

**WILLIAMSBURG AREA TRANSIT AUTHORITY**  
Basic Financial Statements and Supplementary Information  
June 30, 2015  
(With Independent Auditors' Report Thereon)

# WILLIAMSBURG AREA TRANSIT AUTHORITY

## Table of Contents

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	i
Authority Officials	ii
<b>Independent Auditors' Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	3 - 6
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	7
Statement of Activities	8
<b>Governmental Fund Financial Statements</b>	
Balance Sheet – Governmental Fund and Reconciliation to Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund and Reconciliation to Statement of Activities	10 - 11
<b>Notes to Financial Statements</b>	12 - 24
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund – Budget and Actual (Unaudited)	25
<b>Compliance Section</b>	
Independent Auditors' 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	26 - 27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	28 - 29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Authority Officials**

**June 30, 2015**

**Board of Directors**

Jodi Miller..... Chair

J. Mark Carter ..... Vice Chair

Danny McDaniel

M. Douglas Powell

Allen Murphy

**Other Officials**

William C. Porter..... Executive Director

Jamie Jackson.....Deputy Executive Director

Jennifer D. Tomes..... Treasurer

Michelle M. Gowdy.....Legal Counsel

## INDEPENDENT AUDITORS' REPORT

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, 2015, 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.

### **Auditors' 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 auditors' 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 auditors' consider 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 to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of the governmental activities of the **Williamsburg Area Transit Authority** as of the year ended June 30, 2015, 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 management's discussion and analysis and budgetary comparison information on pages 3 through 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.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **Williamsburg Area Transit Authority** taken that collectively comprise the **Williamsburg Area Transit Authority of James City County, Virginia's** basic financial statements. The accompanying 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 States, Local Governments, and Non-Profit Organizations*, and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of **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 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 3, 2015

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

## **WILLIAMSBURG AREA TRANSIT AUTHORITY**

### **Management's Discussion and Analysis**

**June 30, 2015**

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, 2015.

#### **Financial Highlights for Fiscal Year 2015**

- The Authority's net position increased by \$1,089,099 over the course of fiscal year 2015, which represents a 21.6% increase from fiscal year 2014. This was primarily a result of an increase in grants and contributions received for new buses.
- The assets of the Authority exceeded its liabilities by \$6,120,455 at June 30, 2015. Of this amount, \$5,278,632, or 86.2%, is the Authority's net investment in capital assets.
- Capital assets increased by \$1,063,969 from fiscal year 2015, which was primarily a result of the addition of new buses.

#### **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, 2015**

*Statement of Net Position*

The following table reflects the condensed statement of net position:

**Table 1**  
**Condensed Statements of Net Position**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Current assets	\$ 1,215,225	\$ 1,712,451
Capital assets, net	<u>5,278,632</u>	<u>4,214,663</u>
Total assets	<u>\$ 6,493,857</u>	<u>\$ 5,927,114</u>
Current liabilities	\$ 301,344	\$ 827,434
Long-term liabilities	<u>72,058</u>	<u>68,324</u>
Total liabilities	<u>373,402</u>	<u>895,758</u>
Net position:		
Net investment in capital assets	5,278,632	4,214,663
Unrestricted	<u>841,823</u>	<u>816,693</u>
Total net position	<u>6,120,455</u>	<u>5,031,356</u>
Total liabilities and net position	<u>\$ 6,493,857</u>	<u>\$ 5,927,114</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 \$6,120,455 and \$5,031,356 at June 30, 2015 and 2014, respectively.

Total liabilities decreased by \$522,356 for fiscal year 2015 primarily due to a decrease in accounts payable from 2014 related to maintenance and fuel costs incurred at year end last year.

The largest portion of the Authority's net position at June 30, 2015 (86.2%) reflects its 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 (13.8%) is designated for future spending.

