

Independent Auditors' Report

The Honorable Members of the Board of Supervisors
County of James City, Virginia:

We have audited the accompanying general purpose, combining, individual fund, individual account group and component unit financial statements and schedules of the County of James City, Virginia (the County), as of and for the year ended June 30, 2001, as listed in the financial section of the accompanying table of contents. These financial statements are the responsibility of the County's 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of James City, Virginia as of June 30, 2001, and the results of its operations and its cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining, individual fund, individual account group and component unit financial statements and schedules referred to above present fairly, in all material respects, the financial position of the individual funds, individual account groups and component units of the County of James City, Virginia as of June 30, 2001, and the results of operations of such funds and the cash flows of individual proprietary funds 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 September 28, 2001 on our consideration of the County's internal control over financial

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reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was made for the purpose of forming an opinion on the general purpose, combining, individual fund, individual account group and component unit financial statements and schedules of the County taken as a whole. The information listed in the Single Audit Section in the table of contents including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund, individual account group and component unit financial statements and schedules and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements and each of the combining, individual fund, individual account group and component unit financial statements and schedules taken as a whole.

The schedule of funding progress in note 13 on page 45 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Also, the treasurer's accountability to the Commonwealth and information included in the introductory and statistical sections were not audited by us and, accordingly, we do not express an opinion on them.

KPMG LLP

September 28, 2001