

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

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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>\$ 1,388,253</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>486,597</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>901,656</u>

Total liabilities and fund balance \$ 1,388,253

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>\$ 5,831,588</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>
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Fund balance at end of year	<u><u>\$ 901,656</u></u>
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(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.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

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

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

(h) *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 noncurrent 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.

(i) *Fund Balance*

The fund balance in the Governmental Fund's balance sheet has been classified based on GASB Statement 54. Fund balances are reported according to the following categories:

Nonspendable fund balance – 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 fund balance – 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 fund balance – 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 fund balance – 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 fund balance – Designated for future expenditures.

(j) *Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosures of contingent

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

assets and liabilities for the reporting periods. Actual results could differ from those estimates and assumptions.

(k) Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 8, 2012, the date the financials were available to be issued.

(2) Cash and Investments

(a) Cash

The carrying value of the Authority's deposits with banks was \$637,588 at June 30, 2012. The bank balance of \$789,744, which differs from the carrying value of deposits primarily due to deposits in transit and outstanding checks, is fully covered by federal depository insurance (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the Authority. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

(b) Investment Policy

The Authority utilizes the policies and procedures of the James City County Treasurer; therefore, the Investment Policy (Policy) of James City County is used. In accordance with the Code of Virginia and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, prime quality 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.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

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 security is as follows:

Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	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
Bank deposits	25% maximum

(c) 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, and Fitch Investor's Service. 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, 2012, 100% of the Authority's portfolio was invested in the Commonwealth of Virginia LGIP account and is classified as short-term investments on the balance sheet.

(d) 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 following exceptions:

U.S. Treasury	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

(e) 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.

As of June 30, 2012, the fair values and maturities of the Authority's investments were as follows:

<u>Investment Type</u>	<u>2012</u>	
	<u>Fair Value</u>	<u>Maturity</u>
Short-term investments - Commonwealth of Virginia LGIP	\$ <u>105</u>	-

(f) 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, 2012, 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, 2012:

Department of Transportation	\$ 535,161
Commonwealth of Virginia	157,893
College of William and Mary	<u>45,392</u>
Total	\$ <u><u>738,446</u></u>

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

(4) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	<u>Balances</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2012</u>
Capital assets:				
Buildings and improvements	\$ 253,593	\$ -	\$ -	\$ 253,593
Furniture and equipment	606,523	22,611	-	629,134
Vehicles	12,518,311	37,212	50,073	12,505,450
Total capital assets	<u>13,378,427</u>	<u>59,823</u>	<u>50,073</u>	<u>13,388,177</u>
Less accumulated depreciation for:				
Buildings and improvements	22,897	9,305	-	32,202
Furniture and equipment	64,822	61,626	-	126,448
Vehicles	6,944,514	1,254,275	28,792	8,169,997
Total accumulated depreciation	<u>7,032,233</u>	<u>1,325,206</u>	<u>28,792</u>	<u>8,328,647</u>
Other capital assets, net	6,346,194	(1,265,383)	21,281	5,059,530
	<u>\$ 6,346,194</u>	<u>\$ (1,265,383)</u>	<u>\$ 21,281</u>	<u>\$ 5,059,530</u>

Depreciation of \$1,325,206 was charged for the year ended June 30, 2012.

(5) Long-Term Liabilities

A summary of the Authority's long-term liability activity for the year ended June 30, 2012, follows:

	<u>Amounts</u> <u>Payable at</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u> <u>and</u> <u>Reductions</u>	<u>Amounts</u> <u>Payable at</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
OPEB liability	\$ 14,000	\$ 7,000	\$ -	\$ 21,000	\$ -
Compensated absences	135,049	161,430	187,881	108,598	81,449
Total	<u>\$ 149,049</u>	<u>\$ 168,430</u>	<u>\$ 187,881</u>	<u>\$ 129,598</u>	<u>\$ 81,449</u>

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

(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 is available with regard to the Authority's participation in VRS. Detailed disclosures regarding the County's participation in VRS and related actuarial information can be found in the County's annual financial statements.

(7) Postemployment Benefits Other Than Pensions

The Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective with the financial report for the fiscal year ending June 30, 2010. The Statement establishes standards for reporting the liability for the Authority's nonpension postemployment benefit, the health care plan for retirees. The Authority's postemployment benefits are administered by the County. The current year Annual Required Contribution was \$7,000. No separate actuarial information is available with regard to the Authority's participation. Detailed disclosures regarding the County's participation and related actuarial information can be found in the County's annual financial statements.

(a) Plan Provisions

In addition to providing the pension benefits described in footnote 6, the Authority provides postemployment health care (OPEB) for qualifying retired employees who are not yet eligible for Medicare through single-employer defined benefit plans. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Authority and can be amended through their personnel manuals.

