

WILLIAMSBURG AREA TRANSIT AUTHORITY
Basic Financial Statements and Supplementary Information
June 30, 2013
(With Independent Auditors' Report Thereon)



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WILLIAMSBURG AREA TRANSIT AUTHORITY

Authority Officials

June 30, 2013

Board Members

Danny McDaniel..... Chair

M. Douglas Powell..... Vice Chair

J. Mark Carter

Larry Foster

Jodi M. Miller

Other Officials

Kevan DankerExecutive Director and Secretary

Jamie Jackson.....Deputy Executive Director

M. Ann Davis..... Treasurer

Adam KinsmanLegal Counsel

Report of Independent Auditors

Board of Directors
Williamsburg Area Transit Authority

We have audited the accompanying financial statements of the governmental activities of the ***Williamsburg Area Transit Authority*** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the ***Williamsburg Area Transit Authority's*** basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and 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 Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities of the ***Williamsburg Area Transit Authority*** as of ended June 30, 2013, and the respective changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ***Williamsburg Area Transit Authority's*** basic financial statements. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the ***Williamsburg Area Transit 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Williamsburg Area Transit Authority's*** internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 6, 2013

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2013

This section of the Williamsburg Area Transit Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2013.

Financial Highlights for Fiscal Year 2013

- The Authority's net position decreased by \$294,327 over the course of fiscal year 2013, which represents a 5% decrease from fiscal year 2012. This decrease is primarily a result of depreciation expense incurred on the Authority's capital assets.
- The assets of the Authority exceeded its liabilities by \$5,537,261 at June 30, 2013. Of this amount, \$4,759,750, or 86%, is the Authority's net investment in capital assets.
- Capital assets decreased by \$299,780 from fiscal year 2012, which was primarily a result of depreciation expense incurred during fiscal year 2013.

Overview of the Financial Statements

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Authority's operations are considered to be governmental because the sources of funding include contributions from members, federal and state grants, and fare collections.

The government-wide and fund financial statements are distinguished as follows:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide statements. In addition, governmental fund statements indicate how general government services, such as the operation and maintenance, were financed in the short-term, as well as the amounts that remain for future spending.

Financial Analysis

Net position is a financial measure that compares an entity's assets and deferred outflows of resources to its liabilities and deferred inflows of resources. Over time, increases and decreases in net position are one indicator of whether the Authority's financial health is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2013

Statement of Net Position

The following table reflects the condensed statement of net position:

Table 1
Condensed Statements of Net Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current assets	\$ 1,345,919	\$ 1,388,253
Capital assets, net	<u>4,759,750</u>	<u>5,059,530</u>
Total assets	<u>\$ 6,105,669</u>	<u>\$ 6,447,783</u>
Current liabilities	\$ 509,991	\$ 568,046
Long-term liabilities	<u>58,417</u>	<u>48,149</u>
Total liabilities	<u>568,408</u>	<u>616,195</u>
Net position:		
Net investment in capital assets	4,759,750	5,059,530
Unrestricted	<u>777,511</u>	<u>772,058</u>
Total net position	<u>5,537,261</u>	<u>5,831,588</u>
Total liabilities and net position	<u>\$ 6,105,669</u>	<u>\$ 6,447,783</u>

Net position (assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources) may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$5,537,261 and \$5,831,588 at June 30, 2013 and 2012, respectively.

Total liabilities experienced a decrease of \$47,787 for fiscal year 2013 primarily as a result of a decrease in accounts payable.

The largest portion of the Authority's net position at June 30, 2013 (86%) reflects its net investment in capital assets. The Authority uses these capital assets to provide services to members; consequently, these assets are not available for future spending. The remaining portion of net position (14%) is designated for future spending.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2013

Statement of Activities

The following table reflects the condensed statement of activities:

