

# **Williamsburg Area Transit Authority**

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

**June 30, 2016**



# Williamsburg Area Transit Authority

## Table of Contents

	<b>Page</b>
 <b><i>Introductory Section</i></b>	
Table of Contents	i
Authority Officials	ii
 <b><i>Financial Section</i></b>	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Governmental Fund Financial Statements	
Balance Sheet – Governmental Fund and Reconciliation to Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund and Reconciliation to Statement of Activities	10 - 11
Notes to Financial Statements	12 - 20
 <b><i>Required Supplementary Information</i></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund – Budget and Actual (Unaudited)	22
 <b><i>Compliance Section</i></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	24 - 25
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	26 - 27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs – Federal Awards	30
Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations and Grants	31 - 32
Schedule of Findings and Responses – State Compliance	33 - 34

**Williamsburg Area Transit Authority  
Authority Officials  
June 30, 2016**

**Board of Directors**

J. Mark Carter.....Chairman  
M. Douglas Powell.....Vice Chair  
Paul Holt  
Carolyn Murphy  
Kurt Reisweber

**Other Officials**

Todd Tyree .....Executive Director  
Jamie Jackson ..... Deputy Executive Director  
Jennifer D. Tomes.....Treasurer  
Adam Kinsman.....Legal Counsel

## **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, 2016, 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, 2016, and the respective changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of Williamsburg Area Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Williamsburg Area Transit Authority's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
November 22, 2016

**Williamsburg Area Transit Authority  
Management's Discussion and Analysis  
June 30, 2016**

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, 2016.

**Financial Highlights for Fiscal Year 2016**

The Authority's net position decreased by \$592,261 in fiscal year 2016, which represents a 9.7% decrease from fiscal year 2015. This was primarily a result of a decrease in capital grants and contributions.

**Overview of the Financial Statements**

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

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

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

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

**Financial Analysis**

<b>Summary Statements of Net Position</b>
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	<b>6/30/2016</b>	<b>6/30/2015</b>
Current assets	\$ 1,784,172	\$ 1,215,225
Capital assets, net	4,338,591	5,278,632
Total assets	\$ 6,122,763	\$ 6,493,857
Current liabilities	\$ 511,328	\$ 301,344
Long-term liabilities	83,241	72,058
Total liabilities	594,569	373,402
Net position:		
Net investment in capital assets	4,338,591	5,278,632
Unrestricted	1,189,603	841,823
Total net position	5,528,194	6,120,455
Total liabilities and net position	\$ 6,122,763	\$ 6,493,857

Total assets decreased by 5.7% from fiscal year 2015, mainly due to the decrease in capital assets resulting from the current year's depreciation expense. Total liabilities increased by 59.2% for fiscal year 2016 primarily due to an increase in accounts payable from 2015 related to transportation maintenance services and capital asset purchases at year-end.

**Williamsburg Area Transit Authority  
Management's Discussion and Analysis  
June 30, 2016**

The Authority's net position was \$5,528,194 at June 30, 2016, with the largest portion (78.5%) reflecting its investment in capital assets. These capital assets are used to provide services to customers; consequently, these assets are not available for future spending. The remaining portion of net position (21.5%) is designated for future spending.

**Summary Statements of Activities**

	<b>6/30/2016</b>	<b>6/30/2015</b>
Program expenses:		
Materials and contractual services	\$ 2,906,988	\$ 2,868,194
Personnel expenses	2,806,244	2,828,971
Depreciation	1,147,321	1,311,837
Total program expenses	<u>6,860,553</u>	<u>7,009,002</u>
Program revenues:		
Operating grants and contributions	5,102,357	5,453,267
Charges for services	743,174	761,870
Capital grants and contributions	382,527	1,876,508
Total program revenues	<u>6,228,058</u>	<u>8,091,645</u>
Net program (expenses) revenues	<u>(632,495)</u>	<u>1,082,643</u>
General revenues:		
Gain on disposal of property	3,552	181
Miscellaneous revenue	36,682	6,275
Total general revenues	<u>40,234</u>	<u>6,456</u>
Change in net position	(592,261)	1,089,099
Net position, beginning of year	<u>6,120,455</u>	<u>5,031,356</u>
Net position, end of year	<u>\$ 5,528,194</u>	<u>\$ 6,120,455</u>

Program expenses were lower than the previous year by \$148,449, mainly due to lower fuel prices compared to 2015, as well as less depreciation expense as the capital assets reach the end of their estimated useful lives.

