Williamsburg Area Transit Authority

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Williamsburg Area Transit Authority

Basic Financial Statements and Supplementary Information

(With Independent Auditors' Report Thereon)

June 30, 2018

Williamsburg Area Transit Authority

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Williamsburg Area Transit Authority
Authority Officials
June 30, 2018

Board of Directors

Andrew Trivette..Chairman

Paul Holt..Vice Chair

Doug Powell

J. Mark Carter

Kurt Reisweber

Other Officials

Zach Trogdon..Executive Director

Joshua Moore..Deputy Director

Jennifer D. Tomes...Treasurer

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

We have audited the accompanying financial statements of the governmental activities of the Williamsburg Area Transit Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Williamsburg Area Transit Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Williamsburg Area Transit Authority as of the year ended June 30, 2018, and the respective changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 8 to the financial statements, during 2018 the Williamsburg Area Transit Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to these changes.

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, budgetary comparison information on page 23, and schedule of changes in total other post-employment benefit liability and schedule of employer contributions and related notes on pages 24 through 26 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Williamsburg Area Transit Authority that collectively comprise the Williamsburg Area Transit Authority of James City County, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

DIXON HUGHES GOODMAN LLP

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of Williamsburg Area Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Williamsburg Area Transit Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 26, 2018

Williamsburg Area Transit Authority
Management's Discussion and Analysis
June 30, 2018

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, 2018.

Financial Highlights

The Authority's net position increased by $1,149,104 in fiscal year 2018, which represents a 15.6% increase from fiscal year 2017. This was primarily a result of operating and capital grants and contributions.

The Authority's restatement of beginning net position in fiscal year 2018 is due to the implementation of GASB 75. Additional information can be found in Notes 1 and 8 to the basic financial statements.

Overview of the Financial Statements

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

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

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

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

Financial Analysis

Summary Statements of Net Position

	6/30/2018	6/30/2017
Current assets	$ 2,366,151	$ 2,347,556
Capital assets, net	6,634,923	5,725,771
Total assets	$ 9,001,074	$ 8,073,327
Current liabilities	$ 400,812	$ 631,204
Long-term liabilities	81,919	88,486
Total liabilities	482,731	719,690
Deferred inflow of resources - chgs. of assumptions, OPEB	1,929	-
Net position:		
Net investment in capital assets	6,634,923	5,725,771
Restricted	43,850	-
Unrestricted	1,837,641	1,627,866
Total net position	8,516,414	7,353,637
Total liabilities, def. inflow and net position	$ 9,001,074	$ 8,073,327

Total assets increased by 11.5% from fiscal year 2017, mainly due to the increase in capital assets resulting from the addition of new buses and a trolley to the current fleet. Total liabilities decreased by 31.6% from fiscal year 2017 primarily due to a decrease in accounts payable.

The Authority's net position was $8,516,414 at June 30, 2018, with the largest portion (77.9%) reflecting its investment in capital assets. These capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Restricted net position of $43,850 (.51%) represents proffers to be used for New Town. The remaining portion of net position is unrestricted (21.59%) to be used for future spending.

Summary Statements of Activities

	6/30/2018	6/30/2017
Program expenses:		
Personnel expenses	$ 3,363,708	$ 3,231,294
Materials and contractual services	2,702,818	2,720,926
Depreciation	1,080,213	1,035,095
Total program expenses	7,146,739	6,987,315
Program revenues:		
Operating grants and contributions	5,249,212	5,313,095
Charges for services	939,847	910,273
Capital grants and contributions	2,029,361	2,557,496
Total program revenues	8,218,420	8,780,864
Net program revenues (expenses)	1,071,681	1,793,549
General revenues:		
Miscellaneous	77,423	61,713
Loss on disposal of capital assets	-	(29,819)
Total general revenues	77,423	31,894
Change in net position	1,149,104	1,825,443
Net position, beginning of year (as restated)	$ 7,367,210	5,528,194
Net position, end of year	$ 8,516,314	$ 7,353,637

Program expenses were higher than the previous year by $159,424, mainly due to the addition of two FTEs and an increase in fringe benefits due to health insurance.

