

EMERALD LAKE VILLAGE DISTRICT

Management Letter

For the Year Ended December 31, 2011

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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, 2011, 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.

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.

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

Additional Offices:

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

This communication is intended solely for the information and use of management, Board of Commissioners, and 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
August 3, 2012

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

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 stipends in minutes - At least annually, the minutes of the Commissioner meetings should document the approved stipend amounts for all paid individuals.
- Standardize journal entries - All general ledger adjusting journal entries should be consecutively numbered, and filed in a three-ring binder, along with supporting documentation.
- Include debt payments on manifest – Currently debt payments are made by wire transfer and are not included in the formal manifest approved by the Board of Commissioners. We recommend all disbursements, including wire transfers be included in formal manifests. This will improve documented oversight and control.
- Document preparation and approval of cash reconciliations – Because of the small size of the Organization, it is difficult to maintain an adequate segregation of duties. To compensate the District has two employees involved in the monthly bank reconciliations. We recommend both employees sign the monthly reconciliations to improve the documented oversight of this critical internal control procedure.