

**GREATER RICHMOND TRANSIT COMPANY**

**FINANCIAL REPORT**

**June 30, 2020**

## CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	9
Statement of Revenues, Expenses and Changes in Net Position.....	11
Statement of Cash Flows.....	13
Notes to Financial Statements .....	15
REQUIRED SUPPLEMENTARY INFORMATION, OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS	
Schedule of Changes in Total OPEB Liability and Related Ratios.....	38
Notes to Required Supplementary Information - OPEB Benefits.....	39
Schedule of Changes in Net Pension Liability and Related Ratios.....	40
Schedule of Employer Pension Contributions.....	41
Notes to Required Supplementary Information - Pension.....	42
COMPLIANCE SECTION	
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 .....	43
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance .....	45
Schedule of Expenditures of Federal Awards .....	47
Notes to Schedule of Expenditures of Federal Awards.....	48
Schedule of Findings and Questioned Costs .....	49

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of Greater Richmond Transit Company and its blended component unit as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Greater Richmond 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Richmond Transit Company and its blended component unit as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Report on Summarized Comparative Information***

We have previously audited Greater Richmond Transit Company's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it was derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, other postemployment benefit liability information, and net pension liability information and related ratios, including contributions and related notes on pages 3 through 7 and 36 through 40 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 audits 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise GRTC's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and related notes 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 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 January 27, 2021, on our consideration of the Greater Richmond 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 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

Newport News, Virginia  
January 27, 2021

**GREATER RICHMOND TRANSIT COMPANY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

Herein contained are the audited financial statements for the year ended June 30, 2020 for the Greater Richmond Transit Company (the Company). This report contains the Company's Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. This information, in conjunction with the related notes, provides full disclosure of all the material financial operations of the Company. These statements are the representations of management, who bears the responsibility for their accuracy, completeness and fairness. Management is committed to provide accurate, concise and quality financial information to the governmental supporters, residential users of our services, and to all other interested parties. Management believes the data, as presented, is accurate in all material respects, and fairly sets forth the financial position and results of operations of the Company and makes disclosures necessary to enable the reader to gain a well-informed understanding of the financial affairs of the Company.

In June 1999, the Governmental Accounting Standards Board (GASB) issued a Statement titled, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the Company prepares and presents financial information. The statement established the current requirements and reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easy to understand and useful to the people who use governmental financial information to make decisions. The following are required by the statement:

**Statement of Net Position**

This statement is designed to display the financial position of the Company. This statement reports all assets, including capital assets and infrastructure, and liabilities of the Company.

**Statement of Revenues, Expenses and Changes in Net Position**

This statement reports revenues and expenses in a format that focuses on the entire operating results of the Company. Other non-operating revenues, operating contributions and capital asset transactions are also included in this statement.

**Statement of Cash Flows**

This statement shows the actual cash inflows and outflows of the Company using the direct method of presentation.

Management's discussion and analysis regarding the results of operations and financial position as of June 30, 2020 and 2019, and for the years then ended follows.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**Results of Operations**

	<u>2020</u>	<u>2019</u>
Passenger revenue	\$ 5,051,406	\$ 6,786,716
Governmental purchased service	8,938,765	8,668,761
Charter revenue	55,692	85,142
Special service revenue	1,619,166	1,335,206
Advertising revenue	<u>894,244</u>	<u>1,030,912</u>
 Total operating revenues	 <u>16,559,273</u>	 <u>17,906,737</u>
 Salaries and wages	 24,642,765	 21,915,057
Employee benefits and payroll taxes	18,885,774	16,484,178
Fees and services	2,414,345	3,169,081
Materials and supplies	6,879,189	6,345,305
Utilities	603,151	586,934
Insurance	2,008,059	2,208,190
Purchased transportation services	5,004,815	5,154,779
Other	1,028,350	1,285,275
CARES Act expenses	489,263	-
Depreciation and amortization	<u>10,449,040</u>	<u>10,682,610</u>
 Total operating expenses	 <u>72,404,751</u>	 <u>67,831,409</u>
 Operating loss	 (55,845,478)	 (49,924,672)
Other non-operating revenues	398,621	1,416,094
Operating contributions	39,639,408	34,933,141
Capital grant contributions	2,265,934	11,213,756
Gain on disposal of capital assets	42,074	66,075
Transfer of BRT assets to the City of Richmond	<u>-</u>	<u>(7,429,588)</u>
 Change in net position	 <u>(13,499,441)</u>	 <u>(9,725,194)</u>
 Net position, beginning of year	 <u>54,197,182</u>	 <u>63,922,376</u>
 Net position, end of year	 <u>\$ 40,697,741</u>	 <u>\$ 54,197,182</u>

**Results of Operations**

The Company's results of operations for the year ended June 30, 2020, reflect a decrease in total net position of \$13,499,441.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**Results of Operations (Continued)**

All services provided by the Company are dependent upon the availability of operating revenues, non-operating revenues, operating contributions and capital grant contributions. Operating revenues include passenger revenue from transit and CARE ticket sales, along with farebox recoveries; governmental revenues in the form of purchase-of-service agreements with local governments; charter revenue for charter services provided through local transportation companies; special service revenue in the form of contract business with local universities; and advertising revenue from sales of various bus advertising displays. Much of the funding is based directly on service levels and ridership. During its first year of operation in FY2019, the BRT Pulse ridership doubled initial projections. Along with the system redesign, total ridership experienced double digit growth which resulting in increased passenger revenues.

However, from March through June 2020 with the onset of the COVID-19 pandemic, ridership decreased between 30% to 40% overall, which netted a total annual decrease in ridership for FY 2020 of 2.25% below FY 2019 numbers. Due to complications surrounding the COVID-19 pandemic, the Company stopped charging fares in March 2020. This the largest contributing factor for the decrease in operating revenues in FY2020, with farebox revenue decreasing by 25.19% even though total ridership for the year compared to FY2019 was only slightly down by 2.25%.

Governmental purchased service revenue increased slightly in FY 2020 by \$270,004, a result of increased service in Henrico and Chesterfield Counties. Charter revenue decreased in FY 2020 compared to FY 2019. The demand for charters was down slightly for FY 2020 due to reduced demands of businesses in Spring of 2020 under COVID pandemic restrictions. Special service revenue increased in FY 2020 by \$283,960, due to the contract with Virginia Commonwealth University. Advertising revenue decreased in FY 2020 by \$136,668, because of economic struggles of small businesses during the pandemic slowdown and shutdown. GRTC has engaged with Bon Secours and Virginia Commonwealth University as sponsors for the Pulse Corridor.

A significant contribution to the decrease in GRTC's net position is the result of a \$4.6M increase in operating expenses due to GASB 68 required pension reporting increase of \$1.6M, additional pay for COVID-19 front-line workers for approximately \$1M, with the remaining \$2M pertaining to mandatory increases in the current labor contract and annual cost of living increases for salaried employees, along with applicable payroll taxes and pension match. The Pension committee continues to consider changes to the plan document that will improve the position of the overall funding and reduce the overall unfunded liability and minimize its impact on the net position of the Company.

