

A large, stylized graphic on the left side of the page, consisting of several overlapping curved shapes in various shades of green, ranging from a light lime green to a dark forest green.

# **GREATER ROANOKE TRANSIT COMPANY**

**(A Component Unit of the City of  
Roanoke, Virginia)**

## **FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION**

***As of and for the years ended June 30, 2018 and 2017***

***(With Report of Independent Auditor Thereon)***

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

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## **Report of Independent Auditor**

To the Board of Directors  
Greater Roanoke Transit Company

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Greater Roanoke Transit Company, a component unit of the City of Roanoke, Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Greater Roanoke Transit Company's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Roanoke Transit Company, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows 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 management's discussion and analysis on pages 3 through 9 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.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Greater Roanoke Transit 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 November 30, 2018, on our consideration of the Greater Roanoke Transit 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 Greater Roanoke Transit 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 Greater Roanoke Transit Company's internal control over financial reporting and compliance.



Roanoke, Virginia  
November 30, 2018

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

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

The management of the Greater Roanoke Transit Company (the "Company") offers readers of our financial statements the following narrative overview and analysis of our financial activities for the Years Ended June 30, 2018 and 2017. The following should be read in conjunction with our financial statements and notes thereto.

**Financial Statements**

The financial statements of the Company reflect the transit operations of the Company. Our financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This is the same basis of accounting employed by most private-sector enterprises.

Our financial statements include the following components:

- Statements of Net Position, which presents information on the assets and liabilities of the Company, with the resulting difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Company is improving or deteriorating.
- Statements of Revenues, Expenses, and Changes in Net Position, which reports revenues and expenses, classified as operating and nonoperating, and capital contributions for the period. The resulting change in net position for the period is combined with the beginning of the year total net position balance in order to reconcile to the end of the year total net position on the Statements of Net Position.
- Statements of Cash Flows, which reports the cash flows experienced by the Company from operating, noncapital financing, capital and related financing, and investing activities. The net result of the cash provided by or used in these activities for the period, added to the beginning of the year cash and cash equivalents balance, reconciles to the cash and cash equivalents balance presented on the Statements of Net Position.
- Notes to the Basic Financial Statements, which explain and provide additional information on the data presented in the financial statements as of and for the Years Ended June 30, 2018 and 2017.

**Financial Highlights**

The following major financial highlights are of note for the Years Ended June 30, 2018 and 2017:

**Fiscal Year 2018**

- Assets exceeded liabilities by \$11,500,824 (net position) as of June 30, 2018. \$898,863 of net position is considered unrestricted and available to meet ongoing and future obligations of the Company, including its share of capital projects.
- Net position increased \$526,256 for the year ended June 30, 2018. The unrestricted portion of net position decreased \$128,640 and the investment in capital assets portion of net position increased \$654,896 compared to the balance as of June 30, 2017.

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

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

- Operating revenues decreased \$20,251 compared to the previous year, due primarily to a decrease in the Smart Way Connector passenger fares and a decrease in ridership.
- Operating expenses increased \$535,864 primarily due to increases in labor & benefits, contract services, and purchased transportation expenses.
- Total net nonoperating revenues decreased \$142,467 compared to the previous year due primarily to a decrease in noncapital state assistance.
- Capital contributions increased \$1,304,184 compared to the previous year due to increased federal and state contributions for capital asset purchases in fiscal year 2018.

**Fiscal Year 2017**

- Assets exceeded liabilities by \$10,974,568 (net position) as of June 30, 2017. \$1,027,503 of net position is considered unrestricted and available to meet ongoing and future obligations of the Company, including its share of capital projects.
- Net position decreased \$79,346 for the year ended June 30, 2017. The unrestricted portion of net position increased \$529,336 and the investment in capital assets portion of net position decreased \$608,682 compared to the balance as of June 30, 2016.
- Operating revenues decreased by \$103,938 compared to the previous year, due primarily to a decrease in passenger fares and a decrease in ridership.
- Operating expenses decreased \$156,240 primarily due to decreases in fuel costs, vehicle insurance costs, and a decrease in depreciation expense.
- Total net nonoperating revenues increased \$932,426 compared to the previous year due primarily to an increase in noncapital federal and state assistance.
- Capital contributions increased \$553,707 compared to the previous year due to decreased federal and state contributions for capital asset purchases in fiscal year 2017.