Charges for services include monies received for bus fares and contracted service revenue received from the College of William and Mary. Charges for services increased in fiscal year 2018 due to an increase in revenue received from bus fares resulting from an increase in fees. 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 decreased in fiscal year 2018, which was primarily a result of non-recurring capital grants to purchase buses in fiscal year 2017.

Total net position increased by $1,149,104 for the fiscal year ended June 30, 2018, primarily attributable to the circumstances noted above.

Summary Schedule of Budget-to-Actual - Governmental Fund

	Original Budget	Revised Budget	Actual
Revenues	$ 13,243,176	$ 14,793,394	$ 8,156,054
Expenditures	$ 13,243,176	$ 14,793,394	$ 8,041,479
Net change in fund balance	$ -	$ -	$ 114,575

The Authority has an adopted budget and during fiscal year 2018, the budget increased by $1,550,218, primarily due to additional grant revenue from the Regional Surface Transportation Program.

Capital Assets

At the end of fiscal years 2018 and 2017, the Authority had invested $6,634,923 and $5,725,771, respectively, in net capital assets. The main factor for the increase was the addition of buses and a trolley to the current fleet. Further information about the Authority's capital assets can be found in Note 4 to the financial statements.

Requests for Financial Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the 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, 2018

Assets

Cash and short-term investments (Note 2)	$	1,474,406
Due from other governmental units (Note 3)		766,247
Accounts receivable		84,393
Due from James City County (Note 9)		41,105
Capital assets, net (Note 4)		
Non-depreciable		43,909
Depreciable		6,591,014
Total assets	$	9,001,074

Liabilities and Net Position

Liabilities		
Accounts payable	$	283,050
Salaries payable		14,926
Long-term liabilities (Notes 5 and 7)		
Due within one year		102,836
Due in more than one year		81,919
Total liabilities		482,731
Deferred inflow of resources		
Changes of assumptions, OPEB (Note 7)		1,929
Net position		
Net investment in capital assets		6,634,923
Restricted		43,850
Unrestricted		1,837,641
Total net position		8,516,414
Total liabilities, deferred inflow of resources and net position	$	9,001,074

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Activities
Year ended June 30, 2018

Program expenses		
Personnel expenses	$	3,363,708
Materials and contractual services		2,702,818
Depreciation		1,080,213
Total program expenses		7,146,739
Program revenues		
Operating grants and contributions		5,249,212
Capital grants and contributions		2,029,361
Charges for services		939,847
Total program revenues		8,218,420
Net program revenues		1,071,681
General revenues		
Miscellaneous		77,423
Change in net position		1,149,104
Net position, beginning of year (as restated) (Note 8)		7,367,310
Net position, end of year	$	8,516,414

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Balance Sheet - Governmental Fund
June 30, 2018

Assets

Cash and short-term investments (Note 2)	$	1,474,406
Due from other governmental units (Note 3)		766,247
Accounts receivable		84,393
Due from James City County (Note 9)		41,105
Total assets	$	2,366,151

Liabilities, Deferred Inflow of Resources and Fund Balance

Liabilities		
Accounts payable	$	283,050
Salaries payable		14,926
Total liabilities		297,976
Deferred inflow of resources		
Unavailable revenue		180,786
Fund balance		
Restricted		43,850
Assigned		404,471
Unassigned		1,439,068
Total fund balance		1,887,389
Total liabilities and fund balance	$	2,366,151

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

Ending fund balance	$	1,887,389
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.		6,634,923
Amounts receivable collected after 45 days are not available to pay for current period expenditures and therefore are deferred in the funds.		180,786
Compensated absences reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.		(137,115)
OPEB liability and deferred inflow of resources are not due and payable in the current period and are not recorded in the governmental funds.		(49,569)
	$	8,516,414

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund
Year ended June 30, 2018