Fees and services decreased in FY 2020 by \$754,736, primarily due to decreased marketing activity for the BRT Pulse media purchases and Richmond Transit Network Plan expenses. Materials and supplies increased in FY 2020 by \$533,884, primarily due to increased fleet repairs for rolling stock and support vehicles and increased costs of COVID PPE and cleaning supplies. Utilities costs were up in FY 2020 by \$16,217. Insurance costs decreased during FY 2020 by \$200,131, a result of decreased claims payout.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**Results of Operations (Continued)**

Purchased transportation costs decreased in FY 2020 by \$149,964. Specialized service includes the paratransit (CARE) service, Care on Demand, as well as the welfare-to-work (CVAN) service. GRTC provided an optional premium service "Care on Demand" that supports the paratransit eligible participant to book their services the same day with singular occupancy for their trip. This service reduces the overall cost per trip and was a portion of the cause for the decreased expenses. However, the primary cause of decreased expenses was the result of significantly reduced demand from March through June 2020 with the on-set of the COVID pandemic. Demand for CARE service dropped by over 50% during this period which resulted in a significant reduction in expenses. This was offset by using specialized services to support fixed route services during the pandemic in order to reduce passenger load per vehicle.

Other operating expenses decreased in FY 2020 by \$256,925, due to decreased advertising and promotion expenses at the end of FY2020 when COVID began to surge in the region. The Company incurred CARES Act expenses of \$489,263, which consisted of wipes, sanitizers, masks, gloves, bus barriers, shields and additional labor for sanitation of buses. These expenses represent three and a half months of need for the period between March and June 2020..

Other non-operating revenues include interest on cash temporarily idle during the year that is invested in a highly liquid investment portfolio with the Virginia Local Government Investment Pool (LGIP) and other income not part of the ordinary income from operations. Other non-operating revenues decreased in FY 2020 by \$1,017,473, primarily due to the net overstating of Federal grant funding received in advance on June 30, 2018. During FY2019, the balance was corrected causing an increase in earned revenue, which caused the FY 2019 revenues to be overstated. The non-operating revenues are expected to remain flat or decrease in FY 2021. Interest rates continue to remain flat with no change predicted for the next fiscal year.

Operating contributions, which approximated 55% in FY 2020 and 51% in FY 2019 of operating expenses, respectively, came directly from various governmental grant subsidies from the Federal Transit Administration (FTA), City of Richmond, Virginia Department of Rail and Public Transportation (State) and other local organizations. Funding from the Federal Government increased by \$2,502,191 in FY 2020. This increase is due to additional operating expense caused by the COVID-19 pandemic and other federally eligible expenses for reimbursement. GRTC anticipates federal funding to increase for FY 2021 specifically associated with COVID related legislation and relief. City funding increased for FY 2020 by \$749,117, while State funding increased by \$1,422,117.

Capital grant contributions are used to purchase nearly all capital assets of the Company and include funding from the Federal Transit Administration, City of Richmond, and the Virginia Department of Rail and Public Transportation. Capital grant contributions decreased in FY 2020 by \$8.9M for three reasons. First, contributions decreased because of the completion BRT Pulse project along Broad Street in FY2019. Second, the reduction in FY2020 was caused due to the reduced staff capacity to execute capital projects with the onset of COVID-19. And third, the reduction was caused due to a pause in the ongoing conversion of the diesel fleet to CNG vehicles. While the Company continues to focus on converting its diesel fleet to a Compressed Natural Gas (CNG) fleet which accounted for a large capital contribution in FY2019, GRTC did not take delivery of any compressed natural gas vehicles in FY 2020. The change in capital grant position from FY2019 to FY2020 was offset by the transfer of the BRT assets of \$7.4M in FY 2019.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**Results of Operations (Continued)**

	<b>Financial Position</b>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 27,546,292	\$ 30,732,861
Capital assets	<u>77,255,496</u>	<u>85,458,561</u>
Total assets	<u>104,801,788</u>	<u>116,191,422</u>
Deferred outflows	<u>30,138,288</u>	<u>9,789,698</u>
Current liabilities	9,278,423	13,312,526
Long-term liabilities	<u>75,771,238</u>	<u>49,769,114</u>
Total liabilities	<u>84,989,661</u>	<u>63,081,640</u>
Deferred inflows	<u>9,252,674</u>	<u>8,702,298</u>
Net investment in capital assets	77,255,496	85,458,561
Restricted	2,719,786	2,719,786
Unrestricted	<u>(39,277,541)</u>	<u>(33,981,165)</u>
Net position	<u>\$ 40,697,741</u>	<u>\$ 54,197,182</u>

**Financial Position**

Current and other assets decreased by \$3,186,569, primarily due to receipt of grant funding for the BRT Pulse project. Capital assets decreased by \$8,203,065, primarily due to the annual depreciation and amortization of our capital assets. Current liabilities decreased by \$4,034,103, due to the final payment of BRT Pulse related invoices at the beginning of FY2020. Long-term liabilities increased by \$26,002,124, primarily due to the pension liability.

**Requests for Information**

The financial report is designated to provide our customers, investors and creditors with general overview of GRTC's finances and to show the Company's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 301 East Belt Boulevard, Richmond, Virginia 23224.

**GREATER RICHMOND TRANSIT COMPANY**

**STATEMENT OF NET POSITION**

**June 30, 2020**

	<b>2020</b>	<b>For Comparative Purposes Only 2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 7,893,075	\$ 8,521,779
Receivables:		
Grants (Note 4)	7,200,315	8,847,847
Trade	501,367	502,508
Other	1,447,193	2,152,628
Total receivables	9,148,875	11,502,983
Allowance for doubtful accounts	(12,622)	(20,178)
Net receivables	9,136,253	11,482,805
Prepaid expenses	1,143,680	1,224,430
Total current assets	18,173,008	21,229,014
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents (Notes 3 and 5)	2,719,786	2,719,786
<b>OTHER ASSETS</b>		
Materials and supplies	880,532	861,095
Cash and cash equivalents, board-designated (Notes 3 and 8)	5,772,966	5,922,966
Total other assets	6,653,498	6,784,061
Capital assets, net (Note 5)	77,255,496	85,458,561
Total assets	104,801,788	116,191,422
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals (Note 6)	28,799,531	8,573,235
Other post-employment benefit deferrals (Note 14)	1,338,757	1,216,463
Total deferred outflows of resources	30,138,288	9,789,698
Total assets and deferred outflows	\$ 134,940,076	\$ 125,981,120

The Notes to Financial Statements are an integral part of this statement.