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**June 30, 2015**

*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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Program expenses:		
Materials and contractual services	\$ 2,868,194	\$ 3,065,819
Personnel expenses	2,828,971	2,622,274
Depreciation	1,311,837	1,139,607
Total program expenses	<u>7,009,002</u>	<u>6,827,700</u>
Program revenues:		
Operating grants and contributions	5,453,267	5,001,323
Charges for services	761,870	775,443
Capital grants and contributions	1,876,508	555,692
Total program revenues	<u>8,091,645</u>	<u>6,332,458</u>
Net program revenues (expenses)	<u>1,082,643</u>	<u>(495,242)</u>
General revenues (expenses):		
Gain (loss) on disposal of property	181	(19,271)
Miscellaneous revenue	6,275	8,608
Total general revenues (expenses)	<u>6,456</u>	<u>(10,663)</u>
Change in net position	1,089,099	(505,905)
Net position at beginning of year	<u>5,031,356</u>	<u>5,537,261</u>
Net position at end of year	<u>\$ 6,120,455</u>	<u>\$ 5,031,356</u>

Total net position increased by \$1,089,099 for the fiscal year ended June 30, 2015, primarily as a result of an increase in capital grants and contributions for new buses.

The Authority's expenses include materials and contractual services, personnel costs, and depreciation expense. For fiscal year 2015, expenses for materials and contractual services decreased primarily as a result of a decrease in professional services needed to maintain the buses. Personnel costs increased for fiscal year 2015 primarily as a result of a salary increase implemented at the beginning of the fiscal year as well as increased overtime costs.

Charges for services include monies received for bus fares. This also includes contract service revenue received from the College of William and Mary. Charges for services decreased for fiscal year 2015, which was primarily a result of no longer providing contract services to Thomas Nelson Community College. The operating and capital

## **WILLIAMSBURG AREA TRANSIT AUTHORITY**

### **Management's Discussion and Analysis**

**June 30, 2015**

grants and contributions are federal and state grants for reimbursement of transportation costs and services. In addition, contributions are received from members. The Authority's revenues from grants and contributions increased for fiscal year 2015, which was primarily a result of receiving additional grants received for the new buses.

The Authority has an adopted budget. During fiscal year 2015, adjustments were made to the budget, resulting in a net increase of \$229,987 to the Authority's budgeted revenues and expenses. This increase was primarily as a result of an appropriation adopted in August 2014 in the amount of \$269,080 for the Jamestown Congestion Mitigation and Air Quality (CMAQ) grant.

#### **Capital Assets**

At the end of fiscal years 2015 and 2014, the Authority had invested \$5,278,632 and \$4,214,663, respectively, in net capital assets, including buildings and improvements, furniture and equipment, vehicles, and construction in progress. For fiscal year 2014, construction in progress included only the amount remaining for the bus shelters, and for fiscal year 2015, construction in progress included primarily the amount remaining for the bus shelters, and improvements to security systems. 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, 2015**

**Assets**

<b>Cash and short-term investments (Note 2)</b>	\$	470,382
<b>Due from other governmental units (Note 3)</b>		743,168
<b>Accounts receivable</b>		1,675
<b>Capital assets (Note 4)</b>		
Buildings and improvements		318,271
Furniture and equipment		1,592,878
Vehicles		15,100,963
Construction in progress		22,117
Less accumulated depreciation		<u>(11,755,597)</u>
Net capital assets		<u>5,278,632</u>
 Total assets	\$	<u><u>6,493,857</u></u>

**Liabilities and Net Position**

<b>Accounts payable</b>	\$	189,110
<b>Due to James City County (Note 8)</b>		943
<b>Salaries payable</b>		24,116
<b>Unearned revenue</b>		6,000
<b>Long-term liabilities (Notes 5 and 7)</b>		
Expected to be paid within one year		81,175
Expected to be paid after one year		<u>72,058</u>
Total liabilities		<u>373,402</u>
 <b>Net position</b>		
Net investment in capital assets		5,278,632
Unrestricted		<u>841,823</u>
Total net position		<u>6,120,455</u>
 Total liabilities and net position	\$	<u><u>6,493,857</u></u>