Additional detail on the above items, along with other information, is discussed in the following sections.

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

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

**Net Position**

A summary of the major components of net position as of June 30, 2018, 2017, and 2016, is as follows:

Summary of Net Position					
	2018	2017	2016	Fiscal Year 2018 increase (decrease)	Fiscal Year 2017 increase (decrease)
Current assets	\$ 2,391,680	2,250,139	1,858,140	141,541	391,999
Capital assets, net	10,601,961	9,947,065	10,555,747	654,896	(608,682)
Total assets	<u>12,993,641</u>	<u>12,197,204</u>	<u>12,413,887</u>	<u>796,437</u>	<u>(216,683)</u>
Current liabilities	1,492,817	1,222,636	1,359,973	270,181	(137,337)
Investment in capital assets	10,601,961	9,947,065	10,555,747	654,896	(608,682)
Unrestricted	898,863	1,027,503	498,167	(128,640)	529,336
Total Net position	<u>\$ 11,500,824</u>	<u>10,974,568</u>	<u>11,053,914</u>	<u>526,256</u>	<u>(79,346)</u>

**Fiscal Year 2018**

Total net position of \$11,500,824 increased \$526,256, or 4.8%, for the year ended June 30, 2018. The increase in net position is primarily due to an increase in capital assets, net, which increased \$654,896 or 6.6%. This decrease was offset by a decrease in the unrestricted portion of net position that decreased \$128,640 or 12.5%. The decrease in the unrestricted portion is primarily due to an increase in the Company funding the portion of capital net acquisitions not provided by federal and state capital grants.

Current assets increased \$141,541 primarily due to increases in the amount due from the Federal Transit Administration and the Commonwealth of Virginia for \$375,859 and 75,676, respectively. This increase was partially offset by a decrease in cash and cash equivalents of \$303,218.

Current liabilities increased \$270,181, or 22.1%, compared to the balance as of June 30, 2017. The increase is primarily due to increases in trade accounts payable and other liabilities of \$179,803 and \$72,077, respectively. It is important to note that the Company has maintained financial operations without issuance of any long-term debt during fiscal year 2018.

**Fiscal Year 2017**

Total net position of \$10,974,568 decreased \$79,346, or .7%, for the year ended June 30, 2017. The decrease in net position is primarily due to a decrease in capital assets, net, which decreased \$608,682 or 5.8%. This decrease was offset by an increase in the unrestricted portion of net position that increased \$529,336 or 106%. The increase is primarily due to an increase in state assistance of \$479,389.

Current assets increased \$391,999 primarily due to an increase in cash and cash equivalents of \$670,025. This increase was partially offset by a decrease in the amount due from the Federal Transit Administration of \$272,097.

Current liabilities decreased \$137,337, or 10%, compared to the balance as of June 30, 2016. The decrease is primarily due to decrease in trade accounts payable of \$175,205. The decrease was partially offset by an increase in payroll liabilities of \$19,161. It is important to note that the Company has maintained financial operations without issuance of any long-term debt during fiscal year 2017.

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

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

**Changes in Net Position**

Condensed financial information from the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018, 2017, and 2016, is provided below, followed by additional breakdown and analysis of the changes in the various categories:

<b>Condensed Statements of Changes in Net Position</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>Fiscal Year 2018 change</b>	<b>Fiscal Year 2017 change</b>
Total operating revenues	\$ 1,908,445	1,928,696	2,032,634	(20,251)	(103,938)
Total operating expenses	(11,308,872)	(10,773,008)	(10,929,248)	(535,864)	156,240
Total net nonoperating revenues	7,650,451	7,792,918	6,860,492	(142,467)	932,426
Capital contributions	2,276,232	972,048	418,341	1,304,184	553,707
Changes in net position	526,256	(79,346)	(1,617,781)	605,602	1,538,435
Ending net position	\$ 11,500,824	10,974,568	11,053,914	526,256	(79,346)

Additional discussion on each component of the Statement of Revenues, Expenses, and Changes in Net Position is provided in the following paragraphs:

