



Certified Public Accountants
Specialized Services
Business Solutions

Independent Auditors' Report

Board of Directors
James City Service Authority
County of James City, Virginia

We have audited the accompanying basic financial statements of the business-type activities of the **James City Service Authority**, a component unit of the County of James City, Virginia, as of and for the years ended June 30, 2008 and 2007, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of **James City Service Authority**. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **James City Service Authority** as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2008, on our consideration of the **James City Service Authority's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Fountain Plaza One
701 Town Center Drive, Suite 700
Newport News, VA 23606-4295

ph 757-873-1033
fax 757-873-1106

An independent firm associated with
MOORE STEPHENS
INTERNATIONAL, LIMITED

Management's Discussion and Analysis on pages 3 through 7 and the other required supplementary information included in exhibit 4 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **James City Service Authority's** basic financial statements. The supplementary information included in the financial section, as listed in the accompanying table of contents, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included in the financial section has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion on them.

Goodman & Company, L.L.P.

Newport News, Virginia
November 4, 2008