*See accompanying notes to the financial statements.*

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Statement of Activities**

**Year ended June 30, 2015**

**Expenses**

Materials and contractual services (Notes 8 and 10)	\$ 2,868,194
Personnel expenses	2,828,971
Depreciation	1,311,837
Total program expenses	<u>7,009,002</u>

**Program revenues**

Operating grants and contributions	5,453,267
Charges for services	761,870
Capital grants and contributions	1,876,508
Total program revenues	<u>8,091,645</u>

Net program revenues 1,082,643

**General revenues**

Gain on disposal of property	181
Miscellaneous revenue	6,275
Total general revenues	<u>6,456</u>

Change in net position 1,089,099

**Net position at beginning of year** 5,031,356

**Net position at end of year** \$ 6,120,455

*See accompanying notes to the financial statements.*

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Governmental Fund Financial Statements**

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Balance Sheet**

**Governmental Fund**

**June 30, 2015**

**Assets**

<b>Cash and short-term investments (Note 2)</b>	\$ 470,382
<b>Due from other governmental units (Note 3)</b>	743,168
<b>Accounts receivable</b>	<u>1,675</u>
<b>Total assets</b>	<u><u>\$ 1,215,225</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$ 189,110
Due to James City County (Note 8)	943
Salaries payable	24,116
Unearned revenue	<u>6,000</u>
<b>Total liabilities</b>	<u><u>220,169</u></u>

**Fund balance**

Committed fund balance	14,600
Assigned fund balance	209,095
Unassigned fund balance	<u>771,361</u>
<b>Total fund balance</b>	<u><u>995,056</u></u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 1,215,225</u></u>

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

Ending fund balance	\$ 995,056
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.	5,278,632
Accrued expenses reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.	(108,233)
Obligation for OPEB is not due and payable in the current period and is not recorded as a liability in the governmental funds.	<u>(45,000)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 6,120,455</u></u>

*See accompanying notes to the financial statements.*

**WILLIAMSBURG AREA TRANSIT AUTHORITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**Year ended June 30, 2015**

<b>Revenues</b>	
Reimbursements from Commonwealth of Virginia	\$ 1,965,944
Reimbursements from federal government	<u>3,685,544</u>
Contributions from members:	
James City County	573,420
Colonial Williamsburg Foundation	407,204
York County	325,138
City of Williamsburg	300,775
Total contributions from members	<u>1,606,537</u>
Other revenues:	
Charges for services	761,870
Contributions from other localities	71,750
Miscellaneous	6,456
Total other revenues	<u>840,076</u>
Total revenues	<u>8,098,101</u>
<b>Expenditures</b>	
Salaries and benefits	2,838,034
Repairs and maintenance (Notes 8 and 10)	798,030
Fuel (Note 10)	604,320
Capital outlay	2,498,354
Colonial Williamsburg bus operations	407,204
Contractual services	235,645
Supplies and materials (Note 10)	337,743
Leases/rentals (Note 9)	168,075
Fiscal agent services (Note 8)	81,089
Other	26,147
Insurance	37,345
Telecommunications (Note 8)	23,712
Advertising	15,337
Clothing	10,999
Total expenditures	<u>8,082,034</u>
Net change in fund balance	16,067
<b>Fund balance at beginning of year</b>	<u>978,989</u>
<b>Fund balance at end of year</b>	<u><u>\$ 995,056</u></u>

*See accompanying notes to the financial statements*

**WILLIAMSBURG AREA TRANSIT AUTHORITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - (Continued)**  
**Governmental Fund**  
**Year ended June 30, 2015**

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

Net change in fund balance		\$ <u>16,067</u>
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		(1,311,837)
Capital outlay expenditures		<u>2,375,806</u>
		<u>1,063,969</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	\$ 17,063	
Other post employment benefits	<u>(8,000)</u>	
		<u>9,063</u>
Change in net position on statement of activities		\$ <u><u>1,089,099</u></u>

*See accompanying notes to the financial statements.*

# WILLIAMSBURG AREA TRANSIT AUTHORITY

## Notes to Financial Statements

June 30, 2015

### (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

# WILLIAMSBURG AREA TRANSIT AUTHORITY

## Notes to Financial Statements

June 30, 2015

financial resources together with all related liabilities and residual equities or balances and changes therein, 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 unearned revenue until eligibility requirements are met.