<b>Revenues</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>Fiscal year 2018 increase (decrease)</b>	<b>Fiscal year 2017 increase (decrease)</b>
Operating revenues:					
Passenger fares	\$ 1,607,997	1,602,126	1,674,596	5,871	(72,470)
Smart Way fares	179,677	175,803	212,430	3,874	(36,627)
Smart Way Connector fares	19,608	62,796	61,026	(43,188)	1,770
S.T.A.R. fares	96,476	82,905	78,099	13,571	4,806
Other primary fares	4,687	5,066	6,483	(379)	(1,417)
Total operating revenues	1,908,445	1,928,696	2,032,634	(20,251)	(103,938)
Nonoperating revenues:					
Noncapital grants	7,378,891	7,482,401	6,627,825	(103,510)	854,576
Advertising	136,579	109,273	111,037	27,306	(1,764)
Rental income	64,045	66,473	66,473	(2,428)	-
Parking income	63,291	78,353	44,355	(15,062)	33,998
Interest income	1,164	1,210	1,130	(46)	80
Gain on disposal of capital assets, net	-	6,996	-	(6,996)	6,996
Miscellaneous	6,481	48,212	9,672	(41,731)	38,540
Total net nonoperating revenues	7,650,451	7,792,918	6,860,492	(142,467)	932,426
Capital contributions	2,276,232	972,048	418,341	1,304,184	553,707
Total revenues	\$ 11,835,128	10,693,662	9,311,467	1,141,466	1,382,195

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

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

**Fiscal Year 2018**

Total operating revenues decreased \$20,251 or 1%. Passenger fares increased \$5,871, or .4%, compared to the previous period primarily due to an increase in boarding fares and daily pass sales of \$29,796 and \$6,721, respectively. The decrease was offset by decreases in 31 Day and 7 Day pass sales of \$13,993 and \$16,653, respectively. Passenger ridership decreased to 1,936,247 from 2,068,429 in the prior year for all standard fixed routes. The Company increased fares for the standard fixed routes effective January 1, 2018.

The Company operates a commuter service, The Smart Way, between Roanoke and Blacksburg. The Smart Way service operating revenue increased \$3,874, or 2.2%, for the year ended June 30, 2018, compared to the previous year. Ridership on The Smart Way service increased to 46,781 in fiscal year 2018 from 46,221 in fiscal year 2017.

The Company operates a second commuter service, The Smart Way Connector traveled to Lynchburg's multi-modal station, which includes the AmTrak passenger station. This service was discontinued on October 30, 2017. Smart Way Connector service revenues decreased to \$19,608 in fiscal year 2018 from \$62,796 in fiscal year 2017. Ridership on The Smart Way Connector service decreased to 5,958 in fiscal year 2018 from 19,440 in fiscal year 2017.

The Company occasionally provides charter service for organizations or individuals that are unable to obtain this service from other service providers. Other primary fares for these services decreased to \$4,687 in fiscal year 2018 from \$5,066 in fiscal year 2017. The Company's total passenger rides for fiscal year 2018, including all fixed and Smart Way routes, were 2,091,007.

Total net nonoperating revenues decreased \$142,467, or 1.8%, compared to the previous year primarily due to decreases in noncapital grant funding of \$103,510. The Commonwealth of Virginia funding decreased \$237,544 primarily due to a decrease in the states allocation of it funds. This decrease was partially offset by increases to Federal Transit Administration and New River Valley funding for \$82,682 and 41,566, respectively.

Capital contributions fluctuate based on the capital asset needs of the Company. Accordingly, capital contributions increased \$1,304,184, or 134.2%, compared to the previous year, due to the Company's increase in capital purchases in fiscal year 2018 compared to fiscal year 2017. Capital assets purchased in fiscal year 2018 included two 35" and two 40" replacement buses, and replacement of eight (8) bus lifts. Accordingly, capital contributions increased for the year ended June 30, 2018, over the year ended June 30, 2017, as a result of an increase in capital asset purchases.

**Fiscal Year 2017**

Total operating revenues decreased \$103,938 or 5.1%. Passenger fares decreased \$72,470, or 4.3%, compared to the previous period primarily due to a decrease in boarding fares and weekly pass sales of \$88,021 and \$18,900, respectively. The decrease was partially offset by an increase in monthly pass sales of \$29,209. Passenger ridership decreased to 2,068,429 from 2,159,005 in the prior year for all standard fixed routes.

The Company operates a commuter service, The Smart Way, between Roanoke and Blacksburg. The Smart Way service operating revenue decreased \$36,627, or 17.2%, for the year ended June 30, 2017, compared to the previous year. Ridership on The Smart Way service decreased to 46,221 in fiscal year 2017 from 52,388 in fiscal year 2016.