**GREATER RICHMOND TRANSIT COMPANY**

**STATEMENT OF NET POSITION**

(Continued)

June 30, 2020

	<u>2020</u>	<u>For Comparative Purposes Only 2019</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,887,889	\$ 9,531,440
Accrued expenses:		
Salaries and wages	1,135,968	491,647
Payroll taxes	96,144	37,050
Retirement contribuitons	161,205	43,733
Accrued uninsured accident claims (Note 7)	350,650	385,675
Other accrued expenses	811,928	498,079
Unearned revenue	518,642	648,688
Grant funding received in advance:		
Federal	39,028	39,028
Local	1,733,869	1,094,086
Note payable, City of Richmond	543,100	543,100
	<hr/>	<hr/>
Total current liabilities	9,278,423	13,312,526
	<hr/>	<hr/>
<b>LONG-TERM LIABILITIES</b>		
Pollution remediation obligation (Note 15)	-	150,000
Other post-employment benefits (Note 14)	3,719,520	3,079,965
Net pension liability (Note 6)	71,991,718	46,539,149
	<hr/>	<hr/>
Total long-term liabilities	75,711,238	49,769,114
	<hr/>	<hr/>
Total liabilities	84,989,661	63,081,640
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals (Note 6)	9,233,224	8,676,141
Other post-employment benefit deferrals (Note 14)	19,450	26,157
	<hr/>	<hr/>
Total deferred inflows of resources	9,252,674	8,702,298
	<hr/>	<hr/>
<b>NET POSITION</b>		
Net investment in capital assets	77,255,496	85,458,561
Restricted (Notes 3 and 5)	2,719,786	2,719,786
Unrestricted	(39,277,541)	(33,981,165)
	<hr/>	<hr/>
Total net position	40,697,741	54,197,182
	<hr/>	<hr/>
Total liabilities, deferred inflows, and net position	<u>\$ 134,940,076</u>	<u>\$ 125,981,120</u>

The Notes to Financial Statements are an integral part of this statement.

**GREATER RICHMOND TRANSIT COMPANY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2020**

	<u>2020</u>	<u>For Comparative Purposes Only 2019</u>
<b>OPERATING REVENUES</b>		
Passenger	\$ 5,051,406	\$ 6,786,716
Governmental purchased service	8,938,765	8,668,761
Charter	55,692	85,142
Special service	1,619,166	1,335,206
Advertising	894,244	1,030,912
	<hr/>	<hr/>
Total operating revenues	16,559,273	17,906,737
<b>OPERATING EXPENSES</b>		
Salaries and wages	24,642,765	21,915,057
Employee benefits and payroll taxes	18,885,774	16,484,178
Fees and services	2,414,345	3,169,081
Materials and supplies	6,879,189	6,345,305
Utilities	603,151	586,934
Insurance and provision for uninsured accident claims	2,008,059	2,208,190
Purchased transportation services (Note 13)	5,004,815	5,154,779
Other	1,028,350	1,285,275
COVID-19 expense	489,263	-
Depreciation and amortization	10,449,040	10,682,610
	<hr/>	<hr/>
Total operating expenses	72,404,751	67,831,409
	<hr/>	<hr/>
Operating loss	(55,845,478)	(49,924,672)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Operating contributions:		
Federal Transit Administration	8,349,969	8,979,889
Federal Transit Administration CARES funds	3,132,111	-
City of Richmond	15,915,368	15,166,251
Virginia Department of Rail and Public Transportation	10,322,984	10,067,313
Virginia Department of Rail and Public Transportation - CMAQ	667,506	669,097
Virginia Department of Rail and Public Transportation emergency funding	1,168,037	-
Other local organizations	83,433	47,885
In-kind contributions	-	2,706
	<hr/>	<hr/>
Total operating contributions	39,639,408	34,933,141
	<hr/>	<hr/>

The Notes to Financial Statements are an integral part of this statement.

**GREATER RICHMOND TRANSIT COMPANY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2020**

(Continued)

	<b>2020</b>	<b>For Comparative Purposes Only 2019</b>
Capital transactions:		
Capital grant contributions	\$ 2,265,934	\$ 11,213,756
Gain on disposal of capital assets	42,074	66,075
Transfer of BRT assets to the City of Richmond	-	(7,429,588)
Total capital transactions	2,308,008	3,850,243
Other income:		
Interest income	237,028	324,745
Other income	161,593	1,091,349
Total other income	398,621	1,416,094
Total nonoperating revenues (expenses)	42,346,037	40,199,478
Change in net position	(13,499,441)	(9,725,194)
Net position, beginning of year	54,197,182	63,922,376
Net position, end of year	\$ 40,697,741	\$ 54,197,182

The Notes to Financial Statements are an integral part of this statement.

**GREATER RICHMOND TRANSIT COMPANY**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2020**

	<u>2020</u>	<u>For Comparative Purposes Only 2019</u>
<b>OPERATING ACTIVITIES</b>		
Receipts from passengers	\$ 5,044,991	\$ 7,079,832
Governmental purchased service receipts	9,644,200	7,653,520
Other receipts	2,439,056	3,063,647
Payments to employees	(23,998,444)	(22,027,064)
Payment to employee benefits and payroll taxes	(12,531,253)	(12,249,519)
Payments to suppliers and others	(23,764,631)	(13,163,127)
	<u>(43,166,081)</u>	<u>(29,642,711)</u>
<b>INVESTING ACTIVITIES</b>		
Interest income	<u>237,028</u>	<u>324,745</u>
<b>FINANCING ACTIVITIES</b>		
Purchase of capital assets	(2,265,934)	(11,240,507)
Proceeds from disposal and sale of capital assets	62,033	104,994
Capital grants related local contributions	<u>2,265,934</u>	<u>11,213,756</u>
	<u>62,033</u>	<u>78,243</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Operating contributions from federal, state, and local sources	41,926,723	28,847,588
Miscellaneous nonoperating revenue received	<u>161,593</u>	<u>1,091,349</u>
	<u>42,088,316</u>	<u>29,938,937</u>
Increase (decrease) in cash and cash equivalents	(778,704)	699,214
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>17,164,531</u>	<u>16,465,317</u>
End of year	<u>\$ 16,385,827</u>	<u>\$ 17,164,531</u>
<b>SUMMARY OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents, current	\$ 7,893,075	\$ 8,521,779
Cash and cash equivalents, restricted	2,719,786	2,719,786
Cash and cash equivalents, board designated	<u>5,772,966</u>	<u>5,922,966</u>
	<u>\$ 16,385,827</u>	<u>\$ 17,164,531</u>

The Notes to Financial Statements are an integral part of this statement.

**GREATER RICHMOND TRANSIT COMPANY**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2020**

**(Continued)**

	<u>2020</u>	<u>For Comparative Purposes Only 2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (55,845,478)	\$ (49,924,672)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	10,449,040	10,682,610
Pension expense, net of employer contributions	5,783,356	4,223,152
OPEB expense	510,554	347,183
Change in current assets and liabilities:		
Receivables, other, net	699,020	(722,125)
Prepaid expenses	80,750	(207,589)
Materials and supplies	(19,437)	89,738
Accounts payable	(5,643,551)	5,380,774
Accrued expenses	949,711	(124,169)
Unearned revenue	(130,046)	612,387
	<u>                    </u>	<u>                    </u>
Net cash used by operating activities	<u>\$ (43,166,081)</u>	<u>\$ (29,642,711)</u>

The Notes to Financial Statements are an integral part of this statement.

