

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

FINANCIAL REPORT

June 30, 2022

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Greater Roanoke Transit Company
Roanoke, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying basic financial statements and the related notes to the financial statements, as listed in the table of contents, of the Greater Roanoke Transit Company (the "Company"), a component unit of the City of Roanoke, Virginia, as of and for the years ended June 30, 2022 and 2021.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Company, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Company adopted new accounting guidance, *GASB Statement No. 87 Leases*. Our opinion is not modified with respect to this matter.

Correction of Error

As described in Note 10 to the financial statements, net position of the Company has been restated as of June 30, 2021. Our opinion is not modified with respect to this matter.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Audit of the Financial Statements (Continued)

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 30, 2023

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Statements of Net Position

June 30, 2022 and 2021

Assets	2022	2021 (As restated, see note 10)
Current assets:		
Cash and cash equivalents	\$ 389,954	\$ 877,990
Due from:		
Federal Transit Administration	3,746,172	2,055,346
Commonwealth of Virginia	876,987	506,886
Accounts receivable	272,074	113,705
Supplies and materials (note 3)	565,079	512,702
Other assets	218,894	51,344
Total current assets	<u>6,069,160</u>	<u>4,117,973</u>
Capital assets (note 4):		
Land	1,627,487	835,724
Buildings, structures and improvements	7,091,547	11,808,656
Buses	23,925,459	23,659,251
Shop and garage equipment	3,335,659	3,202,066
Office equipment and furnishings	644,141	1,120,464
Construction in progress	8,865,479	612,491
Accumulated depreciation	<u>(22,267,609)</u>	<u>(24,546,502)</u>
Capital assets, net	<u>23,222,163</u>	<u>16,692,150</u>
Total assets	<u>29,291,323</u>	<u>20,810,123</u>
Liabilities		
Current liabilities:		
Trade accounts payable	3,382,577	1,045,437
Accrued salaries and benefits	256,405	298,654
Other liabilities (note 6)	<u>458,646</u>	<u>-</u>
Total current liabilities	<u>4,097,628</u>	<u>1,344,091</u>
Net Position		
Investment in capital assets	23,222,163	16,692,150
Unrestricted	<u>1,971,532</u>	<u>2,773,882</u>
Total net position	<u>\$ 25,193,695</u>	<u>\$ 19,466,032</u>

See accompanying notes to the basic financial statements.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	2022	2021 (As restated, see note 10)
Operating revenues:		
Charges for passenger fares	\$ 1,113,209	\$ 1,053,761
Operating expenses:		
Salaries and wages	3,993,163	4,462,128
Fringe benefits	2,012,138	1,566,050
Services	872,089	648,239
Utilities	194,667	194,810
Insurance	258,191	248,576
Purchased services and other expenses	2,771,774	2,179,619
Materials and supplies	1,101,336	1,153,316
Depreciation	2,184,302	2,256,169
Total operating expenses	13,387,660	12,708,907
Operating loss	(12,274,451)	(11,655,146)
Nonoperating revenues:		
Noncapital grants or assistance:		
Federal Transit Administration	3,837,582	6,030,274
Commonwealth of Virginia	3,654,212	5,794,347
City of Roanoke, Virginia	2,016,824	-
City of Salem, Virginia	211,158	51,600
Town of Vinton, Virginia	84,956	23,779
New River Valley Metropolitan Planning Organization	94,705	20,270
Virginia Tech University	233,255	49,559
Carilion Foundation	-	14,823
Downtown Roanoke, Inc.	-	7,443
Other local operating assistance	10,518	-
Total noncapital revenues	10,143,210	11,992,095
Local share and other revenues:		
Advertising	179,942	124,665
Rental income	47,073	61,147
Parking income	10,800	27,360
Interest income	1,204	1,511
Loss on disposal of asset	(317)	-
Other	15,339	82,480
Total local share and other revenues	254,041	297,163
Total nonoperating revenues	10,397,251	12,289,258
Income (loss) before capital contributions	(1,877,200)	634,112
Capital contributions	7,604,863	3,732,464
Change in net position	5,727,663	4,366,576
Total net position at beginning of year, restated (note 10)	19,466,032	15,099,456
Total net position at end of the year	\$ 25,193,695	\$ 19,466,032

