



Highway Patrol Retirement System

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December 24, 2007

Mr. Aristotle Hutras, Director
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, Ohio 43215

Dear ^{*Aris*} Director Hutras:

Enclosed is a copy of the Independent Auditor's Report for the period ending December 31, 2006. Also included is a copy of the Management Letter that is not part of the audit report but something the HPRS takes seriously. Working with the Independent Auditor action has been taken to improve upon the situation that was noted in the Management Letter. I apologize for the delay in sending this report, as I was not aware that the State Auditor's Office had completed its review of the document and approved it. A copy of the State Auditor's report is also enclosed.

Please contact me if you have any questions about these reports.

Sincerely,

Richard A. Curtis
Executive Director

INDEPENDENT AUDITOR'S REPORT

The Retirement Board
Ohio State Highway Patrol Retirement System

We have audited the accompanying combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), a component unit of the State of Ohio, as of December 31, 2006, and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of HPRS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to the financial statements, during the year, HPRS implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of HPRS as of December 31, 2006, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2007 on our consideration of HPRS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 13-15 and Required Supplementary Information on pages 24-25 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form an opinion on the financial statements that collectively comprise the HPRS' basic financial statements. The accompanying financial information listed as Additional Information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The introductory section on pages 3-10, the investment section on pages 29-44, the actuarial section on pages 45-54, and the statistical section on pages 55-60 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Kennedy Cottrell Richards LLC
June 19, 2007

MANAGEMENT LETTER

To the Retirement Board
Ohio State Highway Patrol Retirement System

In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), as of December 31, 2006, and the related combining statement of changes in plan net assets for the year then ended, and have issued our report thereon dated June 19, 2007.

Government Auditing Standards also require that we describe the scope of our testing of internal control over financial reporting and on compliance and other matters and report any irregularities, illegal acts, other material noncompliance, and significant deficiencies and material weaknesses in internal controls. We have issued the required report dated June 19, 2007 for the year ended December 31, 2006.

In addition to any items we may have disclosed to you in the reports described above, we are also submitting for your consideration the following comment on HPRS' internal controls. This comment reflects a matter that, while in our opinion does not represent a material instance of noncompliance or significant deficiency or material weakness in internal control, we believe represents a matter for which improvements in compliance or internal controls or operational efficiencies may be achieved.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendation suggested below. However, this comment reflects our continuing desire to assist HPRS. If you have any questions or concerns regarding this comment please do not hesitate to contact us.

1. Control Deficiency – Financial Statement Preparation

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management. It is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and notes prior to audit. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements.

As a result of our audit, we identified misstatements pertaining to (1) the double-booking of a portion of the net appreciation in fair value of investments and (2) the incorrect reversal of a prior year entry. We provided adjusting entries to management who subsequently corrected the misstatements. Though inconsequential to the financial statements as a whole, we believe the misstatements to be indicative of a control deficiency in regard to the financial statement preparation process.

We recommend that HPRS implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes. Control procedures could include a separate review and analysis of the compiled financial statements and related journal entries by someone knowledgeable of generally accepted accounting principles.

Ohio Highway Patrol Retirement System
Management Letter
Page 2 of 2

This comment is intended for the information and use of management and the members of the Board of the Ohio State Highway Patrol Retirement System and is not intended to be and should not be used by anyone other than those specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
June 19, 2007



Mary Taylor, CPA
Auditor of State

REC'D HPRS 26 JUL '07 AM 11:08

July 19, 2007

Daniel Weiss, Chief Financial Officer
Ohio State Highway Patrol Retirement System
6161 Busch Blvd.
Suite 119
Columbus, Ohio 43229-2553

Dear Mr. Weiss:

Please be advised that the enclosed letter regarding the audit of the Ohio State Highway Patrol Retirement System for the year ended December 31, 2006 was sent to your public accountant, Kennedy Cottrell Richards LLC. If you have any questions or concerns, please contact me at (614) 466-3597.

Sincerely,

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in black ink that reads "Brad Blake".

Brad Blake
Chief Auditor, Quality Assurance



Mary Taylor, CPA
Auditor of State

REC'D HPRS 20/JUL/07 AM 11:08

July 19, 2007

Bill Kennedy
Kennedy Cottrell Richards LLC
383 North Fourth Street
Columbus, Ohio 43215

Dear Mr. Kennedy:

A desk review of the audit report has been performed for the Ohio State Highway Patrol Retirement System for the year ended December 31, 2006. Based on the desk review, this report is acceptable and requires no modifications.

We ask that you consider the following modification to future audit reports:

- The Summary Schedule of Investment Manager Fees shown on page 41 appears to have left out a numeral as the total amount shown is \$749,584,12. Per our calculation the proper amount should have been \$749,584,122.

We will certify this audit with the Clerk of the Bureau. If you have any questions or concerns, please contact me at (614) 466-3597.

Sincerely,

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in black ink that reads "Brad Blake".

Brad Blake
Chief Auditor, Quality Assurance

cc: James Kennedy, Chief Auditor
Daniel Weiss, Chief Financial Officer, Ohio State Highway Patrol Retirement System