

# City of Dover, New Hampshire

Presentation of Results of Audit

June 30, 2010

Presented by:

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# Relationship With The Auditors

- Independent auditors work for the Council.
- Auditors work with management to perform the audit.
- Auditors express an opinion on the financial statements that are the responsibility of management.

# Reports Issued

- SAS 114 Letter – Required communication with the audit committee or equivalent oversight committee
- Management letter
- Financial report
- Single audit report and data collection form

# Management Letter Comments

- There are three levels of severity
- The highest level is a material weakness
- The next highest level is a significant deficiency
- The lowest level is a control deficiency or could be referred to as a best practice recommendation
- Auditors must evaluate each item and use judgment to determine the level of severity based in part on the potential for the financial statements to be misstated
- The City has one material weakness, three significant deficiencies and two best practice recommendations

# Overview of the Financial Statements and How to Read Them

- Transmittal letter – CAFR Program
- Auditors' Report – unqualified opinion (clean opinion)
- MD&A – provides the reader with a summary to have a basic understanding of how the City is doing
- There are 3 basis, or levels of accounting
- Government Wide Financial Statements – full accrual basis – “business model”
- Fund Financial Statements – Modified accrual basis
- Budgetary Basis – General Fund –Modified Cash basis
- Proprietary Funds – full accrual basis
- Fiduciary funds – Modified accrual basis
- The footnotes and supporting schedules support the basic exhibits mentioned above

# Audit Approach

- Gain an understanding of entity-wide governance/oversight
- Gain an understanding of procedures and internal controls over significant areas
- Perform test of internal controls to determine if internal controls are properly designed and implemented
- Examination of procedures/controls over selected other areas
- Substantive testing to support the account balances and footnote disclosures

# What is new in the current year?

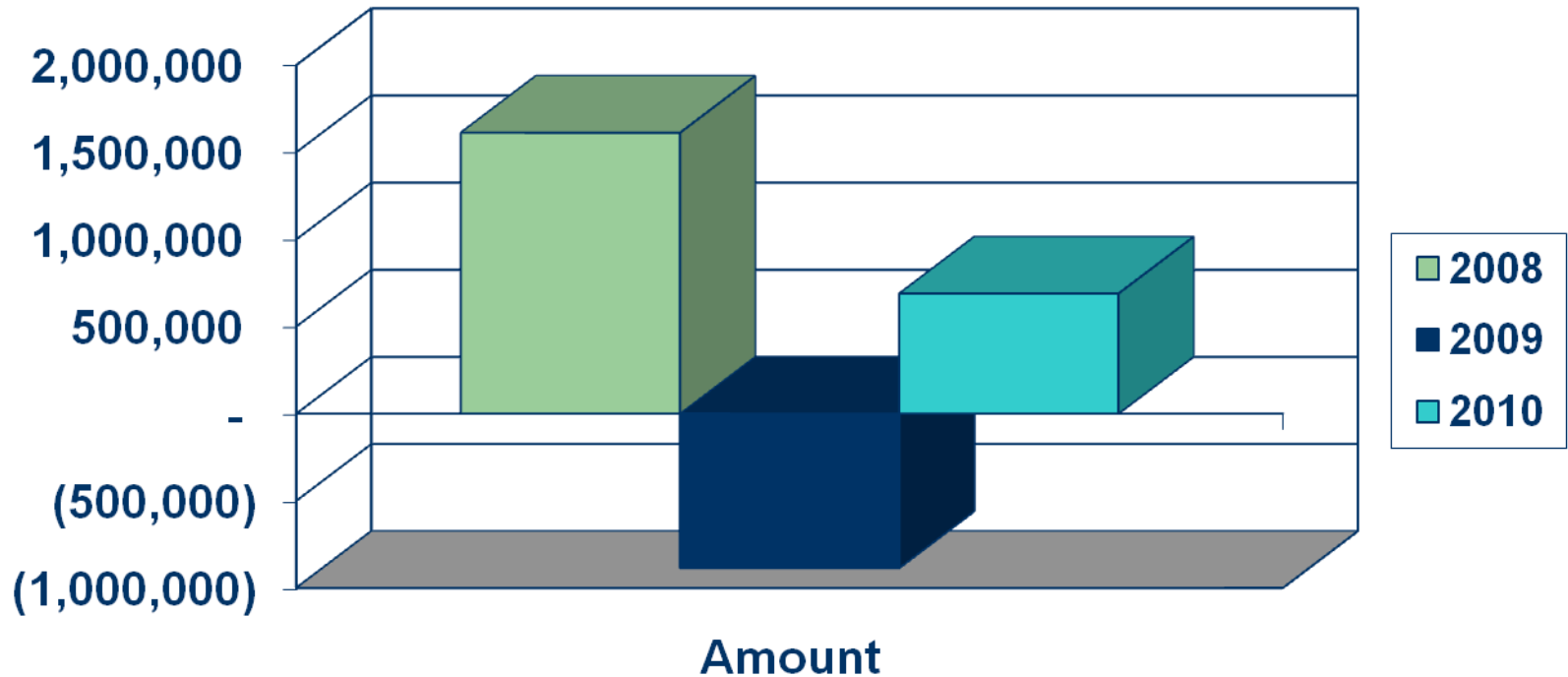
- Change in accounting for the DBIDA Fund
  - The lease with Certified Parts Warehouse was formerly accounted for as a capital lease
  - It should have been accounted for as an operating lease
  - No effect on the bottom line or net assets
  - Future lease revenue to be received is disclosed in Note 22

