GREATER LYNCHBURG TRANSIT COMPANY, INC.
(A Component Unit of the City of Lynchburg, Virginia)

FINANCIAL REPORT

June 30, 2015

CONTENTS

INTRODUCTORY SECTION

GREATER LYNCHBURG TRANSIT COMPANY, INC.

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2015

OFFICERS

Gregory Daniels	President
Peggy Whitaker	Vice President
Lee Beaumont	Secretary/Treasurer

DIRECTORS

Jack Hellewell	Jan Walker
James Mundy	Christian DePaul
Jennifer Martin	L. Kimball Payne

FINANCIAL SECTION

The Financial Section contains the Basic Financial Statements.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Lynchburg Transit Company, Inc.
Lynchburg, Virginia

Report on the Financial Statements

We have audited the accompanying basic financial statements, as listed in the table of contents, and the related notes to the financial statements, of the Greater Lynchburg Transit Company, Inc. (the "Company"), a component unit of the City of Lynchburg, Virginia, as of and for the years ended June 30, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2015 and 2014, and the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management 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.

Other 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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The schedules of operating expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules of operating expenses and the schedule of expenditures of federal awards are 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 September 24, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 24, 2015

BASIC FINANCIAL STATEMENTS

GREATER LYNCHBURG TRANSIT COMPANY, INC.

STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 489,966	$ 400,860
Accounts receivable		
Federal and local capital grant funds	503,508	1,569,365
Federal and State aid funds	-	207,236
Other receivables	46,358	222,221
Inventories (Note 3)	171,223	152,856
Prepaid expenses	98,289	22,415
Total current assets	1,309,344	2,574,953
Capital assets, net (Note 4)	24,088,218	25,428,183
Total assets	25,397,562	28,003,136
LIABILITIES		
Current liabilities:		
Accounts payable	133,003	108,827
Accounts payable, capital assets	544,468	1,542,311
Accrued salaries and wages	87,094	66,594
Local share payable to City of Lynchburg (Note 5)	43,702	360,431
Current portion of compensated absences (Note 7)	64,165	56,505
Total current liabilities	872,432	2,134,668
Noncurrent liabilities:		
Other post-employment benefits (Note 10)	131,000	98,000
Compensated absences (Note 7)	101,763	95,804
Total noncurrent liabilities	232,763	193,804
COMMITMENTS AND CONTINGENCIES (Note 8)	-	-
Total liabilities	1,105,195	2,328,472
NET POSITION		
Net investment in capital assets	24,088,218	25,428,183
Unrestricted	204,149	246,481
Total net position	$ 24,292,367	$ 25,674,664

GREATER LYNCHBURG TRANSIT COMPANY, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Passenger fares	$ 920,040	$ 1,073,356
Universal bus pass	70,977	37,639
Special buses	28,580	32,298
Advertising	72,271	42,100
Registration fees	71	758
Non-transportation revenue	25,420	40,088
Total operating revenues	1,117,359	1,226,239
OPERATING EXPENSES		
Operations	6,802,744	6,442,147
Maintenance	1,404,389	1,257,969
General administration	1,711,550	1,591,957
Total operating expenses	9,918,683	9,292,073
Operating loss	(8,801,324)	(8,065,834)
NONOPERATING REVENUE		
Subsidies of operations:		
City of Lynchburg (Note 5)	1,350,336	833,808
Counties	57,492	57,492
Liberty University	1,341,618	1,005,196
State of Virginia aid for public transportation	1,461,905	1,673,517
Federal operating grant	2,039,536	1,973,720
Other	1,806	-
Gain on disposition of capital assets	14,956	-
Total nonoperating revenue	6,267,649	5,543,733
CAPITAL CONTRIBUTIONS (Note 11)	1,151,378	7,770,547
Change in net position	(1,382,297)	5,248,446
Net position – beginning at July 1	25,674,664	20,426,218
Net position – ending at June 30	$ 24,292,367	$ 25,674,664