(b) Funding Policy

The Authority does not intend to establish a trust to prefund this liability. 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. Also, the estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

(c) Plan Description

Currently, 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 postemployment 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 GASB 45 liability. There is no coverage for post-Medicare retirees. There were 31 Authority participants at the

WILLIAMSBURG AREA TRANSIT AUTHORITY
Notes to Financial Statements
June 30, 2012

time of the actuarial study. Since the retirees contribute towards their health insurance premiums based on a blended rate, the Authority has an implicit liability.

(d) Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation as of June 30, 2012 was calculated as follows:

	2012
Annual required contribution	\$ 7,000
Interest on net OPEB obligation	-
Actuarial adjustment	-
Annual OPEB cost	7,000
Contributions made	-
Increase in net OPEB obligation	7,000
Net OPEB obligation, beginning of year	14,000
Net OPEB obligation, end of year	\$ 21,000

(e) Actuarial Methods and Assumptions

Valuation Methods

The projected unit credit method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodologies set forth in GASB 45. Under these methods, benefits provided by the substantive plans (the plans as understood by the employers and the members of the plans) 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.

Employees Included in the Calculations

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.

Actuarial Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability and amortization of the initial unfunded actuarial liability over a closed 27 year period based on a level percent of payroll method. The actuarial accrued liability was \$49,000 for the Authority. Future increases for the cost of medical benefits were assumed to range from 5.2% to 9.0% with the larger increases in the early years and gradually decreasing thereafter. It should be noted actuarial

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

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.

(f) Schedule of Funding Progress

<u>Actuarial Valuation Date July 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Project Unit Credit</u>	<u>Unfunded Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2009	\$ -	\$ 40,000	\$ 40,000	-	\$ -	-
2010	-	45,000	45,000	-	-	-
2011	-	49,000	49,000	-	-	-

(g) Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Funding Ratio</u>
2010	\$ -	\$ 7,000	-
2011	-	7,000	-
2012	-	7,000	-

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

(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, which totaled \$104,864 during the year ended June 30, 2012 and are included in the statement of activities – government-wide financials and statement of revenues, expenditures, and changes in fund balances – governmental funds:

Accounting and financial management services	\$	30,328
Radio maintenance		29,235
Human resources services		16,092
Treasurer services		15,473
Legal services		10,000
Information technology		2,536
Telephone services		<u>1,200</u>
Total	\$	<u><u>104,864</u></u>

The Authority owes James City County \$2,683 at June 30, 2012, which primarily represents radio maintenance charges due from the Authority.

(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 addition, the Authority leases 2,000 square feet of office space, dedicated vehicle parking and its maintenance facility from Colonial Williamsburg under a ten-year lease agreement due to expire in February 2015. During the year ended June 30, 2012, the Authority paid Colonial Williamsburg \$72,900 based on this agreement. Further in January 2011, the Authority signed a lease agreement with 6401 Richmond Road LLLP for 2,360 square feet of space at the Williamsburg Outlet Mall. This agreement also stipulated payment in eighteen monthly installments for the balance remaining on a construction chargeback as well as an annual promotion fund amount due. During the year ended June 30, 2012, the Authority paid 6401 Richmond Road LLLP \$43,681 based on this agreement. The original agreement expired as of June 30, 2012 but provided three possible one year extensions. During fiscal year 2012, the Authority exercised its option to extend the lease through June 30, 2013. The future minimum lease and promotion fund payment is estimated to be \$28,320 for fiscal year 2013 and is reflected in the 2013 totals of the schedule below.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Notes to Financial Statements

June 30, 2012

Future minimum lease payments under both agreements are estimated as follows:

2013	\$	103,407
2014		77,340
2015		<u>45,895</u>
Total	\$	<u><u>226,642</u></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, 2016 with up to five 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 of in advance by the Authority. During the year ended June 30, 2012, the Authority paid First Transit, Inc. \$1,848,930 for maintenance services and related charges under the terms of this agreement.

(11) Subsequent Event

In August 2012, the Authority entered into a lease and purchase option agreement with York County for a trolley. The Authority is the lessor of the trolley and York County will be the lessee. Under this agreement, the Authority has agreed to purchase a trolley and conduct training to operate the trolley at an estimated cost of \$300,376. The Federal Transit Administration approved a grant in the amount of \$252,000 of Congestion Mitigation Air Quality Program Funds to assist in the acquisition of the trolley. In addition, the Commonwealth of Virginia Department of Rail and Public Transportation will offset the required match of 20% to assist in the purchase of the trolley. The Authority will lease the trolley to York County to satisfy increased demand for increased public transit services for visitation in Yorktown. The lease is for 12 years giving York County the option to purchase the trolley at the conclusion of the lease, unless the lease is terminated earlier by the Authority due to default or for convenience of the Federal Government.