Table 2
Condensed Statements of Activities
For the Fiscal Years ending June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Program expenses:		
Materials and contractual services	\$ 2,878,271	\$ 3,169,416
Personnel expenses	2,537,987	2,633,827
Depreciation	1,080,234	1,325,206
Total program expenses	<u>6,496,492</u>	<u>7,128,449</u>
Program revenues:		
Operating grants and contributions	4,737,284	5,070,747
Charges for services	730,637	721,690
Capital grants and contributions	727,970	118,286
Total program revenues	<u>6,195,891</u>	<u>5,910,723</u>
Net program revenues (expenses)	<u>(300,601)</u>	<u>(1,217,726)</u>
General revenues (expenses):		
Loss on disposal of property	(5,220)	(10,159)
Miscellaneous revenue	11,494	16,578
Total general revenues	<u>6,274</u>	<u>6,419</u>
Change in net position	(294,327)	(1,211,307)
Net position at beginning of year	<u>5,831,588</u>	<u>7,042,895</u>
Net position at end of year	<u>\$ 5,537,261</u>	<u>\$ 5,831,588</u>

Total net position decreased by \$294,327 for the fiscal year ended June 30, 2013, primarily as a result of depreciation expense incurred on the Authority's capital assets.

The Authority's expenses include materials and contractual services, personnel costs, and depreciation expense. For fiscal year 2013, expenses for materials and contractual services decreased primarily as a result of a decrease in costs incurred under the Authority's vehicle maintenance service agreement with First Transit, Inc. Depreciation expense also decreased for fiscal year 2013. This decrease was primarily a result of several buses being fully depreciated as of the end of fiscal year 2012; therefore, no depreciation expense was incurred for these buses for fiscal year 2013.

Charges for services include monies received for bus fares. This also includes contract service revenue received from the College of William and Mary and Thomas Nelson Community College. Charges for services increased

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2013

for fiscal year 2013 in part because of the implementation of fare changes and a pass program during the prior fiscal year. The operating and capital grants and contributions are federal and state grants for reimbursement of transportation costs and services. In addition, contributions are received from members.

The Authority has an adopted budget. During fiscal year 2013, there were two adjustments made to the Authority's budget for the year. In December 2012, there was an increase of \$145,323 in appropriations, resulting from an increase in State and Federal funds that were available to the Authority to be applied to its operating and capital expenditures. Subsequently, in March 2013, the Authority determined that it would not be able to expend the funds from two grant awards, totaling \$131,250, in a timely manner. As a result, the Authority reduced its budgeted expenditures and revenues by this amount to reflect the de-obligation of the grants. The Authority intends to reapply for these funds during fiscal year 2014 in order to complete the projects related to the grants.

Capital Assets

At the end of fiscal years 2013 and 2012, the Authority had invested \$4,759,750 and \$5,059,530, respectively, in net capital assets, including buildings and improvements, furniture and equipment, and vehicles. For fiscal year 2013, net capital assets also included construction in progress for bus shelters and additional equipment. Further information about the Authority's capital assets can be found in note 4 to the financial statements.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Basic Financial Statements

WILLIAMSBURG AREA TRANSIT AUTHORITY

Government-Wide Financial Statements

WILLIAMSBURG AREA TRANSIT AUTHORITY

Statement of Net Position

June 30, 2013

Assets

Cash and short-term investments (Note 2)	\$ 602,976
Due from other governmental units (Note 3)	725,194
Accounts receivable	17,749
Capital assets (Note 4)	
Buildings and improvements	253,593
Furniture and equipment	739,747
Vehicles	12,660,210
Construction in progress	507,773
Less accumulated depreciation	<u>(9,401,573)</u>
Net capital assets	<u>4,759,750</u>
 Total assets	 \$ <u><u>6,105,669</u></u>

Liabilities and Net Position

Accounts payable	\$ 382,597
Due to James City County (Note 8)	6,902
Salaries payable	28,085
Deferred revenue	4,155
Long-term liabilities (Notes 5 and 7)	
Expected to be paid within one year	88,252
Expected to be paid after one year	<u>58,417</u>
Total liabilities	<u>568,408</u>
 Net position	
Net investment in capital assets	4,759,750
Unrestricted	<u>777,511</u>
Total net position	<u>5,537,261</u>
 Total liabilities and net position	 \$ <u><u>6,105,669</u></u>