GREATER LYNCHBURG TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Cash received from customers	$ 1,293,222	$ 1,030,130
Cash paid to employees	(3,298,224)	(2,886,044)
Cash paid to suppliers for goods and services	(4,114,423)	(3,722,410)
Net cash used in operating activities	(6,119,425)	(5,578,324)
NONCAPITAL FINANCING ACTIVITIES		
Subsidies	6,143,200	5,029,293
Net cash provided by noncapital financing activities	6,143,200	5,029,293
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions received	2,217,235	7,034,266
Purchases of capital assets	(2,175,659)	(7,073,656)
Proceeds from sale of capital assets	23,755	-
Net cash provided by (used in) capital and related financing activities	65,331	(39,390)
Net increase (decrease) in cash and cash equivalents	89,106	(588,421)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	400,860	989,281
Ending at June 30	$ 489,966	$ 400,860
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (8,801,324)	$ (8,065,834)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,508,982	2,509,132
Decrease (increase) in:		
Other receivables	175,863	(196,109)
Prepaid expenses	(75,874)	55,105
Inventories	(18,367)	22,524
Increase (decrease) in:		
Accounts payable	24,176	37,490
Accrued salaries and wages	20,500	2,000
Compensated absences and other post-employment benefits	46,619	57,368
Net cash used in operating activities	$ (6,119,425)	$ (5,578,324)
NON-CASH FINANCING TRANSACTION		
Capital assets acquired through accounts payable at year end	$ 544,468	$ 1,542,311

Note 1. Summary of Significant Accounting Policies

Organization and purpose:

The Greater Lynchburg Transit Company, Inc. (the "Company") was created in 1974 to serve the greater Lynchburg area with public bus and paratransit transportation. The Company is organized as a not-for-profit stock corporation with the City of Lynchburg, Virginia (the "City") as the sole stockholder. The capital for the purchase of the Company's assets has been provided by federal, state, and local grants, and the Company is dependent on various operating grants to subsidize operations.

The Company is a component unit of the City. The financial statements include the Company's capital accounts and the accounts of the Central Virginia Transit Management Company (CVTMC), which has been organized for the purpose of managing the transit system under the direction of the Company's Board of Directors.

Measurement focus and basis of accounting:

The Company's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Company distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Company's principal ongoing operations. Operating revenues consist primarily of passenger fares and other charges for services. Operating expenses include the cost of vehicle operations, maintenance, and administration expenses. Nonoperating revenues consist primarily of subsidies and grants received from federal, state, and local governments, and other entities. Capital contributions consist of federal, state, and local grants for the acquisition of capital equipment. When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and cash equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition. At times, cash balances may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes that no significant credit risk exists with respect to these balances.

Inventories:

Inventories are valued at the lower of cost or estimated net realizable market value; cost is determined using the average cost method.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets:

Property acquisitions are recorded at cost and depreciation is computed on the straight-line method over the following estimated useful lives:

Land improvements and buildings	10-40 years
Buses	10-12 years
Vans	4-5 years
Signs, shelters, and terminals	3-20 years
Shop and garage equipment	2-15 years
Office equipment and information systems	4-10 years

Compensated absences:

The Company's policies allow for the accumulation and vesting of limited amounts of vacation leave until termination or retirement. Sick leave is awarded to certain employees and is paid out at 50% at retirement, subject to a limit of 720 hours. The liability for compensated absences reflects unused leave as of June 30, including applicable employer taxes, as well as vested sick leave.

Net position:

Net position is the difference between assets and liabilities. Net investment in capital assets represents capital assets less accumulated depreciation less any outstanding debt related to the acquisition or improvement of those assets.

Income taxes:

As an instrumentality of the City, the Company is exempt from all federal, state, and local income taxes.

Estimates:

Management uses estimates and assumptions in preparing the financial statements. Actual results could differ from those estimates.

Note 2. Deposits

All cash of the Company is maintained in accounts covered by the FDIC. At times, such amounts may exceed FDIC insurance.

