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**Scott McIntyre
Partner for Dover at Melanson & Heath
102 Perimeter Road
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Dear Mr. McIntyre:

I am a private citizen and taxpayer in Dover and I, along with several friends ,have some questions regarding your review and audit of fiscal year 2008. We would like you to come back for a 2 hour session within the next month to provide further information on your audit. We would like to have a public session recorded on our TV Channel 22.

A few of my questions include:

- 1. Your opinion and that of the Auditing community regarding the length of time the same audit firm should remain on the job? How many years has Melanson been on the Dover Audit?**
- 2. What specific areas did you audit and can you please provide me with the check list you followed for the various items you audited at Dover?**
- 3. . It is my understanding that you did a sampling of between 300 and 350 items for review. May I please have a copy of that list?**
- 4. What was the percentage of failure rate in the tests you made of those items?**
- 5. On page 136 of your report there is shown a \$ 1.5 million surplus, and I would like clarification of where this money has gone. The prior year there was a surplus of 2.2 million and where did that money go?**
- 6. What kind of audit did you perform on payroll disbursements in 2008? Was your audit of payroll 2008 disbursements similar to the audit you performed for payroll for the years 2006 and 2007? I ,along with many of my friends want to know what prevented our outside auditors from identifying a problem with the unusual and large disbursements made to Fenniman and Finance Director Jeff Harrington.**
- 7. Did your audit include review of overrun payments on construction projects. The city spent about \$170,000 in overruns on the Indian Brook change order and it would be useful to have an independent review of that situation.**

8. Is it normal audit practice to review the expense accounts of some employees?

These are just a few examples of some of the questions being raised? I hope you will be able to provide us with a 2 hour session within the next month so I have a basis for understanding more fully the budget process for the coming year which begins shortly.

**Sincerely Yours,
E. J. Bleiler 604 742 7042**

investors would have put that same \$1. There are some ways we may want the government to spend money—on national defense, say—but that doesn't mean it's a stimulus.

A similar analysis applies to the tax cuts

strategy will make the difference. But if spring and then summer arrive, and the economy is still in recession, Americans are going to start asking what they bought for that \$355 billion.

States of Distress

When Detroit's auto makers begged for a federal bailout last month, Congress demanded that their CEOs make changes to their operating model in return for a check from Uncle Sam. If only Congress would demand the same from the state and local politicians now seeking \$200 billion from federal taxpayers.

President Obama has announced that a big check to state governments is part of his stimulus spending plan in order to "save the public sector jobs of teachers, police officers, firefighters, and others who provide vital services." But the states aren't innocent victims. Their revenues have collapsed of late, but the main reason so many states are broke today is because lawmakers thought the days of living well would last forever.

The state spending binge of the last five years has been almost unprecedented in American history. (See nearby chart.) Since 1998 state and local budgets have nearly doubled to \$2 trillion, according to the Census Bureau. State and local expenditures

rose 34% from 2003-2007 compared to inflation of 19% and population growth of 5%. They also loaded up on debt, which doubled to \$2.23 trillion in 2008 from \$1.14 trillion a decade earlier. This doesn't include nearly \$1.5 trillion in unfunded health and pension liabilities.

The states with the biggest deficits tend to be the most profligate. California has by far the biggest gap—\$40 billion—thanks in part to a 40% increase in spending over the last five years. Arizona, Florida and Nevada also have deficits of roughly 20% of their operating budget; each of these states allowed their expenditures to grow by more than 50% faster than the average state budget over the last decade.

New York politicians are confronting an estimated \$12 billion deficit. But New York's government has annual outlays that are \$1,000 a year more per family than in the average state. New York would have a \$5 billion surplus if it simply cut its spending to the

**Our local politicians
want \$200 billion
without any shaping up.**

50-state norm. New Jersey has added some 58,000 employees to its public payrolls since 2001. For every new private sector job in the state, Trenton has added about 15, according to the U.S. Department of Labor.

A federal bailout for these distressed states means redistributing income to these big spenders from the most fiscally responsible states. Federal aid also creates a disconnect between the people who pay for the local services and those who benefit from them. Under Mr. Obama's plan, people in Mississippi will wind up paying for swimming pools in California, taxpayers in Colorado will pay for the sewer system in Detroit, and residents of Arkansas will underwrite health care subsidies in Philadelphia.

This creates an incentive for state and local officials to pad their budgets as their lobbyists race to capture as many federal dollars as they can. One especially ill-designed idea from the Obama Administration is to allow the federal government to pay a greater share of state Medicaid costs.

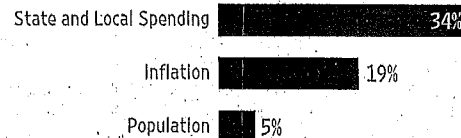
So instead of reforming policy to slow the stampeding cost of medical care, states will have an incentive to spend lavishly, because every health-care dollar lures more money from Washington.

The pattern of recent economic cycles is that states overspend during boom years while tightening their budgets during recessions. A federal bailout will convert this spend and retrench cycle into a new regime in which states spend during good times and bad. That may explain why the public employee unions are the biggest cheerleaders for a federal bailout to states.

But if Congress does provide aid, it's time to insist on new budget rules. States should be required to pass constitutional spending limits, so they don't keep bloating their budgets and debt burdens when they are flush with tax revenues. If states had restrained their spending to inflation and population growth over the past decade, they wouldn't have record deficits today.

Spending Spree

Growth in state and local outlays compared to inflation rate and population growth, 2003-2007



Source: Bureau of Economic Analysis