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Statement of Activities

Year ended June 30, 2013

Expenses

Materials and contractual services (Notes 8 and 10)	\$ 2,878,271
Personnel expenses	2,537,987
Depreciation	<u>1,080,234</u>
Total program expenses	<u>6,496,492</u>

Program revenues

Operating grants and contributions	4,737,284
Charges for services	730,637
Capital grants and contributions	<u>727,970</u>
Total program revenues	<u>6,195,891</u>

Net program revenues (expenses) (300,601)

General revenues

Loss on disposal of property	(5,220)
Miscellaneous revenue	<u>11,494</u>
Total general revenues	<u>6,274</u>

Change in net position (294,327)

Net position at beginning of year 5,831,588

Net position at end of year \$ 5,537,261

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Governmental Fund Financial Statements

WILLIAMSBURG AREA TRANSIT AUTHORITY

Balance Sheet

Governmental Fund

June 30, 2013

Assets

Cash and short-term investments (Note 2)	\$ 602,976
Due from other governmental units (Note 3)	725,194
Accounts receivable	<u>17,749</u>
Total assets	<u><u>\$ 1,345,919</u></u>

Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 382,597
Due to James City County (Note 8)	6,902
Salaries payable	28,085
Deferred revenue	<u>4,155</u>
Total liabilities	<u><u>421,739</u></u>

Fund balance

Committed fund balance	14,601
Assigned fund balance	285,715
Restricted fund balance	11,100
Unassigned fund balance	<u>612,764</u>
Total fund balance	<u><u>924,180</u></u>
Total liabilities and fund balance	<u><u>\$ 1,345,919</u></u>

Reconciliation of the balance sheet for governmental funds to the statement of net position for governmental activities

Ending fund balance	\$ 924,180
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,759,750
Accrued expenses reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.	(117,669)
Obligation for OPEB is not due and payable in the current period and is not recorded as a liability in the governmental funds.	<u>(29,000)</u>
Net position of governmental activities	<u><u>\$ 5,537,261</u></u>

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year ended June 30, 2013

Revenues

Reimbursements from Commonwealth of Virginia	\$ 1,416,236
Reimbursements from federal government	<u>2,556,426</u>
Contributions from members:	
James City County	505,216
Colonial Williamsburg Foundation	375,854
York County	286,522
City of Williamsburg	<u>265,000</u>
Total contributions from members	<u>1,432,592</u>
Other revenues:	
Charges for services	730,637
Contributions from other localities	60,000
Miscellaneous	<u>11,494</u>
Total other revenues	<u>802,131</u>
Total revenues	<u>6,207,385</u>

Expenditures

Salaries and benefits	2,520,916
Capital outlay (Note 10)	1,128,691
Fuel (Note 10)	738,001
Repairs and maintenance (Notes 8 and 10)	642,088
Colonial Williamsburg bus operations	375,854
Supplies and materials (Note 10)	282,367
Leases/rentals	179,007
Contractual services	124,034
Fiscal agent services (Note 8)	72,346
Insurance	36,742
Telecommunications (Note 8)	36,412
Clothing	20,277
Other	14,475
Advertising	<u>13,651</u>
Total expenditures	<u>6,184,861</u>
Net change in fund balance	22,524
Fund balance at beginning of year	<u>901,656</u>
Fund balance at end of year	<u>\$ 924,180</u>

(Continued)

WILLIAMSBURG AREA TRANSIT AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances - (Continued)
Governmental Fund
Year ended June 30, 2013

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities

Net change in fund balance	\$ <u>22,524</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures.

The details of this difference are as follows:

Depreciation expense	(1,080,234)
Cost of assets sold	(5,220)
Capital outlay expenditures	<u>785,674</u>
	<u>(299,780)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:

Compensated absences	\$	(9,071)
Other post employment benefits		<u>(8,000)</u>
		<u>(17,071)</u>

Change in net position on statement of activities	\$ <u><u>(294,327)</u></u>
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See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The Williamsburg Area Transit Authority (Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County of James City (County), the County of York, the City of Williamsburg, and the Colonial Williamsburg Foundation. The Authority is governed by the Board of Directors, consisting of five Board representatives appointed by the members.