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

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

The Company operates a second commuter service, The Smart Way Connector; that travels to Lynchburg's multi-modal station, which includes the AmTrak passenger station. The Smart Way Connector service revenues increased to \$62,796 in fiscal year 2017 from \$61,026 in fiscal year 2016. Ridership on The Smart Way Connector service decreased to 19,440 in fiscal year 2017 from 19,829 in fiscal year 2016. The increase in cash is primarily due to an increase in AmTrak reservation rides of 7,319 compared to 5,398 in the prior year.

The Company occasionally provides charter service for organizations or individuals that are unable to obtain this service from other service providers. Other primary fares for these services decreased to \$5,066 in fiscal year 2017 from \$6,483 in fiscal year 2016. The Company's total passenger rides for fiscal year 2017, including all fixed and Smart Way routes, were 2,240,679.

Total net nonoperating revenues increased \$932,426, or 13.6%, compared to the previous year primarily due to increases in noncapital grant funding of \$854,576. The Commonwealth of Virginia funding increased \$479,389 primarily due to an increase in the states allocation of it funds.

Capital contributions fluctuate based on the capital asset needs of the Company. Accordingly, capital contributions increased \$553,707, or 132.4%, compared to the previous year, due to the Company's increase in capital purchases in fiscal year 2017 compared to fiscal year 2016. Capital assets purchased in fiscal year 2017 included one bus with an MCI Coach, and replacement of three (3) service vehicles. Accordingly, capital contributions increased for the year ended June 30, 2017, over the year ended June 30, 2016, as a result of an increase in capital asset purchases.

			<b>Expenses</b>		
				<b>Fiscal year 2018 increase (decrease)</b>	<b>Fiscal year 2017 increase (decrease)</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>		
Operating expenses:					
Transportation	\$ 4,775,400	4,687,526	4,812,537	87,874	(125,011)
Vehicle maintenance	1,087,068	1,159,144	1,040,125	(72,076)	119,019
Nonvehicle maintenance	301,820	291,795	279,349	10,025	12,446
Administration	3,434,757	2,957,572	2,890,515	477,185	67,057
Depreciation	1,709,827	1,676,971	1,906,722	32,856	(229,751)
Total operating expenses	\$ <u>11,308,872</u>	<u>10,773,008</u>	<u>10,929,248</u>	<u>535,864</u>	<u>(156,240)</u>

**Fiscal Year 2018**

Total operating expenses, totaling \$11,308,872, increased \$535,864 compared to fiscal year 2017. Depreciation expense increased \$32,856 compared to June 30, 2017.

Transportation increased \$87,874 primarily due to an increase in fringe benefits for \$148,336. Fringe benefits increased primarily due to an internal change in recording holiday and vacation benefits for administrative personnel. These expenses were partially offset by a decrease in material and supplies expense for 79,702.

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Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

Vehicle maintenance decreased \$72,076 primarily due to decreased materials and supplies expense of \$63,005. Materials and supplies decreased primarily due to a decrease in revenue vehicle parts expense for \$65,712.

Administration expenses increased \$477,185 primarily due to increased expenses for contract services and purchased transportation expenses for \$54,313 and \$424,905, respectively. Purchased transportation costs increased primarily due to the service provider's loss of JARC funding and increased ridership on the STAR service.

**Fiscal Year 2017**

Total operating expenses, totaling \$10,773,008, decreased \$156,240 compared to fiscal year 2016. Depreciation expense decreased \$229,751 compared to June 30, 2016.

Transportation decreased \$125,011 primarily due to decreased materials and supplies expense of \$266,011. Materials and supplies decreased primarily due to a decrease in fuel expense for \$259,790. These expenses were partially offset by an increase in fringe benefits expense for \$87,011.

Vehicle maintenance increased \$119,019 primarily due to increased materials and supplies expense of \$94,069. Materials and supplies increased primarily due to an increase in revenue vehicle parts expense for \$87,002.

Administration expenses increased \$67,057 primarily due to increased expenses for labor, fringe benefits, and purchased transportation expenses for \$37,214, \$23,819, and \$56,797, respectively. The increases were partially offset by a decrease in vehicle insurance expense for \$91,010.

