

# Williamsburg Area Transit Authority

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**Basic Financial Statements and Supplementary Information**  
*(With Independent Auditors' Report Thereon)*

**June 30, 2017**



# Williamsburg Area Transit Authority

## Table of Contents

	<b>Page</b>
<b><i>Introductory Section</i></b>	
Table of Contents	i
Authority Officials	ii
<b><i>Financial Section</i></b>	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Governmental Fund Financial Statements	
Balance Sheet - Governmental Fund and Reconciliation to Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund and Reconciliation to Statement of Activities	9 - 10
Notes to Financial Statements	11 - 19
<b><i>Required Supplementary Information</i></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund - Budget and Actual (Unaudited)	20
<b><i>Compliance Section</i></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 <i>Government Auditing Standards</i>	21 - 22
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	23 - 24
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs - Federal Awards	27
Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations and Grants	28 - 29

**Williamsburg Area Transit Authority  
Authority Officials  
June 30, 2017**

***Board of Directors***

Doug Powell.....Chairman

Andrew Trivette.....Vice Chair

Paul Holt

J. Mark Carter

Kurt Reisweber

***Other Officials***

Zach Trogdon.....Executive Director

Joshua Moore.....Deputy Director

Jennifer D. Tomes.....Treasurer



## **Independent Auditors' Report**

Board of Directors  
Williamsburg Area Transit Authority  
Williamsburg, Virginia

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, 2017, 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, the financial position of the governmental activities of the Williamsburg Area Transit Authority as of the year ended June 30, 2017, 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 5 and 20 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 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 October 25, 2017, 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  
October 25, 2017**

**Williamsburg Area Transit Authority**  
Management's Discussion and Analysis  
June 30, 2017

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, 2017.

**Financial Highlights for Fiscal Year 2017**

The Authority's net position increased by \$1,825,443 in fiscal year 2017, which represents a 33.0% increase from fiscal year 2016. This was primarily a result of an increase in capital grants and contributions.

**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. 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 components of the Authority's operations. 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.

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is net position. 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.

**Financial Analysis**

**Summary Statements of Net Position**

	<u>6/30/2017</u>	<u>6/30/2016</u>
Current assets	\$ 2,347,556	\$ 1,784,172
Capital assets, net	5,725,771	4,338,591
Total assets	<u>\$ 8,073,327</u>	<u>\$ 6,122,763</u>
Current liabilities	\$ 631,204	\$ 511,328
Long-term liabilities	88,486	83,241
Total liabilities	<u>719,690</u>	<u>594,569</u>
Net position:		
Net investment in capital assets	5,725,771	4,338,591
Unrestricted	1,627,866	1,189,603
Total net position	<u>7,353,637</u>	<u>5,528,194</u>
Total liabilities and net position	<u>\$ 8,073,327</u>	<u>\$ 6,122,763</u>

Total assets increased by 31.9% from fiscal year 2016, mainly due to the increase in capital assets resulting from the addition of new buses. Total liabilities increased by 21.0% from fiscal year 2016 primarily due to an increase in accounts payable from capital asset purchases at year-end.

**Williamsburg Area Transit Authority**  
**Management's Discussion and Analysis**  
June 30, 2017

The Authority's net position was \$7,353,637 at June 30, 2017, with the largest portion (77.9%) reflecting its investment in capital assets. These capital assets are used to provide services to customers; consequently, these assets are not available for future spending. The remaining portion of net position (22.1%) will be used for future spending.

**Summary Statements of Activities**

	<u>6/30/2017</u>	<u>6/30/2016</u>
Program expenses:		
Materials and contractual services	\$ 2,720,926	\$ 2,906,988
Personnel expenses	3,231,294	2,806,244
Depreciation	1,035,095	1,147,321
Total program expenses	<u>6,987,315</u>	<u>6,860,553</u>
Program revenues:		
Operating grants and contributions	5,313,095	5,102,357
Charges for services	910,273	743,174
Capital grants and contributions	2,557,496	382,527
Total program revenues	<u>8,780,864</u>	<u>6,228,058</u>
Net program revenues (expenses)	<u>1,793,549</u>	<u>(632,495)</u>
General revenues:		
Miscellaneous	61,713	36,682
Gain (loss) on disposal of capital assets	(29,819)	3,552
Total general revenues	<u>31,894</u>	<u>40,234</u>
Change in net position	1,825,443	(592,261)
Net position, beginning of year	5,528,194	6,120,455
Net position, end of year	<u>\$ 7,353,637</u>	<u>\$ 5,528,194</u>

Program expenses were higher than the previous year by \$126,762, mainly due to higher personnel expenses as a result of overtime from not being fully staffed.

