Williamsburg Area Transit Authority

WATA
Williamsburg Area Transit Authority

Basic Financial Statements and Supplementary Information
(With Independent Auditor's Report Thereon)

June 30, 2021

Williamsburg Area Transit Authority

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Williamsburg Area Transit Authority
Authority Officials
June 30, 2021

Board of Directors

Mark Bellamy .... Chairman

Carolyn Murphy .... Vice Chairman

Kurt Reisweber.. Member

Paul Holt .... Member

Denise Kirschbaum.. Member

Bill Horacio.. Non-Voting Member

Steven Hennessee .... Non-Voting Member

Other Officials

Zach Trogdon..Executive Director

Joshua Moore ....Deputy Director

Jennifer D. Tomes..Treasurer

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Williamsburg Area Transit Authority (Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor's 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 opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Williamsburg Area Transit Authority as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

Change in Estimate

As described in Note 13, the beginning net position for fiscal year 2021 was restated to reflect an adjustment related to the Authority's pension and health insurance credit (HIC) other post-employment benefits (OPEB) plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6, and budgetary comparison, pension, and other post-employment benefit information, and related notes, on pages 35 through 46 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 and disclosing additional plan information. 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the 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 solely 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 the Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2021

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, 2021.

Financial Highlights

The Authority's net position increased by $3,690,756 in fiscal year 2021, which represents a 34.4% increase from fiscal year 2020 net position, as restated. This was primarily a result of an increase in capital grants and contributions during fiscal year 2021. In fiscal year 2021, the Authority separated its operating and capital activity for reporting purposes by establishing two funds, the General Fund and Capital Fund. Beginning fund balance in the fund financial statements has been restated to reflect this separation. In addition, the Authority restated its beginning net position by ($107,914) to reflect adjustments related to its pension and other postemployment benefit plans. Additional information on these restatements can be found in Note 13 to the basic financial statements. Comparative prior year information, to the extent presented here, has not been restated because the necessary information is not available.

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 and other 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. As of fiscal year 2021, the Authority has two major governmental funds, the general fund and the capital fund. Information is presented separately in the balance sheet and statement of revenues, expenditures, and changes in fund balance for each of these funds.

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

	6/30/2021	6/30/2020
Current and other assets	$ 3,952,555	$ 2,960,563
Capital assets, net	11,083,658	8,256,306
Total assets	15,036,213	11,216,869
Deferred outflows of resources	346,816	242,599
Total assets and deferred outflows	$ 15,383,029	$ 11,459,468
Current liabilities	$ 423,449	$ 336,047
Long-term liabilities	531,131	278,995
Total liabilities	954,580	615,042
Deferred inflows of resources	17,373	16,192
Net position:		
Net investment in capital assets	11,083,658	8,256,306
Restricted	55,450	65,118
Unrestricted	3,271,968	2,506,810
Total net position	14,411,076	10,828,234
Total liabilities, deferred inflows and net position	$ 15,383,029	$ 11,459,468

Total assets increased by $3,819,344 from fiscal year 2020, mainly due to an increase in capital assets and cash and short-term investments. Total liabilities increased by $339,538 from fiscal year 2020, primarily due to increases in the Authority's pension, other postemployment benefit, and compensated absences liabilities.

The Authority's net position was $14,411,076 at June 30, 2021, with the largest portion (76.9%) 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. Restricted net position of $55,450 (0.4%) represents proffers to be used for New Town and funds related to a vehicle sale. The remaining portion of net position is unrestricted (22.7%) to be used for future spending.

Summary Statements of Activities

	6/30/2021	6/30/2020
Program revenues:		
Operating grants and contributions	$ 7,960,042	$ 7,046,030
Capital grants and contributions	4,058,481	767,133
Charges for services	128,657	676,895
Total program revenues	12,147,180	8,490,058
General revenues:		
Use of money and property	91,628	-
Miscellaneous	77,416	97,428
Loss on disposal of capital assets	-	(3,226)
Total general revenues	169,044	94,202
Total revenues	12,316,224	8,584,260
Program expenses:		
Personnel expenses	3,433,007	3,497,674
Materials and contractual services	3,945,194	4,080,477
Depreciation	1,247,267	1,150,494
Total program expenses	8,625,468	8,728,645
Change in net position	3,690,756	(144,385)
Net position, beginning of year, as restated	$ 10,720,320	$ 10,972,619
Net position, end of year	$ 14,411,076	$ 10,828,234

Program expenses were lower than the previous year by ($103,177), mainly due to decreases in certain service costs during fiscal year 2021.

Charges for services include monies received for bus fares and contracted service revenue received from the College of William and Mary. Charges for services decreased in fiscal year 2021 due to changes in the Authority's bus routes to address COVID-19. 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 2021 due to an increase in federal capital grants and operating funds received from the Federal Transit Administration through the CARES Act. See Note 12 for further information.

Total net position increased by $3,690,756 for the fiscal year ended June 30, 2021, primarily attributable to the circumstances noted above.

Summary Schedule of Budget-to-Actual - Governmental Funds

	Original Budget	Revised Budget	Actual
Revenues	$ 12,113,875	$ 12,465,088	$ 12,377,079
Expenditures	$ 12,113,875	$ 12,565,088	$ 11,401,966
Net change in fund balance	$ -	$ (100,000)	$ 975,113

The Authority has an adopted budget and during fiscal year 2021, the budgeted expenses increased by $451,213, primarily due to increases related to property purchases.

Financial Highlights - Governmental Funds

General Fund: The General Fund reports the operational and administrative activities of the Authority. The General Fund's unassigned fund balance represents the net resources available for spending at the end of the fiscal year. As of June 30, 2021, the General Fund had a total fund balance of $2,907,215, of which $43,850 was restricted and $2,863,365 was unassigned. Total fund balance increased by $808,050 for the General Fund for fiscal year 2021, primarily as a result of decreases in operational expenditures due to the pandemic.

