

macdonaldpage & co llc

Chartered Certified Public Accountants and Chartered Accountants

To the Honorable Mayor and City Council
City of Dover, New Hampshire
Dover, New Hampshire

SAS 114 Letter

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Dover, New Hampshire, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 11, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Dover, New Hampshire, are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Town adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011. The application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

Management's estimate of the landfill liability is based on a study from the City engineer and review and approval from the Environmental Protection Agency. We evaluated the key factors and assumptions used to develop the landfill liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued compensated absences is based on the prior services performed and the contracts with employees. We evaluated the key factors and assumptions used to develop the accrued compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts for ambulance services is based on revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

30 Long Creek Drive
South Portland, ME 04106
207-774-5701 • Fax: 207-774-7835


macpage.com

227 Water Street, P.O. Box 2749
Augusta, ME 04338
207-622-4766 • Fax: 207-622-6545

An Independently Owned Member, McGladrey Alliance

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most sensitive disclosures affecting the financial statements were:

We consider the disclosure of the landfill liability in Note 14 to be sensitive and significant to the financial statements for the user of the financial statements to understand the potential liability for closure and post-closure care.

We also consider the disclosure of the post-retirement health care liability in Note 17 to be sensitive and significant to the financial statements for the user of the financial statements to understand the potential liability related to benefits provided to retirees.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered a few difficulties in performing and completing our audit. Due to an untimely closing process and the number of adjustments that needed to be posted, completion of our audit procedures and issuance of the financial statements was delayed.

Supplementary Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Honorable Mayor and City Council
City of Dover, New Hampshire
Page 3

We expressed an opinion on certain supplementary information, in relation to the financial statements; whereas, for certain other supplementary information on which we limited our procedures, we did not express an opinion.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of City of Dover, New Hampshire, and is not intended to be and should not be used by anyone other than these specified parties.

Macdonald Page & Co LLC

South Portland, Maine
January 30, 2012