Note 3. Inventories

Inventories consist of the following:

	2015	2014
Parts	$ 179,127	$ 161,448
Diesel fuel, motor oil, and transmission fluid	13,248	14,948
Tires	13,747	13,306
Allowance for obsolete inventory	(34,899)	(36,846)
	$ 171,223	$ 152,856

Note 4. Capital Assets

Capital asset activity was as follows:

	2015			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 1,696,013	$ -	$ -	$ 1,696,013
Construction in progress	2,245,902	1,163,173	748,515	2,660,560
Total capital assets, non-depreciable	3,941,915	1,163,173	748,515	4,356,573
Capital assets, depreciable:				
Land improvements and buildings	10,851,933	718,348	-	11,570,281
Buses and vans	21,907,953	14,643	251,382	21,671,214
Signs, shelters, and terminals	177,548	30,167	12,299	195,416
Shop and garage equipment	467,748	-	3,385	464,363
Office equipment and information systems	1,166,714	-	20,660	1,146,054
Total capital assets, depreciable	34,571,896	763,158	287,726	35,047,328
Less accumulated depreciation for:				
Land improvements and buildings	2,229,714	264,499	-	2,494,213
Buses and vans	9,619,076	1,932,377	251,382	11,300,071
Signs, shelters, and terminals	99,591	24,171	3,500	120,262
Shop and garage equipment	427,905	11,942	3,385	436,462
Office equipment and information systems	709,342	275,993	20,660	964,675
Total accumulated depreciation	13,085,628	2,508,982	278,927	15,315,683
Total capital assets, depreciable, net	21,486,268	(1,745,824)	8,799	19,731,645
Total capital assets, net	$ 25,428,183	$ (582,651)	$ 757,314	$ 24,088,218

Note 4. Capital Assets (Continued)

	2014			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 1,194,283	$ 501,730	$ -	$ 1,696,013
Construction in progress	3,727,091	7,152,005	8,633,194	2,245,902
Total capital assets, non-depreciable	4,921,374	7,653,735	8,633,194	3,941,915
Capital assets, depreciable:				
Land improvements and buildings	2,281,738	8,589,644	19,449	10,851,933
Buses and vans	21,907,953	-	-	21,907,953
Signs, shelters, and terminals	209,621	52,250	84,323	177,548
Shop and garage equipment	448,116	19,632	-	467,748
Office equipment and information systems	1,089,189	77,525	-	1,166,714
Total capital assets, depreciable	25,936,617	8,739,051	103,772	34,571,896
Less accumulated depreciation for:				
Land improvements and buildings	2,106,441	142,722	19,449	2,229,714
Buses and vans	7,580,644	2,038,432	-	9,619,076
Signs, shelters, and terminals	167,984	15,930	84,323	99,591
Shop and garage equipment	403,515	24,390	-	427,905
Office equipment and information systems	421,684	287,658	-	709,342
Total accumulated depreciation	10,680,268	2,509,132	103,772	13,085,628
Total capital assets, depreciable, net	15,256,349	6,229,919	-	21,486,268
Total capital assets, net	$ 20,177,723	$ 13,883,654	$ 8,633,194	$ 25,428,183

Note 5. Local Share Amounts Payable to or Receivable from City of Lynchburg

The City's policy is to provide sufficient funds to meet the required local share (level of effort) as defined by the Federal Transit Administration, and is reflected on the accrual basis as the local subsidy of operations. Any deficiency is reflected as a receivable from or any surplus as a payable to the City. Activity in this account was as follows:

	2015	2014
Payable to City at beginning of year	$ (360,431)	$ (746,724)
Subsidy of operations – City of Lynchburg	1,350,336	833,808
Cash paid by the City to the Company	(1,394,038)	(1,194,239)
Cash paid by the Company to the City	360,431	746,724
Payable to City at end of year	$ (43,702)	$ (360,431)

Note 6. Line of Credit

The City has created a special fund to support transit operations. The Company may draw on this fund interest free with amounts to be repaid within 90 days, up to a maximum of $500,000. There was no activity on the line of credit during 2015, and the balance owed to the City was $-0- at both June 30, 2015 and 2014.