Capital Fund: The Capital Fund reports the capital investment, acquisition, and disposal activities of the Authority. As of June 30, 2021, the Capital Fund had a total fund balance of $521,565, of which $11,600 was restricted and $509,965 was assigned. Total fund balance increased by $167,063 for the Capital Fund for fiscal year 2021, primarily as a result of an increase in federal government revenue.

Capital Assets

At the end of fiscal years 2021 and 2020, the Authority had invested $11,083,658 and $8,256,306, respectively, in net capital assets. In fiscal year 2021, the Authority closed on the purchase of real property located at 7239 Pocahontas Trail, Williamsburg, Virginia from the Colonial Williamsburg Foundation for $2,100,000. This accounts for the largest portion of the increase in the Authority's capital assets for fiscal year 2021. Other significant additions include vehicles which amounted to $1,980,315 in fiscal year 2021. Further information about the Authority's capital assets can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The Authority adopts an annual operating budget for the planning and administrative activities of the General Fund for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. In addition, the various projects included in the General Fund have individual budgets.

The fiscal year 2022 approved budget for the Authority is $11,167,366, with appropriations of $6,923,067 and $4,244,299, to the general and capital fund respectively. This budget was adopted on June 16, 2021, and reflects a $946,509, or a 7.8%, decrease, over the original fiscal year 2021 budget. The decrease is primarily due to a reduction in capital funding and revenues from reduced services.

Expenditures decreased as a result of reduced capital outlay and personnel costs.

This fiscal year will see progress on a number of projects, notably the design of the administration and maintenance facility. In addition, staff anticipates finalizing the acquisition of property for a northern transfer station location in the Lightfoot area. The CIP proposes to begin a transition into alternative-fuel vehicles by procuring WATA's first electric vehicle and retiring a bus from the clean-diesel fleet. Additional CIP projects include repair or replacement of compressors used to fuel the CNG buses, purchase of a mobile vehicle wash system, and continued work on shelter replacements.

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 funds 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.

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Basic Financial Statements

Williamsburg Area Transit Authority
Statement of Net Position
June 30, 2021

		Governmental Activities
Assets and Deferred Outflows of Resources		
Assets		
Cash and short-term investments (Note 2)	$	3,194,322
Due from other governmental units (Note 3)		750,586
Accounts receivable		6,191
Due from James City County (Note 8)		1,456
Capital assets, net (Note 4)		
Non-depreciable		2,138,770
Depreciable		8,944,888
Total assets		15,036,213
Deferred outflows of resources		
Deferred pension plan (Note 6)		160,421
Deferred group life insurance OPEB plan (Note 7)		152,421
Deferred health insurance credit OPEB plan (Note 7)		3,706
Deferred retiree healthcare OPEB plan (Note 7)		15,135
Deferred Virginia local disability program OPEB plan (Note 7)		15,133
Total deferred outflows of resources		346,816
Total assets and deferred outflows of resources	$	15,383,029
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Accounts payable	$	397,113
Salaries payable		19,579
Unearned revenue		6,757
Long-term liabilities (Note 5)		
Due within one year		124,695
Due in more than one year		406,436
Total liabilities		954,580
Deferred inflows of resources		
Deferred group life insurance OPEB plan (Note 7)		4,959
Deferred Virginia local disability program OPEB plan (Note 7)		3,881
Deferred retiree healthcare OPEB plan (Note 7)		8,533
Total deferred inflows of resources		17,373
Net position		
Net investment in capital assets		11,083,658
Restricted		55,450
Unrestricted		3,271,968
Total net position		14,411,076
Total liabilities, deferred inflows of resources and net position	$	15,383,029

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Activities
Year ended June 30, 2021

		Governmental Activities
Program expenses		
Personnel expenses	$	3,433,007
Materials and contractual services		3,945,194
Depreciation		1,247,267
Total program expenses		8,625,468
Program revenues		
Operating grants and contributions		7,960,042
Capital grants and contributions		4,058,481
Charges for services		128,657
Total program revenues		12,147,180
Net program revenues		3,521,712
General revenues		
Miscellaneous		77,416
Use of money and property		91,628
Total general revenues		169,044
Change in net position		3,690,756
Net position, beginning of year, as restated (Note 13)		10,720,320
Net position, end of year	$	14,411,076

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Balance Sheet
Governmental Funds
June 30, 2021

Assets	General Fund	Capital Fund	Total Governmental Funds
Cash and short-term investments (Note 2)	$ 2,648,439	$ 545,883	$ 3,194,322
Due from other governmental units (Note 3)	660,187	90,399	750,586
Accounts receivable	6,191	-	6,191
Due from James City County (Note 8)	1,456	-	1,456
Total assets	$ 3,316,273	$ 636,282	$ 3,952,555
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	$ 282,396	$ 114,717	$ 397,113
Salaries payable	19,579	-	19,579
Unearned revenue	6,757	-	6,757
Total liabilities	308,732	114,717	423,449
Deferred inflows of resources			
Unavailable revenue	100,326	-	100,326
Fund balance			
Restricted	43,850	11,600	55,450
Assigned	-	509,965	509,965
Unassigned	2,863,365	-	2,863,365
Total fund balance	2,907,215	521,565	3,428,780
Total liabilities, deferred inflows of resources and fund balance	$ 3,316,273	$ 636,282	$ 3,952,555

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Balance Sheet
Governmental Funds (Continued)
June 30, 2021

