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Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants

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

We have audited the financial statements of the County of James City, Virginia (the County) as of and for the year ended June 30, 2004, and have issued our report dated October 1, 2004. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants (as specified in *Specifications for Audits of Counties, Cities and Towns*) for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest Act
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property Act
- Personal Property Tax Relief Act
- Enhanced 911 Service Taxes

State Agency Requirements

- Education
- Highway Maintenance Funds
- Social Services
- Comprehensive Youth Services Act

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or *Specifications for Audits of Counties, Cities, and Towns*.

This report is intended solely for the information and use of the board of supervisors, management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 1, 2004