# GREATER RICHMOND TRANSIT COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 1. Organization

#### Reporting entity

Greater Richmond Transit Company (the Company or GRTC) is a public service corporation incorporated on April 12, 1973, and organized to provide mass transportation services to the Richmond Metropolitan area. The Company began operations on September 1, 1973, by purchasing the assets of the Virginia Transit Company. The Company is a joint venture between the City of Richmond and County of Chesterfield, Virginia to provide mass transportation for passengers on a regional basis and associated para-transit service mandated by the Americans with Disabilities Act for the purposes of providing continuous services within and between the jurisdictions of the City of Richmond, Chesterfield County and Henrico County. The Company is governed by a six-member board of directors; three of which are appointed by the City of Richmond and three of which are appointed by Chesterfield County.

The accompanying annual financial report includes the financial activities of the Company, and its blended component unit, Ridefinders. Financial information for the Company and the blended component unit is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Government Accounting Standards Board.

#### Blended Component Unit

Greater Richmond Transit Company is non-stock, non-profit corporation established to foster community participation in the Greater Richmond, Virginia area in ridesharing activities, including carpools, vanpools, and traditional transit. Ridefinders is the regional non-profit ridesharing and transportation demand management agency that works to move more commuters in fewer vehicles throughout the Central Virginia region to protect air quality and increase the efficiency of the region's transportation network. The Company and Ridefinders have a financial and operational relationship which requires that Ridefinders' financial statements be blended into the Company's financial statements. Condensed combining financial statements for the Company and its blended component unit are presented in Note 18.

### 2. Summary of Significant Accounting Policies

The accounting policies affecting the significant elements of the financial statements are as follows:

- The financial statements are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting wherein all assets and liabilities associated with the operation of these activities are included in the statement of net position.

The financial statements of the Company are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Company applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In June 1999, the GASB issued a statement titled, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the Company prepares and presents financial information. The statement established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports easy to understand and useful to the people who use governmental financial information to make decisions and includes:

(Continued)

# GREATER RICHMOND TRANSIT COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Summary of Significant Accounting Policies (Continued)

#### Management's Discussion and Analysis

The reporting model statement requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

#### Statement of net position

This statement is designed to display the financial position of the governmental entity. Governments report all assets, including capital assets and infrastructure, in the statement of net position.

#### Statement of revenues, expenses and changes in net position

This statement reports revenues and expenses in a format that focuses on the entire operating results of the governmental entity. Capital asset transactions are included in this statement.

#### Statement of cash flows

This statement is displayed using a direct format whereby actual cash inflows and outflows are presented.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Revenues and expenses

Passenger fares, charter, special service and advertising revenues are recorded as revenue at the time such services are performed. Revenues from governmental grants are earned when the expenses related to the grants are incurred.

Governmental purchased service is comprised of funds received from the County of Henrico to subsidize the operation of bus routes in the County and to provide specialized transportation services for the disabled in Henrico. These services also include funds received from the City of Richmond and surrounding localities to provide transportation services, including welfare-to-work.

The Company reports as nonoperating revenues and expenses amounts arising from capital asset transactions, operating grant contributions from governmental entities, investment related transactions and miscellaneous nonoperating revenues and expenses.

Operating losses are subsidized in part by operating grants from the Federal Transit Administration (FTA), the Virginia Department of Rail and Public Transportation (VDRPT), and the City of Richmond. The funding from VDRPT is for fuel, tires, maintenance parts and supplies and administrative expenses. Among other requirements of the FTA grants, state and local governments must provide a certain matching share of funds and/or support (as defined by FTA guidelines) for operating assistance. The FTA, state and city grants are subject to financial and compliance audits. Such audits could result in requests for reimbursement to the granting agency for expenditures disallowed under the terms of the grants.

(Continued)

# GREATER RICHMOND TRANSIT COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Summary of Significant Accounting Policies (Continued)

#### Cash and cash equivalents

Cash and cash equivalents include short term, highly liquid investments with initial maturities of three months or less. Designated cash at June 30, 2020, represents funds reserved by the Board of Directors for environmental remediation for its former maintenance and administrative facility and a contingency fund for unforeseen events. Restricted cash at June 30, 2020, also includes funds restricted for future eligible capital projects as required by FTA.

#### Trade receivables

Trade accounts receivable primarily represent amounts due from charge sale customers on the sale of passenger Go-Cards. The Company grants credit to customers, substantially all of whom are businesses located in the vicinity of the operating locations. The Company provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

#### Materials and supplies

Materials and supplies, consisting primarily of replacement parts for transit equipment, are stated at cost using the moving-average cost method wherein after each goods acquisition, the average unit cost of an item is recomputed by adding the cost of the newly acquired goods or units to the cost of the units already in inventory.

#### Capital assets

The Company's capital assets with useful lives of more than one year are stated at historical cost. The Company does not possess infrastructure. The Company generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded as a capital transaction on the statement of revenues, expenses, and changes in net position.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Company to conclude that impairment indicators exist and that long-lived assets may be impaired.

Depreciable assets are depreciated over the following estimated useful lives:

Buildings	10 to 30 years
Buses, vans, vehicles	10 years
Bus stop and parking facilities	10 years
Shop and garage equipment	10 years
Office furniture and equipment	5 years
Software	5 years
Bus communication and other equipment	5 years

(Continued)

# GREATER RICHMOND TRANSIT COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Summary of Significant Accounting Policies (Continued)

#### Grants

Grant funding received in advance represents grant assets received but for which revenue recognition criteria has not yet been met (i.e. funds have not yet been spent for grant-related purposes).

#### Note payable

The note payable - City of Richmond is a non-interest bearing unsecured note, which is due on demand. At June 30, 2020, the fair value of the indebtedness approximates the amount recorded in the financial statements.

#### Advertising costs

Advertising costs are expensed when incurred.

#### Income taxes

The Company, as an instrumentality of the City of Richmond and the Counties of Chesterfield and Henrico, is exempt from federal and state income taxes.

### 3. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checking accounts, and the Virginia Local Government Investment Pool (LGIP). All investment accounts maintained by the Company must abide by the general investment criteria established by the Commonwealth of Virginia for public funds.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the Company's deposits may not be returned or the Company will not be able to recover collateral securities in the possession of an outside party. Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Company's investment in a single issuer. Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In order to minimize its exposure to all five of these risks, the Company has a policy of complying with the investment guidelines established by the Commonwealth of Virginia for public funds.