Note 7. Compensated Absences

Following is a summary of changes in compensated absences:

	2015	2014
Beginning balance	$ 152,309	$ 115,941
Increases	296,447	169,541
Decreases	(282,828)	(133,173)
Ending balance	$ 165,928	$ 152,309

Note 8. Commitments and Contingencies

Contingent grant rebate:

Pursuant to receiving certain federal grants, the Company has agreed to use any asset purchased with grant funds for the provision of mass transportation service within its urban area for the asset's useful life. If, during such period the asset is not used in this manner, the Company must remit to the federal government a proportionate amount of the fair market value, if any, of such property. No grant amounts were required to be remitted during the years ended 2015 and 2014.

(Continued)

Note 8. Commitments and Contingencies (Continued)

Management contract:

The Company has engaged First Transit, Inc. to manage its transit system; the current five-year contract began January 2013. Management fees to First Transit, Inc. were $252,695 and $249,576 for 2015 and 2014, respectively. The Company did not pay First Transit, Inc. for any other service during 2015 and 2014.

Union contract:

CVTMC's union agreement was ratified March 7, 2014 with Local 1493 of the Amalgamated Transit Union, AFL-CIO for the period September 1, 2013 through August 31, 2016, for the services of bus operators and maintenance employees.

Future construction plans:

The Company entered into contracts in 2015 to begin construction of a new operations and maintenance facility, which is expected to cost approximately $23 million. The construction will be funded through local, state, and federal capital grants. Costs incurred to date consist of design and planning costs, which are reported as construction in progress at June 30, 2015. The Company plans to list its current operations and maintenance facility for sale when the new facility nears completion.

Note 9. Defined Contribution Pension Plan

As part of its union agreement, CVTMC provides a defined contribution pension program for all employees. The Company's contribution consists of a match of up to four percent of each covered employee's pay. The Company's required and actual contributions for covered union and nonunion employees were $116,707 and $105,697 for 2015 and 2014, respectively. Employees contributed equal amounts through payroll withholding.

Note 10. Other Post-Employment Benefits

The cost of post-employment healthcare benefits is associated with the periods in which the costs occur, rather than in the future years when they will be paid.

Plan description:

The Company provides healthcare, prescription drug, vision benefits, and life insurance to certain salaried retirees and their dependents. All full time active employees who become disabled or retire directly from the Company and meet the eligibility criteria may participate.

Membership:

The participants at June 30, 2015 and 2014 consist of 15 active employees; there are also two retirees who are currently receiving or are entitled to receive benefits.

(Continued)

Note 10. Other Post-Employment Benefits (Continued)

Funding policy:

Management tentatively intends to fund 50% of the Annual Required Contribution. However, no funds have yet been contributed to a trust fund, although an amount of $112,000 has been earmarked for a future contribution.

Annual other post-employment benefit cost and net OPEB obligation:

	2015	2014
Annual required contribution	$ 34,000	$ 22,000
Adjustment to annual required contribution	-	-
Annual OPEB cost	34,000	22,000
Less contribution made	1,000	1,000
Increase in net OPEB obligation	33,000	21,000
Net OPEB obligation – beginning of year	98,000	77,000
Net OPEB obligation – end of year	$ 131,000	$ 98,000

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan contributions, and the net OPEB obligation for 2014 and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2013	$ 31,000	5%	$ 77,000
06/30/2014	$ 22,000	5%	$ 98,000
06/30/2015	$ 34,000	3%	$ 131,000

Funded status and funding progress:

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial accrued liability (AAL)	$ 263,000
Actuarial value of plan assets	$ -
Unfunded actuarial accrued liability (UAAL)	$ 263,000
Funded ratio (actuarial value of plan assets/AAL)	- %
Covered payroll (active plan members)	$ 586,729
UAAL as a percentage of covered payroll	45%

Note 10. Other Post-Employment Benefits (Continued)

Actuarial methods and assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial amounts disclosed in this Note are based on an actuarial calculation performed as of July 1, 2014.