The general purpose of the Authority is to provide transportation services throughout the member jurisdictions and areas owned and/or operated by Colonial Williamsburg.

(a) *Financial Reporting Entity*

The Authority has been determined to be a related organization to the Cities and the Counties in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. The Authority is a legally separate organization, and the member jurisdictions cannot impose their will on the Authority. There is no potential financial benefit or burden in the relationship. Accordingly, the Authority is not considered a component unit of any other entity. James City County is the fiscal agent for the Authority.

(b) *Government-Wide and Fund Financial Statements*

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Authority's activities are considered to be governmental as they are principally supported by intergovernmental revenues. In the government-wide statement of net position, the governmental activities are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted for the operation or capital requirements of a particular function. Other items not properly included among program revenues are reported as general revenues. Administrative overhead charges are allocated to the programs and included in direct expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants.

In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein,

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

(c) ***Basis of Accounting and Measurement Focus***

The fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available to finance operations during the year. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually 45 days after year end. Expenditures are recorded when the related fund liability is incurred. Expenditures for debt service and compensated absences are recorded when the related liability is due and payable. In applying the modified accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one, eligibility requirements must be met before revenues are recognized. In the other, there are no eligibility requirements and resources are reflected as revenues at the time of receipt. Amounts received in advance for grants with eligibility requirements are recorded as deferred revenue until eligibility requirements are met.

Effective with the financial statements for the fiscal year ending June 30, 2013, the Authority has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends previous reporting requirements by incorporating the financial elements of deferred outflows of resources and deferred inflows of resources in the presentation of financial position. Under the provisions of this statement, net position, rather than net assets, represents the difference between all other elements in a government's statement of financial position. Accordingly, in the Authority's government-wide financial statements, the statement of net assets has been replaced by the statement of net position, in which items are now classified as assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.

The government-wide statements of net position and activities are accounted for on a flow of economic resources measurement focus and an accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included on the balance sheet. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

(d) *Budgets and Budgetary Accounting*

The following procedures are used by the Authority in establishing budgetary data:

- The Authority is responsible for formulating their annual budget. The Executive Director will convene individual and group budget meetings internally at least annually. The Executive Director will then present a comprehensive budget package to the Board of Directors for approval.
- The members of the Board of Directors are responsible for presenting the Authority's budget to their respective jurisdictions and representing the Authority in budget hearings, as needed, in the budget process.
- The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets are not legally required to be adopted.

(e) *Cash Equivalents*

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

(f) *Investments*

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Authority has recorded all of its investments at fair value.

(g) *Capital Assets*

Capital outlays are recorded as expenditures in the governmental funds and are capitalized at historical cost in the government-wide financial statements to the extent the Authority's capitalization threshold of \$5,000 is met for assets other than land, licensed vehicles, and contributions. Capital outlays for land and licensed vehicles are recorded as capital assets at actual cost. Contributed capital assets are recorded as capital assets at the estimated fair value at the time received. Depreciation is recorded on capital assets in the government-wide financial statements.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the change in net position.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

Depreciation of capital assets is calculated on the straight-line basis over the estimated useful lives, as follows:

Buildings and improvements	10 to 40 years
Improvements other than buildings	10 to 20 years
Infrastructure	20 years
Furniture and equipment	4 to 10 years
Vehicles	3 to 12 years

(h) *Compensated Absences*

Authority employees are granted vacation time in varying amounts based on length of service. They may accumulate, subject to certain limitations, unused vacation leave and upon retirement, termination, or death may be compensated for certain amounts at their then current rates of pay. The current and noncurrent portions of accumulated annual vacation leave and sick leave estimated to be paid upon separation are recorded in the government-wide financial statements when earned. Expenditures for compensated absences are recorded in governmental funds when due and payable.

(i) *Fund Balance*

The fund balance in the Governmental Fund's balance sheet has been classified based on GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are reported according to the following categories:

Nonspendable fund balance – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Amounts reported when constraints are placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – Amounts that require formal action of the Board of Directors by resolution that identifies the specific circumstances under which their resources may be expended.

Assigned fund balance – Amounts that are constrained by the Authority's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given.