See accompanying notes to the basic financial statements.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021 (As restated, see note 10)
Cash flows from operating activities and local share and other revenues (excluding interest):		
Cash received from customers	\$ 954,840	\$ 1,191,262
Cash payments to employees for services	(6,047,550)	(6,175,985)
Cash payments to suppliers for goods and services	(4,351,108)	(4,103,399)
Local share and other revenue received	711,800	(169,081)
Net cash used in operating activities	<u>(8,732,018)</u>	<u>(9,257,203)</u>
Cash flows from noncapital financing activity:		
Noncapital grants received	8,172,522	10,219,176
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(7,444,368)	(5,850,243)
Capital contributions	7,514,624	4,552,104
Net cash provided by (used in) capital and related financing activities	<u>70,256</u>	<u>(1,298,139)</u>
Cash flows from investing activity:		
Interest income received	1,204	1,511
Net changes in cash and cash equivalents	(488,036)	(334,655)
Cash and cash equivalents at beginning of year	877,990	1,212,645
Cash and cash equivalents at end of year	<u>\$ 389,954</u>	<u>\$ 877,990</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (12,274,451)	\$ (11,655,146)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Local share and other net revenue (excluding interest)	253,154	295,652
Depreciation	2,184,302	2,256,169
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(158,369)	141,320
Increase in supplies and materials	(52,377)	(16,596)
Increase in other assets	(167,550)	(47,742)
Increase in trade accounts payable	1,066,876	386,595
Decrease in accrued salaries and benefits	(42,249)	(147,807)
Increase (decrease) in other liabilities	458,646	(469,648)
Net cash used in operating activities	<u>\$ (8,732,018)</u>	<u>\$ (9,257,203)</u>
Supplemental cash flow data		
Noncash capital and financial activities		
Capital asset purchases financed with accounts payable	<u>\$ 1,270,264</u>	<u>\$ 90,757</u>

See accompanying notes to the basic financial statements.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) *Organization and Purpose*

The Greater Roanoke Transit Company (the “Company”) is a private, nonprofit, public service organization wholly owned by the City of Roanoke, Virginia (the “City”). The Company provides a comprehensive range of transportation services for the residents of the greater Roanoke area, including bus service along fixed routes, special services for the disabled, and shuttle buses. Similar to other public transportation systems, government subsidies are required to fund operations. The Company is the recipient of operating and capital grants from federal, state, and local agencies, including the Federal Transit Administration (the “FTA”), the Virginia Department of Rail and Public Transportation (the “DRPT”), and the City.

Company policy decisions are made by the Board of Directors, which is comprised of two (2) City Council members, two (2) City employees, and three (3) citizens of the community at large. The Company contracts with First Group America Company (dba First Transit, Inc.) to provide senior management professionals. The remainder of the staff are employees of Southwestern Virginia Transit Management Company, Inc. (“SVTMC”), a subsidiary of First Transit, Inc. Bargaining unit employees of SVTMC, which include all bus drivers and mechanics, are under a separate contract ratified by the Amalgamated Transit Union, A.F.L.-C.I.O.-C.L.C., Local Union 1493 (“Union”) effective July 1, 2022 and expiring on June 30, 2025.

The Company is reported as a discretely presented component unit with the City’s reporting entity.

(b) *Basis of Accounting*

The accompanying financial statements reflect the transit operations of the Company and are accounted for on the economic resources measurement focus and use the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (“GAAP”), as promulgated by the Governmental Accounting Standards Board, and conform with the requirements of the FTA’s National Transit Database, as amended. Accordingly, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. *Nonexchange transactions*, in which the Company receives value without directly giving equal value in exchange, include appropriations from the City, grants, and donations. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements, including time requirements, if any are met.

(c) *Cash and Cash Equivalents*

The Company’s cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities three months or less from date of acquisition.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(d) *Supplies and Materials*

Supplies and materials consist of various consumable items which are maintained on a perpetual basis with periodic verification based on physical count. Supplies and materials are valued using a weighted average cost approach.

