

May 21, 2011

To the Members of the Board of Commissioners  
Village District of Eidelweiss  
Madison, NH

Dear Members of the Board:

On Wednesday, May 18, 2011, I visited the office of the Village District of Eidelweiss in order to gain an understanding of the Village District's policies and procedures and determine the feasibility of performing an audit of the Village District's financial statements as of and for the year ended December 31, 2010. While there, I inquired about and went over procedures with the District Administrator and the Chairman of the Board of Commissioners, and also took a cursory look at the trial balance per the Quickbooks system as of December 31, 2010.

My observations and inquiries revealed the following. During the year 2010, there were not adequate policies and controls in place to give me great confidence in the financial statements. The Village District has been diligently working on implementing new policies in 2011, but standard policies to address such things as cash disbursements, purchasing, payroll, capital assets, and investments to name a few, had not been adopted and followed in 2010. Therefore documentation to test transactions in these areas may be difficult to locate.

In addition, my initial look at the trial balance as of December 31, 2010 revealed several errors and omissions in the financial records. For example, there was no receivable booked for water rents billed, but not yet collected; nor were any of the Village District's capital assets recorded. Discussions with the Village District personnel indicated that there were no records of the capital assets valued at historical cost as required by generally accepted accounting principles for governments.

In addition, I reviewed the trial balance as of the end of March 2011 and compared the cash balances reported thereon to the treasurer's report for that period. At that time, I noted that there were amounts on the balance sheet that were obviously incorrect. I was able to suggest an adjusting entry to the Administrator to remove some of the misposted amounts and bring the fund balance closer to where it should be.

At this point, the chairman of the Board of Commissioners asked me to give my thoughts on an audit of the financial statements as of and for the year ended December 31, 2010. My feeling is that there would be quite a bit of work to be done by District personnel or someone independent from us to complete the financial statements and bring them into a condition to be audited. There obviously would be an independence issue if we were to complete them although we certainly could give advice and guidance as to what would need to be done. However, as the year 2011 is almost half gone and the

steps to complete the financial statements for 2010 would be time-consuming, and I realize that the Village District does have budgetary concerns, I am not sure that completing the financial statements for 2010 would be the best use of the Village District's resources of both time and money.

I would, therefore, recommend that the District work at completing and getting documentation ready for the year 2011, and plan for an audit of its financial statements at that time. Some of my recommendations would be to complete and adopt a policy on capital assets describing what assets will be capitalized, and then to complete an inventory of all such assets valued at historical cost, or in the case of donated assets, at fair value on the date received; complete and adopt an investment policy to give guidance to the treasurer on the aggressiveness and level of risk with which District funds should be invested; establish formal policies on how payroll transactions are to be recorded into the Quickbooks system; and to continue with the other policies that the District has been working on in 2011. If you would like to discuss any of this matter further, please do not hesitate to contact me.

Sincerely yours,

Tamar M. J. M. Roberts, CPA

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