

WILLIAMSBURG AREA TRANSIT AUTHORITY
Basic Financial Statements and Supplementary Information
June 30, 2012
(With Independent Auditors' Report Thereon)



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

WILLIAMSBURG AREA TRANSIT AUTHORITY

Table of Contents

	Page
Introductory Section	
Table of Contents	i
Authority Officials	ii
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Governmental Fund Financial Statements	
Balance Sheet – Governmental Fund and Reconciliation to Statement of Net Assets	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 - 24
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund - Budget and Actual (Unaudited)	25
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	26 - 27
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	28 - 29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32

WILLIAMSBURG AREA TRANSIT AUTHORITY

Authority Officials

June 30, 2012

Board of Directors

J. Mark Carter Chair

Danny McDaniel Vice Chair

Larry Foster

Jodi M. Miller

M. Douglas Powell

Other Officials

Anthony Conyers, Jr. Acting Executive Director

M. Ann Davis Treasurer

Adam Kinsman Legal Counsel



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report

Board of Directors
Williamsburg Area Transit Authority

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, 2012, which collectively comprise the ***Williamsburg Area Transit Authority's*** basic financial statements listed in the table of contents. These financial statements are the responsibility of the ***Williamsburg Area Transit Authority's*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the ***Williamsburg Area Transit Authority*** as of June 30, 2012, and the respective changes in net assets thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, on our consideration of the ***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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 6 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of *Williamsburg Area Transit Authority* taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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

Newport News, Virginia
November 8, 2012

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2012

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, 2012.

Financial Highlights for Fiscal Year 2012

- 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 Authority had a decrease in net assets of \$1,211,307 which was primarily as a result of an increase in materials and contractual services expenses in 2012.

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 themselves. 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.

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 parts of the Authority, reporting the Authority's operations in more detail than the government-wide statements. 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.

Financial Analysis

The difference between assets and liabilities, net assets, is one way to measure financial health or financial position. Over time, increases and decreases in net assets are one indicator of whether an entity's financial health is improving or deteriorating. However, one would also need to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2012

Statement of Net Assets

The following table reflects the condensed statement of net assets:

Table 1
Condensed Statements of Net Assets
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,388,253	\$ 1,109,732
Capital assets, net	5,059,530	6,346,195
Total assets	<u>\$ 6,447,783</u>	<u>\$ 7,455,927</u>
Current liabilities	\$ 568,046	\$ 365,270
Long-term liabilities	48,149	47,762
Total liabilities	<u>616,195</u>	<u>413,032</u>
Net assets:		
Invested in capital assets	5,059,530	6,346,195
Unrestricted	772,058	696,700
Total net assets	<u>5,831,588</u>	<u>7,042,895</u>
Total liabilities and net assets	<u>\$ 6,447,783</u>	<u>\$ 7,455,927</u>

Net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$5,831,588 and \$7,042,895 at June 30, 2012 and 2011, respectively.

Total liabilities experienced an increase of \$203,163 for fiscal year 2012 primarily as a result of an increase in accounts payable.

The largest portion of the Authority's net assets at June 30, 2012 (87%) reflects its investment in capital assets. The Authority uses these capital assets to provide services to members; consequently, these assets are not available for future spending. The remaining portion of net assets (13%) is designated for future spending.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2012

Statement of Activities

The following table reflects the condensed statement of activities:

	<u>2012</u>	<u>2011</u>
Program expenses:		
Materials and contractual services	\$ 3,169,416	\$ 2,544,462
Personnel expenses	2,633,827	2,599,465
Depreciation	1,325,206	1,307,005
Total program expenses	<u>7,128,449</u>	<u>6,450,932</u>
Program revenues:		
Operating grants and contributions	5,070,747	4,823,631
Charges for services	721,690	631,689
Capital grants and contributions	118,286	181,923
Total program revenues	<u>5,910,723</u>	<u>5,637,243</u>
Net program revenues (expenses)	<u>(1,217,726)</u>	<u>(813,689)</u>
General revenues (expenses):		
Loss on disposal of property	(10,159)	(48,939)
Miscellaneous revenue	16,578	75,075
Total general revenues	<u>6,419</u>	<u>26,136</u>
Change in net assets	(1,211,307)	(787,553)
Net assets at beginning of year	<u>7,042,895</u>	<u>7,830,448</u>
Net assets at end of year	<u>\$ 5,831,588</u>	<u>\$ 7,042,895</u>

Total net assets decreased by \$1,211,307 for the fiscal year ended June 30, 2012. The decrease in net assets is primarily as a result of an increase in materials and contractual services expenses in 2012.

