

COUNT ON INSIGHT<sup>SM</sup>



# City of Bowie, Maryland

**Comprehensive Annual Financial  
Report for Fiscal Year 2006**

**Presentation to the City Council  
April 16th, 2007**





# Presentation Overview

- Introductions and General Comments
- Required Communications Under SAS 61
- Auditor Responsibility Related to Fraud
- Reports
- Financial Highlights
- Management Letter Comments
- Future Accounting Issues

# Introduction

- Tom Heseltine, CPA- Engagement Partner
- Clifton Gunderson is the 13<sup>th</sup> largest CPA Consulting Firm
- Firm Specializes in auditing Federal, State and Local Governments
- Services for this engagement were provided by the Government Services Team from the Mid Atlantic Service Center





# General Comment

The City's Finance and Accounting Staff are knowledgeable and competent regarding applicable governmental accounting principles and regulations.

They were helpful throughout the audit.



# Required Communications Under SAS 61

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## Our Responsibility

- Audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States of America
- An audit provides reasonable assurance, but not absolute assurance that material misstatements are detected
- We focus more of our attention on items with a larger potential of material misstatement



# Required Communications Under SAS 61 (continued)

## Significant Accounting Policies

- Included in Footnote 1 to the Financial Statements
- No changes in Accounting policies or principles in 2006

## Significant Management Judgments and Estimates

- Depreciable lives of capital assets
- Allowance for doubtful accounts





# Required Communications Under SAS 61 (continued)

## **Significant Audit Adjustment**

- There were no significant audit adjustments

## **Uncorrected Misstatements**

- Immaterial, both individual and in the aggregate, to the financial statements taken as a whole

With regards to other information included in the City's Comprehensive Annual Financial Report, we read the information and considered whether the information was consistent with the information contained in the financial statements

# Required Communications Under SAS 61 (continued)

- There were no disagreements with management
- Management informed us that there were no consultations with other accountants
- No issues were discussed with management prior to our retention
- No significant difficulties were encountered during the audit of the City





# Auditor Responsibility Related to Fraud

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Obtain reasonable assurance about whether the financial statements are free of material misstatement whether caused by error or fraud

## Audit Procedures

- Identify fraud risk factors
- Understand programs and controls to prevent, deter and detect fraud
- Make inquiries of management and others



# Auditor Responsibility Related to Fraud (continued)

## Risk Factors presumed by SAS 99:

- Risk of misstatement related to revenue recognition
- Risk management of override controls
  - Journal entries and adjustments
  - Significant accounting estimates
  - Significant unusual transactions



# Reports



**Clifton  
Gunderson LLP**

Certified Public Accountants & Consultants

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# Reports

- Financial Statement Audit Report
- Report required by *Government Auditing Standards*
- Management Letter
- SAS 61 Letter