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.

Effective with the financial statements for the fiscal year ended June 30, 2015, the Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (GASB 68). This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions are also addressed. This statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. In addition, the Authority's employees are not a separate cost pool

# WILLIAMSBURG AREA TRANSIT AUTHORITY

## Notes to Financial Statements

June 30, 2015

of VRS and no separate actuarial information is available with regard to the Authority's participation in VRS. As a result, GASB 68 has no effect on the Authority's financial statements for the fiscal year ended June 30, 2015.

**(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

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the change in net position.

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.

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

**(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 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 3, 2015, 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 \$470,277 at June 30, 2015. The bank balance of \$674,351, which differs from the carrying value of deposits primarily as a result of outstanding checks and deposits in transit, is fully covered by the Federal Deposit Insurance Corporation (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

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

pool shares. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

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
Bank deposits	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

**(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, 2015, 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 exceptions on the following page:

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

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

**(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, 2015, the fair values and maturities of the Authority's investments were as follows:

<u>Investment Type</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, 2015, 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, 2015:

Department of Transportation	\$ 644,274
College of William and Mary	53,065
Commonwealth of Virginia	<u>45,829</u>
Total	<u>\$ 743,168</u>

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

**(4) Capital Assets**

A summary of changes in capital assets for the fiscal year ended June 30, 2015 is as follows:

	<b>Balances July 1, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2015</b>
Capital assets not being depreciated:				
Construction in progress	\$ 16,500	\$ 16,357	\$ 10,740	\$ 22,117
Other capital assets:				
Buildings and improvements	\$ 253,593	\$ 64,678	\$ -	\$ 318,271
Furniture and equipment	1,550,796	42,082	-	1,592,878
Vehicles	<u>12,837,534</u>	<u>2,263,429</u>	-	<u>15,100,963</u>
Total other capital assets	<u>14,641,923</u>	<u>2,370,189</u>	-	<u>17,012,112</u>
Less accumulated depreciation for:				
Buildings and improvements	50,811	10,183	-	60,994
Furniture and equipment	274,796	236,832	-	511,628
Vehicles	<u>10,118,153</u>	<u>1,064,822</u>	-	<u>11,182,975</u>
Total accumulated depreciation	<u>10,443,760</u>	<u>1,311,837</u>	-	<u>11,755,597</u>
Other capital assets, net	<u>4,198,163</u>	<u>1,058,352</u>	-	<u>5,256,515</u>
Net capital assets	<u>\$ 4,214,663</u>	<u>\$ 1,074,709</u>	<u>\$ 10,740</u>	<u>\$ 5,278,632</u>

Depreciation of \$1,311,837 was charged for the year ended June 30, 2015.

**(5) Long-Term Liabilities**

A summary of the Authority's long-term liability activity for the year ended June 30, 2015 follows:

	<b>Amounts Payable at July 1, 2014</b>	<b>Additions</b>	<b>Retirements and Reductions</b>	<b>Amounts Payable at June 30, 2015</b>	<b>Amounts Due Within One Year</b>
OPEB liability	\$ 37,000	\$ 8,000	\$ -	\$ 45,000	\$ -
Compensated absences	<u>125,296</u>	<u>154,185</u>	<u>171,248</u>	<u>108,233</u>	<u>81,175</u>
Total	<u>\$ 162,296</u>	<u>\$ 162,185</u>	<u>\$ 171,248</u>	<u>\$ 153,233</u>	<u>\$ 81,175</u>