Charges for services include monies received for bus fares. This also includes contract service revenue received from the College of William and Mary and Thomas Nelson Community College. Charges for services increased for fiscal year 2012 in part because of the implementation of fare changes and a pass program starting in January 2012. The operating and capital grants and contributions are federal and state grants for reimbursement of transportation costs and services. In addition, contributions are received from members.

The Authority has an adopted budget. During fiscal year 2012, there was an increase of \$133,504 in appropriations, resulting from an adjustment to funding projections done in the prior year. Actual funding

WILLIAMSBURG AREA TRANSIT AUTHORITY

Management's Discussion and Analysis

June 30, 2012

amounts were provided during fiscal year 2012 indicating that the additional amount was available to the Authority.

Capital Assets

At the end of fiscal year 2012 and 2011, the Authority had invested \$5,059,530 and \$6,346,195, respectively, in buildings and improvements, furniture and equipment, and vehicles. Additional information about the Authority's capital assets can be found in note 4 to the financial statements.

Contacting the Authority's Financial Management

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.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Basic Financial Statements

WILLIAMSBURG AREA TRANSIT AUTHORITY

Government-Wide Financial Statements

WILLIAMSBURG AREA TRANSIT AUTHORITY

Statement of Net Assets

June 30, 2012

Assets

Cash and short-term investments (Note 2)	\$	637,693
Due from other governmental units (Note 3)		738,446
Accounts receivable		12,114
Capital assets (Note 4)		
Buildings and improvements		253,593
Furniture and equipment		629,134
Vehicles		12,505,450
Less accumulated depreciation		<u>(8,328,647)</u>
Net capital assets		<u>5,059,530</u>
 Total assets	\$	<u><u>6,447,783</u></u>

Liabilities and Net Assets

Accounts payable	\$	446,422
Due to James City County (Note 8)		2,683
Salaries payable		33,337
Deferred Revenue		4,155
Long-term liabilities (Notes 5 and 7)		
Expected to be paid within one year		81,449
Expected to be paid after one year		<u>48,149</u>
Total liabilities		<u>616,195</u>
 Net assets		
Invested in capital assets		5,059,530
Unrestricted		<u>772,058</u>
Total net assets		<u>5,831,588</u>
 Total liabilities and net assets	\$	<u><u>6,447,783</u></u>

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Statement of Activities

Year ended June 30, 2012

Expenses

Materials and contractual services (Notes 8 and 10)	\$ 3,169,416
Personnel expenses	2,633,827
Depreciation	<u>1,325,206</u>
Total program expenses	<u>7,128,449</u>

Program revenues

Operating grants and contributions	5,070,747
Charges for services	721,690
Capital grants and contributions	<u>118,286</u>
Total program revenues	<u>5,910,723</u>

Net program revenues (expenses) (1,217,726)

General revenues

Loss on disposal of property	(10,159)
Miscellaneous revenue	<u>16,578</u>
Total general revenues	<u>6,419</u>

Change in net assets (1,211,307)

Net assets at beginning of year 7,042,895

Net assets at end of year \$ 5,831,588

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Governmental Financial Statements

WILLIAMSBURG AREA TRANSIT AUTHORITY

Balance Sheet

Governmental Fund

June 30, 2012

Assets

Cash and short-term investments (Note 2)	\$ 637,693
Due from other governmental units (Note 3)	738,446
Accounts receivable	<u>12,114</u>
Total assets	<u><u>\$ 1,388,253</u></u>

Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 446,422
Due to other funds	2,683
Salaries payable	33,337
Deferred revenue	<u>4,155</u>
Total liabilities	<u><u>486,597</u></u>