Charges for services include monies received for bus fares and contracted service revenue received from the College of William and Mary. Charges for services increased in fiscal year 2017 due to an increase in revenue received from the College of William and Mary. Operating and capital grants and contributions include federal and state grants for reimbursement of transportation costs and services, as well as member contributions. The Authority's revenues from grants and contributions increased in fiscal year 2017, which was primarily a result of non-recurring capital grants to purchase buses.

Total net position increased by \$1,825,443 for the fiscal year ended June 30, 2017, primarily attributable to the circumstances noted above.

**Summary Schedule of Budget-to-Actual - Governmental Fund**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>
Revenues	\$ 11,891,590	\$ 12,146,937	\$ 9,072,169
Expenditures	\$ 12,121,590	\$ 12,376,937	\$ 8,398,334
Net change in fund balance	<u>\$ (230,000)</u>	<u>\$ (230,000)</u>	<u>\$ 673,835</u>

The Authority has an adopted budget and during fiscal year 2017, the budget increased by \$255,347 due to additional operating revenue from the Department of Rail and Public Transportation.

**Williamsburg Area Transit Authority**  
Management's Discussion and Analysis  
June 30, 2017

<b>Capital Assets</b>
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At the end of fiscal years 2017 and 2016, the Authority had invested \$5,725,771 and \$4,338,591, respectively, in net capital assets. The main factor for the increase was the addition of buses to the current fleet. Further information about the Authority's capital assets can be found in Note 4 to the financial statements.

**Requests for Financial Information**

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.

\* \* \* \*



## **Basic Financial Statements**

**Williamsburg Area Transit Authority**  
**Statement of Net Position**  
**June 30, 2017**

**Assets**

Cash and short-term investments (Note 2)	\$	1,233,924
Due from other governmental units (Note 3)		1,028,596
Accounts receivable		85,036
Capital assets, net (Note 4)		
Non-depreciable		46,518
Depreciable		5,679,253
		5,679,253
Total assets	\$	8,073,327

**Liabilities and Net Position**

**Liabilities**

Accounts payable	\$	511,223
Due to James City County (Note 8)		5,922
Salaries payable		16,600
Long-term liabilities (Notes 5 and 7)		
Due within one year		97,459
Due in more than one year		88,486
Total liabilities		719,690

**Net position**

Net investment in capital assets		5,725,771
Unrestricted		1,627,866
Total net position		7,353,637
Total liabilities and net position	\$	8,073,327

*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority**  
**Statement of Activities**  
**Year ended June 30, 2017**

<b>Program Expenses</b>	
Materials and contractual services	\$ 2,720,926
Personnel expenses	3,231,294
Depreciation	1,035,095
Total program expenses	<u>6,987,315</u>
<b>Program revenues</b>	
Operating grants and contributions	5,313,095
Charges for services	910,273
Capital grants and contributions	2,557,496
Total program revenues	<u>8,780,864</u>
Net program expenses	<u>1,793,549</u>
<b>General revenues</b>	
Miscellaneous	61,713
Loss on disposal of capital assets	(29,819)
Total general revenues	<u>31,894</u>
Change in net position	1,825,443
<b>Net position, beginning of year</b>	<u>5,528,194</u>
<b>Net position, end of year</b>	<u><u>\$ 7,353,637</u></u>

*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority  
Balance Sheet - Governmental Fund  
June 30, 2017**

**Assets**

Cash and short-term investments (Note 2)	\$	1,233,924
Due from other governmental units (Note 3)		1,028,596
Accounts receivable		85,036
		85,036
Total assets	\$	2,347,556

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$	511,223
Due to James City County (Note 8)		5,922
Salaries payable		16,600
		16,600
Total liabilities		533,745

**Deferred inflow of resources**

Unavailable revenue		40,997
		40,997

**Fund balance**

Committed		1,293
Assigned		211,033
Unassigned		1,560,488
		1,560,488
Total fund balance		1,772,814

Total liabilities and fund balance	\$	2,347,556
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**Reconciliation of the balance sheet for governmental funds to the statement of net position for governmental activities:**

Ending fund balance	\$	1,772,814
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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.		5,725,771
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Amounts receivable collected after 45 days are not available to pay for current period expenditures and therefore are deferred in the funds.		40,997
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Compensated absences reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.		(129,945)
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Obligation for Other Post Employment Benefits (OPEB) is not due and payable in the current period and is not recorded as a liability in the governmental funds.		(56,000)
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Net position of governmental activities	\$	7,353,637
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*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, 2017**