Unassigned fund balance – Designated for future expenditures.

(j) *Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosures of contingent

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

assets and liabilities for the reporting periods. Actual results could differ from those estimates and assumptions.

(k) Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 6, 2013, the date the financials were available to be issued.

(2) Cash and Investments

(a) Cash

The carrying value of the Authority's deposits with banks was \$602,871 at June 30, 2013. The bank balance of \$610,067, which differs from the carrying value of deposits primarily as a result of outstanding checks, is fully covered by federal depository insurance (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the Authority. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

(b) Investment Policy

The Authority utilizes the policies and procedures of the James City County Treasurer; therefore, the Investment Policy (Policy) of James City County is used. In accordance with the Code of Virginia and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). The fair value of the Authority's position in the LGIP is the same as the value of the pool shares. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum
Bank deposits	100% maximum

(c) Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of "AA" long-term debt rating by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

Although state statute does not impose credit standards on repurchase agreements, bankers' acceptances, or money market mutual funds, the Authority has established credit standards for these investments to minimize portfolio risk.

At June 30, 2013, 100% of the Authority's portfolio was invested in the Commonwealth of Virginia LGIP account and is classified as short-term investments on the balance sheet.

(d) Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

(e) Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities, so long as the maturity does not exceed the expected disbursement date of those funds.

As of June 30, 2013, the fair values and maturities of the Authority's investments were as follows:

<u>Investment Type</u>	<u>2013</u>	
	<u>Fair Value</u>	<u>Maturity</u>
Short-term investments - Commonwealth of Virginia LGIP	\$ <u>105</u>	-

(f) Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2013, all of the Authority's investments are held in a bank's trust department in the Authority's name.

(3) Due from Other Governmental Units

Due from other governmental units consist of the following at June 30, 2013:

	<u>2013</u>
Department of Transportation	\$ 618,510
Commonwealth of Virginia	64,920
College of William and Mary	<u>41,764</u>
Total	<u>\$ 725,194</u>

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

(4) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	<u>Balances</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 507,773	\$ -	\$ 507,773
Other capital assets:				
Buildings and improvements	\$ 253,593	\$ -	\$ -	\$ 253,593
Furniture and equipment	629,134	123,141	12,528	739,747
Vehicles	12,505,450	154,760	-	12,660,210
Total other capital assets	<u>13,388,177</u>	<u>277,901</u>	<u>12,528</u>	<u>13,653,550</u>
Less accumulated depreciation for:				
Buildings and improvements	32,202	9,304	-	41,506
Furniture and equipment	126,448	70,157	7,308	189,297
Vehicles	8,169,997	1,000,773	-	9,170,770
Total accumulated depreciation	<u>8,328,647</u>	<u>1,080,234</u>	<u>7,308</u>	<u>9,401,573</u>
Other capital assets, net	<u>5,059,530</u>	<u>(802,333)</u>	<u>5,220</u>	<u>4,251,977</u>
Net capital assets	\$ <u>5,059,530</u>	\$ <u>(294,560)</u>	\$ <u>5,220</u>	\$ <u>4,759,750</u>

Depreciation of \$1,080,234 was charged for the year ended June 30, 2013.

(5) Long-Term Liabilities

A summary of the Authority's long-term liability activity for the year ended June 30, 2013 follows:

	<u>Amounts</u> <u>Payable at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u> <u>and</u> <u>Reductions</u>	<u>Amounts</u> <u>Payable at</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
OPEB liability	\$ 21,000	\$ 8,000	\$ -	\$ 29,000	\$ -
Compensated absences	<u>108,598</u>	<u>146,178</u>	<u>137,107</u>	<u>117,669</u>	<u>88,252</u>
Total	\$ <u>129,598</u>	\$ <u>154,178</u>	\$ <u>137,107</u>	\$ <u>146,669</u>	\$ <u>88,252</u>

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

(6) Pension Plan

Employees of the Authority participate in the Virginia Retirement System (VRS) through James City County. Therefore, employees of the Authority are not a separate cost pool of VRS and no separate actuarial information is available with regard to the Authority's participation in VRS. Detailed disclosures regarding the County's participation in VRS and related actuarial information can be found in the County's annual financial statements.