Revenues		
Intergovernmental:		
Commonwealth of Virginia		$ 2,047,493
Federal government		3,150,946
Local (member contributions):		
James City County	$ 708,761	
Colonial Williamsburg Foundation	389,609	
York County	381,000	
City of Williamsburg	375,975	
Total local (member contributions)		1,855,345
Local (non-member contributions)		85,000
Charges for services		939,847
Miscellaneous		77,423
Total revenues		8,156,054
Expenditures		
Salaries and benefits		3,349,296
Capital outlay		2,172,539
Repairs and maintenance		706,789
Fuel		489,800
Colonial Williamsburg bus operations		389,609
Contractual services		308,723
Supplies and materials		213,860
Leases/rentals (Note 10)		180,709
Fiscal agent services (Note 9)		81,136
Insurance		43,296
Other		39,301
Telecommunications		31,375
Clothing		23,601
Advertising		11,445
Total expenditures		8,041,479
Net change in fund balance		114,575
Fund balance, beginning of year		1,772,814
Fund balance, end of year		$ 1,887,389

See accompanying notes to the financial statements.

Williamsburg Area Transit Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund
(Continued)
Year ended June 30, 2018

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		$ 114,575
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:		
Depreciation expense		(1,080,213)
Capital outlay expenditures		1,989,365
		909,152
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenue increased by this amount in the current year.		139,789
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	$ (7,170)	
Other post employment benefits	(7,242)	
		(14,412)
Change in net position on statement of activities		$ 1,149,104

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.

Financial Reporting Entity

The Authority is a legally separate organization, and the member jurisdictions cannot impose their will on the Authority. There is no potential financial benefit or burden in the relationship. Accordingly, the Authority is not considered a component unit of any other entity. The Authority has been determined to be a related organization of the County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* The County is the fiscal agent for the Authority, and as such, the Authority has been included as a fiduciary fund in the County's comprehensive annual financial report.

Government-Wide and Fund Financial Statements

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

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

In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

1) Summary of Significant Accounting Policies, Continued

Basis of Accounting and Measurement Focus

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

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

Budgets and Budgetary Accounting

The Authority is responsible for formulating their annual budget. The Executive Director will convene individual and group budget meetings internally at least annually. The Executive Director will then present a comprehensive budget package to the Board of Directors for approval.

The members of the Board of Directors are responsible for presenting the Authority's budget to their respective jurisdictions and representing the Authority in budget hearings, as needed, in the budget process.

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets are not legally required to be adopted.

Cash Equivalents

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

Investments

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

Capital Assets

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

1) Summary of Significant Accounting Policies, Continued

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

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

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

Compensated Absences

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

Fund Balance

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

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

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

Committed: amounts that require formal action of the Board of Directors by resolution that identifies the specific circumstances under which their resources may be expended.

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

Unassigned: amounts designated for future expenditures.

Estimates

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

1) Summary of Significant Accounting Policies, Continued

Adoption of New Accounting Statement

Effective for the fiscal year ended June 30, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*.

Statement No. 75 addresses accounting and financial reporting for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The Authority could not practically determine the period-specific details of the change on all prior periods presented; therefore, the cumulative effect of the change was applied to the beginning balances of the OPEB liability and net position of the current year (see Note 8).

2) Cash and Short-Term Investments

The Authority's cash and investments at June 30, 2018 consisted of the following:

	Amount	Maturity
Bank deposits	$ 1,474,299	N/A
LGIP investment (amortized cost)	107	-
Total	$ 1,474,406	

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, 2018, 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.

2) Cash and Short-Term Investments, Continued

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, 2018, 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, 2018:

Federal (Dept. of Transportation)	$ 671,896
Commonwealth of Virginia	70,278
College of William and Mary	24,073
Total	$ 766,247

4) Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in progress	$ 46,518	$ 37,482	$ (40,091)	$ 43,909
Capital assets being depreciated:				
Buildings and improvements	413,478	-	-	413,478
Infrastructure	-	11,600	-	11,600
Furniture and equipment	1,634,800	199,983	(12,213)	1,822,570
Vehicles	15,851,703	1,780,391	(1,080,480)	16,551,614
Total capital assets being depreciated	17,899,981	1,991,974	(1,092,693)	18,799,262
Less accumulated depreciation:				
Buildings and improvements	96,385	22,059	-	118,444
Infrastructure	-	967	-	967
Furniture and equipment	996,719	258,917	(12,213)	1,243,423
Vehicles	11,127,624	798,270	(1,080,480)	10,845,414
Total accumulated depreciation	12,220,728	1,080,213	(1,092,693)	12,208,248
Total capital assets being depreciated, net	5,679,253	911,761	-	6,591,014
Capital assets, net	$ 5,725,771	$ 949,243	$ (40,091)	$ 6,634,923

Depreciation of $1,080,213 was charged for the year ended June 30, 2018.

5) Long-Term Liabilities

A summary of the Authority's long-term liability activity for the year ended June 30, 2018 is as follows:

	As Restated Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
OPEB	$ 42,327	$ 5,313	$ -	$ 47,640	$ -
Compensated absences	129,945	175,455	168,285	137,115	102,836
Total	$ 172,272	$ 180,768	$ 168,285	$ 184,755	$ 102,836

6) Pension Plan

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

7) Other Post-employment Benefits (OPEB)

The Authority provides other post-employment health-care benefits for qualifying retired employees who are not yet eligible for Medicare through an agent, multi-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. The pre-Medicare retirees have a choice of five plans offered by Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. 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 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.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

	Number of Participants
Active employees	49
Retirees	1
Total	50

Actuarial Methods and Assumptions

For the actuarial valuation at July 1, 2017 (measurement date of June 30, 2018), 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 3.58% for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal

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

bonds with and average rating of AA/Aa or higher. For this valuation, the Bond Buyer GO 20-year Bond Municipal Index was used.

The medical trend assumption was changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and revised in 2014. The following assumptions were used as input variables into this model:

Inflation	2.20%
Rate of growth in real income/ GDP per capita	1.63%
Income multiplier for health spending	1.30
Extra trend due to technology and other factors	1.40%
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 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:

- Pre-Retirement (General): RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males set forward 2 years and females set back 3 years
- Pre-Retirement (LEOS): RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males and females set back 2 years
- Post-Retirement (General): RP 2000 Combined Mortality Table Projected with Scale AA to 2020, females back 1 year
- Post-Retirement (LEOS): RP 2000 Combined Mortality Table Projected with Scale AA to 2020, males set forward 1 year
- Disabled: RP 2000 Disabled Mortality Table, males set back 3 years not fully generational

Changes in Assumptions Since Prior Valuation

- Discount rate was updated as required under the GASB 75 standard.
- Decrement and mortality assumptions were updated to the most recent VRS assumptions.
- Election rate was decreased from 50% to 40% for participants currently with coverage and 50% to 30% for participants who elect coverage at retirement taking spousal coverage.
- Claims assumption was updated to include the most recent plan experience.

Changes in Net OPEB Liability

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net pension (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2016 (as restated)	$ 42,327	$ -	$ 42,327
Changes for the year:			
Service cost	6,358	-	6,358
Interest	1,206	-	1,206
Changes in assumptions	(2,251)	-	(2,251)
Net changes	5,313	-	5,313
Balances at June 30, 2017	$ 47,640	$ -	$ 47,640

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

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

The following presents the net OPEB liability using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total and Net OPEB Liability	$ 50,735	$ 47,640	$ 44,644

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

The following presents the net OPEB liability using the health care cost trend rate of 4.00%, as well as what the net 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:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Total and Net OPEB Liability	$ 42,612	$ 47,640	$ 53,476

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of $7,242. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	1,929
Net difference between projected and actual earnings on OPEB investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	$ -	$ 1,929

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended	
2019	$ (322)
2020	(322)
2021	(322)
2022	(322)
2023	(322)
Thereafter	(319)
	$ (1,929)

8) Restatement

As stated in Note 1, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on fiscal year 2017 is:

	6/30/2017 Previously Reported	Restatement	6/30/2017 As Restated
OPEB liability	$ 56,000	(13,673)	$ 42,327
Net position	$ 7,353,637	13,673	$ 7,367,310

9) Transactions with Related Parties

Certain financial management, accounting and other services are provided to the Authority by James City County. The following lists the charges for these services for the fiscal year ended June 30, 2018, which are reflected as expenditure/expenses on the Authority's financial statements.