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

Ending fund balance		$ 3,428,780
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.		11,083,658
Amounts receivable collected after 45 days are not available to pay for current period expenditures and therefore are deferred in the funds.		100,326
Deferred outflows of resources represent a consumption of net position applying to future periods and therefore, are not reported in the governmental funds.		
Deferred pension	160,421	
Deferred OPEB retiree healthcare	15,135	
Deferred OPEB group life insurance	152,421	
Deferred OPEB health insurance credit	3,706	
Deferred OPEB VLDP	15,133	346,816
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(129,774)	
Net OPEB retiree healthcare liability	(62,259)	
Net OPEB GLI liability	(166,049)	
Net OPEB HIC liability	(3,661)	
Net OPEB VLDP liability	(3,128)	
Compensated absences	(166,260)	(531,131)
Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period and therefore, is not reported in the governmental funds.		
Deferred OPEB retiree healthcare	(8,533)	
Deferred OPEB GLI	(4,959)	
Deferred OPEB VLDP	(3,881)	(17,373)
Net position, governmental activities		$ 14,411,076

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2021

	General Fund	Capital Fund	Total Governmental Funds
Revenues			
Intergovernmental:			
Commonwealth of Virginia	$ 1,953,568	$ 762,139	$ 2,715,707
Federal government	3,289,177	4,587,959	7,877,136
Local (member contributions)	966,977	474,558	1,441,535
Local (non-member contributions)	45,000	-	45,000
Charges for services	128,657	-	128,657
Use of money and property	91,628	-	91,628
Miscellaneous	77,416	-	77,416
Total revenues	6,552,423	5,824,656	12,377,079
Expenditures			
Salaries and benefits	3,382,153	-	3,382,153
Capital outlay	-	5,643,982	5,643,982
Repairs and maintenance	1,175,322	-	1,175,322
Fuel	328,193	-	328,193
Colonial Williamsburg bus operations	142,922	-	142,922
Contractual services	171,783	13,611	185,394
Supplies and materials	199,337	-	199,337
Leases/rentals (Note 9)	93,282	-	93,282
Fiscal agent services (Note 8)	80,943	-	80,943
Insurance	52,886	-	52,886
Other	51,903	-	51,903
Telecommunications	32,888	-	32,888
Clothing	27,437	-	27,437
Advertising	5,324	-	5,324
Total expenditures	5,744,373	5,657,593	11,401,966
Net change in fund balance	808,050	167,063	975,113
Fund balance, beginning of year, as restated (Note 13)	2,099,165	354,502	2,453,667
Fund balance, end of year	$ 2,907,215	$ 521,565	$ 3,428,780

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds (Continued)
Year ended June 30, 2021

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		$ 975,113
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		(1,247,267)
Capital outlay expenditures		4,074,619
		2,827,352
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.		(60,855)
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	$ (26,176)	
Pension liability and deferred outflows	(4,097)	
OPEB liability and deferred outflows/inflows	(20,581)	
		(50,854)
Change in net position on statement of activities		$ 3,690,756

See accompanying notes to the financial statements.

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.

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.

The Authority reports the following major governmental funds:

General Fund: The General Fund reports the operational and administrative activities of the Authority. The General Fund's unassigned fund balance represents the net resources available for spending at the end of the fiscal year.

Capital Fund: The Capital Fund is used to account for financial resources to be used for the acquisition or construction of major capital investments, such as buses or facilities.

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. The Authority generally first uses restricted and assigned assets for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on review of the specific transaction.

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.

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.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. Deferred inflows represent an acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources until that time.

The Authority has the following items that qualify for reporting in these categories:

- ***Contributions subsequent to the measurement date for pensions and OPEB:*** These contributions are always a deferred outflow, which will be applied to the net pension or OPEB liability in the next fiscal year.
- ***Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability:*** This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Differences resulting from a changes in proportion of the collective net pension and OPEB liabilities:*** This difference will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Difference between projected and actual earnings on pension and OPEB plan investments:*** This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- ***Differences resulting from changes in assumptions on pension plan or OPEB investments:*** These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.

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*.

1) Summary of Significant Accounting Policies, Continued

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.

2) Cash and Short-Term Investments

The Authority's cash and investments at June 30, 2021, consisted of the following:

	Amount	Maturity
Bank deposits	$ 3,194,210	N/A
LGIP investment (amortized cost)	112	-
Total	$ 3,194,322	

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:

2) Cash and Short-Term Investments, Continued

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, 2021, 100% of the Authority’s portfolio was invested in the LGIP. LGIP is rated AAAm rated by Standard and Poor’s.

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, 2021, 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, 2021:

	General Fund	Capital Fund
Federal (Dept. of Transportation)	$ 632,593	$ 77,272
Commonwealth of Virginia	-	13,127
William & Mary	27,594	-
Total	$ 660,187	$ 90,399

4) Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ -	$ 2,100,000	$ -	$ 2,100,000
Construction in progress	160,226	28,068	(149,524)	38,770
Total capital assets not being depreciated	160,226	2,128,068	(149,524)	2,138,770
Capital assets being depreciated:				
Land improvements - depreciable	55,349	-	-	55,349
Intangibles - depreciable	29,750	-	-	29,750
Buildings and improvements	456,443	106,502	-	562,945
Infrastructure	11,600	-	-	11,600
Furniture and equipment	1,870,572	9,258	(7,196)	1,872,634
Vehicles	18,277,653	1,980,315	(166,242)	20,091,726
Total capital assets being depreciated	20,701,367	2,096,075	(173,438)	22,624,004
Less accumulated depreciation:				
Land improvements - depreciable	1,615	2,779	-	4,394
Intangibles - depreciable	4,958	6,072	-	11,030
Buildings and improvements	163,811	24,976	-	188,787
Infrastructure	3,287	1,160	-	4,447
Furniture and equipment	1,553,963	95,848	(7,196)	1,642,615
Vehicles	10,877,653	1,116,432	(166,242)	11,827,843
Total accumulated depreciation	12,605,287	1,247,267	(173,438)	13,679,116
Total capital assets being depreciated, net	8,096,080	848,808	-	8,944,888
Capital assets, net	$ 8,256,306	$ 2,976,876	$ (149,524)	$ 11,083,658

Depreciation of $1,247,267 was charged for the year ended June 30, 2021.

