



2100 Dominion Tower  
999 Waterside Drive  
Norfolk, VA 23510

October 4, 2002

The Board of Supervisors  
County of James City, Virginia

Dear Supervisors:

We have audited the financial statements of the County of James City, Virginia (the County) as of and for the year ended June 30, 2002 and have issued our report thereon dated October 4, 2002. Under auditing standards generally accepted in the United States of America, we are providing you with the following information related to the conduct of our audit.

#### **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected.

In addition, in planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

#### **INDEPENDENCE**

With respect to the County, we are independent accountants within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants.

#### **SIGNIFICANT (UNUSUAL) ACCOUNTING POLICIES**

The significant accounting policies used by the County 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 2002. We noted no transactions entered into by the County during the year that were both significant and unusual and of which, under professional standards, we are required to inform you. We noted no transactions which lack authoritative accounting guidance or consensus.

#### **MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.



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#### **SIGNIFICANT AUDIT ADJUSTMENTS**

We proposed no corrections of the financial statements that were not recorded that could, in our judgment, either individually or in aggregate, have a significant effect on the County's financial reporting process.

#### **DISAGREEMENTS WITH MANAGEMENT**

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the County's financial statements.

#### **CONSULTATION WITH OTHER ACCOUNTANTS**

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.

#### **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION**

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.

#### **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

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This report is intended solely for the information and use of the Board of Supervisors and is not intended to be, and should not be, used by anyone other than this specified party.

Very truly yours,

**KPMG LLP**