(e) *Capital Assets*

Capital assets are stated at cost less accumulated depreciation computed by the straight-line method over the estimated lives of the respective assets as follows:

Buildings, structure, and improvements	2 to 40 years
Buses	2 to 12 years
Shop and garage equipment	2 to 10 years
Office equipment and furnishings	2 to 10 years

Contributed and donated capital assets are recorded at acquisition value at the date of receipt. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

(f) *Accounts Receivable*

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company does not record an allowance for existing accounts receivable based on historical experience. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote.

(g) *Compensated Absences*

Company employees are granted vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation in full. Accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. Sick leave is recorded as an expense as the employee utilizes it.

In accordance with GAAP, the liability calculations include an accrual at the current rate of pay and ancillary salary-related payments associated with its ultimate liquidation. Compensated absence liabilities are reported as a component of accrued salaries and benefits.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(h) Leases

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model of lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and deferred lease revenue. The Company reviewed their leases and determined that its operating leases that meet the guidelines of GASB No. 87 are not material to the financial statements as a whole. The Company will evaluate each year.

(i) Operating Revenues and Expenses

Operating revenues consist of charges for passenger fares and are recorded as revenue at the time of sale. Rental and parking income are recorded on the accrual basis of accounting based upon the date in which services are provided to customers. Operating expenses include costs of services provided, including personnel costs, purchased services, utilities, materials and supplies, insurance and depreciation. All other revenues and expenses, with the exception of capital contributions, are classified as nonoperating revenues and expenses.

(j) Unearned Revenues

Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Grants and contributions received before the eligibility requirements are met have been recorded as unearned revenues.

(k) Deferred Compensation Plan

Company employees participate in the Southwestern Virginia Transit Management Company, Inc. Retirement Plan (the "Plan"), which is a deferred compensation plan and trust covering all eligible employees of the Company. Under the terms of the Plan agreement, all full-time employees are required to participate in the Plan upon completion of their probationary employment period, which is 90 days from date of hire for all employees. Southwest Virginia Transit Management Company, Inc. is the Trustee of the Plan, which is administered by the Reliance Trust Company. Participants contribute to the Plan through both mandatory and voluntary payroll deductions. Participants are required to contribute a minimum of 3% of annual compensation. Participants may elect to defer up to 100% of their pretax compensation not to exceed the Internal Revenue Service ("IRS") limitations on net contributions. The Company can make contributions at its discretion. The Plan qualifies as a government plan under Section 457 of the *Internal Revenue Code*. This qualification exempts the Plan from the Employee Retirement Income Security Act and the Department of Labor regulations. Charges to operations under the Plan are based on 3% of union and salary participants' eligible payroll.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(l) Net Position

Net position represents the difference between assets and liabilities. Net position may be comprised of three components:

Investment in Capital Assets – Consists of the historical cost of capital assets net of any accumulated depreciation.

Restricted – Consists of assets where limitations are imposed through external restrictions imposed by creditors, grantors, or the laws and regulations of other governments.

Unrestricted – All other net position is reported as net invested in this category.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net position at the date of the financial statements and the reported amounts of revenues, expenses, and changes in net position during the reporting period. Actual results could differ from these estimates.

(2) Cash and Cash Equivalents

All cash and cash equivalents are held by financial institutions in the name of the Company. At June 30, 2022 and 2021, all cash and cash equivalents were fully collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the Code of Virginia.

(3) Supplies and Materials

As of June 30, 2022 and 2021, supplies and materials consisted of the following:

	<u>2022</u>	<u>2021</u>
Parts	\$ 533,207	\$ 474,424
Diesel Fuel	20,261	31,009
Lubricating Oil	11,611	7,269
	<u>\$ 565,079</u>	<u>\$ 512,702</u>