5) Long-Term Liabilities

A summary of the Authority's long-term liability activity for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Net pension liability*	$ 109,011	$ 20,763	$ -	$ 129,774	$ -
Retiree healthcare OPEB	54,864	7,395	-	62,259	-
Group life insurance OPEB	80,387	85,662	-	166,049	-
Health insurance credit OPEB*	4,565	-	904	3,661	-
Virginia local disability program OPEB	3,660	-	532	3,128	-
Compensated absences	140,084	198,227	172,051	166,260	124,695
Total	$ 392,571	$ 312,047	$ 173,487	$ 531,131	$ 124,695

* The July 1, 2020 balances reflect the restated liability balances for pensions and health insurance credit OPEB. Prior to fiscal year 2021, data was not available on these liabilities for the Authority, and beginning net position was restated when the previous actuarial data was provided by the Virginia Retirement System in the current fiscal year. Additional information on the restatement is provided in Note 13.

6) Defined Benefit Pension Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's retirement plan and the additions to/deductions from the Authority's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp
- https://www.varetirement.org/hybrid.html

Employees Covered by Benefit Terms

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	7
Non-vested inactive members	28
LTD	-
Active elsewhere in VRS	15
Total inactive members	50
Active members	54
Total covered employees	105

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the year ended June 30, 2021, was 5.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority was $84,982 for the year ended June 30, 2021.

6) Defined Benefit Pension Plan, Continued

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality – General employees	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

6) Defined Benefit Pension Plan, Continued

Long-Term Expected Rate of Return, Continued

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP- Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
	*Expected arithmetic nominal return		7.14%

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021, was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

6) Defined Benefit Pension Plan, Continued

Changes in Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (a) - (b)
Balances at June 30, 2019	$ 1,360,253	$ 1,251,242	$ 109,011
Changes for the year:			
Service cost	161,537	-	161,537
Interest	91,734	-	91,734
Change of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	110,648	(110,648)
Contributions - employee	-	98,499	(98,499)
Net investment income	-	28,017	(28,017)
Benefit payments, including refunds of employee contributions	(2,461)	(2,461)	-
Administrative expenses	-	285	(285)
Other changes	-	(4,941)	4,941
Net changes	250,810	230,047	20,763
Balances at June 30, 2020	$ 1,611,063	$ 1,481,289	$ 129,774

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 351,052	$ 129,774	$ (52,836)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Authority recognized pension expense of $89,079. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ 75,439	$ -
Employer contributions subsequent to the measurement date	84,982	-
Total	$ 160,421	$ -

6) Defined Benefit Pension Plan, Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The $84,982 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Reduction to Pension Expense
2022	$ 20,929
2023	20,929
2024	20,928
2025	12,653
	$ 75,439

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

7) Other Post-Employment Benefits (OPEB) Liability

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

The Authority provides other post-employment health-care benefits for qualifying retired employees who are not yet eligible for Medicare through a cost-sharing, multiple-employer defined benefit plan administered by James City 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.

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service. 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. For fiscal year 2021, the pre-Medicare retirees have a choice of two plans offered by Optima. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net retiree healthcare OPEB liability 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 that 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. Retirees pay 100% of the published rates for individual and dependent coverage until age 65.

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 (measurement date of June 30, 2020), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 2.45% for June 30, 2020, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated January 1, 2020, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health share of GDP in 2029	20.00%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection, tolerance ranges and input variables have been developed under the guidance of an SOA Project Oversight Group.

The actuarial assumptions included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements used in the January 1, 2020, valuation:

- Pre-Retirement
  - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Post-Retirement
  - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Disabled:
  - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 2.45% (the latest 20-year municipal GO AA Index as of June 30, 2020).
- Mortality assumptions were updated to the latest SOA public sector experience study rates.
- Medical trend was updated based on SOA Long-Run Medical Cost Trend Model.

Retiree Healthcare OPEB Liability

At June 30, 2021, the Authority reported a retiree healthcare OPEB liability of $62,259 for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2021, retiree healthcare OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation performed January 1, 2020. The Authority's proportion of the County's retiree healthcare OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Authority's proportion. At June 30, 2021, the Authority's proportion of the County's retiree healthcare OPEB liability was 1.05%.

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability using the discount rate of 2.45%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%), than the current rate for the measurement date of June 30, 2020:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Retiree Healthcare OPEB Liability	$ 68,135	$ 62,259	$ 56,839

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net retiree healthcare OPEB liability using the health care cost trend rate of 4.00%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate for the June 30, 2020 measurement date:

	1% Decrease (3.00%)	Health Care Cost Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability	$ 54,422	$ 62,259	$ 71,580

Retiree Healthcare OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the Authority recognized retiree healthcare OPEB expense of $6,397. At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 3,851	$ 4,686
Changes of assumptions	3,096	3,847
Change in proportion	8,188	-
Total	$ 15,135	$ 8,533

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Retiree Healthcare OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2021 will be recognized in retiree healthcare OPEB expense as follows:

Year Ended	Increase to OPEB Expense
2022	$ 1,221
2023	1,221
2024	1,223
2025	1,846
2026	1,091
Thereafter	-
	$ 6,602

Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Authority also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp

Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The GLI and VLDP are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. These plans are considered multiple employer, cost sharing plans.