**Looking Ahead to Fiscal Year 2019**

The Company's Board of Directors has adopted the Company's budget for fiscal year 2019. The Company anticipates replacing four (4) Trolley buses and six (6) para-transit vehicles. The Company will install Automatic Vehicle Locator (AVL) and GPS technology on its Smart Way and Trolley buses. The new system will allow customers to plan their trips by using their device to look-up bus stop location and time of arrival.

**Request for Information**

This financial report is designed to provide interested parties with a general overview of the Company's finances. Should you have any questions about this report or need additional information, please contact the Director of Finance, 1108 Campbell Avenue SE, P. O. Box 13247, Roanoke, VA 24032.

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

Statements of Net Position

June 30, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current assets:		
Cash and cash equivalents	\$ 925,242	\$ 1,228,460
Due from:		
Federal Transit Administration	601,660	225,801
Commonwealth of Virginia	187,800	112,124
Local governments	54,884	64,771
Accounts receivable	109,835	96,384
Supplies and materials (note 4)	464,439	471,186
Other assets	47,820	51,413
Total current assets	<u>2,391,680</u>	<u>2,250,139</u>
Capital assets (notes 3 and 5):		
Land	720,724	720,724
Buildings, structures and improvements	11,682,642	11,594,319
Buses	18,614,375	16,511,774
Shop and garage equipment	2,876,931	2,708,829
Office equipment and furnishings	983,131	977,434
Accumulated depreciation	<u>(24,275,842)</u>	<u>(22,566,015)</u>
Capital assets, net	<u>10,601,961</u>	<u>9,947,065</u>
Total assets	<u>12,993,641</u>	<u>12,197,204</u>
<b>Liabilities</b>		
Current liabilities:		
Trade accounts payable	554,580	374,777
Accrued salaries and benefits	369,373	351,072
Other liabilities (notes 7 and 8)	568,864	496,787
Total current liabilities	<u>1,492,817</u>	<u>1,222,636</u>
<b>Net Position</b>		
Investment in capital assets	10,601,961	9,947,065
Unrestricted	<u>898,863</u>	<u>1,027,503</u>
Total net position	<u>\$ 11,500,824</u>	<u>\$ 10,974,568</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Charges for passenger fares	\$ 1,908,445	\$ 1,928,696
Operating expenses:		
Salaries and wages	3,702,581	3,747,490
Fringe benefits (note 6)	1,971,278	1,728,837
Services	639,762	574,812
Utilities	224,575	238,731
Insurance	242,521	253,460
Purchased services and other expenses	1,751,244	1,341,647
Materials and supplies	1,067,084	1,211,060
Depreciation	1,709,827	1,676,971
Total operating expenses	<u>11,308,872</u>	<u>10,773,008</u>
Operating loss	<u>(9,400,427)</u>	<u>(8,844,312)</u>
Nonoperating revenues (expenses):		
Noncapital grants or assistance:		
Federal Transit Administration	3,046,645	3,076,012
Commonwealth of Virginia	1,947,093	2,184,637
City of Roanoke, Virginia	1,900,349	1,898,847
City of Salem, Virginia	179,252	175,642
Town of Vinton, Virginia	115,004	120,055
New River Valley Metropolitan Planning Organization	86,329	44,763
Virginia Tech University	12,952	10,361
Carilion Foundation	60,758	55,890
Downtown Roanoke, Inc.	30,508	28,243
O. Winston Link Museum	-	(112,049)
Total noncapital revenues, net	<u>7,378,890</u>	<u>7,482,401</u>
Local share and other revenues:		
Advertising	136,579	109,273
Rental income (note 8)	64,045	66,473
Parking income	63,291	78,353
Interest income	1,164	1,210
Gain on disposal of capital assets	-	6,996
Other	6,482	48,212
Total local share and other revenues	<u>271,561</u>	<u>310,517</u>
Total net nonoperating revenues, net	<u>7,650,451</u>	<u>7,792,918</u>
Loss before capital contributions	<u>(1,749,976)</u>	<u>(1,051,394)</u>
Capital contributions	<u>2,276,232</u>	<u>972,048</u>
Change in net position	<u>526,256</u>	<u>(79,346)</u>
Total net position at beginning of year	<u>10,974,568</u>	<u>11,053,914</u>
Total net position at end of the year	<u>\$ 11,500,824</u>	<u>\$ 10,974,568</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities and local share and other revenues (excluding interest):		
Cash received from customers	\$ 1,908,445	\$ 1,928,696
Cash payments to suppliers for goods and services	(3,662,966)	(3,699,592)
Cash payments to employees for services	(5,655,559)	(5,457,166)
Local share and other revenue received	256,947	327,258
Net cash used in operating activities	<u>(7,153,133)</u>	<u>(6,900,804)</u>
Cash flows from noncapital financing activity:		
Noncapital grants received	<u>6,937,242</u>	<u>7,663,742</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,364,723)	(1,073,167)
Proceeds from sale of capital assets	-	6,996
Capital contributions	<u>2,276,231</u>	<u>972,048</u>
Net cash used in capital and related financing activities	<u>(88,492)</u>	<u>(94,123)</u>
Cash flows from investing activity:		
Interest income received	<u>1,165</u>	<u>1,210</u>
Net changes in cash and cash equivalents	(303,218)	670,025
Cash and cash equivalents at beginning of year	1,228,460	558,435
Cash and cash equivalents at end of year	<u>\$ 925,242</u>	<u>\$ 1,228,460</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (9,400,427)	\$ (8,844,312)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Local share and other net revenue (excluding interest)	270,397	309,307
Depreciation	1,709,827	1,676,971
Gain on disposal of capital assets	-	(6,996)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(13,451)	24,948
Decrease (Increase) in supplies and materials	6,747	72,794
Decrease (increase) in other assets	3,593	(1,057)
Increase (decrease) in trade accounts payable	179,803	(170,327)
Increase in accrued salaries and benefits	18,301	19,161
Increase in other liabilities	72,077	18,707
Net cash used in operating activities	<u>\$ (7,153,133)</u>	<u>\$ (6,900,804)</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 the Financial Statements