# What is new in future years?

- GASB #54 – Fund Balance Reporting and Fund Type Definitions
  - Changes the criteria and terminology to report designations and reservations of fund balances
  - Greatest impact could be that certain special revenue funds will need to be reported in the general fund
  - Effective fiscal year ending June 30, 2011

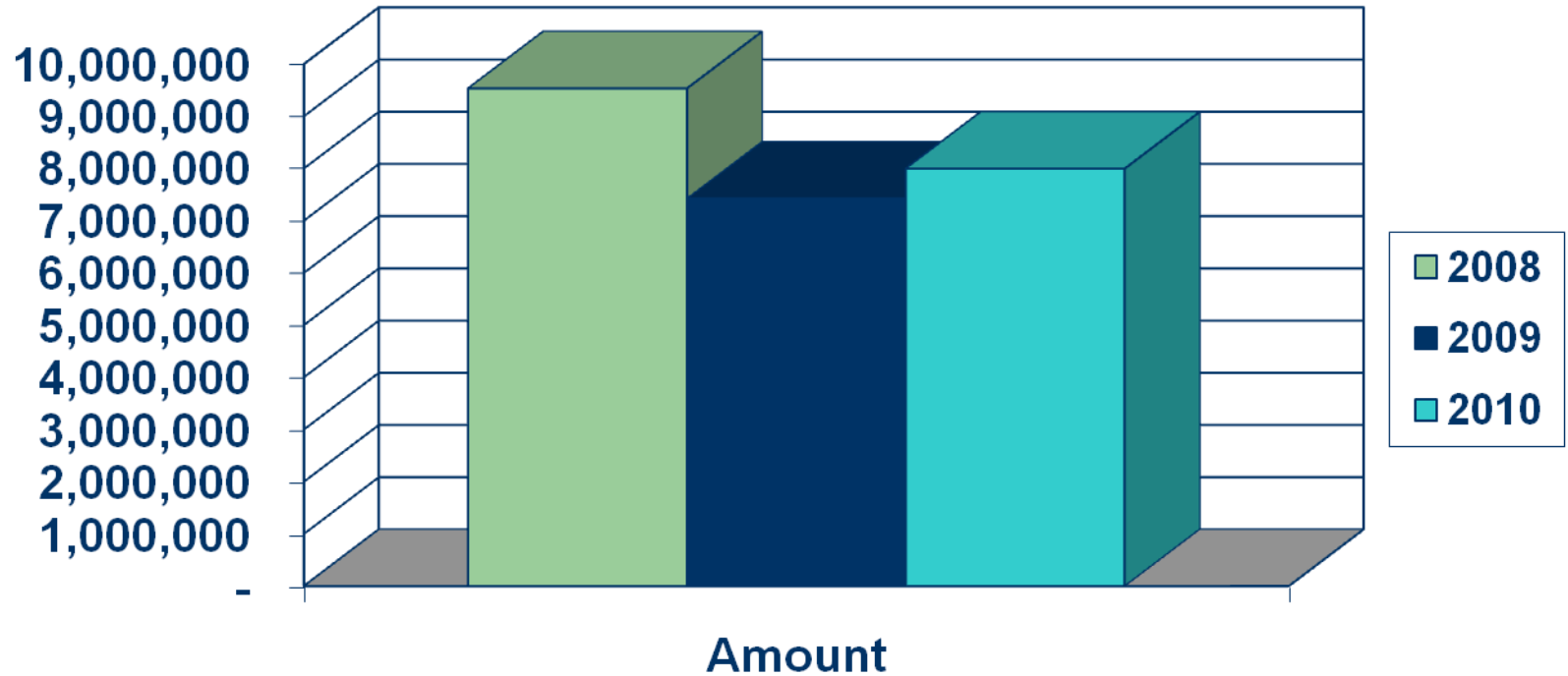
# City of Dover

## General Fund - Change in Fund Balance – Last 3 Years, Budgetary Basis



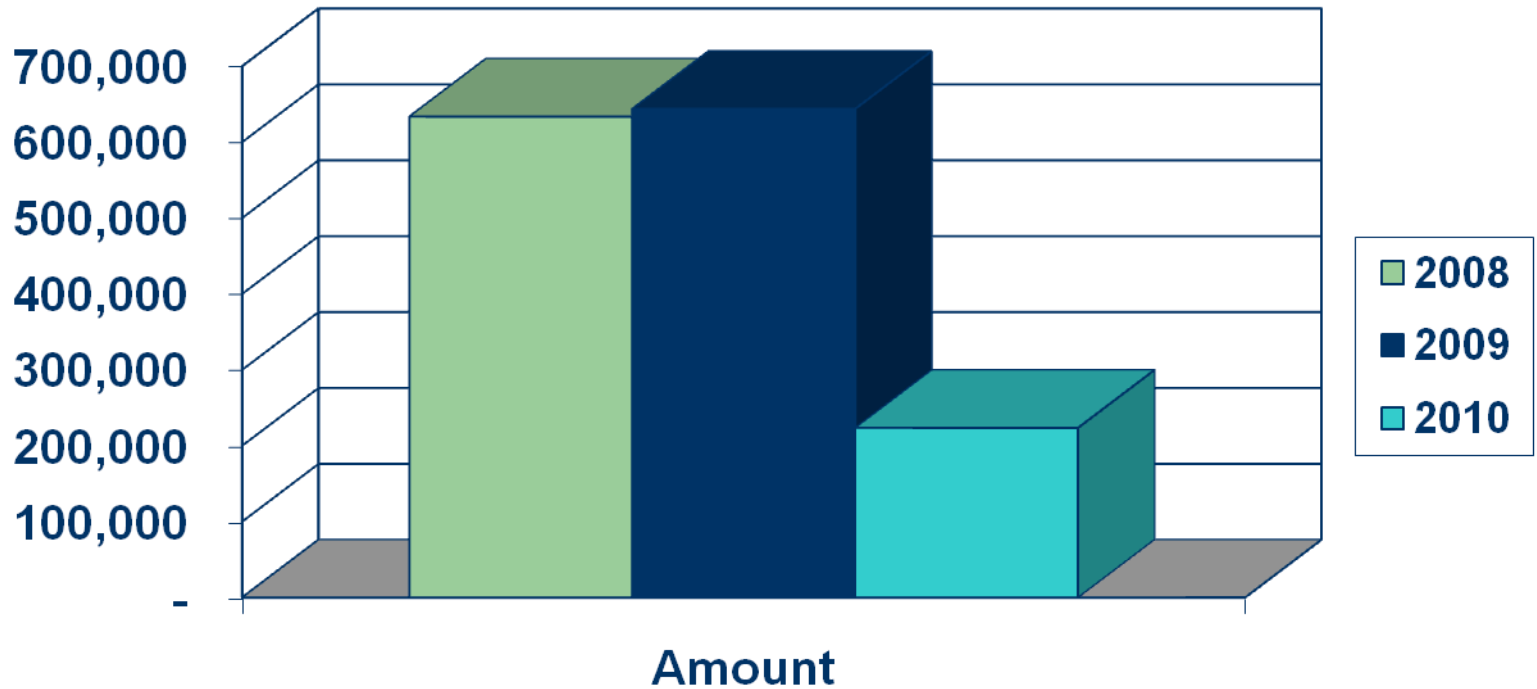
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## General Fund, Fund balance – Last 3 Years



