), we noted no material weaknesses in internal control. We did identify certain recommendations with respect to VLCT's systems of control which have been communicated to Management, and summarized in an attachment to the internal control communication.

Significant Issues Discussed, or Subject to Correspondence with Management

We are responsible for communicating with those charged with governance any significant issues that were discussed or were the subject of correspondence with Management.

No significant issues were discussed that are not addressed herein.

Financial Statements Included in a Client-Prepared Document

We are responsible for reading any client prepared document that contains the audited financial statements, such as an annual report. We are not aware of any client-prepared document that will contain the audited financial statements. Please advise us in advance should you decide or intend to include the audited financial statements in a client prepared document.

Independence

Johnson Lambert & Co. LLP is independent with respect to VLCT in accordance with the applicable independence rules.

This letter is intended solely for the information and use of the Board of Directors and Management of VLCT and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation and courtesies extended to us by Management. Should you wish additional clarification of these or any other matters please do not hesitate to contact us.

Johnson Lambert & Co. LLP

Burlington, Vermont
May 25, 2011



**VERMONT LEAGUE
OF CITIES & TOWNS**

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May 25, 2011

**Johnson Lambert & Co. LLP
Burlington, Vermont**

We are providing this letter in connection with your audit of the financial statements of Vermont League of Cities and Towns (VLCT) as of December 31, 2010 and 2009 and for the years then ended. We understand that your audit is conducted for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the statements of net assets and the related statements of revenues, expenses and changes in net assets and cash flows in conformity with Accounting Principles Generally Accepted in the United States promulgated by the Governmental Accounting Standards Board (GASB), as applied to governmental entities. We confirm that we are responsible for the fair presentation of these statements in conformity with accounting principles generally accepted in the United States and for the presentation of the supplementary information in accordance with the applicable criteria.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States, as applied to Governmental entities and we believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria.
2. We have made available to you all -
 - a. Financial records and related data.
 - b. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

Sponsor of:

VLCT Health Trust, Inc

VLCT Municipal Assistance
Center

VLCT Property and Casualty
Intermunicipal Fund, Inc.

VLCT Unemployment
Insurance Trust, Inc.

3. There has been no communication from federal or state regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. There was one passed adjustment, see exhibit A that did not result in an effect on net assets.
5. We are not aware of any misstatements within the financial statements that have been identified by Johnson Lambert & Co. LLP which remain uncorrected.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, federal and state agencies and regulators, service providers, or others.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions and related amounts receivable or payable including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b. Guarantees, whether written or oral, under which the company is contingently liable.
 - c. All significant estimates and material concentrations known to management which are to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which could significantly disrupt normal finances within the next year.
11. There are no -
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, *Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

12. VLCT has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. Net asset components (unrestricted and investment in capital assets, net of related debt) and designations are properly classified and, if applicable, approved by the Board of Directors.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. There are no side agreements to any contracts, oral and/or written, of which we are aware.
16. The methods of measurement or presentation of required supplementary information and supplementary information are in accordance with the applicable regulatory requirements and there have been no changes about any significant assumptions or interpretation underlying the measurement or presentation of the required supplementary information and supplementary information.
17. There are no control deficiencies in the design or operation of internal control over financial reporting, which could adversely affect VLCT's ability to record, process, summarize, and report financial data, and we have identified no significant deficiencies or material weaknesses in internal control over financial reporting. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*.
18. The allocation of costs in the financial statements, presented on a functional basis is consistent and reasonable.
19. VLCT has no liabilities for obligations related to Postemployment Benefit Plans Other Than Pension Plans as of December 31, 2010.
20. VLCT is exempt from the payment of income taxes under Section 115 of the Internal Revenue code. Management has reviewed VLCT's income activity and has concluded that VLCT has properly maintained their exempt status.
21. We have no reason to believe that there is any doubt regarding VLCT's ability to operate as a going concern. It is our understanding that management continues to plan to utilize VLCT and has no plans to cease operations.

To the best of our knowledge and belief, we represent that VLCT has evaluated subsequent events through the date the financial statements are available to be issued (the date of this letter) and no events have occurred subsequent to the statement of net assets date that would require

adjustment to, or disclosure in the aforementioned financial statements as of the date of this letter that have not been included in the financial statements.

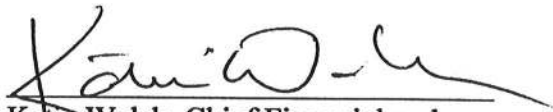
Sincerely,



Sanford Miller, President



Steve Jeffery, Executive Director,
Vermont League of Cities and Towns



Katie Walsh, Chief Financial and
Administrative Officer, Vermont League of
Cities and Towns

Exhibit A

Schedule of Unrecorded Audit Differences

<u>Account</u>	<u>Debit</u>	<u>Credit</u>	<u>P&L Effect</u>	<u>Surplus Effect</u>
Accumulated depreciation – computer equipment Depreciation expense	\$46,974	\$46,974	\$46,974	\$46,974
PACIF equipment reimbursement Deferred income – PACIF equipment	\$46,974	\$46,974	\$(46,974)	\$(46,974)