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(4) Capital Assets

	Balances June 30, 2021 (as restated, see note 10)	Increases	Decreases	Balances June 30, 2022
Capital assets not being depreciated:				
Land	\$ 835,724	\$ 791,763	\$ -	\$ 1,627,487
Construction in progress	612,491	8,705,447	(452,459)	8,865,479
Other capital assets being depreciated:				
Building, structures and improvements	11,808,656	32,493	(4,749,602)	7,091,547
Buses	23,659,251	266,208	-	23,925,459
Shop and garage equipment	3,202,066	138,213	(4,620)	3,335,659
Office equipment and furnishings	1,120,464	24,728	(501,051)	644,141
Accumulated depreciation	(24,546,502)	(2,184,302)	4,463,195	(22,267,609)
Net capital assets being depreciated	15,243,935	(1,722,660)	(792,078)	12,729,197
Capital assets, net	<u>\$ 16,692,150</u>	<u>\$ 7,774,550</u>	<u>\$ (1,244,537)</u>	<u>\$ 23,222,163</u>

(5) Deferred Compensation Plan

The Company has a deferred compensation plan (see note 1(k)) covering all hourly and salaried employees. The Company's contributions to the deferred compensation plan were \$130,467 in fiscal year 2022 and \$125,694 in fiscal year 2021.

(6) Other Liabilities

Included in other liabilities at June 30, 2022 and 2021, are unearned revenues of \$458,646 and \$-0- (as restated in note 10), respectively.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(7) Contractual Commitments

Under the provisions of a management contract with First Group America Company (dba First Transit, Inc.), which originally became effective on March 1, 2010 and was renewed July 1, 2020, the Company paid a monthly fee of \$29,095 and \$28,521 for management services for years ended June 30, 2022 and 2021, respectively. Total fees paid for the years ended June 30, 2022 and 2021, were \$349,140 and \$342,257, respectively.

Certain assets acquired with FTA grants must be kept in service for a specified time period as a requirement of the grants. If these assets are removed from service, the Company must reimburse FTA for up to 80% of their fair market value on the date of disposition. Capital assets, net, approximated \$23.2 million and \$16.7 million for the years ended June 30, 2022 and 2021, respectively, and are subject to these grant requirements.

The Company has agreements with the City of Salem, Virginia and Town of Vinton, Virginia to provide bus service to each locality, which may be terminated by either party upon written notice of twelve months and six months, respectively. The localities reimburse the Company for 51% of the net operating costs based upon passenger counts and service miles.

(8) Construction Commitments

The Company is constructing a \$13.2 million bus transfer station. Its construction commitment as of June 30, 2022 is approximately \$6.5 million.

(9) Risk Management

The Company is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Company carries commercial insurance for their risks. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Company is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Company is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, results of operations, and/or liquidity of the Company.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(10) Prior Period Restatement of Net Position

The Company restated net position for grant and miscellaneous revenue and local operating subsidies not recognized in prior years, unrecorded land exchanged for property, and miscellaneous expense not recognized in prior years. The impacts of correcting these errors are summarized below.

Net position balance July 2021, as previously reported	\$ 19,063,417
Miscellaneous revenue	(4,920)
Miscellaneous expense	1,097
Unrecorded land	115,000
Grant revenue	(1,037,699)
Deferred revenue	<u>1,329,137</u>
Net change	<u>402,615</u>
Net position balance July 1, 2021, as restated	<u><u>\$ 19,466,032</u></u>

(11) Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 30, 2023 report date.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

(12) New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance due to the COVID-19 pandemic.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In April 2022, the GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2022 and 2021

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements. Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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COMPLIANCE SECTION

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Identifying Number	Expenditures
Department of Transportation			
Federal Transit Cluster			
FY07 FTA Capital Assistance	20.500	VA-04-0027-00	\$ 10,345
FY10 FTA Capital Assistance	20.500	VA-04-0046-00	42,330
FY21 FTA Capital Assistance	20.507	VA-2021-037-01-00	1,990,524
FY21 FTA Capital Assistance	20.507	VA-2021-038-01-00	35,159
FY22 FTA Operating Assistance - ARPA	20.507	VA-2022-027-01-00	3,422,599
			<u>5,500,957</u>
Bus and Bus Facilities Formula Program			
FY18 FTA Capital Assistance	20.526	VA-2018-011-01-00	88,668
FY20 FTA Capital Assistance	20.526	VA-2020-033-01-00	44,479
FY21 FTA Capital Assistance	20.526	VA-2021-012-02-00	3,354
FY22 FTA Capital Assistance	20.526	VA-2022-010-01-00	51,994
			<u>188,495</u>
Total Federal Transit Cluster			<u>5,689,452</u>
Formula Grants for Rural Areas			
Virginia Department of Rail and Public Transportation			
FY20 Operating Assistance - CARES	20.509	VA-2020-019	105,522
FY20 Operating Assistance - CARES	20.509	VA-2020-019-02	409,056
FY20 Operating Assistance - CARES	20.509	VA-2020-019-02	78,897
FY20 Operating Assistance - ARPA	20.509	VA-2021-027	57,077
			<u>650,552</u>
Total Department of Transportation			<u>6,340,004</u>
Grand Total Federal Financial Assistance			<u>\$ 6,340,004</u>

