

# **A G E N D A**

## **JAMES CITY COUNTY BOARD OF SUPERVISORS**

### **READING FILE**

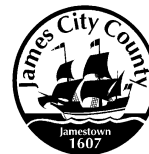
**December 13, 2011**

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#### **FOR YOUR INFORMATION**

1. Review of Fiscal Year 2011 Financial Statements for James City County and James City Service Authority - Dixon Hughes Goodman, LLP

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## MEMORANDUM COVER

**Subject:** Review of FY 2011 Financial Statements for James City County and James City Service Authority - Dixon Hughes Goodman, LLP

**Action Requested:** None

**Summary:** Review of financial statements for FY 2011 for James City County and James City Service Authority.

No action is required.

**Fiscal Impact:** N/A

**FMS Approval, if Applicable:** Yes ☐ No ☐

**Assistant County Administrator**

Doug Powell \_\_\_\_\_

**County Administrator**

Robert C. Middaugh \_\_\_\_\_

**Attachment:**

1. Memorandum

**READING FILE**

**Date:** December 13, 2011

**MEMORANDUM**

DATE: December 13, 2011

TO: The Board of Supervisors

FROM: Tara Woodruff, Accounting Director

SUBJECT: Review of FY 2011 Financial Statements for James City County and James City Service Authority – Dixon Hughes Goodman, LLP

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Included in the Reading File are the FY 2011 financial statements for James City County and James City Service Authority. Leslie Roberts, Partner at Dixon Hughes Goodman, LLP, will present an overview to the Board.

No Board action is needed.

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Tara Woodruff

TW/nb  
AnnFinRept11\_mem

Attachment



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

Board of Supervisors  
County of James City, Virginia  
101-C Mounts Bay Road  
Williamsburg, VA 23185-6569

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of James City, Virginia** (County) for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 2, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **County of James City, Virginia** are described in Note 1 of the financial statements. During the year, the County implemented GASB 54, Fund Balance Reporting and Government Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance is now reported in five categories: non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance is normally associated with inventories or prepaid assets. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Changes as a result of implementing this new standard can be found in both the Governmental Fund Balance Sheet and the Notes to the Financial Statements. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility future events affecting them may differ significantly from those expected. During the year ended June 30, 2011, there were no changes in

accounting estimates or new estimates or judgments formulated that would be particularly sensitive because of their significance to the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. One of the misstatements detected as a result of audit procedures and corrected by management was material to the financial statements taken as a whole. This \$ 239,145 adjustment was to record an previously unrecorded liability for which the supporting documentation wasn't received by County finance in a timely manner, prior to the County finalizing their trial balance for the audit.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in their management representation letter to us.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

During our audit, we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. These matters do not represent significant deficiencies and/or material weaknesses as defined earlier in this letter. The following points summarize our comments and suggestions regarding these matters. This report does not affect our report on the financial statements of the County of James City dated November 23, 2011.

Cash reconciliation procedures

During the audit, we noted that the timeliness of the preparation of the bank reconciliation of the main bank account and the complexity of it are an issue that could cause discrepancies unidentified in a timely manner and the potential inability to resolve them if too much time has passed. It was noted that the bank reconciliations were not performed timely throughout the year. However, we noted no errors during our test work and it appears that proper procedures were established and implemented in late FY 2011.

Cash reconciliation procedures for the credit card accounts

During the audit, we noted that the timeliness of the preparation of the bank reconciliation of the credit card bank account and the complexity of it are an issue that could cause discrepancies unidentified in a timely manner and the potential inability to resolve them if too much time has passed. It was noted that the bank reconciliations were not performed timely throughout the year and were sometimes six months behind and was not caught up until two months after the fiscal year end. However, we noted no errors during our test work and it appears that proper procedures were established and implemented recently (subsequent to year-end, but, prior to the issuance of this letter).

This information is intended solely for the use of The Board of Supervisors and management of the County of James City, Virginia, and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
November 23, 2011



**DIXON HUGHES GOODMAN<sup>LLP</sup>**  
Certified Public Accountants and Advisors

November 18, 2011

Board of Directors  
James City Service Authority  
101-E Mounts Bay Road  
Williamsburg, VA 23185

We have audited the financial statements of James City Service Authority (Authority) for the year ended June 30, 2011, and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 11, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the James City Service Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. During the year ended June 30, 2011, there were no changes in accounting estimates or new estimates or judgments formulated that would be particularly sensitive because of their significance to the financial statements.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audits, no such misstatements were identified.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in their management representation letter dated November 18, 2011.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of The Board of Directors and management of James City Service Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
November 18, 2011