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

FINANCIAL REPORT

June 30, 2017

CONTENTS

INTRODUCTORY SECTION

GREATER LYNCHBURG TRANSIT COMPANY, INC.

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2017

OFFICERS

Peggy Whitaker	President
Glenn McGrath	Vice President
James H. Mundy	Secretary/Treasurer

DIRECTORS

Mary Winston Deacon	Christos Carroll
Jack Hellewell	Christian DePaul
Jennifer Martin	Bonnie Svrcek

FINANCIAL SECTION

The Financial Section contains the Basic Financial Statements.

BROWN EDWARDS
certified public accountants

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, and the related notes to the financial statements, as listed in the table of contents, 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, 2017 and 2016.

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, 2017 and 2016, 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's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 and the schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have 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 them. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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 27, 2017 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 27, 2017

BASIC FINANCIAL STATEMENTS

GREATER LYNCHBURG TRANSIT COMPANY, INC.

STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 383,103	$ 429,471
Accounts receivable		
Federal and local capital grant funds	1,627,519	1,539,391
Federal and state aid funds	677,405	1,549
Other state operating grant funds	4,425	-
Other receivables	472,835	54,520
Inventories (Note 3)	233,563	176,384
Prepaid expenses	18,393	12,407
Total current assets	3,417,243	2,213,722
Capital assets, net (Note 4)	42,008,976	33,886,148
Total assets	45,426,219	36,099,870
LIABILITIES		
Current liabilities:		
Accounts payable	104,333	96,385
Accounts payable, capital assets	1,620,883	1,531,257
Accrued salaries and wages	131,643	110,809
Local share payable to City of Lynchburg (Note 5)	1,035,547	6,765
Current portion of compensated absences (Note 7)	68,121	57,430
Total current liabilities	2,960,527	1,802,646
Noncurrent liabilities:		
Other post-employment benefits (Note 10)	200,170	164,000
Compensated absences (Note 7)	103,428	91,165
Total noncurrent liabilities	303,598	255,165
COMMITMENTS AND CONTINGENCIES (Note 8)	-	-
Total liabilities	3,264,125	2,057,811
NET POSITION		
Net investment in capital assets	42,008,976	33,886,148
Unrestricted	153,118	155,911
Total net position	$ 42,162,094	$ 34,042,059

The Notes to Financial Statements are
an integral part of these statements.

GREATER LYNCHBURG TRANSIT COMPANY, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Passenger fares	$ 700,864	$ 870,732
Universal bus pass	137,161	75,085
Special buses	22,024	41,287
Advertising	81,302	69,165
Registration fees	542	90
Non-transportation revenue	3,292	30,725
Total operating revenues	945,185	1,087,084
OPERATING EXPENSES		
Operations	6,761,817	6,256,334
Maintenance	2,143,605	1,787,987
General administration	1,704,387	1,691,645
Total operating expenses	10,609,809	9,735,966
Operating loss	(9,664,624)	(8,648,882)
NONOPERATING REVENUE		
Subsidies of operations:		
City of Lynchburg (Note 5)	640,258	1,387,273
Counties	71,875	57,500
Liberty University	2,239,525	1,236,898
State of Virginia aid for public transportation	2,014,644	1,442,121
Federal operating grant	2,049,373	2,019,195
Other	7,683	6,903
Miscellaneous revenue (expenses), net	2,100	-
Gain on disposition of capital assets	38,948	-
Total nonoperating revenue	7,064,406	6,149,890
CAPITAL CONTRIBUTIONS (Note 11)	10,720,253	12,248,684
Change in net position	8,120,035	9,749,692
Net position – beginning at July 1	34,042,059	24,292,367
Net position – ending at June 30	$ 42,162,094	$ 34,042,059

GREATER LYNCHBURG TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Cash received from customers	$ 526,870	$ 1,078,922
Cash paid to employees	(3,889,653)	(3,449,264)
Cash paid to suppliers for goods and services	(4,120,441)	(3,899,931)
Net cash used in operating activities	(7,483,224)	(6,270,273)
NONCAPITAL FINANCING ACTIVITIES		
Subsidies	7,376,284	6,111,404
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions received	10,627,700	11,212,801
Purchases of capital assets	(10,608,176)	(11,114,427)
Proceeds from sale of capital assets	38,948	-
Miscellaneous receipts (disbursements), net	2,100	-
Net cash provided by capital and related financing activities	60,572	98,374
Net decrease in cash and cash equivalents	(46,368)	(60,495)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	429,471	489,966
Ending at June 30	$ 383,103	$ 429,471
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (9,664,624)	$ (8,648,882)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,574,974	2,303,286
Decrease (increase) in:		
Other receivables	(418,315)	(8,162)
Prepaid expenses	(5,986)	85,882
Inventories	(57,179)	(5,161)
Increase (decrease) in:		
Accounts payable	7,948	(36,618)
Accrued salaries and wages	20,834	23,715
Compensated absences and other post-employment benefits	59,124	15,667
Net cash used in operating activities	$ (7,483,224)	$ (6,270,273)
NONCASH FINANCING TRANSACTION		
Capital assets acquired through accounts payable at year end	$ 1,620,883	$ 1,531,257

The Notes to Financial Statements are
an integral part of these statements.

