

EMERALD LAKE VILLAGE DISTRICT

Management Letter

For the Year Ended December 31, 2008

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To the Board of Commissioners
Emerald Lake Village District
Hillsboro, New Hampshire

In planning and performing our audit of the financial statements of the Emerald Lake Village District, Hillsboro, New Hampshire, as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Emerald Lake Village District's internal accounting 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 an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies considered to be material weaknesses.

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

However, during our audit we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

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

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
July 28, 2009

We would like to commend the District for implementing most of the prior year management letter recommendations, and for the noted improvement in the condition of the accounting records.

CURRENT YEAR RECOMMENDATION:

1. Summary of Recommendations

The following summarizes areas where improvements could be made. These issues are discussed briefly, however, we are available to discuss in more detail, if requested.

- Document invoice approvals - All vendor invoices should document the initials of a responsible party who approved the bill for payment.
- Document stipends in minutes - At least annually, the minutes of the Commissioner meetings should document the approved stipend amounts for all paid individuals.
- Consider water meters - The District should consider installing water meters so customer charges could be based on actual usage instead of a fixed amount.
- Cut off bank statements at month end - All bank statements should cut off at month end in order to streamline the monthly bank reconciliation process.
- Standardize journal entries - All general ledger adjusting journal entries should be consecutively numbered, and filed in a three-ring binder, along with supporting documentation.
- Secure check stock - All unused check stock should be secured in a locked cabinet.
- Require supporting invoices - Vendor disbursements should be processed only if an approved vendor invoice is present. We noted one situation in our sample test of 25 disbursements that was lacking a supporting vendor invoice.