# WILLIAMSBURG AREA TRANSIT AUTHORITY

## Notes to Financial Statements

June 30, 2015

### (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* (GASB 45), 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

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

were 35 Authority participants at the 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, 2015 was calculated as follows:

Annual required contribution	\$ 9,000
Interest on net OPEB obligation	1,000
Actuarial adjustment	(1,000)
Annual OPEB cost	<u>9,000</u>
Contributions anticipated	<u>(1,000)</u>
Increase in net OPEB obligation	8,000
Net OPEB obligation, beginning of year	<u>37,000</u>
Net OPEB obligation, end of year	<u>\$ 45,000</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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. For fiscal year 2015, 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 24 year period based on a level percent of payroll method. The actuarial accrued liability was \$74,000 for the Authority. Future increases for the cost of medical benefits were assumed to

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

range from 5.0% to 7.0% with the larger increases in the early years and 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**

<b>Actuarial Valuation Date July 1,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liability (AAL) Projected Unit Credit</b>	<b>Unfunded Accrued Liability (UAAL)</b>	<b>Funding Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
2012	\$ -	\$ 56,000	56,000	-	\$ -	-
2013	-	66,000	66,000	-	-	-
2014	-	74,000	74,000	-	-	-

**(g) Schedule of Employer Contributions**

<b>Year Ended June 30,</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution (ARC)</b>	<b>Funding Ratio</b>
2013	\$ -	\$ 8,000	-
2014	-	8,000	-
2015	-	8,000	-

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

**(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 \$132,360 during the year ended June 30, 2015 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	\$	32,611
Radio maintenance		50,071
Human resources services		17,304
Treasurer services		16,638
Legal services		12,000
Information technology		2,536
Telephone services		<u>1,200</u>
Total	\$	<u><u>132,360</u></u>

The Authority owes James City County \$943 at June 30, 2015, which primarily represents a reimbursement for a travel expense.

**(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 November 2013, the Authority entered into a lease agreement with the City of Williamsburg for office space at the Williamsburg Transportation Center. The term of this lease is from January 1, 2014 through December 31, 2014 with two automatic one-year renewals at January 1, 2015 and January 1, 2016. The initial rent payment is \$1,000 per month and will increase by 3% each year on January 1. For fiscal year 2015, the Authority paid \$12,180 to the City of Williamsburg for this space.

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 which expired in February 2015. In October 2014, the Authority extended the agreement for an additional five years, and increased monthly payments to \$7,000. During the year ended June 30, 2015, the Authority paid Colonial Williamsburg \$80,895 based on this agreement.

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015**

Future minimum lease payments for office space under the agreements with the City of Williamsburg are estimated as follows:

2016	96,545
2017	90,365
2018	84,000
2019	84,000
2020	<u>84,000</u>
Total	\$ <u><u>438,910</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, 2015, the Authority paid First Transit, Inc. \$1,808,839 for maintenance services and related charges under the terms of this agreement.

In December 2012, the Federal Transit Administration required that the Authority and the Colonial Williamsburg Foundation (the Foundation) modify their contracts with First Transit, Inc. to include additional regulations. The Authority modified its contract accordingly and, in fiscal year 2014, entered into a Memorandum of Agreement (MOA) with the Foundation in order for the Foundation's public fleet of vehicles to be included on the modified contract. The approval of this MOA resulted in amendments to the Authority's Lease and Purchase Option Agreement with the Foundation and its contract with First Transit, Inc. to incorporate the Foundation's public fleet. However, the MOA does not otherwise affect the current maintenance, billing, and payment procedures with First Transit, Inc., and the Foundation has agreed to assume any regulatory or audit expenses related to the operation of the public fleet.