Charges for services include monies received for bus fares and contracted service revenue received from the College of William and Mary. Charges for services remained fairly constant for fiscal year 2016. 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 2016, which was primarily a result of a non-recurring capital grant received in fiscal year 2015 for five buses.

Total net position decreased by \$592,261 for the fiscal year ended June 30, 2016, primarily attributable to the circumstances noted above.

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

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>
Revenues	<u>\$ 12,429,103</u>	<u>\$ 15,076,905</u>	<u>\$ 5,997,703</u>
Expenditures	<u>\$ 12,429,103</u>	<u>\$ 15,076,905</u>	<u>\$ 5,893,780</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,923</u>

The Authority has an adopted budget and during fiscal year 2016, adjustments were made to the budget resulting in a net increase of \$2,647,802. This increase was primarily the result of a federal grant award of \$2,680,000 for engines and propulsion units for the State's Pocahontas ferry.

**Williamsburg Area Transit Authority  
Management's Discussion and Analysis  
June 30, 2016**

<b>Capital Assets</b>
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At the end of fiscal years 2016 and 2015, the Authority had invested \$4,338,591 and \$5,278,632, respectively, in net capital assets. The main factor for the decrease was current year depreciation expense as well as the disposal of buses that were at the end of their useful life. Further information about the Authority's capital assets can be found in Note 4 to the financial statements.

**Requests for Financial Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

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## **Basic Financial Statements**

**Williamsburg Area Transit Authority**  
**Statement of Net Position**  
**June 30, 2016**

**Assets**

Cash and short-term investments (Note 2)	\$ 762,073
Due from other governmental units (Note 3)	934,946
Accounts receivable	87,153
Capital assets, net (Note 4)	
Non-depreciable	12,187
Depreciable	4,326,404
	<hr/>
Total assets	<u><u>\$ 6,122,763</u></u>

**Liabilities and Net Position**

**Liabilities**

Accounts payable	\$ 390,828
Due to James City County (Note 8)	1,613
Salaries payable	22,163
Long-term liabilities (Notes 5 and 7)	
Due within one year	96,724
Due in more than one year	83,241
Total liabilities	<hr/> 594,569 <hr/>

**Net position**

Net investment in capital assets	4,338,591
Unrestricted	1,189,603
Total net position	<hr/> 5,528,194 <hr/>
Total liabilities and net position	<u><u>\$ 6,122,763</u></u>

*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority**  
**Statement of Activities**  
**Year ended June 30, 2016**

**Program Expenses**

Materials and contractual services	\$ 2,906,988
Personnel expenses	2,806,244
Depreciation	1,147,321
Total program expenses	<u>6,860,553</u>

**Program revenues**

Operating grants and contributions	5,102,357
Charges for services	743,174
Capital grants and contributions	382,527
Total program revenues	<u>6,228,058</u>

Net program expenses	<u>(632,495)</u>
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**General revenues**

Gain on disposal of capital assets	3,552
Miscellaneous revenue	36,682
Total general revenues	<u>40,234</u>

Change in net position	(592,261)
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<b>Net position, beginning of year</b>	<u>6,120,455</u>
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<b>Net position, end of year</b>	<u><u>\$ 5,528,194</u></u>
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*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority**  
**Balance Sheet - Governmental Fund**  
**June 30, 2016**

**Assets**

Cash and short-term investments (Note 2)	\$ 762,073
Due from other governmental units (Note 3)	934,946
Accounts receivable	<u>87,153</u>
Total assets	<u><u>\$ 1,784,172</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$ 390,828
Due to James City County (Note 8)	1,613
Salaries payable	<u>22,163</u>
Total liabilities	<u>414,604</u>

**Deferred inflow of resources**

Unavailable revenue	<u>270,589</u>
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**Fund balance**

Committed fund balance	14,600
Assigned fund balance	82,937
Unassigned fund balance	<u>1,001,442</u>
Total fund balance	<u>1,098,979</u>