See accompanying notes to schedule of expenditures of federal awards.

GREATER ROANOKE TRANSIT COMPANY
(A Component Unit of the City of Roanoke, Virginia)

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Greater Roanoke Transit Company (the “Company”) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Company.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Company has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – OUTSTANDING LOAN BALANCES

At June 30, 2022, the Company had no outstanding loan balances requiring continuing disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Greater Roanoke Transit Company
Roanoke, Virginia

We have audited, 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, the financial statements of the Greater Roanoke Transit Company (the "Company") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Items 2022-001, 2022-002, and 2022-03 that we consider to be material weaknesses.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of findings and questioned costs as Item 2022-04.**

Company's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Company's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Company's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 30, 2023



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

Board of Directors
Greater Roanoke Transit Company
Roanoke, Virginia

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited the Greater Roanoke Transit Company's (the "Company") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended June 30, 2022. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing # 20.500/20.507/20.526, Federal Transit Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions Section of our report, the Company, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Transit Cluster for the year ended June 30, 2022.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Company's compliance with the compliance requirements referred to above.

Report on Compliance for Each Major Federal Program (Continued)

Matter Giving Rise to Qualified Opinion on Assistance Listing # 20.500/20.507/20.526, Federal Transit Cluster

As described in the accompanying schedule of findings and questioned costs, the Company did not comply with the requirements regarding *Assistance Listing # 20.500/20.507/20.526, Federal Transit Cluster* as described in Item 2022-005 for Cash Management.

Compliance with such requirements is necessary, in our opinion for the Company to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Company's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. **We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2022-005 to be a material weakness.**

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 30, 2023

GREATER ROANOKE TRANSIT COMPANY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2022

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Company's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

LOCAL COMPLIANCE MATTERS

Company By-Laws

COMMONWEALTH OF VIRGINIA COMPLIANCE MATTERS

Virginia Public Procurement Act – Prompt Payment Requirement

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

GREATER ROANOKE TRANSIT COMPANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Three material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **One instance of noncompliance** material to the financial statements was disclosed.
4. **One material weakness** relating to the audit of the major federal award program was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses a **qualified opinion**.
6. The audit disclosed **one finding relating to the major program**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
Federal Transit Administration Grant Cluster:	
Capital Investment Grants	20.500
Federal Transit Formula Grants - Operating and Capital Assistance	20.507
Bus and Bus Facilities Program	20.526
American Rescue Plan COVID-19 Operating Assistance	20.507

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Company was **not** determined to be a **low-risk auditee**.

GREATER ROANOKE TRANSIT COMPANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001: Segregation of Duties and Management Oversight (Material Weakness)

Condition:

Due to staff turnover, duties handled by the Director of Finance included incompatible duties such as:

- Collection of cash, post receipts to general ledger, and prepare bank deposit slips

Criteria:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. In addition, all significant transactions and controls should involve reconciliations and supervisory, or management level, reviews of those processes. An effective and timely review process is intended to prevent and detect both fraud and errors.

Cause:

Turnover in key positions can result in individuals performing duties that are not appropriately segregated. In addition, turnover can also create challenges in the oversight or review function.

Effect:

Internal controls are designed to safeguard assets and detect losses from employees dishonesty or error.

Recommendation:

Steps should be taken to eliminate conflicting duties and implement compensating controls, where possible.