June 30, 2018 and 2017

**(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”) in September 2017 and expiring on June 30, 2020.

As of and for the Years Ended June 30, 2018 and 2017, 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***

Cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are stated at cost, which approximates fair value, and consist of money market mutual funds and a pooled repurchase agreement with an original maturity of three months or less collateralized by U.S. government securities.

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

Notes to Basic the Financial Statements

June 30, 2018 and 2017

**(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) *Revenue Recognition***

Passenger fares and advertising 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.

**(g) *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.

**(h) *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 the Financial Statements

June 30, 2018 and 2017

**(i) Operating Revenues and Expenses**

Operating revenues consist of charges for passenger fares. 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.

**(l) Net Position**

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

**Net Investment in Capital Assets** – Consists of the historical cost of capital assets net of any accumulated depreciation and outstanding debt used to finance those assets.

**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.

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

Notes to Basic the Financial Statements

June 30, 2018 and 2017

**(n) Subsequent Events**

The Company has evaluated subsequent events through November 30, 2018 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**(2) Cash and Cash Equivalents**

All cash and cash equivalents are held by financial institutions in the name of the Company. At June 30, 2018 and 2017, 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) Capital Grant Funds**

**(a) Capital Purchases**

Capital asset purchases have been funded primarily under FTA capital grants to the Company. Additional matching requirements were met by the Commonwealth of Virginia, the City, and the New River Valley Metropolitan Planning Organization. Capital grant funds received (cash basis), beginning June 15, 2000, and capital grant funds outstanding at June 30, 2018 and 2017, are as follows:

	Capital grant funds received 2018	Cumulative capital grant funds received	Outstanding capital grant amount
FTA	\$ 1,041,122	24,755,025	4,176,061
Commonwealth of Virginia	1,094,250	5,752,362	3,560,943
City of Roanoke	—	166,985	—
New River Valley MPO	—	76,750	—
	<u>\$ 2,135,372</u>	<u>30,751,122</u>	<u>7,737,004</u>
	Capital grant funds received 2017	Cumulative capital grant funds received	Outstanding capital grant amount
FTA	\$ 956,139	23,713,903	1,560,028
Commonwealth of Virginia	125,087	4,658,112	157,756
City of Roanoke	—	166,985	—
New River Valley MPO	—	76,750	—
	<u>\$ 1,081,226</u>	<u>28,615,750</u>	<u>1,717,784</u>

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

Notes to Basic the Financial Statements

June 30, 2018 and 2017

**(b) Operations**

The Company receives operating assistance from the FTA, Commonwealth of Virginia, the City, City of Salem, Virginia, Town of Vinton, Virginia, and New River Valley Metropolitan Planning Organization. During fiscal years 2018 and 2017, the Company also received operating assistance from the Carilion Foundation and Downtown Roanoke, Inc. for its Star Line trolley bus service. The Company also received assistance from Virginia Tech University for an expansion of service on The Smart Way Service beginning February 2015.

