

A WORK SESSION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEW KENT WAS HELD ON THE EIGHTEENTH DAY OF DECEMBER IN THE YEAR OF OUR LORD NINETEEN HUNDRED NINETY-FIVE BEGINNING AT 5:30 P.M. IN THE BOARD ROOM OF THE COUNTY OFFICE BUILDING WITH ALL MEMBERS PRESENT.

RE: ROLL CALL

James H. Burrell	Aye
E. David Ringley	Aye
Marvin D. Bradby	Aye
Robert A. Boroughs	Aye
Michael D. Salmon	Aye

Mr. Salmon recognized the auditors from KPMG Peat Marwick. Mr. Mason Tokarz presented the Board members with a copy of their draft audit. Mr. Tokarz said there were three sections to this report. One is the financial statement, one being the statistical section and a compliance section. The financial statement is their opinion on the County's financial statements. It is a qualified opinion which means there is a departure from generally accepted accounting principles. That departure is something that they have seen in prior years and that is because they do not include the general fixed assets of the County in the financial statements. He stated that this is not unusual for local governments. Mr. Tokarz spoke briefly about the Balance Sheet and the way the revenues are broken down by General Fund, Special Revenue, Capital Projects, Primary Government, and School Board. This part of the report is followed by Notes to the Financial Statements which explains in more detail what is contained in the financial statements. This is followed by a report entitled Supplemental Schedules which provides Schedules 1, 2, and 3 about the Treasurer's accountability. The next report is the Schedule of Federal Financial Assistance which is a record of the financial assistance received by the County for the federally funded programs. The Statistical Section follows next and this gives a more detailed breakdown of the County's financial business. The last report is the Compliance report. Mr. Tokarz stated by law they are required to look at the internal control structure of the County and make assessments as to whether they believe there is a strong internal control structure in place. They found what is called a Material Weakness, which is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Mr. Tokarz said one of these Material Weaknesses was in the general ledger. There are certain accounts that are not reflected on this ledger. They felt all activities should be reported on this general ledger. The second comment was on segregation of duties in the Treasurer's Office and the Finance Office. They recommended that access to the general ledger by the Treasurer's office be restricted to the automated journal entries used to record daily activity in the Treasurer's office. Any adjustments to the daily activity and any monthly adjusting entries should be calculated by the Treasurer's office but posted by the Director of Finance. They also recommend the Treasurer prepare a reconciliation of the cash accounts to the bank accounts on a monthly basis. This reconciliation should then be given to the Director of Finance for agreement to the general ledger. Mr. Tokarz then spoke about the work they did at the School Board. They will be

presenting a separate report to the School Board. He briefly spoke about the general ledger of the School Board and their not recording everything in this ledger. The other comment he made was about monitoring of the annual budget of the School Board. There were some questions asked by the Chairman and Mr. Tokarz and Mr. Johnson answered these.

Mr. Jack Reagan, also of the auditing firm addressed the Board. The Board was given another report which outlines their responsibility under generally accepted auditing standards. They have the responsibility of issuing reports on the internal control structure, compliance with the federal, state and local laws, reportable conditions and material weaknesses. They are also required to disclose to the Board if there have been any significant changes in the accounting policy for the fiscal year and there were none. Mr. Reagan referred to Mr. Tokarz's remarks about the Material Weaknesses on the general ledger. There were certain accounts that were not recorded on the general ledger of the County or the School Board. This required numerous adjustments in order to arrive at the correct financial statement amounts. Mr. Reagan also recommended that access to the general ledger by the Treasurer's office be restricted to the automated journal entries used to record daily activity in the Treasurer's office. All invoices should be reflected as expenditures. Documentation of fixed assets is lacking and there should be a list of all inventory. They recommend the County establish an imprest payroll accounting system. Using an imprest account facilitates recordkeeping and highlights any old, uncashed payroll checks so that they may be investigated. They noted currently the County does not have an accounting procedures manual which documents the financial, accounting and recordkeeping policies of the County. Ms. Burrell stated the Treasurer's Office does have a procedure manual and this is updated when needed. Mr. Reagan also reported the County currently has no formal disaster recovery plan in the event of a data processing disaster. A formal disaster recovery plan should be developed. The last issue Mr. Reagan touched on is the School Board findings. They have prepared a separate report of their findings and recommendations and this will be delivered to the School Board. Mr. Salmon requested the Board also be given a copy of this report since they are responsible for the expenditure of those funds. Mr. Bradby asked Mr. Emerson if he felt these recommendations were workable within our structure. Mr. Emerson responded, yes. We have been moving into the future and this audit was really of our past. A lot of these issues have already been addressed.

Mr. Salmon thanked Mr. Tokarz and Mr. Reagan for their report.

Mr. Boroughs wanted to know the status of the personal policy manual. Mr. Emerson replied, they currently have a draft and he is working with Mr. Cornwell to finish up on a few items. He hoped to present it to the Board at the January meeting. There was some further discussion as to the work being done by Robinson, Farmer, Cox Associates. Mr. Cornwell was directed to look into some of these issues as well as the contract and the issuing of their final check. The Board wanted to hold this check until they were satisfied with the completion of the Management Study.

Mr. Salmon inquired of Mr. Cornwell as to how many proposals were received for the Fixed Base Operator of the airport. Mr. Cornwell replied they have received nine proposals.

Mr. Ringley expressed his appreciation to the three Board members leaving. They may not have always agreed but he felt it was a balanced Board and wished them well and to stay in touch. Mr.

Boroughs thanked him for the comments. He said they disagreed a lot but they worked together for the good of the County. Mr. Bradby also appreciated the remarks and he enjoyed serving as a Board member. Mr. Burrell added it was healthy to disagree as gentlemen and wished them the best and to stay in touch. Mr. Salmon concluded by saying he enjoyed his time on the Board and was proud of what they accomplished. He extended his help to the incoming Board in any way he could. Mr. Boroughs added he will continue to be around and be involved.

IN RE: EXECUTIVE SESSION

Mr. Bradby moved to go into executive session for consultation and briefings by legal counsel, consultants, or staff members pertaining to actual or probable litigation or other legal matters requiring the provision of legal advice by counsel pursuant to §2.1-344(a)(7) of the Code of Virginia.

James H. Burrell	Aye
E. David Ringley	Aye
Marvin D. Bradby	Aye
Robert A. Boroughs	Aye
Michael D. Salmon	No

Mr. Boroughs moved to go back into regular session.

James H. Burrell	Aye
E. David Ringley	Aye
Marvin D. Bradby	Aye
Robert A. Boroughs	Aye
Michael D. Salmon	Aye

Mr. Bradby certified that to the best of each member's knowledge (i) only public business matters lawfully exempted from open meeting requirements under Virginia law, and (ii) only such public business matters as were identified in the motion by which the executive meeting was convened were heard, discussed or considered in the executive meeting.

James H. Burrell	Aye
E. David Ringley	Aye
Marvin D. Bradby	Aye
Robert A. Boroughs	Aye
Michael D. Salmon	Aye

Mr. Salmon said the Board met to discuss a possible litigation matter to do with a zoning violation.

Mr. Salmon recognized Mrs. Nell Crump and Ms. Pat Martin. Ms. Martin read a letter in reference to the remodeling of the Old Courthouse. They asked the Board to reconsider their actions and to preserve this structure as a historical facility. She made other suggestions for renovating instead of using this building.

IN RE: ADJOURNMENT

Mr. Boroughs moved to adjourn.

James H. Burrell	Aye
E. David Ringley	Aye
Marvin D. Bradby	Aye
Robert A. Boroughs	Aye
Michael D. Salmon	No