**Revenues**

Intergovernmental:		
Commonwealth of Virginia		\$ 2,286,612
Federal government		3,895,115
Local (member contributions):		
James City County	\$ 643,781	
Colonial Williamsburg Foundation	486,399	
York County	368,975	
City of Williamsburg	340,778	
Total local (member contributions)		1,839,933
Local (non-member contributions)		81,750
Charges for services		910,213
Miscellaneous		58,546
Total revenues		<u>9,072,169</u>

**Expenditures**

Salaries and benefits		3,225,314
Repairs and maintenance		738,123
Fuel		407,381
Capital outlay		2,615,989
Colonial Williamsburg bus operations		486,399
Contractual services		357,732
Supplies and materials		215,253
Leases/rentals (Note 9)		177,522
Fiscal agent services (Note 8)		76,851
Other		41,776
Insurance		6,319
Telecommunications		27,810
Advertising		17,253
Clothing		4,612
Total expenditures		<u>8,398,334</u>

Net change in fund balance 673,835

<b>Fund balance, beginning of year</b>	<u>1,098,979</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,772,814</u></u>

*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund**  
**(Continued)**  
**Year ended June 30, 2017**

**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 \$ 673,835

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	(1,035,095)
Capital outlay expenditures	2,452,094
Loss on disposal of capital assets	<u>(29,819)</u>
	<u>1,387,180</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenue decreased by this amount in the current year. (229,592)

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	\$ (980)
Other post employment benefits	<u>(5,000)</u>
	<u>(5,980)</u>

Change in net position on statement of activities \$ 1,825,443

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(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.

**Financial Reporting Entity**

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. The Authority has been determined to be a related organization of the County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The County is the fiscal agent for the Authority, and as such, the Authority has been included as a fiduciary fund in the County's comprehensive annual financial report.

**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, 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.

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(1) Summary of Significant Accounting Policies, Continued**

**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 statement of net position. 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.

**Budgets and Budgetary Accounting**

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.

**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.

**Investments**

Investments are reported at fair value except for the position in Virginia's Local Government Investment Pool (LGIP) which in accordance with state law, is reported at amortized cost.

**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 acquisition value at the time received. Depreciation is recorded on capital assets in the government-wide financial statements.



**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(1) Summary of Significant Accounting Policies, Continued**

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.

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

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

**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 non-current 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.

**Fund Balance**

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balances are reported according to the following categories, based on GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Nonspendable: 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: 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: 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: 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: amounts designated for future expenditures.

**Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(2) Cash and Investments**

The Authority's cash and investments at June 30, 2017 consisted of the following:

	<b>Amount</b>	<b>Maturity</b>
Bank deposits	\$ 1,233,818	N/A
LGIP investment (amortized cost)	106	-
Total	\$ 1,233,924	

Deposits with banks are fully covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*.

**Investment Policy**

The Authority utilizes the policies and procedures of the James City County Treasurer and consequently follows the County's investment policy. In accordance with the *Code of Virginia* and other applicable law, including regulations, the 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, which measures its investments at amortized cost). 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:

U.S. Treasury obligations	100% maximum
Federal agency obligations	100% maximum
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

**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, 2017, 100% of the Authority's portfolio was invested in the LGIP. LGIP is rated AAAM rated by Standard and Poor's.

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(2) Cash and Investments, Continued**

**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:

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

**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.

**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, 2017, 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, 2017:

Federal (Dept. of Transportation)	\$ 895,473
Commonwealth of Virginia	84,239
College of William and Mary	48,884
Total	<u>\$ 1,028,596</u>

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(4) Capital Assets**

A summary of changes in capital assets for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Construction in progress	\$ 12,187	\$ 40,091	\$ (5,760)	\$ 46,518
Capital assets being depreciated:				
Buildings and improvements	413,478	-	-	413,478
Furniture and equipment	1,634,800	-	-	1,634,800
Vehicles	14,370,359	2,412,003	(930,659)	15,851,703
Total capital assets being depreciated	<u>16,418,637</u>	<u>2,412,003</u>	<u>(930,659)</u>	<u>17,899,981</u>
Less accumulated depreciation:				
Buildings and improvements	74,326	22,059	-	96,385
Furniture and equipment	754,674	242,045	-	996,719
Vehicles	11,263,233	770,991	(906,600)	11,127,624
Total accumulated depreciation	<u>12,092,233</u>	<u>1,035,095</u>	<u>(906,600)</u>	<u>12,220,728</u>
Total capital assets being depreciated, net	<u>4,326,404</u>	<u>1,376,908</u>	<u>(24,059)</u>	<u>5,679,253</u>
Capital assets, net	<u>\$ 4,338,591</u>	<u>\$ 1,416,999</u>	<u>\$ (29,819)</u>	<u>\$ 5,725,771</u>

Depreciation of \$1,035,095 was charged for the year ended June 30, 2017.