Radio maintenance	$ 55,380
Purchasing	55,000
Financial management and accounting	37,926
Human Resources	20,124
Treasurer	19,350
Data processing	3,736
Telephone	1,200
Total	$ 192,716

James City County owes the Authority $41,105 at June 30, 2018 for proffers collected on behalf of the Authority.

10) Lease Commitments

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

In November 2013, the Authority entered into a lease agreement with the City of Williamsburg for office space at the Williamsburg Transportation Center. The term of this lease is from January 1, 2014 through December 31, 2014 with two automatic one-year renewals at January 1, 2015 and January 1, 2016. The initial rent payment was $1,000 per month and increases by 3% each year on January 1. For fiscal year 2018, the Authority paid $13,309 to the City of Williamsburg for this space. The Authority is currently on a month-to-month arrangement for this lease.

The Authority also leases 2,000 square feet of office space, dedicated vehicle parking and its maintenance facility from Colonial Williamsburg. In October 2014, the Authority extended the agreement for an additional five years, through January 2020, and with monthly payments of $7,000. In November 2016, the Authority revised the lease to include 400 square feet of additional space and increased monthly payments to $7,700. During the year ended June 30, 2018, the Authority paid Colonial Williamsburg $92,400 based on this agreement.

10) Lease Commitments, Continued

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

2019	$	92,400
2020		53,900
Total	$	146,300

11) 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. The agreement was renewed during 2018, with a 2% annual CPI increase. There are two one-year extensions remaining. The actual amount billable monthly is dependent upon the number and type of vehicles serviced. Further, the contract allows for extra charges for fuel and for additional maintenance services provided beyond those described in the agreement, if such additional fees are approved in advance by the Authority. During the year ended June 30, 2018, the Authority paid First Transit, Inc. $1,408,417 for maintenance services and related charges under the terms of this agreement.

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

* * * * *

Required Supplementary Information

Williamsburg Area Transit Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Unaudited) - Governmental Fund
Year ended June 30, 2018

	Original budget	Revised budget	Actual	Variance positive (negative)
Revenues				
Intergovernmental:				
Commonwealth of Virginia	$ 2,645,459	$ 3,006,614	$ 2,047,493	$ (959,121)
Federal government	6,340,810	7,486,023	3,150,946	(4,335,077)
Local (member contributions):				
James City County	708,761	708,761	708,761	-
Colonial Williamsburg Foundation	1,666,671	1,666,671	389,609	(1,277,062)
York County	381,000	381,000	381,000	-
City of Williamsburg	375,975	375,975	375,975	-
Local (non-member contributions)	85,000	85,000	85,000	-
Charges for services	997,500	997,500	939,847	(57,653)
Miscellaneous	42,000	85,850	77,423	(8,427)
Total revenues	13,243,176	14,793,394	8,156,054	(6,637,340)
Expenditures				
Salaries and benefits	3,609,950	3,618,239	3,349,296	268,943
Repairs and maintenance	922,213	926,194	706,789	219,405
Fuel	665,000	533,838	489,800	44,038
Capital outlay	5,206,000	6,885,849	2,172,539	4,713,310
Colonial Williamsburg bus operations	1,666,671	1,666,671	389,609	1,277,062
Contractual services	384,793	370,804	308,723	62,081
Supplies and materials	315,398	295,898	213,860	82,038
Leases/rentals	180,709	180,709	180,709	-
Fiscal agent services	81,692	81,692	81,136	556
Other	55,750	89,700	39,301	50,399
Insurance	50,000	45,000	43,296	1,704
Telecommunications	50,000	43,800	31,375	12,425
Advertising	25,000	25,000	11,445	13,555
Clothing	30,000	30,000	23,601	6,399
Total expenditures	13,243,176	14,793,394	8,041,479	6,751,915
Net change in fund balance	-	-	114,575	114,575
Fund balance, beginning of year	-	-	1,772,814	1,772,814
Fund balance, end of year	$ -	$ -	$ 1,887,389	$ 1,887,389

See independent auditors' report.