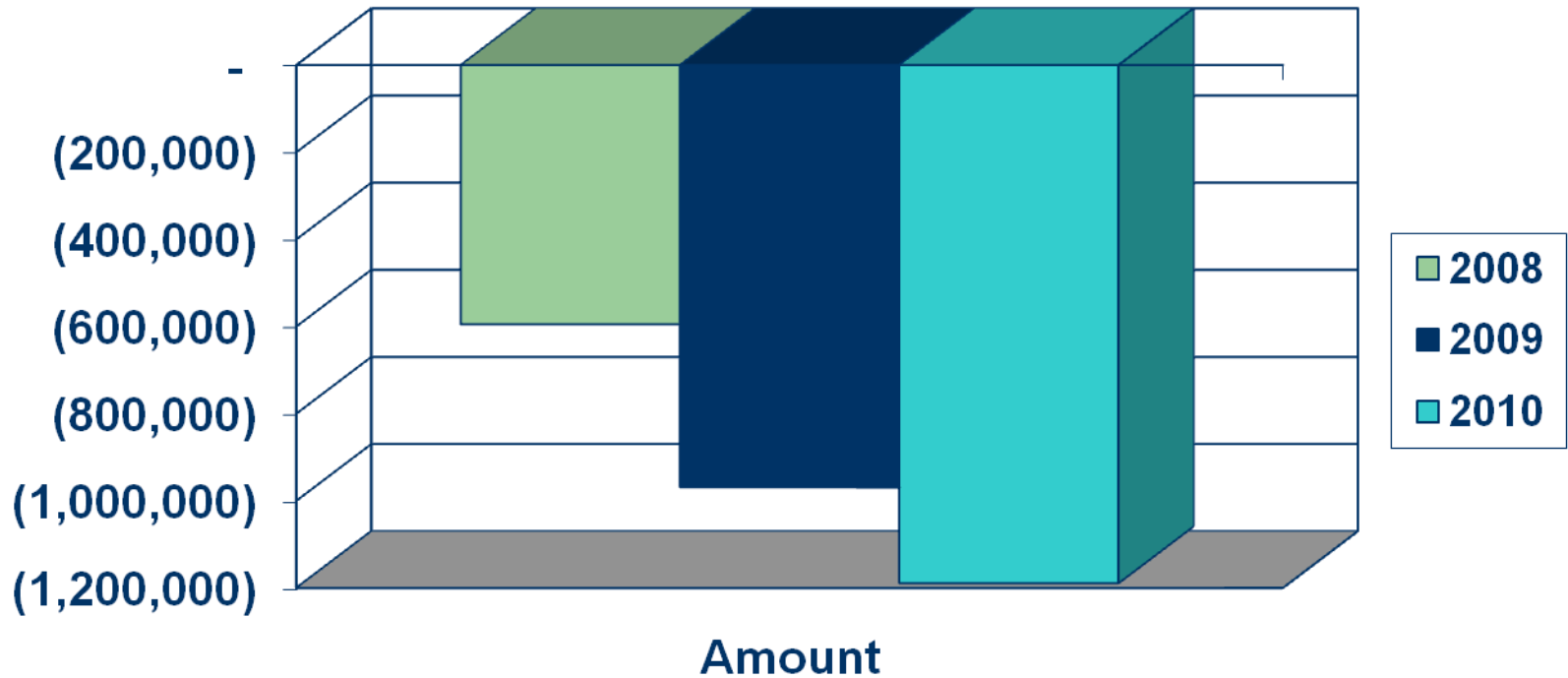
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## Water Fund – Change in Net Assets – Last 3 Years