At June 30, 2020, the carrying value of the Company's deposits with banks and LGIP was \$16,469,916. The entire bank and LGIP balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act ("Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**3. Cash and Cash Equivalents (Continued)**

The carrying value of the Company's cash equivalents consists of the following at June 30, 2020:

Virginia Local Government Investment Pool	\$ 14,534,392
Bank deposits (checking accounts)	1,731,661
Petty cash funds	<u>119,819</u>
Total cash equivalents	<u>16,385,872</u>
Restricted for Future Eligible Capital Projects as Required by FTA - represents the federal interest in the sale proceeds of the former maintenance and administrative facility (Note 5)	(2,719,786)
Board designated (Note 8)	<u>(5,772,966)</u>
Unrestricted and undesignated	<u>\$ 7,893,075</u>

**4. Grants Receivable**

Federal, state and local grants receivable consist of the following at June 30, 2020:

Department of Transportation - Federal Transit Administration	\$ 5,958,225
Virginia Department of Rail and Public Transportation	<u>1,242,090</u>
Total grants receivable	<u>\$ 7,200,315</u>

**5. Capital Assets**

During the year ended June 30, 2010, upon completion of the new maintenance and administrative facility, the Company recorded an asset impairment loss in the amount of \$1,100,000, which represented the remaining book value of the old maintenance and administrative facility. During the subsequent years, the asset impairment loss increased \$1,002,509 and totaled \$2,102,509 at June 30, 2015. During the year ended June 30, 2016, upon sale of the old maintenance and administrative facility, the Company removed the book value of the old maintenance and administrative facility and removed the impairment loss reserve in the amount of \$2,102,509. In connection with the sale, in accordance with FTA regulations, \$2,719,786 of the sale proceeds represents the federal interest in the proceeds and is restricted for future eligible capital projects.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**5. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>Balance at June 30, 2020</u>
Capital assets not subject to depreciation:				
Land	\$ 2,644,056	\$ -	\$ -	\$ 2,644,056
Construction in progress	<u>194,624</u>	<u>-</u>	<u>-</u>	<u>194,624</u>
Total capital assets not subject to depreciation	<u>2,838,680</u>	<u>-</u>	<u>-</u>	<u>2,838,680</u>
Capital assets subject to depreciation:				
Buildings	53,505,971	-	-	53,505,971
Buses, vans, vehicles	74,802,098	1,346,966	(522,141)	75,626,923
Bus stop and parking facilities	3,919,080	279,000	-	4,198,080
Shop and garage equipment	821,438	-	-	821,438
Office furniture and equipment	8,825,104	16,313	-	8,841,417
Software	1,979,867	53,880	-	2,033,747
Bus communications and other equipment	<u>7,895,816</u>	<u>569,775</u>	<u>-</u>	<u>8,465,591</u>
Total capital assets subject to depreciation	<u>151,749,374</u>	<u>2,265,934</u>	<u>(522,141)</u>	<u>153,493,167</u>
Accumulated depreciation:				
Buildings	(17,532,576)	(1,764,129)	-	(19,296,705)
Buses, vans, vehicles	(36,510,637)	(6,518,254)	502,182	(42,526,709)
Bus stop and parking facilities	(2,317,579)	(397,247)	-	(2,714,826)
Shop and garage equipment	(641,417)	(34,670)	-	(676,087)
Office furniture and equipment	(8,276,767)	(146,375)	-	(8,423,142)
Software	(593,569)	(432,604)	-	(1,026,173)
Bus communication and other equipment	<u>(3,256,948)</u>	<u>(1,155,761)</u>	<u>-</u>	<u>(4,412,709)</u>
Total accumulated depreciation	<u>(69,129,493)</u>	<u>(10,449,040)</u>	<u>502,182</u>	<u>(79,076,351)</u>
Total capital assets subject to depreciation, net	<u>82,619,881</u>	<u>(8,183,106)</u>	<u>(19,959)</u>	<u>74,416,816</u>
Total capital assets, net	<u>\$ 85,458,561</u>	<u>\$ (8,183,106)</u>	<u>\$ (19,959)</u>	<u>\$ 77,255,496</u>

(Continued)

# GREATER RICHMOND TRANSIT COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 6. Retirement Plans

The operating company, Old Dominion Transit Management Company, has four retirement plans covering substantially all employees. One plan, an Internal Revenue Service Code Section 401 (a) deferred compensation plan, which is noncontributory and covers qualified salaried employees, is funded as accrued. The second and third plans, started during 2002, are contributory Internal Revenue Code Section 457(b) deferred compensation plans available to certain eligible employees. The fourth plan is described in the succeeding paragraphs. The assets of the plans are required to be held in trust. Based on the plans' governmental status, the Company's obligation under the plans is limited to its contributions. The aggregate contributions for these plans were \$2,472,216 during the year ended June 30, 2020, and are included in employee benefits and payroll taxes on the statement of revenues, expenses and changes in net position.

#### Plan description

The fourth plan mentioned in the preceding paragraph, the Old Dominion Transit Employees Disability and Retirement Allowance Plan ("the Plan"), is a single-employer defined benefit plan and is maintained pursuant to agreements between Old Dominion Transit Management Company and Local 1220 of the Amalgamated Transit Union. The Plan is administered by a committee of four persons, two appointed by the Company and two by the Local 1220. The Plan covers substantially all of the employees covered under the collective bargaining agreement between Old Dominion Transit Management Company and Local 1220 who have completed 60 days of service, and also includes certain employees who are not members of Local 1220. Effective August 1, 2002, the Plan will not cover any person who is not covered by the collective bargaining unit represented by Local 1220 and is (1) hired on and after August 1, 2002 or (2) a member of the Plan as of September 30, 2002, who, on or before October 31, 2002, irrevocably waived further membership in the Plan after September 30, 2002. Participants are eligible for retirement after either (a) attaining age 55 and completing a sufficient period of continuous service with the Company so that the total of their age and their length of service is 85 or more or (b) attaining age 62 and completing 5 years of continuous service. At January 1, 2019, there were 323 current active members in the Plan. At January 1, 2019, 205 retirees and beneficiaries were receiving benefits from the Plan. At January 1, 2019, there were nine terminated employees who are entitled to unaccrued benefits. Any participant with at least five years of service who terminates employment may elect to either (a) be paid their accumulated contributions with interest or (b) leave their contributions in the fund and become fully vested in the benefits they had accrued to the date of termination.

#### Benefit formula

A formula is used to determine monthly benefits upon retirement. The retirement benefit formula is computed as 1.5% of the participant's highest four-year average monthly compensation multiplied by the number of years of the participant's continuous service, subject to a monthly minimum benefit of \$222 for participants in the Plan as of October 1, 2000. Each retirement and disability allowance being paid may be adjusted to reflect increases in the consumer price index that have occurred during the preceding year, subject to a maximum increase of 4% per year.

(Continued)

## GREATER RICHMOND TRANSIT COMPANY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 6. Retirement Plans (Continued)

##### Status of plan as a governmental plan

By letter dated April 18, 1978, the Pension Benefit Guaranty Corporation determined that the Plan was a governmental plan under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA). By ruling dated May 29, 1979, the Internal Revenue Service determined that the Plan was a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code. By letter dated January 23, 1981, the Department of Labor issued an advisory opinion that the Plan was a governmental plan within the meaning of Section 414(d) to most of the provisions of ERISA 3(32) of ERISA. A governmental plan is not subject to most of the provisions of ERISA.