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Plan Descriptions, Continued

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	Number
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Active elsewhere in VRS	-
Total inactive members	-
Active members	54
Total covered employees	54

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	$11,013

Virginia Local Disability Program

Governed by:	*Code of Virginia* 51.1-1178(C) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.83% of covered employee compensation.
June 30, 2021 Contribution	$9,718

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Contributions, Continued

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.15% of covered employee compensation.
June 30, 2021 Contribution	$3,082

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	$166,049
June 30, 2020 proportion	0.00995%
June 30, 2019 proportion	0.00494%
June 30, 2021 expense	$31,094

Virginia Local Disability Program

June 30, 2021 proportionate share of liability	$3,128
June 30, 2020 proportion	0.31335%
June 30, 2019 proportion	0.18063%
June 30, 2021 expense	$9,438

Given that there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

7) Other Post-Employment Benefits (OPEB) Liability, Continued

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB, Continued

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	**Plan fiduciary net position (b)**	**Net OPEB liability (a) - (b)**
Balances at June 30, 2019	$ 14,233	$ 9,668	$ 4,565
Changes for the year:			
Service cost	2,329	-	2,329
Interest	961	-	961
Difference between expected and actual experience	-	-	-
Contributions - employer	-	2,898	(2,898)
Net investment income	-	236	(236)
Benefit payments	-	-	-
Administrative expense	-	(37)	37
Other changes	-	1,097	(1,097)
Net changes	3,290	4,194	(904)
Balances at June 30, 2020	$ 17,523	$ 13,862	$ 3,661

In addition, for the year ended June 30, 2021, the Authority recognized OPEB expense of $1,614 related to the General Employee Health Insurance Credit Program.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 10,651	$ 1,492
Net difference between projected and actual investment earnings on OPEB Plan investments	4,988	-
Changes of assumptions	8,304	3,467
Changes in proportionate share	117,465	-
Employer contributions subsequent to the measurement date	11,013	-
Total	$ 152,421	$ 4,959

Virginia Local Disability Program

	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 2,534	$ 3,672
Net difference between projected and actual investment earnings on OPEB Plan investments	332	-
Changes of assumptions	145	209
Changes in proportionate share	2,404	-
Employer contributions subsequent to the measurement date	9,718	-
Total	$ 15,133	$ 3,881

7) Other Post-Employment Benefits (OPEB) Liability, Continued

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB, Continued

General Employee Health Insurance Credit Program

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings on OPEB Plan investments	$ 624	$ -
Employer contributions subsequent to the measurement date	3,082	-
Total	$ 3,706	$ -

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Group Life Insurance Program

Year Ended June 30,	Increase OPEB Expense
2022	$ 27,262
2023	28,671
2024	29,957
2025	30,014
2026	17,641
Thereafter	2,904
Total	$ 136,449

Virginia Local Disability Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ 727
2023	721
2024	727
2025	672
2026	(282)
Thereafter	(1,031)
Total	$ 1,534

General Employee Health Insurance Credit Program

Year ended June 30,	Increase OPEB Expense
2022	$ 171
2023	171
2024	171
2025	111
Total	$ 624

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
Locality – General employees	3.50% – 5.35%
Locality – Hazardous duty employees	3.50% – 4.75%
Teachers	3.50% – 5.95%
Healthcare cost trend rates:	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.375% – 4.75%
Investment rate of return	GLI & HIC: 6.75%; net of investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.*

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail above at Note 6.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Virginia Local Disability Program
Total OPEB Liability	$ 3,523,937	$ 4,317
Plan Fiduciary Net Position	1,855,102	3,317
Employers' Net OPEB Liability (Asset)	$ 1,668,835	$ 1,000
Plan Fiduciary Net Position as a % of the Total OPEB Liability	52.64%	76.84%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Onvestment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

** The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the GLI, VLDP, and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

7) Other Post-Employment Benefits (OPEB) Liability, Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the Authority, as well as what the Authority's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 218,284	$ 166,049	$ 123,629
Authority's proportionate share of the Virginia Local Disability Program Net OPEB Liability	$ 4,195	$ 3,128	$ 2,198
General Employee Health Insurance Credit Net OPEB Liability	$ 6,097	$ 3,661	$ 1,613

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8) Transactions with Related Parties

Certain financial management, accounting and other services are provided to the Authority by James City County. The following lists these services for the fiscal year ended June 30, 2021, which are reflected as expenditure/expenses on the Authority's financial statements.

Fiscal agent services		
Financial management and accounting	$ 39,662	
Human Resources	21,045	
Treasurer	20,236	
		$ 80,943
Radio maintenance		63,866
Purchasing		55,000
Total		$ 199,809

James City County owes the Authority $1,456 at June 30, 2021 for certain payroll expenses, and this amount is included on the statement of net position as due from James City County. These payroll expenses were paid by the Authority to the County prior to June 30, 2021 for Authority employees' VRS benefits. The amount owed back to the Authority primarily relates to payments made on behalf of employees who were determined to be ineligible for the VRS benefits subsequent to year-end due to termination or other circumstances

9) Lease Commitments

The Authority leases from the City of Williamsburg (the City) 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. In addition, the Authority leases office space at the Williamsburg Transportation Center from the City.

9) Lease Commitments, Continued

In May 2019, the Authority entered into an agreement with the City to combine the use of the HUB and the office space at the Williamsburg Transportation Center. The initial term of this agreement commenced on July 1, 2019 and will continue through June 30, 2024. This agreement shall automatically renew for an additional five twelve month renewal terms beginning on July 1 of the year following expiration of the initial term, unless written notice is given by either party. Under this agreement, the monthly costs consisted of $4,583 for the use of the HUB and $1,126 for the rent for the office space during fiscal year 2021. Over the next three years, the cost for use of the HUB will decrease annually in accordance with the agreement terms, and the cost for the rent of the office space will increase by 3% annually.

For fiscal year 2021, the Authority paid $68,506 to the City for the lease of the HUB and office space under this agreement. Future minimum payments for this lease are estimated as follows:

2022		58,911
2023		49,329
2024		39,759
Total	$	147,999

The Authority also leased office space, dedicated vehicle parking, and its maintenance facility from the Colonial Williamsburg Foundation (the Foundation). Through ongoing agreements, the Authority has rented this property at a monthly cost of $7,700. During the year ended June 30, 2021, the Authority paid the Foundation $24,776 based on this agreement. The lease of the Foundation's property terminated in September 2020, upon the completion of the Authority's purchase of this property. At the time of property transfer, the Foundation assigned its landlord rights to the Authority, and the Authority collected $91,624 in rent payments from First Transit, Inc. during fiscal year 2021 under the rent agreement. The terms of this agreement provide for monthly payments of $6,757 by First Transit, Inc. through March 31, 2022.

