



Proven Expertise and Integrity

September 29, 2017

School Board
Waitsfield School District
340 Mad River Park, Suite 7
Waitsfield, VT 05673

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waitsfield School District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the School Districts' 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 Waitsfield School Districts' internal control over financial reporting or compliance.

During our audit, we became aware of matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating efficiencies of the Waitsfield School District. The following pages summarize our comments and suggestions on those matters.

This report is intended solely for the information and use of the School Board, 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, 2017, where we expressed an unmodified opinion on our independent auditors' report dated September 29, 2017.

Bank Reconciliations:

While performing the audit for the above referenced year end, it was noted that bank reconciliations were not prepared in a timely manner. There were several bank reconciliations that were completed two to three months after the month to be reconciled ended. Also, no written indications existed to support that these reconciliations were reviewed. It is recommended that bank accounts be reconciled and reviewed monthly to ensure any discrepancies are identified and resolved in a timely manner. Additionally, the preparer and reviewer should initial and date each reconciliation as evidence to support the date each task was completed. This will ensure that material controls exist around bank reconciliations at the District.

Timeliness of Deposits:

While performing our test work for the above referenced year end, it was noted that deposit logs are not utilized and deposit forms are signed by personnel at the School District as well as two employees at the Supervisory Union when cash is brought to the Supervisory Union from the School District. At this time, the transaction is posted internally to the School District's financial records. We recommend all monies collected be deposited within a reasonable time frame, usually daily, but if not practical, not less than weekly.

Health Insurance Liability:

During audit fieldwork, it was noted that there was no documented reconciliation of the health insurance liability, listing all individuals covered under the plan, the amount withheld from both employees and employers, respectively, in comparison to the health insurance liability recorded on the general ledger. It is recommended that a health insurance liability reconciliation be documented and performed monthly, identifying and resolving any noted discrepancies in a timely manner to mitigate the risk of material misstatement of financial information and improve internal controls.

Fund Balance Policy:

Discussion with the management revealed that there is no documented fund balance policy, presenting the desired carryover or fund balance. It is recommended that the School District develop a fund balance policy to meet their everyday needs. The policy should consist of a general fund balance policy which will include what the District would maintain as undesignated fund balance, and then a reserve fund balance policy which would take into consideration all aspects of School District reserves, including but not limited to, capital (by department), debt service, special ordinances, special request of the community, and other designations to meet the everyday and long-term needs of the School District. The policy should be consistent with 16 V.S.A. § 567, which deals with unexpended funds for School Districts. This policy should then be given to the School Board for approval.

Deficit Fund Balances:

At June 30, 2017 the 6th Grade Boston Trip, the PTO Play Director, the Bridge Street Art Fair, the 5th Grade Boston Science Museum all had deficit fund balances of \$2,125, \$116, \$290, and \$31, respectively. The School District should follow best practices to avoid overspending, which results in fund balance deficits.

Purchase Orders:

While performing the audit for the fiscal year noted above, we noted that thirteen purchases orders were dated after the invoices and products had already been received. Also, one invoice was paid after the due date. Management should review its current purchase order system and make adjustments where necessary. If this practice continues, we may recommend to management to that these purchase orders be labeled “accounts payable approval vouchers”.

I-9s:

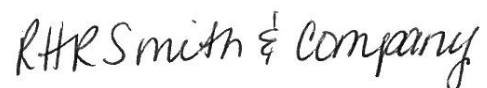
While performing the audit for the fiscal year noted above, we noted that seven Form I-9s were not filled out completely. Federal law requires I-9s be kept on file for all employees. All employees should fill out an I-9 form, certified by the Supervisory Union, prior to being hired. Form I-9s are not considered confidential and may be subject to regulatory inspection. In addition, we recommend that periodic reviews of individual personnel files are completed and updated by management to confirm that all payroll is compliant with federal guidelines.

Employment Contracts:

While performing the audit for the fiscal year noted above, we noted that seven employment contracts had not been signed by the employee. It is recommended that employee contracts be completed for all employees. In addition, we recommend that periodic reviews of individual personnel files are completed and updated by management to confirm that all payroll documentation exists and is complete.

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

Very Best,

A handwritten signature in cursive script that reads "RHR Smith & Company".

RHR Smith & Company, CPAs