##### Publicly available report

The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the Old Dominion Transit Employees Disability and Retirement Allowance Plan. The financial report may be obtained through management of the Company. The Plan's fiduciary net position disclosed herein has been determined on the same basis as that used by the Plan.

The Plan's separate financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Retirement and termination benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. If available, quoted market prices are used to value investments. Securities traded on a national or international exchange are valued at the last reported sales price at existing exchange rates. Bonds with no quoted market value are generally valued by comparison with comparable securities with similar yields and ratings. Investments that do not have an established market are reported at estimated fair value. Appreciation and depreciation on assets held for investment during the year are based on the fair value at the end of the Plan year as compared to the fair value at the beginning of the Plan year for investments acquired in a previous Plan year. For investments acquired during the year, appreciation and depreciation are calculated by determining the difference between fair value at the end of the Plan year and the cost basis of the investments. Gain or loss on investments disposed of (realized) during the year is calculated by comparing the sales proceeds with the cost basis for all investment disposals. Interest income is recorded on the accrual basis.

##### Funding policy

The cost of providing retirement and disability benefits under the Plan is shared between the Company and the employee. The collective bargaining process between the Company and the Local 1220 determines the amount of contribution that the employee must contribute for plan benefits. The portion of such aggregate contributions to be contributed by the Company for participants who are not members of the bargaining unit represented by Local 1220, is determined by the Company. In no event, however, may the monthly contribution made by any member be less than \$25. Contribution rates are shown below:

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**6. Retirement Plans (Continued)**

Funding policy (Continued)

<u>Effective Date</u>	<u>Bargained</u>		<u>Non-Bargained</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
October 1, 2017	8.0%	10.0%	4.0%	13.0%
April 1, 2018	8.0%	10.0%	4.0%	14.0%
July 1, 2018	8.0%	11.5%	4.0%	14.0%
October 1, 2018	8.0%	11.5%	4.0%	14.0%
October 1, 2019	8.0%	12.0%	4.0%	14.0%

Contributions are vested after five years of continuous service with the Company (ten years prior to October 1, 2000, and fifteen years prior to October 1, 1997).

Actuarial valuation

In the latest actuarial valuation as of December 31, 2019, the consulting actuaries, Milliman, Inc., reported a total pension liability of \$108,512,066. This accrued liability less the value of the trust fund of \$36,520,348 at December 31, 2019, results in a net pension liability of \$71,991,718. The actuarial value of assets as a percentage of the actuarial pension liability (funded ratio) was 33.66% at December 31, 2019. The 2019 annual covered payroll was \$16,448,830. The ratio of the net pension liability to annual covered payroll was 437.67% for 2019.

No Plan provisions have changed since the last actuarial valuation.

According to the actuaries, future contributions to be made by or on behalf of present members at current rates will not be sufficient to fund their benefits without any subsidization from future entrants, provided that future experience parallels that anticipated under the current actuarial assumptions. Management of the Plan intends to continue the funding policy as presented. However, management of the Plan intends to review the funding status of the Plan, in consultation with the actuaries, to ensure the sufficiency of Plan assets to satisfy all future obligations of the Plan.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**6. Retirement Plans (Continued)**

Changes in net pension liability

	<b>Total Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances at December 31, 2018	\$ 78,337,747	\$ 31,798,598	\$ 46,539,149
Changes for the year:			
Service cost	3,409,609	-	3,409,609
Interest	3,370,599	-	3,370,599
Effect of economic/demographic gains or losses	(2,818,974)	-	(2,818,974)
Difference between expected and actual experience	31,264,920	-	31,264,920
Contributions, employer	-	2,171,361	(2,171,361)
Contributions, employee	-	1,381,914	(1,381,914)
Net investment income	-	6,249,173	(6,249,173)
Benefit payments, including refunds of employee contributions	(5,051,835)	(4,975,690)	(76,145)
Administrative expense	<u>-</u>	<u>(107,011)</u>	<u>107,011</u>
Net changes	<u>30,174,319</u>	<u>4,721,750</u>	<u>25,452,569</u>
Balances at December 31, 2019	<u>\$108,512,066</u>	<u>\$ 36,520,348</u>	<u>\$ 71,991,718</u>

Actuarial assumptions

The significant assumptions and other inputs used to measure the total pension liability are as follows:

Discount Rate	3.13%
Long term expected rate of return, net of investment expense	6.50%
Bond buyer general obligation 20-bond municipal bond index	2.74%

The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the Plan's fiduciary net position is not projected to be sufficient.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**6. Retirement Plans (Continued)**

Actuarial assumptions (Continued)

Other key actuarial assumptions:

Valuation date	January 1, 2019
Measurement date	December 31, 2019
Inflation	3.00%
Salary increases including inflation	12% per year for participants with less than four years of service and service and 4.5% per year for participants with at least four years of service
Active and healthy inactive mortality	Rates from the separate Pub-2010 General Mortality tables for employees, retirees, survivors, and disabled participants generationally projected using Projection Scale MP-2019.
Actuarial cost method cost of	Entry age normal
Cost of living adjustments	None
Disabled mortality	Pub-2010 General Mortality tables for disabled participants generationally projected using Projection Scale MP-2019
Termination rate	30% at 1 year of service 20% at 2 years of service 15% between 2 and 4 years of service 4% at 4 year or service or greater
Retirement rate	10% at age 55 5% at ages 56 to 59 10% at ages 60 and 61 70% at age 62 40% at age 63 20% at age 64 100% at age 65

(Continued)

## GREATER RICHMOND TRANSIT COMPANY

### NOTES TO FINANCIAL STATEMENTS June 30, 2020

#### 6. Retirement Plans (Continued)

##### Depletion date projection

In order to determine if the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments, the actuaries prepared a depletion date projection using the following techniques and assumptions:

- Current active members contribute the required employee contribution amounts.
- The Company contributes 10% of compensation for bargained employees and 13% of compensation for non-bargained employees.
- Benefit payments are projected based on the actuarial assumption and the current plan provisions.
- Members are assumed to receive pay increases, terminate, retire, become disabled, die, and so forth according to the actuarial assumptions used for the January 1, 2019 valuation.
- Terminating and retiring members will be replaced with new employees.
- Current administrative expenses are assumed to increase by 3.00% per year.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.5%.
- The tax-exempt, high quality general obligation municipal bond index rate is 2.74%.
- The funding policy used to determine actuarially determined contributions does not change.
- The actuarial assumptions do not change.
- The plan provisions do not change except if any material future changes have been agreed upon as of the measurement date.