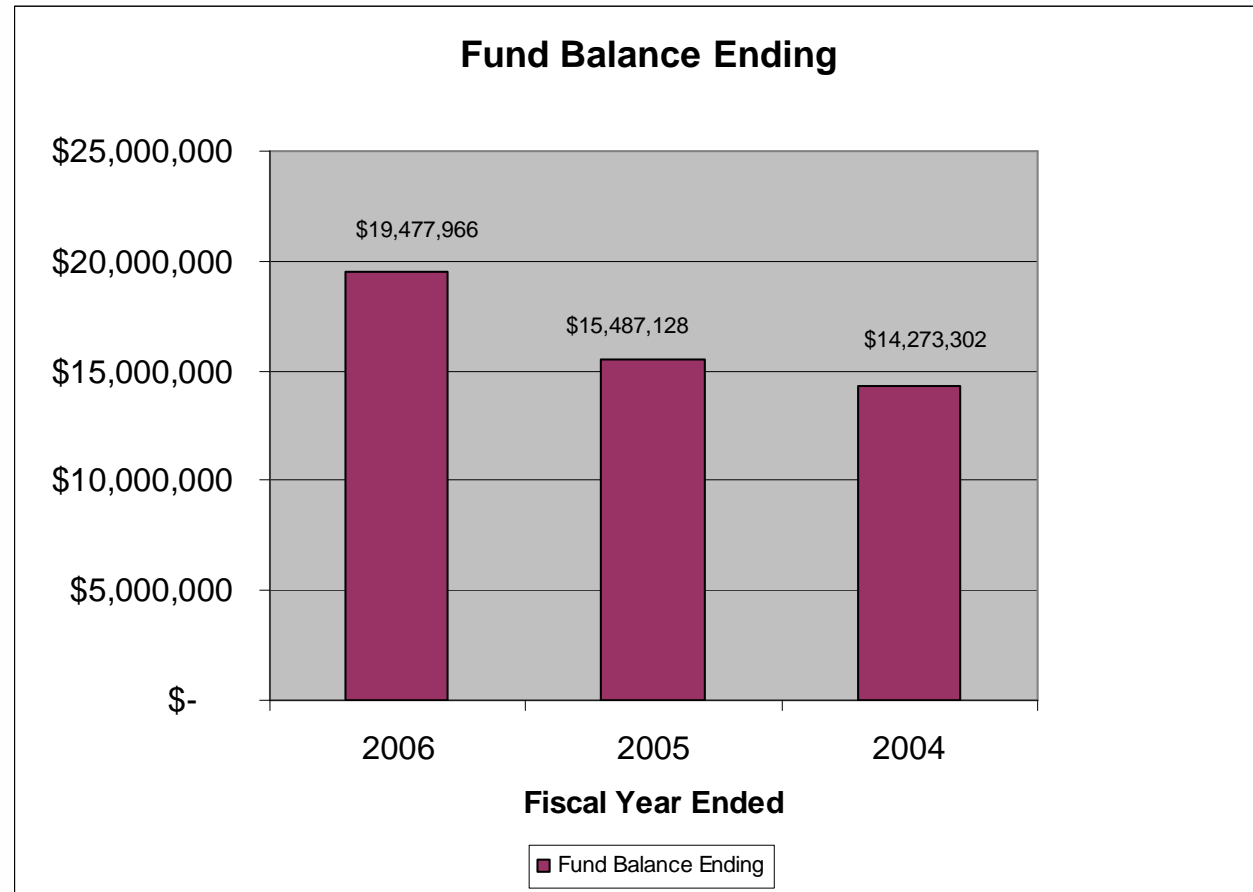




# Financial Highlights

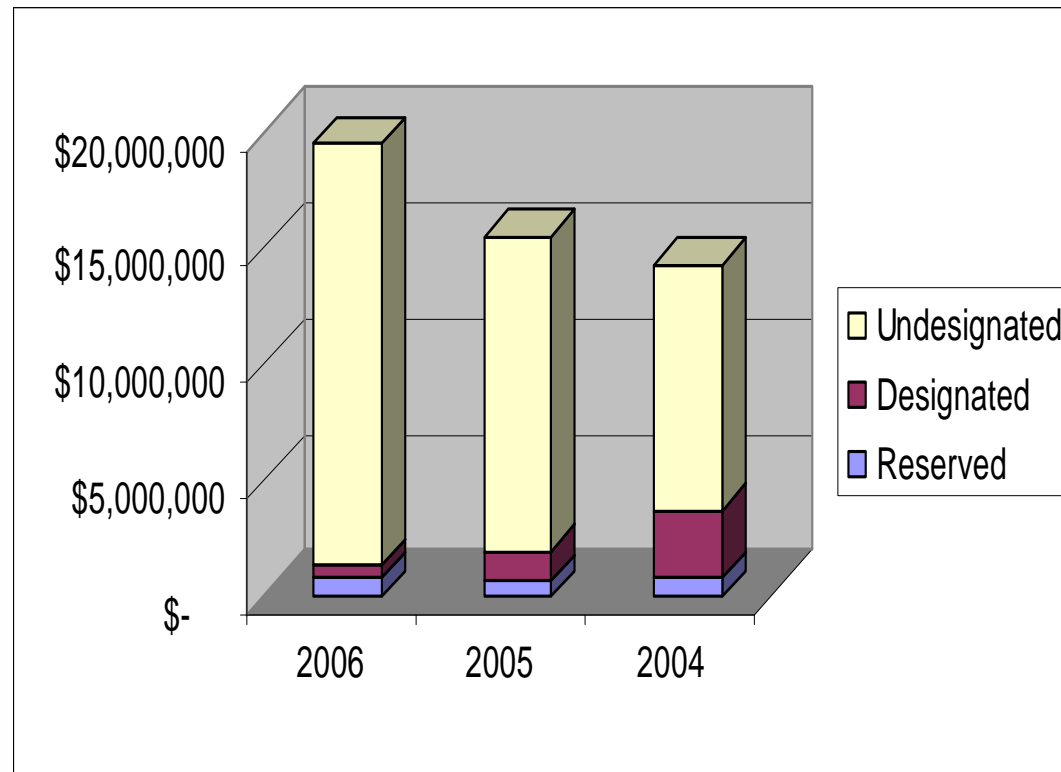


# General Fund Ending Fund Balance





# General Fund Balance





# Undesignated Fund Balance

(As a percentage of General Fund Revenues)

City of Bowie 63%

## Industry Standards

Strong > 15%

Adequate 5% - 15%

Low < 5%



# Management Letter Comments



# Management Letter Comments

- Financial reporting process
- Fiscal policies and procedures



# Future Accounting Issues



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- GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans Other Than Pension Plans (OPEB)
- New Internal Control Reporting Standard will be effective for the 6/30/2007 audit
- New Risk Standards will be effective for the 6/30/2008 audit

# Thank you

We would like to thank the staff in the various departments, especially the Finance department for their assistance during our audit.