10) Other Commitments

In March 2011, the Authority entered into a five-year agreement with First Transit, Inc. for vehicle maintenance services, and the agreement permits up to five one-year extensions. Due to the ongoing COVID-19 pandemic, the Authority was unable to solicit new bids for this contract and therefore chose extend the terms of the current contract for one year. The agreement was renewed in 2021, for the period April 1, 2021 through March 31, 2022, with a 3% annual CPI increase. 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, and they do not exceed the stipulated contract ceiling price of $1,526,585. During the year ended June 30, 2021, the Authority paid First Transit, Inc., $1,204,999 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.

11) Subsequent Event

In July 2021, the Authority entered into an agreement with Langley Federal Credit Union to purchase real property at 6166 Old Mooretown Road, Williamsburg, Virginia. Per the agreement, the Authority deposited $20,000 with an escrow agent to be applied to the purchase price at closing. If the conditions of the agreement are met during the due diligence period, the agreement specifies that the purchase price for the property will be $1,275,000.

12) COVID-19

During fiscal year 2021, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Authority. COVID-19 resulted in losses of revenue due to bus route changes made by the Authority in response to the virus, decreases in ridership, and the suspension of fare collections. Beginning in March 2020, the Authority implemented additional cleaning and safety measures to help combat the virus and ensure safe and reliable transportation service for its staff and passengers.

The Authority incurred $8,572 of operational expenses in response to the COVID-19 pandemic during fiscal year 2021, related to the purchase of personal protective equipment, sanitizer, and cleaning supplies.

In May 2020, the Authority was awarded with $5,777,110 of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, for which the Authority must incur eligible expenditures and then apply for reimbursement. The Authority developed plans to expend this funding and seek reimbursement during fiscal years 2021 through 2023, and as of June 30, 2021, the Authority has utilized $2,010,497 of this funding for operational needs.

In March 2021, the Authority adopted an amendment to its budget to reflect certain changes implemented as a result of the pandemic. The decision was made during the fiscal year to suspend fare collections through June 30, 2021, and budgeted fare revenues were reduced accordingly. The amount of CARES funding to be utilized during fiscal year 2021 was increased by $40,000 to offset the reduction in fares. The budgets for certain personnel and maintenance expenditures were also reduced due to operational changes resulting from the COVID-19 pandemic.

In April 2021, the Authority discontinued service to a route in Surry County. For fiscal year 2021, Surry County was unable to provide local funding to support this route as a result of the COVID-19 pandemic, and public comment solicited by the Authority did not demonstrate significant interest in maintaining it.

The extent to which COVID-19 may impact the Authority's operations and financial condition in subsequent fiscal years will depend on future developments, which remain uncertain and cannot be predicted due to the evolving nature of this situation. As a result, the Authority cannot reasonably estimate the future impact of COVID-19 at this time, except as discussed regarding the CARES Act funding.

13) Restatement

The net position as of the beginning of fiscal year 2021 was restated to reflect an adjustment to related to the Authority's pension and health insurance credit (HIC) OPEB plans. During fiscal year 2019, the Authority separated from the County's VRS pension and OPEB plans, at which time actuarial information for the Authority's plans was not available. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available. In fiscal year 2021, VRS provided the Authority with a completed separate actuarial valuation, including details on its pension and OPEB expenses, liabilities, and deferred outflows related to prior years, and the net position at the beginning of fiscal year 2021 was restated to reflect these adjustments:

	6/30/2020 Previously Reported	Restatement	6/30/2020 As Restated
Net pension liability	$ -	$ (109,011)	$ (109,011)
Pension deferred outflow of resources	$ 128,425	$ 15,330	$ 143,755
HIC OPEB asset	$ 9,668	$ (9,668)	$ -
Net HIC OPEB liability	$ -	$ (4,565)	$ (4,565)
Net position - unrestricted	$ (2,506,810)	$ 107,914	$ (2,398,896)
Total net position	$ (10,828,234)	$ 107,914	$ (10,720,320)

13) Restatement, Continued

The Authority also separated its operating and capital activity for reporting purposes by establishing two funds, the General Fund and Capital Fund in fiscal year 2021. Beginning fund balance in the fund financial statements has been restated to reflect this separation as follows:

	6/30/2020 Previously Reported	Restatement	6/30/2020 As Restated
Fund balance - General Fund	$ (2,453,667)	$ 354,502	$ (2,099,165)
Fund balance - Capital Fund	$ -	$ (354,502)	$ (354,502)
Cash - General Fund	$ 1,933,934	$ (306,707)	$ 1,627,227
Cash - Capital Fund	$ -	$ 306,707	$ 306,707
Due from other governmental units - General Fund	$ 1,007,663	$ (105,751)	$ 901,912
Due from other governmental units - Capital Fund	$ -	$ 105,751	$ 105,751
Accounts payable - General Fund	$ (258,727)	$ 54,177	$ (204,550)
Accounts payable - Capital Fund	$ -	$ (54,177)	$ (54,177)
Unavailable revenue - General Fund	$ (161,181)	$ 3,779	$ (157,402)
Unavailable revenue - Capital Fund	$ -	$ (3,779)	$ (3,779)

Required Supplementary Information

Williamsburg Area Transit Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Unaudited) - General Fund
Year ended June 30, 2021