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WILLIAMSBURG AREA TRANSIT AUTHORITY

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, 2012

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues				
Reimbursements from Commonwealth of Virginia	\$ 1,243,329	\$ 1,325,875	\$ 1,281,710	\$ (44,165)
Reimbursements from federal government	2,629,002	2,679,960	2,467,647	(212,313)
Contributions from members:				
James City County	481,158	481,158	481,158	-
York County	272,878	272,878	272,878	-
City of Williamsburg	265,000	265,000	265,000	-
Colonial Williamsburg Foundation	1,765,000	1,765,000	370,640	(1,394,360)
Contributions from other localities	50,000	50,000	50,000	-
Charges for services	641,000	641,000	721,690	80,690
Bond Issuance	-	-	-	-
Miscellaneous	76,800	76,800	27,700	(49,100)
	<u>7,424,167</u>	<u>7,557,671</u>	<u>5,938,423</u>	<u>(1,619,248)</u>
Total revenues				
Expenditures				
Salaries and benefits	3,006,643	3,034,899	2,653,278	381,621
Capital outlay	274,000	4,713,368	372,652	4,340,716
Fuel	628,819	723,819	740,587	(16,768)
Repairs and maintenance	623,159	1,326,671	783,707	542,964
Colonial Williamsburg bus operations	1,765,000	1,765,000	370,640	1,394,360
Contractual services	351,060	510,828	298,315	212,513
Supplies and materials	282,816	230,462	209,697	20,765
Leases/rentals	205,000	765,546	191,581	573,965
Fiscal agent services	79,871	79,871	74,429	5,442
Insurance	60,000	60,000	48,931	11,069
Advertising	62,819	63,819	25,663	38,156
Clothing	25,385	25,385	20,176	5,209
Telecommunications	19,000	60,952	34,298	26,654
Other	40,595	87,973	58,563	29,410
	<u>7,424,167</u>	<u>13,448,593</u>	<u>5,882,517</u>	<u>7,566,076</u>
Total expenditures				
Net change in fund balance	-	(5,890,922)	55,906	(5,946,828)
Fund balance at beginning of year	<u>-</u>	<u>5,890,922</u>	<u>845,750</u>	<u>5,045,172</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 901,656</u>	<u>\$ (901,656)</u>

Unaudited - See accompanying independent auditors' report.

WILLIAMSBURG AREA TRANSIT AUTHORITY

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

We have audited the financial statements of *Williamsburg Area Transit Authority* as of and for the year ending June 30, 2012, and have issued our report thereon dated November 8, 2012. 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.

Internal Control over Financial Reporting

Management of *Williamsburg Area Transit Authority* is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered *Williamsburg Area Transit Authority's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Williamsburg Area Transit Authority's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of *Williamsburg Area Transit Authority's* internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we report to management of *Williamsburg Area Transit Authority* in a separate letter dated November 8, 2012.

This report is intended solely for the information and use of management, others within the Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 8, 2012



***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***

Board of Directors
Williamsburg Area Transit Authority

Compliance

We have audited ***Williamsburg Area Transit Authority's*** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2012. ***Williamsburg Area Transit Authority's*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ***Williamsburg Area Transit Authority's*** management. Our responsibility is to express an opinion on ***Williamsburg Area Transit Authority's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on ***Williamsburg Area Transit Authority's*** compliance with those requirements.

In our opinion, ***Williamsburg Area Transit Authority*** complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

The management of ***Williamsburg Area Transit Authority*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ***Williamsburg Area Transit Authority's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities 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 8, 2012

WILLIAMSBURG AREA TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Major Program		
Department of Transportation:		
Federal Transit Administration - Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	\$ 82,057
Federal Transit - Formula Grants	20.507	2,062,927
ARRA - Federal Transit - Formula Grants	ARRA-20.507	<u>249,625</u>
Total Federal Transit Cluster		2,394,609 *
 Other Federal Awards		
Department of Transportation:		
Federal Transit Administration:		
Metropolitan Transportation Planning	20.505	90,000
Formula Grants for Other Than Urbanized Areas	20.509	<u>226,958</u>
		<u>316,958</u>
Total Department of Transportation		2,711,567
 Department of Homeland Security		
Urban Areas Security Initiative	97.008	<u>35,463</u>
Total Federal Awards		<u>\$ 2,747,030</u>

* Type A program. All other programs are Type B.

See accompanying notes to schedule of expenditures of federal awards.

WILLIAMSBURG AREA TRANSIT AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Williamsburg Area Transit Authority (the Authority), and is presented on the modified accrual basis of accounting, which is described in Note 1(c) to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WILLIAMSBURG AREA TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

- An unqualified 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 unqualified 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 \$300,000.
- The auditee qualified as a low-risk auditee.

(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