Fund balance

Committed fund balance	14,601
Assigned fund balance	290,999
Restricted fund balance	34,658
Unassigned fund balance	<u>561,398</u>
Total fund balance	<u><u>901,656</u></u>
Total liabilities and fund balance	<u><u>\$ 1,388,253</u></u>

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

Ending fund balance	\$ 901,656
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,059,530
Accrued expenses reported in governmental activities will not be paid with current financial resources and therefore are not reported in the funds.	(108,598)
Obligation for OPEB is not due and payable in the current period and is not recorded as a liability in the governmental funds.	<u>(21,000)</u>
Net assets of governmental activities	<u><u>\$ 5,831,588</u></u>

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year ended June 30, 2012

Revenues

Reimbursements from Commonwealth of Virginia	\$ 1,281,710
Reimbursements from federal government	<u>2,467,647</u>
Contributions from members:	
James City County	481,158
Colonial Williamsburg Foundation	370,640
York County	272,878
City of Williamsburg	<u>265,000</u>
Total contributions from members	<u>1,389,676</u>
Other revenues:	
Charges for services	721,690
Contributions from other localities	50,000
Miscellaneous	<u>27,700</u>
Total other revenues	<u>799,390</u>
Total revenues	<u>5,938,423</u>

Expenditures

Salaries and benefits	2,653,278
Repairs and maintenance (Notes 8 and 10)	783,707
Fuel (Note 10)	740,587
Capital outlay (Note 10)	372,652
Colonial Williamsburg bus operations	370,640
Contractual services	298,315
Supplies and materials (Note 10)	209,697
Leases/rentals	191,581
Fiscal agent services (Note 8)	74,429
Other	58,563
Insurance	48,931
Telecommunications (Note 8)	34,298
Advertising	25,663
Clothing	<u>20,176</u>
Total expenditures	<u>5,882,517</u>
Net change in fund balance	55,906

Fund balance at beginning of year	<u>845,750</u>
--	----------------

Fund balance at end of year	<u><u>\$ 901,656</u></u>
------------------------------------	--------------------------

(Continued)

WILLIAMSBURG AREA TRANSIT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances - (Continued)

Governmental Fund

Year ended June 30, 2012

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities

Net change in fund balance \$ 55,906

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	(1,325,206)
Cost of assets sold	(21,281)
Capital outlay expenditures	<u>59,823</u>
	<u>(1,286,664)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:

Compensated absences	\$ 26,451	
Other post employment benefits	<u>(7,000)</u>	
		<u>19,451</u>

Change in net assets on statement of activities \$ (1,211,307)

See accompanying notes to financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The Williamsburg Area Transit Authority (Authority) was originally incorporated on October 15, 1980. The Authority provided transportation systems to James City County (County), the City of Williamsburg, and the Bruton District of York County. Although the Authority was legally separate, the James City County Board of Supervisors was the appointed Board of Directors of the Authority. The County could impose its will over the Authority and was financially accountable for the Authority. On August 28, 2008, the Authority was reorganized as the Williamsburg Area Transit Authority (Authority) with its own Board of Directors. However, its operations and the financial relationship with the County remained unchanged through June 30, 2009, during which time the Authority was accounted for as a Special Revenue Fund and its financial statements were blended with the County's financial statements. Effective July 1, 2009, the Authority became financially independent from the County.

The Authority was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County of James City, 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.

(a) *Financial Reporting Entity*

The Authority has been determined to be a related organization to the Cities and the Counties in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The 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. James City County is the fiscal agent for the Authority.

(b) *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 assets, 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

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

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. Since 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 governmental activities column of the government-wide financial statements.

(c) *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 deferred revenue until eligibility requirements are met.

The government-wide statements of net assets 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 and liabilities associated with the operation of these activities are included on the balance sheet. 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.

Effective with the financial report for the fiscal year ending June 30, 2011, the Authority has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints upon the use of the resources in governmental funds.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

(d) 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 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.

(e) 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.

(f) Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Authority has recorded all of its investments at fair value.

(g) 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 the estimated fair 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 assets.