Williamsburg Area Transit Authority
Schedule of Changes in Net OPEB Liability and Related Ratios (1) (2)
Required Supplementary Information (Unaudited)
Year Ended June 30, 2018*

Total OPEB liability	
Service cost	$ 6,358
Interest cost	1,206
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(2,251)
Benefit payments	-
Net change in total OPEB liability	5,313
Total OPEB liability, beginning	42,327
Total OPEB liability, ending (a)	$ 47,640
Plan fiduciary net position	
Contributions - employer	$ -
Net investment income	-
Benefit payments	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position, beginning	-
Plan fiduciary net position, ending (b)	$ -
Net OPEB liability (a) - (b)	$ 47,640
Fiduciary net position as a % of total OPEB liability	0.00%
Expected average remaining service years of all participants	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 the required supplementary information and independent auditors' report.

Williamsburg Area Transit Authority
OPEB Schedule of Employer Contributions (1) (2)
Required Supplementary Information (Unaudited)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)
2018*	$ 7,242	$ -	$ 7,242

(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 previous fiscal year end

See independent auditors' report.

1) 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 OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

2) OPEB - Changes of Benefit Terms

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

3) OPEB - Changes of Assumptions

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

Discount Rate	
June 30, 2017	2.85%
June 30, 2018	3.58%

Compliance

DIXON HUGHES GOODMAN LLP

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

Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Williamsburg Area Transit Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Williamsburg Area Transit Authority's basic financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Williamsburg Area Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

DIXON HUGHES GOODMAN LLP

Purpose of this Report

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

Dixon Hughes Goodman LLP

Newport News, Virginia
October 26, 2018

DIXON HUGHES GOODMAN LLP

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

Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Williamsburg Area Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Williamsburg Area Transit Authority's major federal programs for the year ended June 30, 2018. Williamsburg Area Transit Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Williamsburg Area Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Williamsburg Area Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Williamsburg Area Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Williamsburg Area Transit Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

DHG
DIXON HUGHES GOODMAN LLP

Report on Internal Control over Compliance

Management of Williamsburg Area Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Williamsburg Area Transit Authority's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Williamsburg Area Transit Authority's internal control over compliance.

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

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

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

Dixon Hughes Goodman LLP

Newport News, Virginia
October 26, 2018

Williamsburg Area Transit Authority
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

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	$ 3,098,611
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	VA-80-0024-00	180,000
Formula Grants for Rural Areas	20.509	VA-18-X036-00 and VA-18-X038-00	258,870
Total Federal Awards			$ 3,537,481

See independent auditors' report.

Williamsburg Area Transit Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

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, 2018. 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, 2018, the Authority did not allocate any indirect costs to grant expenditures.

Schedule of Findings and Questioned Costs - Federal Awards

1. Summary of Auditors'

Results Financial Statements

- An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

- There were no material weaknesses identified.
- There were no significant deficiencies identified.
- An unmodified opinion was issued on compliance for major programs.
- The audit did not disclose any audit findings required to be reported.
- The dollar threshold used to distinguish between Type A and Type B programs is $750,000.
- The auditee qualified as a low-risk auditee.
- Major program: Federal Transit Cluster (CFDA No.: 20.507)

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

None

3. Findings and Questioned Costs for Federal Awards

None

4. Disposition of Prior Year Findings

None

DIXON HUGHES GOODMAN LLP

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

Board of Directors
Williamsburg Area Transit Authority
Williamsburg, Virginia

We have audited the financial statements of the Williamsburg Area Transit Authority, as of and for the year ended June 30, 2018, and have issued our report thereon October 26, 2018.

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

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

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

Code of Virginia

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

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

This report is intended solely for the information and use of the Board of Directors and management of Williamsburg Area Transit Authority, and the Auditor of Public Accounts and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 26, 2018