

**COUNTY OF BARNSTABLE, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2014**

To the Assembly of Delegates and County Commissioners  
County of Barnstable, Massachusetts

In planning and performing our audit of the financial statements of the County of Barnstable, Massachusetts (County) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a matter that is an opportunity to strengthen your internal control. We also want to continue to make you aware of an accounting standard that will significantly impact your financial statements starting in fiscal year 2015. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 19, 2015, on the financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The County's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Assembly of Delegates, County Commissioners and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Boston, MA  
March 19, 2015

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## **Comment and Recommendation**

### **Bank Reconciliations - Mitigation Fund**

#### Comment

At June 30, 2014, the balance of the County's separate bank account for its Mitigation Fund did not reconcile to the general ledger's cash balance. This also occurred at June 30, 2013.

The cause of the variance (approximately \$91,000 at June 30, 2014) was the lack of timely bank transfers from the Mitigation Fund bank account to the County's vendor bank account to fund vendor warrant disbursements for Mitigation Fund expenditures.

Reconciliations of bank balances to the general ledger for separately maintained bank accounts (such as the Mitigation Fund) is an important internal control procedure that provides additional assurance over cash receipts, cash disbursements and financial reporting. They also ensure that bank account balances are accurate, which is necessary for proper investment income allocations between accounts and funds.

#### Recommendation

We recommend the County perform monthly reconciliations of the Mitigation Fund bank balance to the general ledger cash balance no later than 30 days after month end. The reconciliation should be performed by an independent person and timely reviewed by supervisory personnel. Reconciling items that require corrective action (such as bank transfers for vendor warrant disbursements) must be corrected upon completion of the reconciliations.

#### Management's Response

The Assistant Treasurer's office has created a cash flow spreadsheet, based on the Year-To-Date Budget report for the Mitigation Fund. The purpose of this spreadsheet is to identify expenditures and revenues posted to the Mitigation Fund. Once the expenditures and revenues are identified, the Assistant Treasurer will transfer the funds accordingly. This spreadsheet will be updated on a weekly basis.

## **GASB Statement No. 68 - Pension Accounting and Financial Reporting**

### Comment

Governmental Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, revises and establishes new financial reporting requirements for governments that provide pension benefits to its employees and retirees.

The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the County will be required to recognize its long-term obligation for pension benefits as a liability in its government-wide and enterprise fund financial statements. Given the significance of the pension fund liability, the financial reporting impact under the new standard will significantly affect the County's financial statements.

The County's required implementation date of GASB Statement No. 68 is fiscal year 2015. Implementation of this Statement will require the County to communicate and collaborate with their independent auditors, the Barnstable County Retirement Association (Association) and the Association's actuary.

One item of particular importance is the timing of the actuarial valuation that will provide much of the information required by the Statement. The valuation must be completed in a timely fashion that correlates to the timing of the County's fiscal year 2015 audit fieldwork.

### Recommendation

We recommend the County collaborate with its independent audit firm, the Association and the Association's actuary to plan for the implementation of GASB Statement No. 68.

### Management's Response

As Barnstable County is a member of a multi-unit retirement system under M.G.L. Chapter 32, it will work with the Barnstable County Retirement Association to obtain the appropriate information for inclusion in the County's Financial Statements. The County will collaborate with its independent audit firm, the Association and the Association's actuary to plan for the implementation of GASB Statement No. 68.