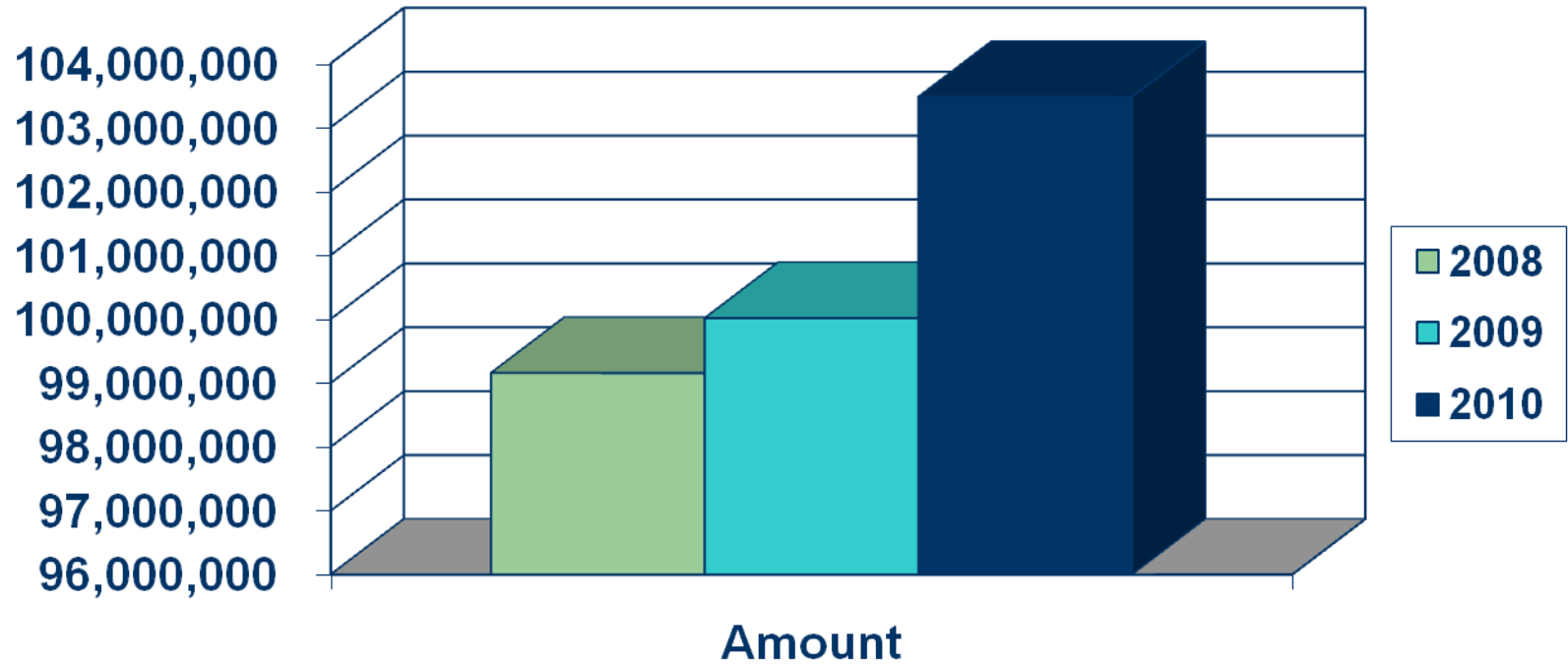
# City of Dover

## Sewer Fund – Change in Net Assets – Last 3 Years



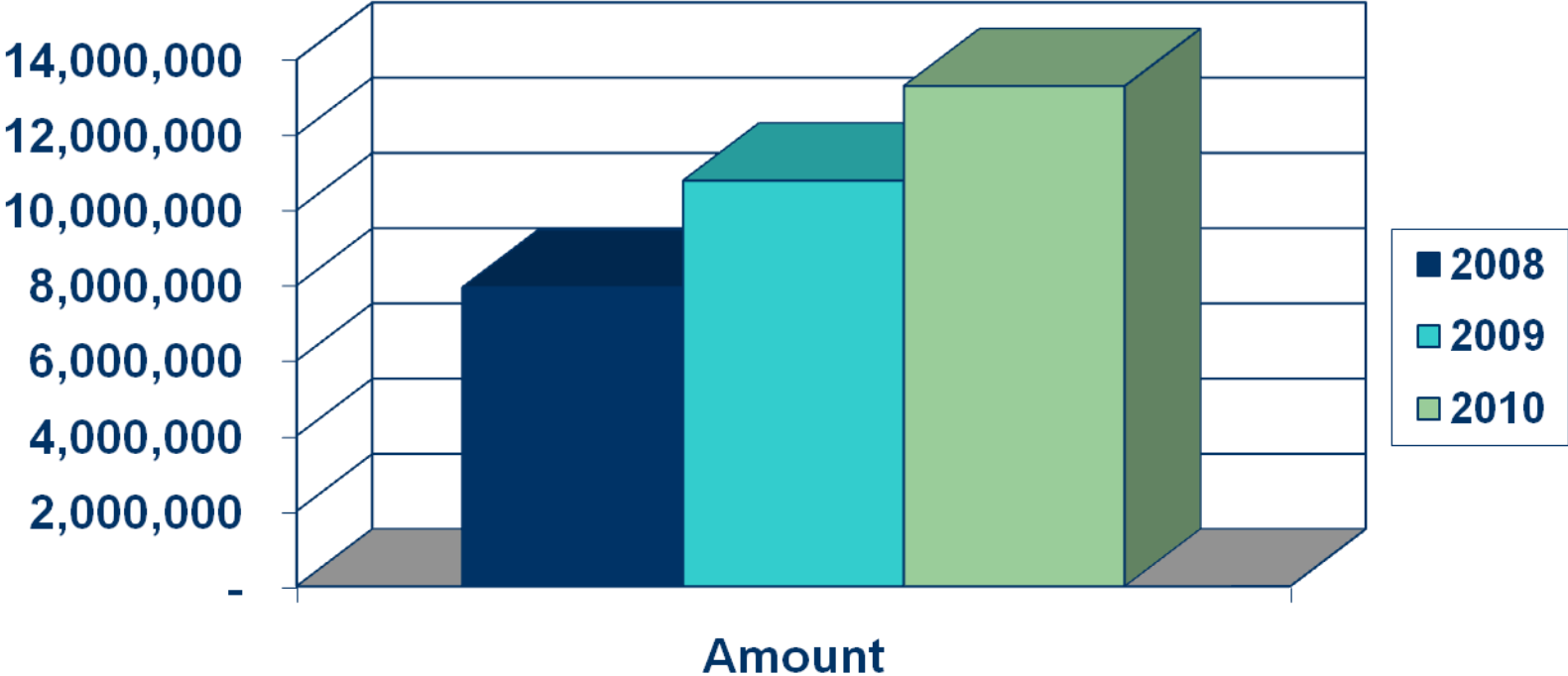
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## Bonds and Loans Payable – Last 3 Years



# City of Dover

## OPEB Liability – Last 3 Years



# Questions & Comments

This presentation is intended as a tool to assist the Council and management in understanding its financial results. The information contained in this publication should be read in conjunction with the audited financial statements and related disclosures and should not be used for any other purposes without the expressed consent of Macdonald Page & Co LLC.