(7) Postemployment Benefits Other Than Pensions

The Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective with the financial report for the fiscal year ending June 30, 2010. The Statement establishes standards for reporting the liability for the Authority's nonpension postemployment benefit, the health care plan for retirees. The Authority's postemployment benefits are administered by the County. The current year Annual Required Contribution was \$8,000. No separate actuarial information is available with regard to the Authority's participation. Detailed disclosures regarding the County's participation and related actuarial information can be found in the County's annual financial statements.

(a) Plan Provisions

In addition to providing the pension benefits described in footnote 6, the Authority provides postemployment health care (OPEB) for qualifying retired employees who are not yet eligible for Medicare through single-employer defined benefit plans. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Authority and can be amended through their personnel manuals.

(b) Funding Policy

The Authority does not intend to establish a trust to prefund this liability. The anticipated growth in the net OPEB obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant. Also, the estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

(c) Plan Description

Currently, covered full-time active employees who retire directly from the Authority and are at least 50 years of age with 15 years of service are eligible to receive postemployment health care benefits. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers, and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost, and therefore, have no GASB 45 liability. There is no coverage for post-Medicare retirees. There were 31 Authority participants at the

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

time of the actuarial study. Given that the retirees contribute towards their health insurance premiums based on a blended rate, the Authority has an implicit liability.

(d) Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation as of June 30, 2013 was calculated as follows:

	<u>2013</u>
Annual required contribution	\$ 8,000
Interest on net OPEB obligation	1,000
Actuarial adjustment	<u>(1,000)</u>
Annual OPEB cost	8,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	8,000
Net OPEB obligation, beginning of year	<u>21,000</u>
Net OPEB obligation, end of year	<u>\$ 29,000</u>

(e) Actuarial Methods and Assumptions

Valuation Methods

The projected unit credit method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodologies set forth in GASB 45. Under these methods, benefits provided by the substantive plans (the plans as understood by the employers and the members of the plans) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

Employees Included in the Calculations

All active employees who are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses, and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Actuarial Assumptions

In the July 1, 2011 actuarial valuation, which was prepared for the fiscal years 2012 and 2013, the projected unit credit method was used. For fiscal year 2013, the actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability and amortization of the initial unfunded actuarial liability over a closed 26 year period based on a level percent of payroll method. The actuarial accrued liability was \$56,000 for the Authority. Future increases for the cost of medical benefits were assumed to range from 5.2% to 9.0% with the larger increases in the early years and

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

gradually decreasing thereafter. It should be noted actuarial calculations reflect a long-term perspective and, therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

(f) Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Project Unit Credit	Unfunded Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1						
2010	\$ -	\$ 45,000	45,000	-	\$ -	-
2011	-	49,000	49,000	-	-	-
2012	-	56,000	56,000	-	-	-

(g) Schedule of Employer Contributions

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Funding Ratio
2011	\$ -	\$ 7,000	-
2012	-	7,000	-
2013	-	8,000	-

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

(8) Transactions with Related Parties

Certain financial management, accounting, and other services are provided to the Authority by James City County. The following lists the charges for these services, which totaled \$119,926 during the year ended June 30, 2013 and are included in the statement of activities – government-wide financials and statement of revenues, expenditures, and changes in fund balances – governmental funds:

Accounting and financial management services	\$	29,307
Radio maintenance		46,380
Human resources services		15,551
Treasurer services		14,952
Legal services		10,000
Information technology		2,536
Telephone services		<u>1,200</u>
Total	\$	<u><u>119,926</u></u>

The Authority owes James City County \$6,902 at June 30, 2013, which primarily represents radio maintenance charges due from the Authority.

(9) Lease Commitments

The Authority leases from the City of Williamsburg the use of the Williamsburg Transportation Center as a HUB, where passengers can transfer to other public buses and have access to other transportation modes such as the Amtrak, Trailways/Greyhound, intercity buses, and taxis. Per the agreement, monthly payments of \$6,250 are made for a total amount of \$75,000 per year. This agreement is a verbal agreement between the Authority and the City of Williamsburg and, as such, there is no enforceable future obligation related to this agreement. The Authority, however, has no intention of discontinuing their use of this HUB, nor does the City of Williamsburg have any current intention to change this arrangement.