	Original budget	Revised budget	Actual	Variance positive (negative)
Revenues				
Intergovernmental:				
Commonwealth of Virginia	$ 2,331,842	$ 1,951,062	$ 1,953,568	$ 2,506
Federal government	7,932,870	3,589,484	3,289,177	(300,307)
Local (member contributions):				
James City County	637,885	462,819	462,819	-
York County	342,900	248,073	248,073	-
City of Williamsburg	338,378	243,551	243,551	-
Local Share Capital CWF/York	-	-	12,534	12,534
Local (non-member contributions)	45,000	45,000	45,000	-
Charges for services	450,000	120,000	128,657	8,657
Use of money and property	-	89,567	91,628	2,061
Miscellaneous	35,000	61,800	77,416	15,616
Total revenues	12,113,875	6,811,356	6,552,423	(258,933)
Expenditures				
Salaries and benefits	3,999,013	3,865,875	3,382,153	483,722
Repairs and maintenance	1,238,977	1,297,149	1,175,322	121,827
Fuel	560,000	402,600	328,193	74,407
Capital outlay	5,041,732	-	-	-
Colonial Williamsburg bus operations	108,750	142,922	142,922	-
Contractual services	488,578	463,578	171,783	291,795
Supplies and materials	240,290	231,363	199,337	32,026
Leases/rentals	114,706	93,282	93,282	-
Fiscal agent services	84,828	84,828	80,943	3,885
Other	97,190	89,948	51,903	38,045
Insurance	55,000	55,000	52,886	2,114
Telecommunications	41,190	41,190	32,888	8,302
Clothing	35,001	35,001	27,437	7,564
Advertising	8,620	8,620	5,324	3,296
Total expenditures	12,113,875	6,811,356	5,744,373	1,066,983
Net change in fund balance	-	-	808,050	808,050
Fund balance, beginning of year, as restated	-	-	2,099,165	2,099,165
Fund balance, end of year	$ -	$ -	$ 2,907,215	$ 2,907,215

See independent auditor's report

Williamsburg Area Transit Authority
Schedule of Changes in the Net Pension Liability and Related Ratios
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2020	2019
Total pension liability		
Service cost	$ 161,537	$ -
Interest	91,734	-
Changes of benefit terms	-	1,360,253
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,461)	-
Net change in total pension liability	250,810	1,360,253
Total pension liability, beginning	1,360,253	-
Total pension liability, ending	**$ 1,611,063**	**$ 1,360,253**
Plan fiduciary net position		
Contributions - employer	110,648	51,842
Contributions - employee	98,499	42,101
Net investment income	28,017	2,328
Benefit payments, including refunds of employee contributions	(2,461)	-
Administrative expense	285	100
Other	(4,941)	1,154,871
Net change in plan fiduciary net position	230,047	1,251,242
Plan fiduciary net position, beginning	1,251,242	-
Plan fiduciary net position, ending	**$ 1,481,289**	**$ 1,251,242**
Net pension liability	**$ 129,774**	**$ 109,011**
Plan fiduciary net position as a percentage of the total pension liability	91.94%	91.99%
Covered payroll	$ 2,070,531	$ 953,649
Net pension liability as a percentage of the total covered payroll	6.27%	11.43%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

Williamsburg Area Transit Authority
Schedule of Employer Pension Contributions (1)
Required Supplementary Information (Unaudited)

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	84,982	84,982	-	2,054,619	4.14%
2020	110,648	110,648	-	2,070,531	5.34%
2019	59,126	59,126	-	953,649	6.20%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

See accompanying notes to the required supplementary information and independent auditor's report.

Williamsburg Area Transit Authority
Schedule of Employer's Share of Retiree Healthcare OPEB Liability (1) (2)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

Measurement date as of June 30,	**2020**	**2019**	**2018**	**2017**
Employer's proportion of the County's Retiree Healthcare OPEB liability	1.05%	1.05%	0.86%	0.86%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 62,259	$ 54,864	$ 50,771	$ 47,640
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	6	6	7	7

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.
(2) This OPEB plan does not depend on salary information.
* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes to required supplementary information.

Williamsburg Area Transit Authority
Schedule of Changes in the Net OPEB - Health Insurance Credit (HIC) Liability
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2020	2019
Total OPEB - HIC liability		
Service cost	$ 2,329	$ -
Interest cost	961	-
Changes of benefit terms	-	14,233
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	-	-
Net change in total OPEB - HIC liability	3,290	14,233
Total OPEB - HIC liability, beginning	14,233	-
Total OPEB - HIC liability, ending (a)	$ 17,523	$ 14,233
Plan fiduciary net position - HIC		
Contributions - employer	2,898	1,335
Contributions - employee	-	-
Net investment income	236	32
Benefit payments, including refunds of employee contributions	-	-
Administrative expense	(37)	(2)
Other	1,097	8,303
Net change in plan fiduciary net position - HIC	4,194	9,668
Plan fiduciary net position - HIC, beginning	9,668	-
Plan fiduciary net position - HIC, ending (b)	13,862	9,668
Net OPEB - HIC liability (asset) (a) - (b)	$ 3,661	$ 4,565
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability (1)	79.11%	67.93%
Covered payroll (1)	$ 2,070,531	$ 953,649
Net OPEB - HIC liability as a percentage of the total covered payroll (1)	0.18%	0.48%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available and comparative data will be updated accordingly.

* The amounts presented have a measurement date of the previous fiscal year end.

Williamsburg Area Transit Authority
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	2020	2019
Employer's proportion of the net GLI OPEB liability	0.00995%	0.00494%
Employer's proportionate share of the net GLI OPEB liability	$ 166,049	$ 80,387
Employer's covered payroll	$ 2,070,531	$ 968,999
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.02%	8.30%
Plan fiduciary net position as a % of total GLI OPEB liability	52.64%	52.00%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

Williamsburg Area Transit Authority
Schedule of Employer's Share of
Net Virginia Local Disability Program (VLDP) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	2020	2019
Employer's proportion of the net VLDP OPEB liability	0.31335%	0.18063%
Employer's proportionate share of the net VLDP OPEB liability	$ 3,128	$ 3,660
Employer's covered payroll	$ 1,167,639	$ 558,194
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.27%	0.66%
Plan fiduciary net position as a % of total VLDP OPEB liability	76.84%	49.19%

(1) This schedule is intended to present 10 years of information. Williamsburg Area Transit Authority separated from James City County's plan in fiscal year 2019, and therefore, its contributions toward this plan commenced during that year. Additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes and independent auditor's report.