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, although at times, such amounts may exceed FDIC insured limits.

Note 3. Inventories

Inventories consist of the following:

	2017	2016
Parts	$ 182,068	$ 165,559
Diesel fuel, motor oil, and transmission fluid	26,986	9,618
Tires	24,945	32,553
Allowance for obsolete inventory	(436)	(31,346)
	$ 233,563	$ 176,384

Note 4. Capital Assets

Capital asset activity was as follows:

	2017			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 1,696,013	$ -	$ -	$ 1,696,013
Construction in progress	13,935,580	9,201,748	23,094,776	42,552
Total capital assets, non-depreciable	15,631,593	9,201,748	23,094,776	1,738,565
Capital assets, depreciable:				
Land improvements and buildings	11,674,623	23,079,357	-	34,753,980
Buses and vans	22,337,045	757,855	322,240	22,772,660
Signs, shelters, and terminals	251,439	27,920	-	279,359
Shop and garage equipment	464,363	591,874	29,671	1,026,566
Office equipment and information systems	1,146,054	133,824	-	1,279,878
Total capital assets, depreciable	35,873,524	24,590,830	351,911	60,112,443
Less accumulated depreciation for:				
Land improvements and buildings	2,769,462	556,793	-	3,326,255
Buses and vans	13,149,204	1,902,255	322,240	14,729,219
Signs, shelters, and terminals	150,739	33,519	-	184,258
Shop and garage equipment	442,567	52,995	29,671	465,891
Office equipment and information systems	1,106,997	29,412	-	1,136,409
Total accumulated depreciation	17,618,969	2,574,974	351,911	19,842,032
Total capital assets, depreciable, net	18,254,555	22,015,856	-	40,270,411
Total capital assets, net	$ 33,886,148	$ 31,217,604	$ 23,094,776	$ 42,008,976

Note 4. Capital Assets (Continued)

	2016			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 1,696,013	$ -	$ -	$ 1,696,013
Construction in progress	2,660,560	11,417,881	142,861	13,935,580
Total capital assets, non-depreciable	4,356,573	11,417,881	142,861	15,631,593
Capital assets, depreciable:				
Land improvements and buildings	11,570,281	104,342	-	11,674,623
Buses and vans	21,671,214	665,831	-	22,337,045
Signs, shelters, and terminals	195,416	56,023	-	251,439
Shop and garage equipment	464,363	-	-	464,363
Office equipment and information systems	1,146,054	-	-	1,146,054
Total capital assets, depreciable	35,047,328	826,196	-	35,873,524
Less accumulated depreciation for:				
Land improvements and buildings	2,494,213	275,249	-	2,769,462
Buses and vans	11,300,071	1,849,133	-	13,149,204
Signs, shelters, and terminals	120,262	30,477	-	150,739
Shop and garage equipment	436,462	6,105	-	442,567
Office equipment and information systems	964,675	142,322	-	1,106,997
Total accumulated depreciation	15,315,683	2,303,286	-	17,618,969
Total capital assets, depreciable, net	19,731,645	(1,477,090)	-	18,254,555
Total capital assets, net	$ 24,088,218	$ 9,940,791	$ 142,861	$ 33,886,148

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:

	2017	2016
Payable to City at beginning of year	$ (6,765)	$ (43,702)
Subsidy of operations – City of Lynchburg	640,258	1,387,273
Cash paid by the City to the Company	(1,675,805)	(1,394,038)
Cash paid by the Company to the City	6,765	43,702
Payable to City at end of year	$ (1,035,547)	$ (6,765)

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 2017 or 2016, and the balance owed to the City was $-0- at both June 30, 2017 and 2016.

Note 7. Compensated Absences

Following is a summary of changes in compensated absences:

	2017	2016
Beginning balance	$ 148,595	$ 165,928
Increases	228,907	234,223
Decreases	(205,953)	(251,556)
Ending balance	$ 171,549	$ 148,595

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 2017 and 2016.

(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 $265,489 and $259,013 for 2017 and 2016, respectively. The Company did not pay First Transit, Inc. for any other services during 2017 and 2016.

Union contract:

CVTMC's union agreement was ratified September 1, 2016 with Local 1493 of the Amalgamated Transit Union, AFL-CIO for the period September 1, 2016 through August 31, 2019, for the services of bus operators and maintenance employees.