Total liabilities and fund balance	<u><u>\$ 1,784,172</u></u>
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**Reconciliation of the balance sheet for governmental funds to the statement of net position for governmental activities:**

Ending fund balance	\$ 1,098,979
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,338,591
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Amounts receivable collected after 45 days are not available to pay for current period expenditures and therefore are deferred in the funds.	270,589
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Compensated absences reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.	(128,965)
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Obligation for Other Post Employment Benefits (OPEB) is not due and payable in the current period and is not recorded as a liability in the governmental funds.	<u>(51,000)</u>
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Net position of governmental activities	<u><u>\$ 5,528,194</u></u>
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*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Fund**  
**Year ended June 30, 2016**

**Revenues**

Intergovernmental:		
Commonwealth of Virginia	\$	1,539,788
Federal government		1,877,554
Local (member contributions):		
James City County	\$	590,625
Colonial Williamsburg Foundation		524,760
York County		338,000
City of Williamsburg		309,798
Total local (member contributions)		1,763,183
Local (non-member contributions)		76,750
Charges for services		702,775
Miscellaneous		37,653
Total revenues		<u>5,997,703</u>

**Expenditures**

Salaries and benefits	2,779,512
Repairs and maintenance	692,887
Fuel	400,208
Capital outlay	418,317
Colonial Williamsburg bus operations	524,760
Contractual services	469,983
Supplies and materials	223,625
Leases/rentals (Note 9)	171,545
Fiscal agent services (Note 8)	85,081
Other	46,887
Insurance	39,046
Telecommunications	27,671
Advertising	3,798
Clothing	10,460
Total expenditures	<u>5,893,780</u>

Net change in fund balance 103,923

**Fund balance, beginning of year** 995,056

**Fund balance, end of year** \$ 1,098,979

*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, 2016**

**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	\$ 103,923
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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	(1,147,321)
Capital outlay expenditures	207,280
	(940,041)

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.

270,589

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	\$ (20,732)	
Other post employment benefits	(6,000)	
	(26,732)	

Change in net position on statement of activities	\$ (592,261)
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*See accompanying notes to the financial statements.*

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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

The Williamsburg Area Transit Authority (Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County of James City (County), the County of York, the City of Williamsburg, and the Colonial Williamsburg Foundation. The Authority is governed by the Board of Directors, consisting of five Board representatives appointed by the members.

The general purpose of the Authority is to provide transportation services throughout the member jurisdictions and areas owned and/or operated by Colonial Williamsburg.

**Financial Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

**(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 following procedures are used by the Authority in establishing budgetary data:

- The Authority is responsible for formulating their annual budget. The Executive Director will convene individual and group budget meetings internally at least annually. The Executive Director will then present a comprehensive budget package to the Board of Directors for approval.
- The members of the Board of Directors are responsible for presenting the Authority's budget to their respective jurisdictions and representing the Authority in budget hearings, as needed, in the budget process.
- The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets are not legally required to be adopted.

**Adoption of New Accounting Statement**

Effective with the financial statements for the fiscal year ended June 30, 2016, the Authority has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach.

The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.



**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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

**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 the State's Local Government Investment Pool (LGIP). In accordance with state law, LGIP operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported using the amortized cost method. The LGIP is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

**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.

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*.

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

**(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 Investments**

The Authority's cash and investments at June 30, 2016 consisted of the following:

	<u>Amount</u>	<u>Maturity</u>
Bank deposits	\$ 761,968	N/A
LGIP investment (amortized cost)	105	-
Total cash and short-term investments	<u>\$ 762,073</u>	

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, a 2a-7 like pool). The fair value of the Authority's position in the LGIP is the same as the value of the pool shares. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

The policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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, 2016, 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.