Williamsburg Area Transit Authority
Schedule of Employer OPEB Contributions (1)
Required Supplementary Information (Unaudited)

OPEB - Retiree Healthcare (2)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)
2021	$ 6,397	$ -	$ 6,397
2020	6,114	-	6,114
2019	4,576	-	4,576
2018	7,242	-	7,242

OPEB - Group Life Insurance (3)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 11,013	$ 11,013	$ -	$ 2,054,619	0.54%
2020	10,850	10,850	-	2,070,531	0.52%
2019	4,997	4,997	-	968,999	0.52%

OPEB - Health Insurance Credit (3)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 3,082	$ 3,082	$ -	$ 2,054,619	0.15%
2020	2,898	2,898	-	2,070,531	0.14%
2019	1,335	1,335	-	953,649	0.14%

OPEB - Virginia Local Disability Program (3)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2021	$ 9,718	$ 9,718	$ -	$ 1,170,810	0.83%
2020	8,407	8,407	-	1,167,639	0.72%
2019	4,019	4,019	-	558,194	0.72%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018 for OPEB retiree healthcare and fiscal year 2019 for OPEB group life insurance, health insurance credit, and Virginia Local Disability Program when the Williamsburg Area Transit Authority separated from James City County's VRS plan; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

(3) Williamsburg Area Transit Authority separated from the County's VRS plan in fiscal year 2019, and therefore, its contributions toward these OPEB plans commenced during that year. No actuarial valuation was performed for fiscal year 2019 for the Authority's specific plan, given that this was the transition year.

See accompanying notes to the required supplementary information and independent auditor's report.

1) Retiree Healthcare OPEB - Trust Arrangement and Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net retiree healthcare OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

2) Pensions and Retiree Healthcare, Group Life Insurance, Health Insurance Credit, and Virginia Local Disability Program OPEB - Changes of Benefit Terms

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

3) Retiree Healthcare OPEB - Changes of Assumptions

The following change in actuarial assumptions were made based on the most recent actuarial valuation:

Measurement Date	Discount Rate
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%

4) Group Life Insurance OPEB - Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

4) Group Life Insurance OPEB - Changes of Assumptions, Continued

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

4) Group Life Insurance OPEB - Changes of Assumptions, Continued

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

5) Health Insurance Credit and Virginia Local Disability Program OPEB - Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

5) Health Insurance Credit and Virginia Local Disability Program OPEB - Changes of Assumptions, Continued

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Other Supplementary Information

Williamsburg Area Transit Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Fund
Year ended June 30, 2021

	Original budget	Revised budget	Actual	Variance positive (negative)
Revenues				
Intergovernmental:				
Commonwealth of Virginia	$ -	$ 1,145,826	$ 762,139	$ (383,687)
Federal government	-	4,048,186	4,587,959	539,773
Local (member contributions):				
James City County	-	175,066	175,066	-
York County	-	94,827	94,827	-
City of Williamsburg	-	94,827	94,827	-
Colonial Williamsburg Foundation	-	95,000	94,827	(173)
Local Share Capital CWF/York	-	-	15,011	15,011
Total revenues	-	5,653,732	5,824,656	170,924
Expenditures				
Capital outlay	-	5,753,732	5,643,982	109,750
Contractual services	-	-	13,611	(13,611)
Total expenditures	-	5,753,732	5,657,593	96,139
Net change in fund balance	-	(100,000)	167,063	267,063
Fund balance, beginning of year, as restated	-	100,000	354,502	254,502
Fund balance, end of year	$ -	$ -	$ 521,565	$ 521,565

See independent auditor's report

Compliance

INDEPENDENT AUDITOR'S 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*

To the 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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major funds of the Williamsburg Area Transit Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2021

WILLIAMSBURG AREA TRANSIT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

As more fully described in the Independent Auditor's 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*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

- Cash and Investment Laws
- Local Retirement Systems
- Uniform Disposition of Unclaimed Property Act
- Conflicts of Interest Act
- Procurement Laws

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the 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 (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and 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 the 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 the 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, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the 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 the Authority's internal control over compliance with types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2021

Williamsburg Area Transit Authority
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal Grantor/State Pass–Through Grantor/Program Title	Federal catalog number	Pass-through Entity Identifying Number	Expenditures
Department of Transportation:			
Federal Transit Administration:			
Federal Transit Cluster:			
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	$ 5,029,272
COVID-19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	2,010,497
Total Federal Transit Cluster			7,039,769
Department of Rail & Public Transportation			
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	VA-80-0024-00	180,000
COVID-19 - Formula Grants for Rural Areas	20.509	VA-18-X036-00 and VA-18-X038-00	601,613
Total Federal Awards			$ 7,821,382

See accompanying notes to the schedule of expenditures of federal awards and independant auditor's report.

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, 2021. 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, 2021, the Authority did not allocate any indirect costs to grant expenditures.

WILLIAMSBURG AREA TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was: Major program: Federal Transit Cluster (CFDA No.: 20.507)
8. The threshold for distinguishing Type A and B programs was $750,000.
9. The Authority was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None

WILLIAMSBURG AREA TRANSIT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

1. There were no findings in the audit report, dated November 6, 2020, for the year ended June 30, 2020, issued by Brown, Edwards & Company, L.L.P..

2. There were no reports issued by federal agencies or contract administrators during the year covered by this audit.