Completion of new facility and pending transfer of old facility:

The Company entered into contracts in 2015 to begin construction of a new operations and maintenance facility; construction was completed during fiscal year 2017. The Company is seeking the FTA's approval to allow one of the Kemper Street parcels associated with the former facility, 1305 Kemper Street, to be transferred to the City of Lynchburg. Approval is required because the property was purchased in part through federal funding. The FTA's interest is approximately $88,000 and if the parcel is transferred to a public entity, the FTA does not require the repayment of these funds. The other parcel, 1301 Kemper Street, does not require the FTA's approval in order to be transferred to the City.

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 $119,423 and $145,036 for 2017 and 2016, 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.

Note 10. Other Post-Employment Benefits (Continued)

Membership:

The participants at June 30, 2017 consist of 20 active employees; there are also four retirees who are currently receiving or are entitled to receive benefits. At June 30, 2016, there were 18 active employees and four retirees.

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 $178,000 has been earmarked for a future contribution.

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

	2017	2016
Annual required contribution	$ 38,280	$ 34,000
Adjustment to annual required contribution	293	-
Annual OPEB cost	38,573	34,000
Less contribution made (estimated benefits to current retirees)	2,403	1,000
Increase in net OPEB obligation	36,170	33,000
Net OPEB obligation – beginning of year	164,000	131,000
Net OPEB obligation – end of year	$ 200,170	$ 164,000

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan contributions, and the net OPEB obligation for 2016 and 2017 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2015	$ 34,000	3%	$ 131,000
06/30/2016	$ 34,000	3%	$ 164,000
06/30/2017	$ 38,573	4%	$ 200,170

Note 10. Other Post-Employment Benefits (Continued)

Funded status and funding progress:

The funded status of the plan as of July 1, 2017 was as follows:

Actuarial accrued liability (AAL)	$	384,258
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	384,258
Funded ratio (actuarial value of plan assets/AAL)		- %
Covered payroll (active plan members)	$	771,156
UAAL as a percentage of covered payroll		49.8%

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.

Note 11. Capital Contributions

Capital contributions consist of the following:

	2017	2016
Federal	$ 6,053,768	$ 7,100,333
State	3,692,334	3,966,410
Local	974,151	1,181,941
	$ 10,720,253	$ 12,248,684

Note 12. Contract with Liberty University

In August of 2013, the Company entered into an initial 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. The current agreement, was entered into in July 2016. The current agreement provides for automatic annual renewals provided neither party give notice of intention not to renew by April 30 each year. On May 15, 2017, addendums to the agreement were finalized for the period of July 2017 through June 2018. Additionally, for fiscal year 2017, the company leased 3 buses under a short-term lease agreement to meet service demands under the contract. This lease was not renewed for fiscal year 2018. As part of this and previous agreements, the University paid the Company $2,299,585 in 2017 and $1,234,631 in 2016, respectively.

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.

Note 14. New Accounting Standards

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

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 replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

Note 14. New Accounting Standards (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

Note 14. New Accounting Standards (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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SUPPLEMENTAL SCHEDULES

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2017

	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	$ 2,408,165	$ -	$ -	$ 2,408,165
Other salaries and wages	427,008	709,735	388,533	1,525,276
Total labor	2,835,173	709,735	388,533	3,933,441
Fringe benefits	1,323,547	331,326	181,379	1,836,252
Services				
Management services	-	-	265,489	265,489
Professional and technical services	-	-	34,032	34,032
Contract services	-	-	33,102	33,102
Medical services	14,477	-	-	14,477
Total services	14,477	-	332,623	347,100
Materials and supplies				
Diesel fuel	409,745	-	-	409,745
Motor oil	10,438	-	-	10,438
Lubricants and coolants	19,819	-	-	19,819
Gasoline	55,009	-	-	55,009
Tires and tubes	96,177	-	-	96,177
Shop and garage equipment maintenance	-	11,820	-	11,820
Shop and garage building maintenance	-	21,162	-	21,162
Other shop and garage expense	-	-	137,652	137,652
Repair parts for revenue vehicles	-	479,763	-	479,763
Servicing supplies	-	7,960	-	7,960
Schedules	6,881	-	-	6,881
Tickets and transfers	11,879	-	-	11,879
General office supplies	-	-	17,140	17,140
Safety and security	-	-	6,996	6,996
Shelters and signs	877	-	-	877
Total materials and supplies	610,825	520,705	161,788	1,293,318
Utilities				
Light, heat, power, and water	-	-	97,185	97,185
Communications	-	-	184,827	184,827
Total utilities	-	-	282,012	282,012

(Continued)