##### Long-term expected rate of return

- The best estimate range for the long-term expected rate of return was determined by the actuaries by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2019.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**6. Retirement Plans (Continued)**

Long-term expected rate of return (Continued)

<u>Asset Class</u>	<u>Index</u>	<u>Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Cash	B of A Merrill Lynch 3 month T-Bills	0.11%	0.09%	0.09%
US Core Fixed Income	Bloomberg Barclays Aggregate	24.29%	1.56%	1.47%
US Short Bonds	Bloomberg Barclays 1-3 Yr Govt/Credit	1.73%	0.79%	0.77%
US Government Bonds	Bloomberg Barclays Govt	2.57%	1.05%	0.94%
US Mortgages	Bloomberg Barclays MBS	3.71%	1.59%	1.53%
US Municipal Bonds	Bloomberg Barclays Muni	0.06%	1.09%	1.01%
Non-US Bonds	JP Morgan GBI Global xUS	0.32%	0.34%	-0.07%
US Equity Market	Russell 3000	66.19%	4.61%	3.42%
Non-US Equity	MSCI ACWI xUS NR	0.69%	6.13%	4.60%
Global REITS	FTSE EPRA/NAREIT Developed	0.33%	5.49%	3.82%
Assumed Inflation-Mean			2.20%	2.20%
Assumed Inflation-Standard Deviation			1.65%	1.65%
Portfolio Real Mean Return			3.59%	3.03%
Portfolio Nominal Mean Return			5.80%	5.30%
Portfolio Standard Deviation				10.55%
Long-Term Expected Rate of Return				6.50%

The long-term expected rate of return of 6.50% was assumed for years one to twenty-eight of the projection period while the municipal bond rate of 2.74% was assumed for years twenty-nine and thereafter. This resulted in a blended discount rate of 3.13% for 2019.

Sensitivity analysis

According to the actuaries, the following presents the net pension liability of the Company, calculated using the discount rate of 3.13%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13%) or 1 percentage point higher (4.13%) than the current rate.

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
Total pension liability	\$123,246,117	\$108,512,066	\$ 96,336,036
Fiduciary net position	<u>36,520,348</u>	<u>36,520,348</u>	<u>36,520,348</u>
Net pension liability	<u>\$ 86,725,769</u>	<u>\$ 71,991,718</u>	<u>\$ 59,815,688</u>

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**6. Retirement Plans (Continued)**

Pension expense and deferred inflows and outflows

For the year ending June 30, 2020, the Company recognized pension expense of \$8,255,572.

The deferred inflows and outflows of resources as of December 31, 2019, are as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 316,378	\$ 2,322,342
Changes of assumptions	27,219,982	4,799,131
Pension contributions made subsequent to the measurement date	1,263,171	-
Net difference between projected and actual earnings	-	2,111,751
	\$ 28,799,531	\$ 9,233,224

\$1,263,171 reported as deferred outflows of resources related to pensions resulting from the Company's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the calendar year ending December 31, 2020. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>		
2021	\$	4,958,814
2022		5,008,599
2023		5,459,613
2024		2,876,110
2025		-
Thereafter*		-

\*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Pension plan data

Information about the Old Dominion Transit Employees Disability and Retirement Allowance Plan is also available in the separately issued 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 CAFR may be requested from the plan's Chief Financial Officer at 301 East Belt Boulevard, Richmond, VA 23224.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**7. Accrued Uninsured Accident Claims**

Present accident claims insurance coverage provides \$2,000,000 (with a \$325,000 self-insurance retention) per accident. Additional liability insurance is purchased through multiple insurance carriers for up to \$20,000,000 per accident. The Company is liable for any settlement in excess of \$20,000,000.

The following schedule reflects the activity in accrued uninsured accident claims during the years ended June 30, 2020:

Balance, June 30, 2018	\$ 269,750
Provision	417,785
Claims Paid	<u>(301,860)</u>
Balance, June 30, 2019	385,675
Provision	290,079
Claims paid	<u>(325,104)</u>
Balance, June 30, 2020	<u>\$ 350,650</u>

The Company records the provisions for uninsured accident claims based upon management's estimate of the total liability for each claim. Because of the inherent uncertainties in estimating accident claims, it is at least reasonably possible that the estimates used will change in the near term.

**8. Board Designated Reserves**

The Board of Directors of the Company has designated cash reserves for the following purposes at June 30, 2020:

Contingency fund	<u>\$ 5,772,966</u>
------------------	---------------------

**9. Materials and Supplies Agreements**

The Company obtains tires and tubes for its buses through a three-year agreement with Michelin North America, Inc. ("Michelin") dated June 1, 2018. The agreement provides for two one-year option terms. Fees are based on a monthly fixed cost and the mileage driven by each bus. Cost incurred in connection with tires and tubes were \$439,854 for the year ended June 30, 2020, and are included in materials and supplies on the statement of revenues, expenses, and changes in net position.

In May 2014, the Company entered into an agreement with Trillium CNG in connection with the operation and maintenance of the Company's CNG fueling station. The fixed term of this agreement ended April 30, 2017, at which point neither party gave notice of termination and the agreement continued on a month-to-month basis. Fees are based on a monthly fixed cost and a fee based on the quantity of natural gas consumed. Cost incurred in connection with this agreement were \$393,004 for the year ended June 30, 2020, and are included in materials and supplies on the statement of revenues, expenses, and changes in net position.

(Continued)

## GREATER RICHMOND TRANSIT COMPANY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 10. Vanpool Program

The Company furnishes commuter vanpool services through various agreements, all of which are on a month to month basis. The cost of such services to the Company is based on the number of passenger vans provided. Cost incurred in connection with commuter vanpool service for the year ended June 30, 2020, were \$528,575 which are included in fees and services costs on the statement of revenues, expenses, and changes in net position.

#### 11. Union Contract

The Company entered into an agreement with the Amalgamated Transit Union, Local Union 1220 (the "Union"), on August 26, 2015, in connection with the Company's transit operators and mechanics. This agreement was effective from October 1, 2014 through September 30, 2017. The agreement was extended in writing until March 1, 2018, and verbally on a month-to-month basis until June 19, 2018. On that date, the Company entered into an agreement with the Union which is retroactively effective from October 1, 2017 through September 30, 2020. An updated agreement was still in negotiations as of the date that these financial statements were available to be issued, December 8, 2020.

#### 12. Non-Monetary Transactions

The accompanying financial statements include non-monetary revenues and expenses in the amount of \$3,120 year ended June 30, 2020. The non-monetary transactions were primarily marketing in nature and were valued based on the fair values of the services exchanged. No gains or losses were recognized on these transactions.

#### 13. Purchased Transportation Services

The Company furnishes specialized transportation services (CARE and CVAN services) for disabled persons through an agreement with First Transit dated April 30, 2017 which expired December 1, 2017. A second agreement was subsequently entered into by the same parties, effective December 1, 2017 through November 30, 2020 with an option to renew for one additional year. The Company exercised the one year renewal option subsequent to year end in November 2020. The cost of such services to the Company is based on a fixed cost per revenue hour. Costs incurred in connection with disabled person's specialized transportation were \$5,004,815 for the year ended June 30, 2020.

