

COUNTY OF BARNSTABLE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2015



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To Management
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, 2015, 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 matters that are opportunities to strengthen your internal control. We also want to make you aware of new accounting standards that will significantly impact your financial statements in future years. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 30, 2016, 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 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

CliftonLarsonAllen LLP

Boston, Massachusetts
March 30, 2016



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Comment and Recommendation

Bank Account Reconciliations

Comment

The County's June 30, 2015 bank reconciliations contained small, miscellaneous reconciling items for which the causes were determined, but were not resolved prior to completing the reconciliations. In addition, the June 30, 2015 bank reconciliation of the vendor account contained a small unidentified variance for which the cause was not specifically determined prior to completing the reconciliation.

While the items referred to above were immaterial to our audit, it is best practice for the County to require all monthly bank reconciliations only contain reconciling items for timing differences such as outstanding checks and/or deposits in transit. All other reconciling items should be identified and resolved prior to completing the reconciliations.

Recommendation

We recommend the County establish policies and procedures to require all monthly bank reconciliations only contain reconciling items for timing differences such as outstanding checks and/or deposits in transit.

Management's Response

The County Finance office understands the importance of strict internal policies and procedures for the process of cash reconciliation. During fiscal 2016 the Finance Director and Assistant Treasurer have undertaken an exhaustive review of policies and procedures relative to all aspects of custody, accounting and reporting of cash. Inherent in the revision(s) of these policies are changes to the frequency of internal review during the month to identify variances as they occur and resolve. The implementation of amended policies and procedures will assure that reconciliations contain only outstanding checks and deposits in transit.

Monitoring Inactive Funds

Comment

The County utilizes fund accounting in which each separate activity with its own unique revenue source (grant, user fee, etc.) is accounted for in an individual fund within the general ledger. As of June 30, 2015, we identified several funds in the general ledger that contained balances at year-end, but were inactive (i.e., no revenues or expenses) during fiscal year 2015.

While the County has procedures in place to monitor and resolve inactive funds, those procedures could be strengthened and formalized.

Recommendation

We recommend the County develop formal, written policies and procedures related to monitoring inactive funds in the general ledger. The policies and procedures should, at a minimum, address the timing and frequency of the monitoring, as well as the approach(es) to be taken to document and resolve the status of such funds.

Management's Response

Most governmental entities have funds that, for one reason or another, have periods of inactivity. For example, unrestricted grants or gifts may have periods of inactivity when there has been no request or need for their use. It is important for the Finance Director and the County Administrator to ensure that the plan for use of all resources remains current and inactive funds are subject to a periodic review which assures utilization or repurposing of funds as a result. The review would incorporate any restrictions of special funds. The County will formalize the policies and procedures for all funds, inclusive of inactive funds, which will assure that no funds have lengthy periods of inactivity without justification.

Other Postemployment Benefits Accounting and Financial Reporting (Informational Only)

Comment

In June of 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, which establish new financial reporting requirements for governments that provide other postemployment benefits (OPEB) to its employees and retirees.

The implementation of these Statements will represent a significant change in the accounting and reporting of OPEB expense and the related liability. The implementation of these Statements will:

- Require the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position
- Require that projections of benefits payments incorporate the effects of projected salary changes and service credits, as well as projected automatic postemployment benefit changes
- Require the use of the "entry age" actuarial cost allocation method, with each period's service cost determined by a level percentage of pay (referred to as the attribution method)
- Expand OPEB related note disclosures
- Expand OPEB related required supplementary information disclosures

Given the significance of the net OPEB liability, the financial reporting impact under the new standard will significantly affect the County's financial statements.

It should be noted that the implementation of GASB Statement No.'s 74 and 75 are strictly financial reporting standards and do not constitute a state or federal mandate regarding the funding of the net OPEB obligation.

The County's required implementation date of GASB Statements No. 74 and 75 are fiscal year 2017 and fiscal year 2018, respectively.

Recommendation

We recommend management familiarize itself with GASB Statements No. 74 and 75 to prepare for their implementation.

Management's Response

Barnstable County participates in a bi-annual review of other post-employment benefits through the Barnstable County Retirement Association of which it is a member unit. The next actuarial review, as of January 1, 2016 will provide the necessary data for the County to implement GASB Statements No. 74 and 75 as required. The results of the review will be incorporated as required into the financial statements.