



Proven Expertise and Integrity

February 6, 2012

Board of Directors
South Burlington School District
550 Dorset Street
South Burlington, Vermont 05403

MANAGEMENT LETTER

In planning and performing the Audit of the South Burlington School District for the year ended June 30, 2011, we considered the District's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the South Burlington School District's internal control over financial reporting or compliance.

During our audit we became aware of several matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating procedures of the South Burlington School District. The following pages summarize our comments and suggestions on those matters and are in addition to the more significant issues addressed in the following reports included in South Burlington School District.

- Report of Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2011, where we expressed an unqualified opinion on our independent auditors' report dated October 28, 2011.

Bank Reconciliations:

While performing the audit for the above mentioned year end, it was noticed that the bank reconciliations were not being initialed or dated. For future reference, all reconciliation should be initialed and dated to determine who prepares the reconciliation, who reviews the reconciliation and dates when these reconciliations were performed.

South Burlington Management Response – For our major accounts (operating, payroll, retirement, etc.), our Staff Accountant does the reconciliations on a timely basis, and our Fiscal Manager reviews and initials them. In the future, she will also indicate the date they are reviewed.

For student activity accounts and other accounts administered at the individual schools, we have changed the process so that all accounts are monitored and reconciled by the Business Office, rather than at these end sites. These accounts have been moved to the Merchants Bank, our current depository, and have updated signature cards approved by the City Treasurer. In the future, we will sign and date them as they are reviewed.

Grant Tracker:

While performing the audit for the above mentioned year end, it was noticed that the District's fiscal software to track grants, (Grant Tracker) did not balance to the District's general ledger used to produce internal financial reports. The problem this creates is when we audit the individual grants of the "Grant Tracker" reports, these do not balance to the audited internal trail balances we use to reference to the District's financial statements. It appears that some set up issues were not finished when the District initially set up its internal general ledger. We recommend that the District review this matter and make adjustments in set up to rectify this.

South Burlington Management Response – The district is in the process of making the necessary changes and is working with our software vendor to make this work. The issue is that, while the information for balance sheet accounts is posted on the general ledger, it has not been posted correctly to the grant tracking software. This is in the process of being adjusted now and will be working as prescribed for the start of the 2013 fiscal year. This will save considerable time for the auditor to review in future periods.

Unfunded Pension Obligation:

While performing the audit for the above mentioned year end, it was noticed that the District has an unfunded pension obligation approximating \$2,900,000. We recommend the District review this obligation with its professional actuaries, and establish a written plan approved by the Board of Directors to fund this obligation.

South Burlington Management Response – This is being addressed on several fronts. The School Board increased the district pension contribution in the proposed FY 2013 budget by 25% (\$150,000) as the starting point to cover this. In addition, the district is working on setting up a defined contribution plan as an option for new employees. The Superintendent of Schools has directed the Business Manager to put together a 20 year financial plan to cover this pension liability, as well as to maximize our capital bond utilization and identify future financing needs.

We would like to thank John, Amadee, Sue and all of the staff at the District for all of their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

Ron

Ron H.R. Smith, C.P.A.