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***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* (County) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 7, 2007.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the County's financial statements are free of material misstatement.

Compliance with the Commonwealth of Virginia's laws, regulations, contracts and grants applicable to the County is the responsibility of the County's management. 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. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants for which we performed tests of compliance:

***Code of Virginia***

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Debt Provisions
- Retirement Systems
- Procurement
- Unclaimed Property

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*State Agency Requirements*

- Education
- Highway Maintenance Funds
- Social Services
- Comprehensive Service Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Board of Supervisors, management and the Auditor of Public Accounts and applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Goodman & Company, L.P.*

Newport News, Virginia  
November 7, 2007