Note 11. Capital Contributions

Capital contributions consist of the following:

	2015	2014
Federal	$ 826,214	$ 6,203,181
State	235,203	900,156
Local	89,961	667,210
	$ 1,151,378	$ 7,770,547

Note 12. Contract with Liberty University

In August of 2013, the Company entered into an agreement to provide bus service on the campus of Liberty University from August 2013 through May 2014. It also allowed students and employees to ride for free on other Company routes. In October 2014, the Company entered into a similar contract for August 2014 through June 2015. As part of this and previous agreements, the University paid the Company $1,365,398 in 2015 and $1,151,047 in 2014, respectively. A new contract for August 2015 through June 2016 is being negotiated but had not yet been finalized as of the date this financial report was available to be issued.

Note 13. Risk Management

The Company is a member of the Virginia Transit Liability Pool, (the “Pool”) through which the Company is insured for operational liabilities and for its transit vehicles, in amounts up to $15 million per incident. The Pool is a local government self-insurance pool to which the Company pays an annual premium. The Company insures its other equipment and property through commercial insurance providers. The Company has not reduced its coverage from the prior year, and settlements have not exceeded insurance coverage for the past three years.

GREATER LYNCHBURG TRANSIT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

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SUPPLEMENTAL SCHEDULES

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
June 30, 2015

	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	$ 2,089,276	$ -	$ -	$ 2,089,276
Other salaries and wages	358,218	620,087	264,762	1,243,067
Total labor	2,447,494	620,087	264,762	3,332,343
Fringe benefits	1,401,701	355,129	151,632	1,908,462
Services				
Management services	-	-	252,695	252,695
Professional and technical services	-	-	32,250	32,250
Contract services	214	-	208,335	208,549
Medical services	9,940	-	-	9,940
Total services	10,154	-	493,280	503,434
Materials and supplies				
Diesel fuel	559,534	-	-	559,534
Motor oil	2,146	-	-	2,146
Lubricants and coolants	8,587	-	-	8,587
Gasoline	70,053	-	-	70,053
Tires and tubes	72,942	-	-	72,942
Shop and garage equipment maintenance	-	13,428	-	13,428
Shop and garage building maintenance	-	24,596	-	24,596
Other shop and garage expense	-	-	108,264	108,264
Repair parts for revenue vehicles	-	325,106	-	325,106
Servicing supplies	-	8,064	-	8,064
Schedules	17,345	-	-	17,345
Tickets and transfers	11,937	-	-	11,937
General office supplies	-	-	16,774	16,774
Safety and security	-	-	1,987	1,987
Shelters and signs	3,312	-	-	3,312
Total materials and supplies	745,856	371,194	127,025	1,244,075
Utilities				
Light, heat, power, and water	-	-	70,188	70,188
Communications	-	-	47,865	47,865
Total utilities	-	-	118,053	118,053

(Continued)

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
June 30, 2015

	Operations	Maintenance	General Administration	Total
Insurance				
Premiums for physical damage	$ -	$ 22,529	$ -	$ 22,529
Premiums for liability and property damage	-	-	165,217	165,217
Premiums for other insurance	-	-	38,525	38,525
Total insurance	-	22,529	203,742	226,271
Miscellaneous expenses				
Dues and subscriptions	-	-	19,921	19,921
Training, local staff	-	-	15,089	15,089
Travel expense, local staff	-	-	9,931	9,931
Travel expense, board	-	-	3,512	3,512
Travel expense, First Transit staff	-	-	1,393	1,393
Advertising	-	-	11,599	11,599
Registration fees, employees	-	-	1,915	1,915
Registration fees, local staff	-	-	920	920
Registration fees, board	-	-	800	800
Other miscellaneous expenses	-	-	11,983	11,983
Total miscellaneous expenses	-	-	77,063	77,063
Total operating expenses before depreciation	4,605,205	1,368,939	1,435,557	7,409,701
Depreciation	2,197,539	35,450	275,993	2,508,982
Total operating expenses	$ 6,802,744	$ 1,404,389	$ 1,711,550	$ 9,918,683