Views of Responsible Officials and Planned Corrective Actions:

In August 2022, a new Director of Finance updated procedures to remove the aforementioned duties from the position. Currently, two Accounting Associates and the Money Room Shift Leader process bus station and accounts receivable receipts. Cash fares are counted twice weekly by a minimum of three staff members, not including the Director of Finance. With minimal exceptions, all monies received are kept in a locked safe and transported to the bank by an armored cash handling company.

GREATER ROANOKE TRANSIT COMPANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-002: Grant Management and Operating Assistance (Material Weakness)

Condition:

During 2022, various functions related to financial management were not performed timely resulting in difficulties and delays in completion of the annual audit, including the need to prepare material adjustments to both the current year financials and a restatement to prior year balances.

Criteria:

Internal controls related to financial management should be designed to ensure timely reconciliations are performed, including submission of reimbursement requests and reconciling grant and local revenue. Timely and effective reconciliations ensure the financials provided for the annual audit are provided based on the agreed upon schedule with the auditors which allows timely inclusion in the City's financial report as well as to meet federal reporting deadlines. In addition, these reconciliations will ensure that financials do not require adjustments.

Cause:

Turnover in financial positions, increased levels of federal and state grants, and implementation of a new financial software caused significant delays in performance of and reduction in effectiveness of certain financial duties.

Effect:

Current and prior period audit adjustments were required to prepare the financials in accordance with Generally Accepted Accounting Principles. In addition, there were significant delays in completion of the annual audit.

Recommendation:

We recommend that the Company establish financial management procedures to ensure that timely reconciliations and submissions of reimbursement requests. We would recommend these procedures be performed monthly and include tracking and reconciling grant activity by type (federal, state, and local).

Views of Responsible Officials and Planned Corrective Actions:

During FY2022, a new Director of Finance and Accounting Supervisor were hired. They are in the process of reviewing operating procedures and have created a monthly close checklist to create consistency in the timing and manner of recording financial activities. Beginning in FY2024, staff will be assigned specific monthly close duties and monthly activity should be fully recorded by the 20th of the subsequent month. Members of the Accounting Team have been receiving financial system training on various topics from the system vendor and management is researching additional outside training opportunities.

GREATER ROANOKE TRANSIT COMPANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-003: Bank Reconciliations (Material Weakness)

Condition:

Monthly bank reconciliations were not prepared by an accountant and reviewed and approved by a supervisor in a timely manner.

Criteria:

Monthly bank reconciliations should be performed by the 15th of the next month.

Cause:

Staff shortage and lack of cash flow management.

Effect:

Poor cash flow management resulting in vendor and contractor invoices not being paid timely.

Recommendation:

We recommend bank reconciliations be prepared by an accountant and reviewed by a supervisor to ensure unreconciled or unusual items, or other matters noted in the reconciliation, are detected and addressed in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

Specific Accounting Team members have been assigned responsibility for reconciling individual bank account activity. Staff will receive the required system training and delinquent reconciliations will be completed by June 30, 2023. A new monthly close checklist has been developed, and includes preparation and review of these reconciliations. Beginning in FY2024, all monthly close items should be completed by the 20th of the subsequent month.

2022-004: Virginia Public Procurement Act Prompt Payment Requirement

Condition:

As discussed in later findings, the Company did not pay certain contractors for the construction of the bus transfer station on a timely basis.

Criteria:

Section 2.2-4352 of the *Code of Virginia* requires that every agency of local government that acquires goods or services shall promptly pay for the completed delivered goods or services by the required payment date. The required payment date shall be either (i) the date on which payment is due under the terms of the contract for the provision of the goods or services or (ii) if a date is not established by contract, not more than forty-five days after goods or services are received or the invoice is rendered.

GREATER ROANOKE TRANSIT COMPANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-004: Virginia Public Procurement Act Prompt Payment Requirement (Continued)

Cause:

Due to a lack of cash flow and grant management, insufficient funds were available to pay a certain contractors timely.

Effect:

A contractor upon delay of receipt of payment within a reasonable timeframe contacted the City of Roanoke requesting payment.

Recommendation:

All vendors are to be paid in a timely manner as defined by the *Code of Virginia*.