In January 2011, the Authority signed a lease agreement with 6401 Richmond Road LLLP for 2,360 square feet of space at the Williamsburg Outlet Mall. This agreement stipulated payment in eighteen monthly installments for the balance remaining on a construction chargeback as well as an annual promotion fund amount due. During fiscal year 2012, the Authority exercised its option to extend this lease through June 30, 2013. The Authority paid \$28,920 to 6401 Richmond Road LLLP based on this agreement for fiscal year 2013. In December 2013, the Williamsburg Outlet Mall is scheduled to close. At the end of the Authority's current lease term in June 2013, the lease reverted to a month-to-month agreement with rent in the amount of \$2,410 expected to be due each month through December 2013.

The Authority also leases 2,000 square feet of office space, dedicated vehicle parking, and its maintenance facility from Colonial Williamsburg under a ten-year lease agreement due to expire in February 2015.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2013

During the year ended June 30, 2013, the Authority paid Colonial Williamsburg \$75,087 based on this agreement.

Future minimum lease payments under the agreement with Colonial Williamsburg are estimated as follows:

2014	77,340
2015	<u>45,895</u>
Total	\$ <u><u>123,235</u></u>

(10) Other Commitments

In March 2011, the Authority entered into an agreement with First Transit, Inc. for vehicle maintenance services. This agreement is through March 30, 2016 with up to five potential one year extensions. The agreement stipulates a monthly payment for services which are subject to 3% annual increases throughout the contract. The actual amount billable monthly is dependent upon the number and type of vehicles serviced. Further, the contract allows for extra charges for fuel and for additional maintenance services provided beyond those described in the agreement, if such additional fees are approved of in advance by the Authority. During the year ended June 30, 2013, the Authority paid First Transit, Inc. \$1,666,992 for maintenance services and related charges under the terms of this agreement.

In August 2012, the Authority entered into a lease and purchase option agreement with York County for a trolley in order to satisfy increased demand for increased public transit services for visitation in Yorktown. The Authority is the lessor of the trolley and York County will be the lessee. Under this agreement, the Authority has agreed to purchase a trolley and conduct training to operate the trolley at an estimated cost of \$300,376. The Federal Transit Administration approved a grant in the amount of \$252,000 of Congestion Mitigation Air Quality Program Funds to assist in the acquisition of the trolley. In addition, the Commonwealth of Virginia Department of Rail and Public Transportation will offset the required match of 20% to assist in the purchase of the trolley. The Authority is in the process of receiving the trolley from a vendor and making payment for the vehicle. Once the purchase is complete, the Authority will request reimbursement for the trolley from the federal and state sources. The Authority will then lease the trolley to York County in exchange for York County using the vehicle to provide increased public transit services in Yorktown. The lease is for 12 years giving York County the option to purchase the trolley at the conclusion of the lease, unless the lease is terminated earlier by the Authority due to default or for convenience of the Federal Government.

* * * * *

Williamsburg Area Transit Authority

Required Supplementary Information

WILLIAMSBURG AREA TRANSIT AUTHORITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Unaudited)