**(4) Supplies and Materials**

As of June 30, 2018 and 2017, supplies and materials consisted of the following:

	<b>2018</b>	<b>2017</b>
Parts	\$ 434,411	437,619
Diesel fuel	22,296	22,444
Lubricating oil	7,732	11,123
	<u>\$ 464,439</u>	<u>471,186</u>

**(5) Capital Assets**

The following is a summary of the changes in capital assets, net for the fiscal Years Ended June 30, 2018 and 2017:

	<b>Balances June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2018</b>
Capital assets not being depreciated:				
Land	\$ 720,724	-	-	720,724
Other capital assets being depreciated:				
Building, structures and improvements	11,594,319	88,323		11,682,642
Buses	16,511,774	2,102,601	-	18,614,375
Shop and garage equipment	2,708,829	168,102	-	2,876,931
Office equipment and furnishings	977,434	5,697	-	983,131
Accumulated depreciation	<u>(22,566,015)</u>	<u>(1,709,827)</u>	<u>-</u>	<u>(24,275,842)</u>
Net capital assets being depreciated	<u>9,226,341</u>	<u>654,896</u>	<u>-</u>	<u>9,881,237</u>
Capital assets, net	<u>\$ 9,947,065</u>	<u>654,896</u>	<u>-</u>	<u>10,601,961</u>

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

Notes to Basic the Financial Statements

June 30, 2018 and 2017

	<b>Balances June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2017</b>
Capital assets not being depreciated:				
Land	\$ 720,724	-	-	720,724
Other capital assets being depreciated:				
Building, structures and improvements	11,471,552	122,767		11,594,319
Buses	16,314,673	797,533	(600,432)	16,511,774
Shop and garage equipment	2,768,985	136,270	(196,426)	2,708,829
Office equipment and furnishings	965,715	11,719	-	977,434
Accumulated depreciation	(21,685,902)	(1,676,971)	796,858	(22,566,015)
Net capital assets being depreciated	9,835,023	(608,682)	-	9,226,341
Capital assets, net	\$ 10,555,747	(608,682)	-	9,947,065

**(6) Deferred Compensation Plan**

The Company has a deferred compensation plan (see note 1(k)) covering all hourly and salaried employees. The Company contributions to the deferred compensation plan were \$123,653 in fiscal year 2018 and \$120,249 in fiscal year 2017.

**(7) Other Liabilities**

Included in other liabilities at June 30, 2018 and 2017, is unearned revenues of \$332,162 and \$259,950, respectively.

**(8) Commitments and Contingent Liabilities**

**Contractual Commitments**

Under the provisions of a management contract with First Group America Company (dba First Transit, Inc.), which became effective on March 1, 2010 and expired June 30, 2015, the Company pays a monthly fee of \$26,100 for management services. Total fees paid for the Years Ended June 30, 2018 and 2017, were \$313,207 and \$304,085, respectively. The Company renewed the contract effective July 1, 2015 and expiring on June 30, 2020.

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, approximating \$9.8 million at June 30, 2018, are subject to these grant requirements.

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

Notes to Basic the Financial Statements

June 30, 2018 and 2017

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 75% of the net operating costs based upon passenger counts and service miles.

The Company is the lessor of space in the Intermodal Transportation Center in downtown Roanoke. Rental income for the Years Ended June 30, 2018 and 2017, totaled \$64,045 and \$66,473, respectively. Future minimum rental receipts under leases with original terms in excess of one year are as follows:

Years ending June 30:	
2019	\$ 64,674

The Company is the lessee in an agreement with a tire manufacturer for the rental of bus tires. The agreement became effective beginning December 1, 2016 and ends November 30, 2021. It specifies a base rate per tire mile, which adjusts each year. For the years ended June 30, 2018 and 2017, rental expense for tires approximated \$65,400 and \$81,600, respectively.