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

**(2) Cash and 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, 2016, 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, 2016:

Federal (Dept. of Transportation)	\$ 802,499
Commonwealth of Virginia	92,048
College of William and Mary	40,399
Total	<u>\$ 934,946</u>

**(4) Capital Assets**

A summary of changes in capital assets for the fiscal year ended June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Construction in progress	\$ 22,117	\$ -	\$ (9,930)	\$ 12,187
Capital assets being depreciated:				
Buildings and improvements	318,271	95,207	-	413,478
Furniture and equipment	1,592,878	41,922	-	1,634,800
Vehicles	15,100,963	80,081	(810,685)	14,370,359
Total capital assets being depreciated	17,012,112	217,210	(810,685)	16,418,637
Less accumulated depreciation:				
Buildings and improvements	60,994	13,332	-	74,326
Furniture and equipment	511,628	243,046	-	754,674
Vehicles	11,182,975	890,943	(810,685)	11,263,233
Total accumulated depreciation	11,755,597	1,147,321	(810,685)	12,092,233
Total capital assets being depreciated, net	5,256,515	(930,111)	-	4,326,404
Capital assets, net	<u>\$ 5,278,632</u>	<u>\$ (930,111)</u>	<u>\$ (9,930)</u>	<u>\$ 4,338,591</u>

Depreciation of \$1,147,321 was charged for the year ended June 30, 2016.

**(5) Long-Term Liabilities**

A summary of the Authority's long-term liability activity for the year ended June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
OPEB	\$ 45,000	\$ 6,000	\$ -	\$ 51,000	\$ -
Compensated absences	108,233	143,891	123,159	128,965	96,724
Total	<u>\$ 153,233</u>	<u>\$ 149,891</u>	<u>\$ 123,159</u>	<u>\$ 179,965</u>	<u>\$ 96,724</u>

**(6) Pension Plan**

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

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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

***Funding Policy***

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant. Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

***Plan Description***

Covered full-time active employees who retire directly from the Authority and are at least 50 years of age with 15 years of service are eligible to receive post-employment health care benefits. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost and therefore, have no employer obligation. There is no coverage for post-Medicare retirees. There were 39 active employee participants at the time of the actuarial study.

**Net OPEB Obligation**

As of June 30, 2016, the net pension obligation was calculated as follows:

Annual required contribution	\$ 12,000
Amortization of net OPEB obligation	(2,000)
Interest on net OPEB obligation	<u>2,000</u>
Annual OPEB cost	12,000
Contributions made	<u>(6,000)</u>
Increase in net OPEB obligation	6,000
Net OPEB obligation, beginning of year	<u>45,000</u>
Net OPEB obligation, end of year	<u><u>\$ 51,000</u></u>

**Annual OPEB Cost**

<b>Year Ended June 30,</b>	<b>Annual OPEB cost</b>	<b>Actual contribution</b>	<b>Percentage of annual OPEB cost contributed</b>	<b>Net OPEB obligation</b>
2016	\$ 12,000	\$ 6,000	50.0%	\$ 51,000
2015	9,000	1,000	11.1%	45,000
2014	9,000	1,000	11.1%	37,000

**Actuarial Methods and Assumptions**

For the actuarial valuation at June 30, 2016, the projected unit credit method was used. Under this method, benefits provided by the substantive plan (the plan as understood by the Authority and the plan members) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts which are earned over the period from date of hire to the full eligibility date.

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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

The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.2%, and a payroll growth of 3%. Amortization of the initial unfunded actuarial liability is over 23 years based on a level percent of payroll method. Future increases for medical benefits are assumed to range from an initial rate of 7.5% and decrease gradually with the ultimate rate being 5.04%. It should be noted actuarial calculations reflect a long-term perspective and therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

All active employees who are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

**Schedule of Funding Progress**

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2013	\$ -	\$ 66,000	\$ 66,000	0.0%	\$ -	\$ -
2014	-	74,000	74,000	0.0%	-	-
2015	-	100,000	100,000	0.0%	-	-

**Schedule of Employer Contributions**

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Funding Ratio
2014	\$ -	\$ 9,000	0.0%
2015	-	9,000	0.0%
2016	-	12,000	0.0%

**(8) Transactions with Related Parties**

Certain financial management, accounting, and other services are provided to the Authority by James City County. The following lists the charges for these services for the fiscal year ended June 30, 2016, which are reflected as expenditure/expenses on the Authority's financial statements.