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
June 30, 2014

	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	$ 1,876,074	$ -	$ -	$ 1,876,074
Other salaries and wages	273,148	574,296	200,894	1,048,338
Total labor	2,149,222	574,296	200,894	2,924,412
Fringe benefits	1,208,096	322,817	112,924	1,643,837
Services				
Management services	-	-	249,576	249,576
Professional and technical services	-	-	26,985	26,985
Contract services	-	-	185,146	185,146
Medical services	9,200	-	-	9,200
Total services	9,200	-	461,707	470,907
Materials and supplies				
Diesel fuel	665,142	-	-	665,142
Motor oil	9,440	-	-	9,440
Lubricants and coolants	6,474	-	-	6,474
Gasoline	141,995	-	-	141,995
Tires and tubes	55,954	-	-	55,954
Shop and garage equipment maintenance	-	7,717	-	7,717
Shop and garage building maintenance	-	23,454	-	23,454
Other shop and garage expense	-	-	103,851	103,851
Repair parts for revenue vehicles	-	252,790	-	252,790
Servicing supplies	-	5,057	-	5,057
Schedules	6,545	-	-	6,545
Tickets and transfers	7,473	-	-	7,473
General office supplies	-	-	17,812	17,812
Safety and security	-	-	1,328	1,328
Shelters and signs	1,603	-	-	1,603
Total materials and supplies	894,626	289,018	122,991	1,306,635
Utilities				
Light, heat, power, and water	-	-	62,656	62,656
Communications	-	-	43,011	43,011
Total utilities	-	-	105,667	105,667

(Continued)

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
June 30, 2014

	Operations	Maintenance	General Administration	Total
Insurance				
Premiums for physical damage	$ -	$ 31,363	$ -	$ 31,363
Premiums for liability and property damage	-	-	214,668	214,668
Premiums for other insurance	-	-	24,906	24,906
Total insurance	-	31,363	239,574	270,937
Miscellaneous expenses				
Dues and subscriptions	-	-	4,640	4,640
Training, local staff	-	-	11,431	11,431
Travel expense, local staff	-	-	901	901
Travel expense, First Transit staff	-	-	2,110	2,110
Advertising	-	-	15,103	15,103
Safety promotion	-	-	180	180
Registration fees, local staff	-	-	175	175
Other miscellaneous expenses	-	-	26,006	26,006
Total miscellaneous expenses	-	-	60,546	60,546
Total operating expenses before depreciation	4,261,144	1,217,494	1,304,303	6,782,941
Depreciation	2,181,003	40,475	287,654	2,509,132
Total operating expenses	$ 6,442,147	$ 1,257,969	$ 1,591,957	$ 9,292,073

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULES OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2015

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL as of Percentage of Covered Payroll
July 1, 2014	$ -	$ 263,000	$ 263,000	0.00%	$ 586,729	44.82%
July 1, 2011	$ -	$ 184,000	$ 184,000	0.00%	$ 557,158	33.02%
July 1, 2008	$ -	$ 78,000	$ 78,000	0.00%	$ 502,944	15.51%

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Award Date	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation – Federal Transit Administration:				
Virginia Department of Rail and Public Transportation:				
Federal Transit Cluster:				
Urbanized Area Formula Program	6/27/14	20.507	1455	$ 2,039,536
Capital Investment Grants	9/30/14	20.500	1455	826,214
				$ 2,865,750

Note to Schedule of Expenditures of Federal Awards: This schedule is prepared on the accrual basis of accounting.

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COMPLIANCE SECTION

BROWN EDWARDS
certified public accountants

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 Lynchburg Transit Company, Inc.
Lynchburg, 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 Lynchburg Transit Company, Inc. (the "Company"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated September 24, 2015.

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) to determine 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. **Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Lynchburg, Virginia
September 24, 2015

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Greater Lynchburg Transit Company, Inc.
Lynchburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Greater Lynchburg Transit Company, Inc.'s (the "Company"), compliance with the types of compliance requirements described in the OMB Circular A-133, *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, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Company's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2015.

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Report on Internal Control over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Company's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 24, 2015

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

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 grant agreements shown below.

LOCAL COMPLIANCE MATTERS

Company By-Laws

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 LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** 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 G*overnment Auditing Standards.*
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The programs tested as a major program are:

Federal Transit Administration Grant Cluster:	
Federal Transit Operating Assistance	20.507
Federal Transit Capital Grants	20.500

8. The **threshold for** distinguishing Type A and B programs was **$300,000**.
9. The Company **was** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.