The Company is party to various supply contracts with vendors for Ultra-Low Sulfur Diesel fuel that require the purchase of certain minimum volumes per year and set a total number of gallons to be purchased during the terms of the contract. These contracts enable the Company to purchase fuel at a fixed-rate price to be used in buses that serve our operating area. The Company's agreements, along with the contract total of gallons to be purchased during the year, are as follows:

	<b>Minimum Purchases</b>
September 1, 2015 through August 31, 2016	\$ 843,820
September 1, 2016 through June 30, 2017	466,939
July 1, 2017 through June 30, 2018	615,780
July 1, 2018 through June 30, 2019	896,550

Failure of the Company to meet such annual minimum purchase agreements allows the Company's vendors the option of terminating or not renewing the contracts. Management intends to fully utilize these contracts to ensure fuel for operations is obtained at an efficient market price.

**Litigation**

The Company is unaware of any pending litigation or other contingencies that would have a material adverse effect on the financial condition or liquidity of the Company.

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

Notes to Basic the Financial Statements

June 30, 2018 and 2017

**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 only outstanding material claim that is probable of an unfavorable outcome is a result of an incident that occurred on a bus in June 2012. The Company's insurance coverage is sufficient to cover this claim.

**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, 2018

<b>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>Department of Transportation</b>				
<b>Federal Transit Cluster</b>				
FY09 FTA Capital Assistance	20.500	VA-04-0027-00	\$ -	\$ 120
FY13 FTA Capital Assistance	20.507	VA-95-X123-00	-	53,522
FY13 FTA Capital Assistance	20.507	VA-95-X132-00	-	921
FY 14 Capital Assistance	20.507	VA-95-X133-00	-	2,754
FY15 Operating and Capital Assistance	20.507	VA-90-X019-00	-	18,460
FY 18 Operating and Capital Assistance	20.507	VA-2018-009-00	-	3,446,414
<b>Subtotal</b>			-	3,522,071
FY14 FTA Capital Assistance	20.526	VA-34-0006-00	-	2,191
FY 15 FTA Capital Assistance	20.526	VA-2016-009-00	-	634
FY 18 FTA Capital Assistance	20.526	VA-2018-011-00	-	133,848
<b>Subtotal</b>			-	136,673
<b>Total Federal Transit Cluster</b>			-	3,658,864
<b>Formula Grants for Rural Areas</b>				
<b>Virginia Department of Rail and Public Transportation</b>				
FY17 FTA Operating Assistance	20.509	VA-2016-028-01	-	76,606
FY15 FTA Capital Assistance	20.509	VA-18-X038-00	-	249,049
FY18 FTA Capital Assistance	20.509	VA-2017-026-00	-	228,037
<b>Total Formula Grants for Rural Areas</b>			-	553,692
<b>Total Department of Transportation</b>			-	4,212,556
<b>Grand Total Federal Financial Assistance</b>			\$ -	\$ 4,212,556

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, 2018

**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, 2018. 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 the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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.

**Report of Independent Auditor 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***

To the Board of Directors  
Greater Roanoke Transit Company

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Roanoke Transit Company (the "Company"), a component unit of the City of Roanoke, Virginia, as of and for the year then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements and have issued our report thereon dated November 30, 2018.

**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 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. Given these limitations, during our audits 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 from 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.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Roanoke, Virginia  
November 30, 2018

**Report of Independent Auditor on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Greater Roanoke Transit Company

**Report on Compliance for Each Major Federal Program**

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 the Company's major federal program for the year ended June 30, 2018. The Company's major federal program is 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 the Company's major federal program 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 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the major federal program. However, our audit does not provide a legal determination of the Company's compliance.

***Opinion on the 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 its major federal program for the year ended June 30, 2018.

## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Roanoke, Virginia  
November 30, 2018

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**A. Summary of Auditor's Results**

1. The type of report issued on the financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None Reported**
3. Material weaknesses: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant Deficiencies in internal control over major programs: **None Reported**
6. Material weaknesses: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under 2 CFR section 200.516(a): **No**
9. The programs tested as major programs were:

Name of Program

CFDA #

Federal Transit Cluster

20.500, 20.507, 20.526

10. Dollar threshold to distinguish between Type A and Type B Programs as described in 2 CFR section 200.518(b)(1): **\$750,000**
11. The Greater Roanoke Transit Company was determined to be a low risk auditee.

**B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:**

**None**

**C. Findings and Questioned Costs Relating to Federal Awards:**

**None**