

**Report to the
Board of
Directors of**

Williamsburg Area Transit Authority

June 30, 2018



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Communication with Those Charged with Governance

October 26, 2018

Board of Directors
Williamsburg Area Transit Authority

We have audited the financial statements of Williamsburg Area Transit Authority (the “Authority”) for the year ended June 30, 2018, and have issued our report thereon dated October 26, 2018. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Williamsburg Area Transit Authority are described in Note 1 to the financial statements. As described in Notes 1 and 8 to the financial statements, Williamsburg Area Transit Authority Commission adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management’s knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of the Other Post-Employment Benefits (OPEB) liability is based on the valuation received from an independent actuary. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the depreciable lives of capital assets is based on James City County’s policy. We evaluated the key factors and assumptions used in determining asset lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The most significant disclosures in the financial statements were:

Note 10 – Lease Commitments

Note 11 - Other Commitments

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We are happy to report that there were no audit adjustments posted or uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Federal Financial Reports – The Authority's current procedures state that the Executive Director reviews and approves compliance reports prior to submission. These procedures, however, are not enforced, and thus this control, thought to exist, does not. However, we did note that the Executive Director does review the monthly financial data that is compiled and used as inputs for the Federal Financial Reports (FFR). Extreme care should be taken with these reports, because they are government documents. We suggest that a careful review of these reports take place before they are filed. We believe that the initials of the Executive Director on the related documents, or an e-mail trail notating approval, should be used as evidence of review and approval. The Budget & Grants Administrator should not submit the report without such prior approval.

Grant Funds - During our testing of allowable costs and allowable activities, we noted that a budget revision was not updated into the grant summary schedule. While the total expenditures on the project were not overdrawn, this did cause one line item on the project to be overdrawn. Compliance with laws and regulations regarding federal and state funds is of the utmost importance. We suggest establishing a system to routinely check and verify the approved and expended balances, by line item, for each project. We also suggest incorporating verifying the approved expenditures as part of the Executive Director's review of the FFRs noted above.



Support for Grant Expenses - Payroll - During our payroll testing of allowable costs and allowable activities, we noted an instance in which proper supporting documentation was not maintained for allocated project administration payroll. While we were eventually able to obtain sufficient detail to substantiate the allocated hours worked, this information was not initially included as support or readily available. We suggest the Authority maintain effort reports and include those as supporting documentation to allocate personnel costs. This approach will provide more detailed information to make these types of allocations and will ensure compliance with applicable regulations.

This information is intended solely for the use of the Board of Directors and management of Williamsburg Area Transit Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

Newport News, Virginia

Appendix A

Management Representation Letter



October 26, 2018

Dixon Hughes Goodman, L.L.P.
701 Town Center Drive, Suite 700
Newport News, VA 23606-4295

This representation letter is provided in connection with your audit of the financial statements of the Williamsburg Area Transit Authority (the Authority), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and for the year then ended, and the respective changes in financial position, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 30, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The following have been properly accounted for and disclosed in the financial statements:

- a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties,
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable,
 - c. Other liabilities or gain or loss contingencies.
- 6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 - 7) Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Authority vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
 - 8) There are no corrected or uncorrected misstatements or omitted disclosures. Also, there were no adjusting journal entries proposed by you.
 - 9) The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments, whose effects should be considered when preparing the financial statements.

- 18) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware. Further, Bolton Partners, Inc., who performed our OPEB valuation, is not related to the Authority.

Government—specific

- 19) We have made available to you all financial records and related data.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions.
- 23) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants, whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance, other than noted by you in your schedule of findings and responses.
- 24) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 26) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 27) Provisions for uncollectible receivables have been properly identified and recorded.
- 28) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 29) All funds that meet the quantitative criteria in GASBs Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statements users.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 31) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 32) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 33) Revenues have been appropriately classified in the statement of activities within program revenues and general revenues.
- 34) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- 35) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) We have appropriately disclosed the Williamsburg Area Transit Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 39) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed in the financial statements.
- 40) We review long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate the carrying amount of such assets might not be recoverable and record an appropriate adjustment.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 42) We take responsibility for the current year implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- 43) With respect to federal award programs:
 - a) We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - d) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you

the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

- e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- f) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- g) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the OMB Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- i) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, if applicable.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

- r) The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s) We have charged costs to federal awards in accordance with applicable cost principles.
- t) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- w) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

44) In regards to the assistance with submission of the data collection form service performed by you, we have:

- a) Assumed all management responsibilities.
- b) Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge, or experience.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.
- e) Evaluated and maintained internal controls, including ongoing monitoring activities.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Zach Trogdon
Executive Director



Barbara Creel
Budget & Grants Administrator



Sharon Day
James City County, Assistant Director, Financial &
Management Services