**(5) Long-Term Liabilities**

A summary of the Authority's long-term liability activity for the year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
OPEB	\$ 51,000	\$ 5,000	\$ -	\$ 56,000	\$ -
Compensated absences	128,965	155,874	154,894	129,945	97,459
Total	<u>\$ 179,965</u>	<u>\$ 160,874</u>	<u>\$ 154,894</u>	<u>\$ 185,945</u>	<u>\$ 97,459</u>

**(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 for the Authority's participation is valuable. Detailed disclosures regarding the County's participation in VRS and related actuarial information can be found in the County's annual financial statements.

**(7) Other Post-employment Benefits (OPEB)**

In addition to providing the pension benefits described in Note 6, the Authority provides other post-employment health care benefits for qualifying retired employees who are not yet eligible for Medicare through a single-employer defined benefit plan that is administered by the County. The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority through its personnel manual.

***Funding Policy***

The Authority does not intend to establish a trust to pre-fund the obligation. 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. Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(7) Other Post-employment Benefits (OPEB), Continued**

**Plan Description**

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 post-employment 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 employer obligation. There is no coverage for post-Medicare retirees. There were 39 active employee participants at the time of the actuarial study.

**Net OPEB Obligation**

As of June 30, 2017, the net pension obligation was calculated as follows:

Annual required contribution	\$ 13,000
Amortization of net OPEB obligation	(3,000)
Interest on net OPEB obligation	2,000
Annual OPEB cost	12,000
Contributions made	(7,000)
Increase in net OPEB obligation	5,000
Net OPEB obligation, beginning of year	51,000
Net OPEB obligation, end of year	\$ 56,000

**Annual OPEB Cost**

<b>Year Ended June 30,</b>	<b>Annual OPEB cost</b>	<b>Actual contribution</b>	<b>Percentage of annual OPEB cost contributed</b>	<b>Net OPEB obligation</b>
2017	\$ 12,000	\$ 7,000	58.3%	\$ 56,000
2016	12,000	6,000	50.0%	51,000
2015	9,000	1,000	11.1%	45,000

**Actuarial Methods and Assumptions**

For the actuarial valuation at July 1, 2016, the projected unit credit method was used. Under this method, benefits provided by the substantive plan (the plan as understood by the Authority and the plan members) 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.

The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.2%, and a payroll growth of 3%. Amortization of the initial unfunded actuarial liability is over 22 years based on a level percent of payroll method. Future increases for medical benefits are assumed to range from an initial rate of 7.5% and decrease gradually with the ultimate rate being 5.04%. 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.

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.

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(7) Other Post-employment Benefits (OPEB), Continued**

**Schedule of Funding Progress**

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Accrued Liability (AAL) Projected Unit Credit	Unfunded Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2016	\$ -	\$ 105,000	\$ 105,000	0.0%	\$ 1,683,179	6.2%
2015	-	100,000	100,000	0.0%	**	**
2014	-	74,000	74,000	0.0%	**	**

\*\*Prior year information not available.

**Schedule of Employer Contributions**

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Funding Ratio
2017	\$ -	\$ 13,000	0.0%
2016	-	12,000	0.0%
2015	-	9,000	0.0%

**(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 for the fiscal year ended June 30, 2017, which are reflected as expenditure/expenses on the Authority's financial statements.

Financial management and accounting	\$ 36,414
Radio maintenance	50,071
Human resources	19,322
Treasurer	18,579
Information technology	2,536
Telephone	1,200
Total	<u>\$ 128,122</u>

The Authority owes James City County \$18,440 at June 30, 2017, \$5,922 of which is shown as due to James City County and the remainder included in accounts payable on the Statement of Net Position, which represents a radio maintenance payment.

**(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.

**Williamsburg Area Transit Authority**  
Notes to Financial Statements  
June 30, 2017

**(9) Lease Commitments, Continued**

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 was \$1,000 per month and increases by 3% each year on January 1. For fiscal year 2017, the Authority paid \$12,922 to the City of Williamsburg for this space. The Authority is currently on a month-to-month arrangement for this lease.

The Authority also leases 2,000 square feet of office space, dedicated vehicle parking and its maintenance facility from Colonial Williamsburg. In October 2014, the Authority extended the agreement for an additional five years, through January 2020, and with monthly payments of \$7,000. In November 2016, the Authority revised the lease to include 400 square feet of additional space and increased monthly payments to \$7,700. During the year ended June 30, 2017, the Authority paid Colonial Williamsburg \$89,600 based on this agreement.