Views of Responsible Officials and Planned Corrective Actions:

Due to technical issues, staff was unable to submit grant draw requests to the Federal Transit Authority through their Electronic Clearing House Operation [ECHO] system, significantly effecting the company's cash flow. This system access issue is now resolved and management has targeted April 30, 2023 to complete eligible drawdowns. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff to better monitor reimbursement requests and a specific task related to ensuring payment to the transfer station construction vendor has been added to the newly-developed monthly close list.

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

2022-005: Federal Transit Cluster – AL# 20.507, Cash Management – Material Noncompliance/Material Weakness in Controls over Compliance

Condition:

A lack of cash flow and grant management oversight resulted in contractors not being paid timely for the construction of the bus transfer station.

Criteria:

All grant activities should include management level oversight to ensure timeliness, accuracy, and compliance with specified grant requirements.

Cause:

Lack of proactive cash flow and grant management occurred when invoices received.

Effect:

Contractors were not paid for over 30 days after receipt of invoice. Repeated delays in payments could result in work stoppage and project delays.

GREATER ROANOKE TRANSIT COMPANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT
(Continued)**

**2022-005: Federal Transit Cluster – AL# 20.507, Cash Management – Material
Noncompliance/Material Weakness in Controls over Compliance (Continued)**

Recommendation:

A designated management level individual should have oversight to require timely drawdowns of capital grants and timely payment of invoices.

Views of Responsible Officials and Planned Corrective Actions:

Due to technical issues, staff was unable to submit grant draw requests to the Federal Transit Authority through their Electronic Clearing House Operation [ECHO] system, significantly effecting the company's cash flow. This system access issue is now resolved and management has targeted April 30, 2023 to complete eligible drawdowns. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff to better monitor reimbursement requests and a specific task related to ensuring payment to the transfer station construction vendor has been added to the newly-developed monthly close list.

GREATER ROANOKE TRANSIT COMPANY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Segregation of Duties and Management Oversight (Material Weakness)

Condition:

Due to staff turnover, duties handled by the Director of Finance included incompatible duties such as:

- Collection of cash, post receipts to general ledger, and prepare bank deposit slips
- Preparation of payroll, edit master employee file, and generate payroll checks

Criteria:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. In addition, all significant transactions and controls should involve reconciliations and supervisory, or management level, reviews of those processes. An effective and timely review process is intended to prevent and detect both fraud and errors.

Cause:

Turnover in key positions can result in individuals performing duties that are not appropriately segregated. In addition, turnover can also create challenges in the oversight or review function.

Effect:

Internal controls are designed to safeguard assets and detect losses from employees dishonesty or error.

Recommendation:

Steps should be taken to eliminate conflicting duties and implement compensating controls, where possible.

Current Status:

Still applicable with regard to cash receipts.

GREATER ROANOKE TRANSIT COMPANY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2021-002: Grant Management and Operating Assistance (Material Weakness)

Condition:

During 2021, various functions related to financial management were not performed timely resulting in difficulties and delays in completion of the annual audit, including need to prepare material audit adjustments to both the current year financials and a restatement to prior year balances.

Criteria:

Internal controls related to financial management should be designed to ensure timely reconciliations are performed, including submission of reimbursement requests and reconciling grant and local revenue. Timely and effective reconciliations ensure the financials provided for the annual audit are provided based on the agreed upon schedule with the auditors which allows timely inclusion in the City's financial report as well as to meet federal reporting deadlines. In addition, these reconciliations will ensure that financials do not require adjustments by the auditors.

Cause:

Turnover in financial positions, increased levels of federal and state grants, and implementation of a new financial software caused significant delays in performance of and reduction in effectiveness of certain financial duties.

Effect:

Current and prior period audit adjustments were required to prepare the financials in accordance with Generally Accepted Accounting Principles. In addition, there were significant delays in completion of the annual audit.

Recommendation:

We recommend that the Company establish financial management procedures to ensure that timely reconciliations and submissions of reimbursement requests. We would recommend these procedures be performed monthly and include tracking and reconciling grant activity by type (federal, state, and local).

Current Status:

Still applicable. Similar instance noted in current year.