

BARNSTABLE COUNTY RETIREMENT ASSOCIATION
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS

FOR THE YEAR ENDED DECEMBER 31, 2007

BARNSTABLE COUNTY RETIREMENT ASSOCIATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

FOR THE YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

	Page
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1
Schedule of Findings and Responses	3



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC
Corporate Place I, Suite 204 • 99 South Bedford Street
Burlington, Massachusetts 01803
P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Retirement Board
Barnstable County Retirement Association

We have audited the financial statements of the Barnstable County Retirement Association as of and for the year ended December 31, 2007, and have issued our report thereon dated January 15, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Barnstable County Retirement Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Barnstable County Retirement Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Barnstable County Retirement Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Barnstable County Retirement Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Barnstable County Retirement Association's financial statements that is more than inconsequential will not be prevented or detected by the Barnstable County Retirement Association's internal control. We consider the deficiency described in item 07-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Barnstable County Retirement Association's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency identified above to be a material weakness.

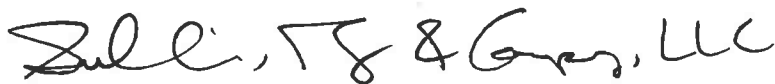
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Barnstable County Retirement Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Barnstable County Retirement Association in a separate letter dated January 15, 2010.

The Barnstable County Retirement Association's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Barnstable County Retirement Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Retirement Board and is not intended to be and should not be used by anyone other than these specified parties.



January 15, 2010

INTERNAL CONTROL OVER FINANCIAL REPORTING*Significant Deficiency Considered to be Material Weakness*

07-1 Pension Fund Appropriation

Finding: The amount originally reported as employer contributions included portions of both the fiscal year 2007 and fiscal year 2008 member unit annual required contributions. The current method is not in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires a receivable to be recorded for amounts owed but not yet paid.

Cause: Procedures are not in place to record revenue in accordance with GAAP.

Effect: Employer contributions were overstated by \$2,476,665, beginning fund balance was understated by \$7,469,826 and accounts receivable were understated by \$4,993,161. The financial statements have been properly adjusted to reflect this activity.

Auditor's Recommendation: We recommend that procedures be implemented to record employer contributions in the appropriate fiscal year. For example, the member units' fiscal year 2009 annual required contributions should be recognized as revenue for the calendar year ending December 31, 2008.

Response: Prior to the audit the Association recorded its revenues at the time of receipt, the funds were balanced with all income accounted for in the calendar year received. Understanding that this audit was performed in accordance with GAAP and after the Retirement Board's review and discussion with the auditor the Retirement Association has implemented the recommendation to record employer contributions in the appropriate fiscal year. For example, the member units' fiscal year 2010 annual required contributions will be recognized as revenue for the calendar year ending December 31, 2009.