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2017

	Operations	Maintenance	General Administration	Total
Insurance				
Premiums for physical damage	$ -	$ 15,248	$ -	$ 15,248
Premiums for liability and property damage	-	-	211,232	211,232
Premiums for other insurance	-	-	20,062	20,062
Total insurance	-	15,248	231,294	246,542
Miscellaneous expenses				
Dues and subscriptions	-	-	10,025	10,025
Training, local staff	-	-	20,357	20,357
Travel expense, local staff	-	-	9,787	9,787
Advertising	-	-	9,770	9,770
Other miscellaneous expenses	-	-	46,231	46,231
Total miscellaneous expenses	-	-	96,170	96,170
Total operating expenses before depreciation	4,784,022	1,577,014	1,673,799	8,034,835
Depreciation	1,977,795	566,591	30,588	2,574,974
Total operating expenses	$ 6,761,817	$ 2,143,605	$ 1,704,387	$ 10,609,809

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2016

	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	$ 2,153,495	$ -	$ -	$ 2,153,495
Other salaries and wages	364,135	638,984	299,032	1,302,151
Total labor	2,517,630	638,984	299,032	3,455,646
Fringe benefits	1,382,580	350,904	164,216	1,897,700
Services				
Management services	-	-	259,013	259,013
Professional and technical services	-	-	28,350	28,350
Contract services	-	-	223,818	223,818
Medical services	9,705	-	-	9,705
Total services	9,705	-	511,181	520,886
Materials and supplies				
Diesel fuel	324,953	-	-	324,953
Motor oil	381	-	-	381
Lubricants and coolants	15,850	-	-	15,850
Gasoline	69,222	-	-	69,222
Tires and tubes	41,274	-	-	41,274
Shop and garage equipment maintenance	-	4,745	-	4,745
Shop and garage building maintenance	-	18,662	-	18,662
Other shop and garage expense	-	-	122,351	122,351
Repair parts for revenue vehicles	-	467,314	-	467,314
Servicing supplies	-	10,342	-	10,342
Schedules	1,770	-	-	1,770
Tickets and transfers	4,770	-	-	4,770
General office supplies	-	-	11,553	11,553
Safety and security	-	-	4,771	4,771
Shelters and signs	4,662	-	-	4,662
Total materials and supplies	462,882	501,063	138,675	1,102,620
Utilities				
Light, heat, power, and water	-	-	71,338	71,338
Communications	-	-	48,523	48,523
Total utilities	-	-	119,861	119,861

(Continued)

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2016

	Operations	Maintenance	General Administration	Total
Insurance				
Premiums for physical damage	$ -	$ 19,989	$ -	$ 19,989
Premiums for liability and property damage	-	-	202,114	202,114
Premiums for other insurance	-	-	39,143	39,143
Total insurance	-	19,989	241,257	261,246
Miscellaneous expenses				
Dues and subscriptions	-	-	23,603	23,603
Training, local staff	-	-	18,715	18,715
Travel expense, local staff	-	-	9,282	9,282
Travel expense, First Transit staff	-	-	405	405
Advertising	-	-	4,565	4,565
Registration fees, local staff	-	-	1,075	1,075
Other miscellaneous expenses	-	-	17,076	17,076
Total miscellaneous expenses	-	-	74,721	74,721
Total operating expenses before depreciation	4,372,797	1,510,940	1,548,943	7,432,680
Depreciation	1,883,537	277,047	142,702	2,303,286
Total operating expenses	$ 6,256,334	$ 1,787,987	$ 1,691,645	$ 9,735,966

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULES OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS June 30, 2017

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, 2017	$ -	$ 384,258	$ 384,258	0.00%	$ 771,156	49.80%
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%

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Award Date	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Amounts	Federal Expenditures
Department of Transportation – Federal Transit Administration: Virginia Department of Rail and Public Transportation: Federal Transit Cluster:					
Urbanized Area Formula Program	11/06/2015	20.507	VA-2016-007-00		$ 2,049,373
Capital Investment Grants	09/20/2012	20.507	VA-95-X122	$ 117,054	
	07/07/2014		VA-95-X110-01	159,442	
	09/10/2014		VA-95-X-120-00	173,132	
	04/24/2015		VA-95-X145	103,771	
	06/12/2015		VA-95-X151	287,652	
	05/18/2015		VA-34-0003	4,822,465	
	09/23/2016		VA-2016-022-00	390,252	6,053,768
					$ 8,103,141

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

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COMPLIANCE SECTION

BROWNEDWARDS
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, 2017, 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 27, 2017.

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 audit 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.**

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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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 27, 2017

BROWNEDWARDS
certified public accountants

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

Board of Directors
Greater 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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 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, 2017.

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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 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 27, 2017

GREATER LYNCHBURG TRANSIT COMPANY, INC.

SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

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, 2017

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 the Uniform Guidance.
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 were:

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

8. The **threshold for** distinguishing Type A and B programs was **$750,000**.
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.