\* \* \* \* \*

**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, 2015**

	<b>Original budget</b>	<b>Revised budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
<b>Revenues</b>				
Reimbursements from Commonwealth of Virginia	\$ 1,904,136	\$ 1,814,907	\$ 1,965,944	\$ 151,037
Reimbursements from federal government	3,108,686	3,408,025	3,685,544	277,519
Contributions from members:				
James City County	573,420	573,420	573,420	-
York County	325,938	325,938	325,138	(800)
City of Williamsburg	300,775	300,775	300,775	-
Colonial Williamsburg Foundation	1,971,382	1,971,382	407,204	(1,564,178)
Contributions from other localities	73,500	71,750	71,750	-
Charges for services	806,905	806,905	761,870	(45,035)
Miscellaneous	30,000	30,000	6,456	(23,544)
	<u>9,094,742</u>	<u>9,303,102</u>	<u>8,098,101</u>	<u>(1,205,001)</u>
<b>Expenditures</b>				
Salaries and benefits	2,896,719	3,063,314	2,838,034	225,280
Capital outlay	1,663,667	6,334,892	2,498,354	3,836,538
Fuel	892,064	741,496	604,320	137,176
Repairs and maintenance	804,726	859,352	798,030	61,322
Colonial Williamsburg bus operations	1,971,382	1,971,382	407,204	1,564,178
Contractual services	188,415	768,566	235,645	532,921
Supplies and materials	278,000	399,792	337,743	62,049
Leases/rentals	175,180	533,872	168,075	365,797
Fiscal agent services	81,089	81,089	81,089	-
Insurance	45,000	40,000	37,345	2,655
Advertising	25,000	27,000	15,337	11,663
Clothing	20,000	15,061	10,999	4,062
Telecommunications	24,500	24,500	23,712	788
Other	29,000	29,000	26,147	2,853
	<u>9,094,742</u>	<u>14,889,316</u>	<u>8,082,034</u>	<u>6,807,282</u>
Net change in fund balance	-	(5,586,214)	16,067	(5,602,281)
<b>Fund balance at beginning of year</b>	-	5,586,214	978,989	4,607,225
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995,056</u>	<u>\$ (995,056)</u>

*Unaudited - See accompanying independent auditors' report.*

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Compliance Section**

**INDEPENDENT AUDITORS' 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, 2015, 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 3, 2015.

***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 3, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CIRCULAR A-133**

Board of Directors  
**Williamsburg Area Transit Authority**

**Report on Compliance for Each Major Federal Program**

We have audited **Williamsburg Area Transit Authority's** compliance with the types of compliance requirements described in the *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, 2015. **Williamsburg Area Transit Authority's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of **Williamsburg Area Transit Authority's** major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of **Williamsburg Area Transit Authority's** compliance.

**Opinion on Each Major Federal Program**

In our opinion, **Williamsburg Area Transit Authority** complied, in all material respects, with the types of 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, 2015.

***Report on Internal Control over Compliance***

Management of ***Williamsburg Area Transit Authority*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ***Williamsburg Area Transit Authority's*** internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 over compliance 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
November 3, 2015

**WILLIAMSBURG AREA TRANSIT AUTHORITY**

**Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2015**

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
<b>Major Program</b>		
Department of Transportation:		
Federal Transit Administration - Federal Transit Cluster:		
Federal Transit - Formula Grants	20.507	\$ 3,440,095
ARRA - Federal Transit - Formula Grants	ARRA-20.507	<u>55,763</u>
Total Federal Transit Cluster		3,495,858 *
<b>Other Federal Awards</b>		
Department of Transportation:		
Federal Transit Administration:		
Metropolitan Transportation Planning	20.505	170,130
Formula Grants for Other Than Urbanized Areas	20.509	<u>279,645</u>
		<u>449,775</u>
Total Federal Awards		\$ <u>3,945,633</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, 2015**

**(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, 2015**

**(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.
- Major program: Federal Transit Cluster (CFDA No.: 20.507 and ARRA-20.507)

**(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