Financial management and accounting services	\$ 36,603
Radio maintenance	50,071
Human resources services	17,304
Treasurer services	16,638
Legal services	12,000
Information technology	2,536
Telephone services	1,200
Total	<u>\$ 136,352</u>

The Authority owes James City County \$14,131 at June 30, 2016, \$1,613 of which is shown as due to James City County and the remainder included in accounts payable on the Statement of Net Position, which primarily represents a radio maintenance payment and a reimbursement for a leave payout.

**Williamsburg Area Transit Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

**(9) Lease Commitments**

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

In November 2013, the Authority entered into a lease agreement with the City of Williamsburg for office space at the Williamsburg Transportation Center. The term of this lease is from January 1, 2014 through December 31, 2014 with two automatic one-year renewals at January 1, 2015 and January 1, 2016. The initial rent payment was \$1,000 per month and increases by 3% each year on January 1. For fiscal year 2016, the Authority paid \$12,545 to the City of Williamsburg for this space.

The Authority also leases 2,000 square feet of office space, dedicated vehicle parking and its maintenance facility from Colonial Williamsburg. In October 2014, the Authority extended the agreement for an additional five years and increased monthly payments to \$7,000. During the year ended June 30, 2016, the Authority paid Colonial Williamsburg \$84,000 based on this agreement.

Future minimum payments for the office space leases with the City of Williamsburg and Colonial Williamsburg are estimated as follows:

2017	\$	90,365
2018		84,000
2016		84,000
2020		49,000
Total	\$	<u>307,365</u>

**(10) Other Commitments**

In March 2011, the Authority entered into an agreement with First Transit, Inc. for vehicle maintenance services. This agreement is through March 30, 2017 with up to four potential one-year extensions. The agreement stipulates a monthly payment for services which are subject to 3% annual increases throughout the contract. The actual amount billable monthly is dependent upon the number and type of vehicles serviced. Further, the contract allows for extra charges for fuel and for additional maintenance services provided beyond those described in the agreement, if such additional fees are approved in advance by the Authority. During the year ended June 30, 2016, the Authority paid First Transit, Inc. \$1,451,507 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, 2016**

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
<b>Revenues</b>				
Intergovernmental:				
Commonwealth of Virginia	\$ 2,137,828	\$ 2,210,035	\$ 1,539,788	\$ (670,247)
Federal government	6,154,747	8,863,652	1,877,554	(6,986,098)
Local (member contributions):				
James City County	654,054	590,625	590,625	-
Colonial Williamsburg Foundation	1,875,688	1,875,188	524,760	(1,350,428)
York County	370,859	338,000	338,000	-
City of Williamsburg	343,070	309,798	309,798	-
Local (non-member contributions)	80,000	76,750	76,750	-
Charges for services	782,857	782,857	702,775	(80,082)
Miscellaneous	30,000	30,000	37,653	7,653
<b>Total revenues</b>	<u>12,429,103</u>	<u>15,076,905</u>	<u>5,997,703</u>	<u>(9,079,202)</u>
<b>Expenditures</b>				
Salaries and benefits	3,331,107	3,298,909	2,779,512	519,397
Repairs and maintenance	940,783	935,783	692,887	242,896
Fuel	860,000	838,000	400,208	437,792
Capital outlay	4,749,678	7,429,678	418,317	7,011,361
Colonial Williamsburg bus operations	1,703,188	1,703,188	524,760	1,178,428
Contractual services	182,971	178,971	469,983	(291,012)
Supplies and materials	283,934	296,184	223,625	72,559
Leases/rentals	153,096	153,096	171,545	(18,449)
Fiscal agent services	87,846	89,237	85,081	4,156
Other	30,000	48,762	46,887	1,875
Insurance	45,000	45,000	39,046	5,954
Telecommunications	24,500	24,500	27,671	(3,171)
Advertising	25,000	22,847	3,798	19,049
Clothing	12,000	12,750	10,460	2,290
<b>Total expenditures</b>	<u>12,429,103</u>	<u>15,076,905</u>	<u>5,893,780</u>	<u>9,183,125</u>
Net change in fund balance	-	-	103,923	(103,923)
<b>Fund balance, beginning of year</b>	-	-	995,056	(995,056)
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,979</u>	<u>\$ (1,098,979)</u>

*See accompanying notes to the financial statements.*

## **Compliance Section**

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

Board of Directors  
Williamsburg Area Transit Authority  
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Williamsburg Area Transit Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Williamsburg Area Transit Authority's basic financial statements, and have issued our report thereon dated November 22, 2016.