Governmental Fund

Year ended June 30, 2013

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues				
Reimbursements from Commonwealth of Virginia	\$ 1,581,806	\$ 1,928,721	\$ 1,416,236	\$ (512,485)
Reimbursements from federal government	4,021,513	3,691,921	2,556,426	(1,135,495)
Contributions from members:				
James City County	505,216	505,216	505,216	-
York County	286,522	286,522	286,522	-
City of Williamsburg	278,250	265,000	265,000	-
Colonial Williamsburg Foundation	1,765,000	1,765,000	375,854	(1,389,146)
Contributions from other localities	50,000	60,000	60,000	-
Charges for services	689,000	689,000	730,637	41,637
Bond Issuance	-	-	-	-
Miscellaneous	75,000	75,000	11,494	(63,506)
	<u>9,252,307</u>	<u>9,266,380</u>	<u>6,207,385</u>	<u>(3,058,995)</u>
Expenditures				
Salaries and benefits	2,553,593	2,609,197	2,520,916	88,281
Capital outlay	2,521,000	7,035,103	1,128,691	5,906,412
Fuel	738,780	763,780	738,001	25,779
Repairs and maintenance	719,396	686,668	642,088	44,580
Colonial Williamsburg bus operations	1,765,000	1,765,000	375,854	1,389,146
Supplies and materials	225,855	287,543	282,367	5,176
Leases/rentals	238,560	432,310	179,007	253,303
Contractual services	282,800	432,123	124,034	308,089
Fiscal agent services	72,955	72,346	72,346	-
Insurance	50,400	50,400	36,742	13,658
Telecommunications	48,000	92,720	36,412	56,308
Clothing	24,316	24,316	20,277	4,039
Other	27,900	28,637	14,475	14,162
Advertising	30,000	31,000	13,651	17,349
	<u>9,298,555</u>	<u>14,311,143</u>	<u>6,184,861</u>	<u>8,126,282</u>
Net change in fund balance	(46,248)	(5,044,763)	22,524	(5,067,287)
Fund balance at beginning of year	<u>46,248</u>	<u>5,044,763</u>	<u>901,656</u>	<u>4,143,107</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 924,180</u>	<u>\$ (924,180)</u>

Unaudited - See accompanying independent auditors' report.

Williamsburg Area Transit Authority

Compliance Section



***Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards***

Board of Directors
Williamsburg Area Transit Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ***Williamsburg Area Transit Authority*** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise ***Williamsburg Area Transit Authority's*** basic financial statements, and have issued our report thereon dated November 6, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***Williamsburg Area Transit Authority's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Williamsburg Area Transit Authority's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Williamsburg Area Transit Authority's*** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Williamsburg Area Transit Authority's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 6, 2013



***Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133***

Board of Directors
Williamsburg Area Transit Authority

Compliance

We have audited ***Williamsburg Area Transit Authority's*** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ***Williamsburg Area Transit Authority's*** major federal programs for the year ended June 30, 2013. ***Williamsburg Area Transit Authority's*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ***Williamsburg Area Transit Authority's*** management. Our responsibility is to express an opinion on ***Williamsburg Area Transit Authority's*** compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Williamsburg Area Transit Authority's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ***Williamsburg Area Transit Authority's*** compliance with those requirements.

In our opinion, ***Williamsburg Area Transit Authority*** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

The management of ***Williamsburg Area Transit Authority*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ***Williamsburg Area Transit Authority's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Williamsburg Area Transit Authority's*** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 6, 2013

WILLIAMSBURG AREA TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Major Program		
Department of Transportation:		
Federal Transit Administration - Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	\$ 236,269
Federal Transit - Formula Grants	20.507	1,738,423
ARRA - Federal Transit - Formula Grants	ARRA-20.507	<u>507,773</u>
Total Federal Transit Cluster		<u>2,482,465</u> *
 Other Federal Awards		
Department of Transportation:		
Federal Transit Administration:		
Metropolitan Transportation Planning	20.505	112,500
Formula Grants for Other Than Urbanized Areas	20.509	<u>201,666</u>
		<u>314,166</u>
Total Federal Awards		<u>\$ 2,796,631</u>

* Type A program. All other programs are Type B.

See accompanying notes to schedule of expenditures of federal awards.

WILLIAMSBURG AREA TRANSIT AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Williamsburg Area Transit Authority (the Authority), and is presented on the modified accrual basis of accounting, which is described in Note 1(c) to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

June 30, 2013

(1) Summary of Auditors' Results

Financial Statements

- An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.
- The audit did not disclose any material noncompliance.

Federal Awards

- There were no material weaknesses identified.
- There were no significant deficiencies identified.
- An unmodified opinion was issued on compliance for major programs.
- The audit did not disclose any audit findings required to be reported.
- The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- The auditee qualified as a low-risk auditee.

(2) Findings Relating to the Financial Statements which are Required to be Reported in Accordance with GAGAS

None

(3) Findings and Questioned Costs for Federal Awards

None

(4) Disposition of Prior Year Findings

None