Future minimum payments for the office space lease with Colonial Williamsburg is estimated as follows:

2018	\$	92,400
2019		92,400
2020		<u>53,900</u>
Total	\$	<u>238,700</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, 2018 with up to three 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 in advance by the Authority. During the year ended June 30, 2017, the Authority paid First Transit, Inc. \$1,295,761 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.

\* \* \* \* \*

## **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, 2017**

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
<b>Revenues</b>				
Intergovernmental:				
Commonwealth of Virginia	\$ 2,224,091	\$ 2,479,438	\$ 2,286,612	\$ (192,826)
Federal government	5,807,527	5,807,527	3,895,115	(1,912,412)
Local (member contributions):				
James City County	643,781	643,781	643,781	-
Colonial Williamsburg Foundation	1,601,831	1,601,831	486,399	(1,115,432)
York County	368,975	368,975	368,975	-
City of Williamsburg	340,778	340,778	340,778	-
Local (non-member contributions)	81,750	81,750	81,750	-
Charges for services	807,857	807,857	910,213	102,356
Miscellaneous	15,000	15,000	58,546	43,546
Total revenues	<u>11,891,590</u>	<u>12,146,937</u>	<u>9,072,169</u>	<u>(3,074,768)</u>
<b>Expenditures</b>				
Salaries and benefits	3,478,020	3,642,021	3,225,314	416,707
Repairs and maintenance	969,538	1,041,224	738,123	303,101
Fuel	763,095	663,095	407,381	255,714
Capital outlay	4,098,055	4,098,655	2,615,989	1,482,666
Colonial Williamsburg bus operations	1,601,831	1,601,831	486,399	1,115,432
Contractual services	429,612	500,636	357,732	142,904
Supplies and materials	375,137	405,747	215,253	190,494
Leases/rentals	171,922	177,522	177,522	-
Fiscal agent services	80,300	83,673	76,851	6,822
Other	36,000	46,600	41,776	4,824
Insurance	48,600	43,556	6,319	37,237
Telecommunications	35,000	35,000	27,810	7,190
Advertising	22,000	24,897	17,253	7,644
Clothing	12,480	12,480	4,612	7,868
Total expenditures	<u>12,121,590</u>	<u>12,376,937</u>	<u>8,398,334</u>	<u>3,978,603</u>
Net change in fund balance	<u>(230,000)</u>	<u>(230,000)</u>	<u>673,835</u>	<u>903,835</u>
<b>Fund balance, beginning of year</b>	<u>230,000</u>	<u>230,000</u>	<u>1,098,979</u>	<u>868,979</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,772,814</u>	<u>\$ 1,772,814</u>

See accompanying notes to the financial statements.

## **Compliance**

## **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  
Williamsburg, Virginia

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, 2017, 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 October 25, 2017.

### ***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  
October 25, 2017**

## **Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Williamsburg Area Transit Authority  
Williamsburg, Virginia

### ***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 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, 2017. 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; the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

***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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

**Newport News, Virginia  
October 25, 2017**

**Williamsburg Area Transit Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2017**

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Department of Transportation:			
Federal Transit Administration:			
Federal Transit - Formula Grants	20.507	n/a	\$ 3,644,592
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research - Federal Transit Cluster	20.505	VA-80-0024-00	180,000
Formula Grants for Rural Areas	20.509	VA-18-X036-00 and VA-18-X038-00	<u>247,444</u>
Total Federal Awards			<u>\$ 4,072,036</u>

*See accompanying notes to schedule of expenditures of federal awards.*

**Williamsburg Area Transit Authority**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2017

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**(2) Summary Of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

**(3) Indirect Cost Rate**

The Authority has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2017, the Authority did not allocate any indirect costs to grant expenditures.



**Williamsburg Area Transit Authority**  
Schedule of Findings and Questioned Costs – Federal Awards  
June 30, 2017

**(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 \$750,000.
- The auditee qualified as a low-risk auditee.
- Major program: Federal Transit Cluster (CFDA No.: 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

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

Board of Directors  
Williamsburg Area Transit Authority  
Williamsburg, Virginia

We have audited the financial statements of the Williamsburg Area Transit Authority, as of and for the year ended June 30, 2017, and have issued our report thereon October 25, 2017.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the Williamsburg Area Transit Authority, is the responsibility of the Williamsburg Area Transit Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Williamsburg Area Transit Authority's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

### Code of Virginia

- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Procurement
- Unclaimed Property

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

This report is intended solely for the information and use of the Board of Directors and management of Williamsburg Area Transit Authority, and the Auditor of Public Accounts and all applicable state agencies 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**  
**October 25, 2017**