

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
April 1, 2014**

Listed below are the procedures and findings of the Chamberland and Company (C&Co) and the associated responses and actions of the Pascoag Reservoir Dam Management District Board of Directors (District).

C&Co Procedure 1: Review the two prior years of bank statements to test the mathematical accuracy of the beginning cash balances.

C&Co Comments: Several interim errors were noted which caused cash balances to be temporarily off during the period. All errors were caused by the use of over lapping "Account History" reports from the bank rather than a period ended bank statement. It is recommended that actual bank statements be printed or downloaded each period and kept on file. Checkbook balances should be reconciled to these statements at the end of each month to avoid overlapping data. The opening cash balance ended up being correct.

District Response & Action:

No Action Required by the District

C&Co Procedure 2: Reconcile PRDMD deposits and checks with Citizens Bank account statements for each of the 12 months in the period.

C&Co Comments: All deposits, checks and other debits were reconciled from the Bank to the general ledger. No discrepancies.

District Response & Action:

No Action Required by the District

C&Co Procedure 3: Perform a proof cash verifying the total deposits recorded by Citizens Bank to the actual revenue recorded in the general ledger. Compare the revenues in the general ledger to the budgeted revenues. Note and discuss any exceptions.

C&Co Comments: Actual Revenue was \$350 less than Budgeted Revenue. Conversations with Kevin Menard indicate that revenue maybe being budgeted for lots that cannot be collected on, including the lots under the lake and the lot that the dam itself is on. It is recommended that only collectible money be budgeted and that all budgeted monies be invoiced so that these two numbers can be reconciled in the future. Otherwise, Citizens deposits reconciled with general ledger revenues.

District Response & Action:

When crafting the annual budget, the Board will build the budgeted income will be based on the actual number of properties within the confines of the District less the 2 parcels under the lake and the parcel containing the dam. This will result in the District's ability to reconcile annual income with budgeted income and general ledger revenues.

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C&Co Procedure 4: Agree the year end balances in the Citizens checking account and Citizens Money Market account to the general ledger.

C&Co Comments: The Citizens Money Market Account agrees to the general ledger at July 31, 2013. The Citizens checking account agrees to the general ledger on July 31, 2013. However, the balance reported to The Board of Directors in the year-end financial report was understated by \$50.00.

District Response & Action:

The year-end financial report will be modified to reflect the balance in the general ledger and will agree with the balances in the Citizens Money Market Account and Checking Account.

Note: The \$50.00 was a prepaid fee by Susan Babin 2264/005-10 for year 2013-2014.

C&Co Procedure 5: Review the invoicing process and ensure controls exists for invoicing all members and uncollected amounts (if any) are properly recorded.

C&Co Comments: As described in Procedure #3, some invoices were not sent because certain lots are not expected to contribute. From now on budgeted and active invoices should match and be reconciled when invoices are sent.

District Response & Action:

See Item 3 above

C&Co Procedure 6: Examine all entries for checks written.

C&Co Comments: All invoices were reviewed and traced to the general ledger for the 12 month period ending July 31, 2013. All classifications of expenses seem proper, and all check info matched the general ledger and the invoice, when an invoice was present. It is recommended that when expenses are reimbursed to members/officers that besides the Board approval (which was present) that the invoice also be submitted.

District Response & Action:

The Board and Treasurer will ensure all invoices are submitted and retained for all expenses and reimbursements.

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C&Co Procedure 7: Review disbursement procedures to ensure controls exist for expenditure review.

C&Co Comments: It was discussed with Kevin Menard that a dollar limit should be determined for single signature withdrawals and checks. For withdrawals and checks over that dollar amount, two signatures should be required. Other procedures including Board approval seem adequate.

District Response & Action:

All checks greater than three thousand dollars (\$3,000.00) shall require two signatures. Any combination of Treasurer, President, and Secretary are authorized to sign checks requiring two signatures.

All checks below the above designated amount can be issued with a single signature of the Treasurer.

The President, Secretary and Treasurer have the authority to log into the Citizens account on a monthly basis and review activity. The Treasurer will download and maintain monthly bank statements electronically. Statements will be made available for review at board meetings.

C&Co Procedure 8: Compare financial reports submitted to the Board of Directors to the general ledger for accuracy.

C&Co Comments: The general ledger was kept on a calendar year rather than the August 1-July 31 fiscal year that the PRDMA has adapted. That, along with a recurring closing entry made on May 31 each year in error, required the ending general ledger balances to have to be reconstructed each year. As a result, minor errors were reflected in the report to the Board Members. After discussion with the bookkeeper it was agreed that the books will be kept on a fiscal year basis going forward and the recurring May closing entry would be investigated and eliminated. This will provide a way to proof the reports submitted to the Board. It is also recommended that the report be modified to present the balance sheet of the Organization along with the statement of income and expenses and the equity reconciliation that is currently presented. Also, for the sake of clarification, the legal fund and the uncollectable fund should be renamed and presented in a way that reflects that they are restricted Capital Funds, that are a part of the general fund.

District Response & Action:

The Treasurer will maintain the books on a fiscal year basis, August 1 – July 31. The recurring May closing entry has been eliminated.

The Treasurer has modified the report to present the balance sheet of the Organization along with the statement of income and expenses and the equity reconciliation that is currently presented.

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The Treasurer has renamed the legal fund and the uncollectable fund in a way that reflects that they are restricted Capital Funds, which are a part of the general fund.

Approved by the Pascoag Dam Management District on (date).



David Almeida, Secretary



Kevin P. Menard, President