### ***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

**Newport News, Virginia  
November 22, 2016**

## **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, 2016. 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, 2016.

***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  
November 22, 2016**

**Williamsburg Area Transit Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2016**

<b>Federal Grantor/State Pass-Through Grantor/Program Title</b>	<b>Federal catalog number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Expenditures</b>
Department of Transportation:			
Federal Transit Administration - Federal Transit Cluster:			
Federal Transit - Formula Grants	20.507		\$ 1,976,155
ARRA - Federal Transit - Formula Grants	ARRA-20.507		<u>7,737</u>
Total Federal Transit Cluster			1,983,892
Department of Transportation:			
Federal Transit Administration:			
Metropolitan Transportation Planning	20.505	VA-80-0024-00	211,277
		VA-18-X036-00 and	
Formula Grants for Other Than Urbanized Areas	20.509	VA-18-X038-00	<u>275,185</u>
Total Federal Awards - All Department of Transportation			<u>\$ 2,470,354</u>

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

**Williamsburg Area Transit Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

**1. Basis Of Presentation**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Williamsburg Area Transit Authority ("the Authority") under programs of the federal government for the year ended June 30, 2016. 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(c) 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, 2016, the Authority did not allocate any indirect costs to grant expenditures.



**Williamsburg Area Transit Authority  
Schedule of Findings and Questioned Costs – Federal Awards  
June 30, 2016**

**(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 and ARRA-20.507)

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

None

**(3) Findings and Questioned Costs for Federal Awards**

None

**(4) Disposition of Prior Year Findings**

None

## **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, 2016, and have issued our report thereon November 22, 2016.

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 two instances of noncompliance with the provisions referred to in the preceding paragraph. These instances are discussed in the Schedule of Findings and Responses as Findings 16-1 and 16-2. 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**  
**November 22, 2016**

**Williamsburg Area Transit Authority**  
**Schedule of Findings and Responses – State Compliance**  
**Year ended June 30, 2016**

**1. Summary of Auditors' Results**

- a. An unmodified opinion was issued on the financial statements.
- b. There were no deficiencies noted in internal control to disclose.
- c. The audit disclosed no items of noncompliance material to the financial statements.
- d. There were no deficiencies noted in internal control over major federal programs to disclose.

**2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards**

None

**3. Findings and Questioned Costs for Federal Awards**

None

**4. State Compliance Findings:**

**Finding 16-1**

**Condition:** The State and Local Government Conflict of Interests Act contained in Chapter 31 of Title 2.2 of the Code of Virginia requires certain local government officials to file a disclosure statement of their personal interests with the clerk of the governing body by December 15 of each year, unless the governing body of the jurisdiction that appoints the members requires that the members file the Statement of Economic Interests.

**Criteria:** Board members are not filing the disclosure statement.

**Effect:** The Authority was not in compliance with the State and Local Government Conflict of Interest Act.

**Recommendation:** The Authority should take steps to ensure that each local official files the required forms in a timely manner.

**Management's response:** Management has taken steps to ensure compliance going forward.

**Williamsburg Area Transit Authority**  
**Schedule of Findings and Responses – State Compliance**  
**Year ended June 30, 2016**

**Finding 16-2**

**Condition:** Chapter 14 of Title 30 of the Code of Virginia requires audited entities to publish in a newspaper of general circulation in the locality of the entity, a summary statement of financial condition. This statement should include, at a minimum, total assets, liabilities and fund balances; total revenues, expenses, and other sources or uses; and the resulting net change in fund balances.

**Criteria:** A financial statement summary is not being published in a local newspaper.

**Effect:** The Authority was not in compliance with the Code of Virginia, Chapter 14 of Title 30.

**Recommendation:** The Authority should take steps to ensure that a summary statement of financial condition, that meets the minimum requirements, is published in a local newspaper.

**Management's response:** Management will ensure compliance going forward.

**5. Status of Prior Year's Findings**

Federal – None

State - None