#### 14. Other Post-Employment Benefits (OPEB)

The Company provides post-employment benefit options for health care, life insurance and dental insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with collective bargaining agreements and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**14. Other Post-Employment Benefits (OPEB) (Continued)**

Plan description

Those eligible for benefits must qualify for retirement under the Company's pension plans or are subject to COBRA provisions. The Company has no cost sharing agreements related to retiree or terminated employee insurance programs. Prior employees pay 100% of the premiums on a pay-as-you-go basis at the blended premium rate. The post-employment benefit plans do not issue stand-alone financial reports.

Funding policy

The Company does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.

Employees covered by benefit terms

As of the July 1, 2018, actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

	<u><b>Number of Participants</b></u>
Active	389
Retirees	55
Beneficiaries	-
Spouses of retirees	<u>7</u>
	<u><u>451</u></u>

Actuarial methods and assumptions

For the actuarial valuation at July 1, 2018 (measurement date of June 30, 2020), the entry age normal fund method was used.

The actuarial assumptions included calculations based on a discount rate of 3.50% for the unfunded liability. Benefits are discounted based on an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. For this valuation, the Bond Buyer GO 20-year Bond Municipal Bond Index was used.

The following assumptions were used as input variables into this mode:

Inflation	2.30%
Medical trend rate	6.70% - 3.90% over 73 years

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**14. Other Post-Employment Benefits (OPEB) (Continued)**

Changes in total OPEB liability

	<b>Increase (Decrease) Total OPEB Liability</b>
Balance as of June 30, 2019	\$ 3,079,965
Changes for the year:	
Service Cost	239,564
Interest on net OPEB obligation	114,206
Effect of assumptions changes or inputs	399,790
Benefit payments	<u>(114,005)</u>
Balance as of June 30, 2020	<u>\$ 3,719,520</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Company, calculated using the discount rate of 2.21%, as well as what the Company's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate.

	<b>1% Decrease 1.21%</b>	<b>Current Discount Rate 2.21%</b>	<b>1% Increase 3.21%</b>
Total OPEB liability	<u>\$ 4,077,340</u>	<u>\$ 3,719,520</u>	<u>\$ 3,404,142</u>

Sensitivity of the total OPEB liability to changes in the health care cost trend rate

The following presents the total OPEB liability of the Company, calculated using the current healthcare cost trend rates as well as what the Company's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 3,252,460</u>	<u>\$ 3,719,520</u>	<u>\$ 4,282,142</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2020, the Company recognized OPEB expense of \$624,559. At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were reported:

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**14. Other Post-Employment Benefits (OPEB) (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 388,319	\$ -
Changes of assumptions	950,438	19,450
Total	\$ 1,338,757	\$ 19,450

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>			
2021	\$	270,789	
2022		270,789	
2023		271,460	
2024		277,496	
2025		228,773	
Thereafter		-	

**15. Pollution Remediation Obligation**

During the year ended June 30, 2011, the Company increased its pollution remediation obligation by \$1,000,000 to \$3,000,000 in anticipation of the disposition of its dated maintenance and administrative facility. The amount recorded represented the high-range estimate of the cost to perform the environmental clean-up of the site as determined by an environmental study. During the year ended June 30, 2016, the Company decreased its pollution remediation obligation to \$150,000 in connection with the sale of the former maintenance and administrative facility. The remediation obligation was removed as of June 30, 2020. The Company no longer has any remediation responsibilities.

**16. Commitments and Contingencies**

The Company, from time to time, is a defendant in civil actions. The Company intends to vigorously defend the claims asserted against it by all claimants. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the accompanying financial statements related to these matters.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**17. Leases**

On August 8, 2011, the Company entered into a lease agreement on behalf of Ridefinders for office facilities in The Ironfronts Building. The lease was renewed on February 19, 2019, and extends through June 30, 2029. Total rent to be paid during the initial one hundred twenty five month lease period is \$711,780, or \$5,694 per month on a straight-line basis. Leasehold improvements necessary to occupy the leased premises are to be paid by the lessor, who also retains ownership of those improvements. The lease expense associated with this lease totaled \$68,331 for the year ended June 30, 2020. This expense is included in fees and services expense on the statement of revenues, expenses, and changes in net position. Future minimum rent payments under this lease are as follows:

<u>Year Ending</u> <u>June 30,</u>		
2021	\$	65,056
2022		66,844
2023		68,670
2024		70,533
2025		72,471
Thereafter		<u>304,864</u>
	\$	<u>648,438</u>

**18. Ridefinders**

The accompanying financial statements include the amounts of Greater Richmond Transit Co. and its blended component unit (Ridefinders). Effective July 1, 1998, the Board of Directors of the Company became the governing board of Ridefinders. All significant intercompany transactions and balances have been eliminated. Ridefinders was established to foster community participation in the Richmond area in ridesharing activities. Ridefinders issues separately audited financial statements. Copies of Ridefinders audit reports may be obtained from the Company's finance department. The financial statements of Ridefinders are presented as a blended entity in the accompanying financial statements.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**18. Ridefinders (Continued)**

The condensed combining statement of net position of Ridefinders and GRTC at June 30, 2020, is as follows:

	<u>Ridefinders</u>	<u>GRTC</u>	<u>Total</u>
Other assets	\$ 340,585	\$ 27,205,707	\$ 27,546,292
Capital assets	<u>2,029</u>	<u>77,253,467</u>	<u>77,255,496</u>
Total assets	<u>342,614</u>	<u>104,459,174</u>	<u>104,801,788</u>
Deferred outflows of resources	<u>-</u>	<u>30,138,288</u>	<u>30,138,288</u>
Total assets and deferred outflows of resources	<u>\$ 342,614</u>	<u>\$134,597,462</u>	<u>\$134,940,076</u>
Current liabilities	\$ 141,231	\$ 9,137,192	\$ 9,278,423
Long-term liabilities	<u>-</u>	<u>75,711,238</u>	<u>75,711,238</u>
Total liabilities	<u>141,231</u>	<u>84,848,430</u>	<u>84,989,661</u>
Deferred inflows of resources	<u>-</u>	<u>9,252,674</u>	<u>9,252,674</u>
Net investment in capital assets	2,029	77,253,467	77,255,496
Restricted	-	2,719,786	2,719,786
Unrestricted	<u>199,354</u>	<u>(39,476,895)</u>	<u>(39,277,541)</u>
Net position	<u>201,383</u>	<u>40,496,358</u>	<u>40,697,741</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 342,614</u>	<u>\$134,597,462</u>	<u>\$134,940,076</u>

The condensed combining statement of revenues, expenses, and changes in net position of Ridefinders and GRTC for the year ended June 30, 2020 is as follows:

	<u>Ridefinders</u>	<u>GRTC</u>	<u>Total</u>
Operating revenues	\$ 389,044	\$ 16,170,229	\$ 16,559,273
Operating expenses	<u>1,093,934</u>	<u>71,310,817</u>	<u>72,404,751</u>
Operating loss	(704,890)	(55,140,588)	(55,845,478)
Nonoperating revenues	<u>690,896</u>	<u>41,655,141</u>	<u>42,346,037</u>
Change in net position	(13,994)	(13,485,447)	(13,499,441)
Net position, beginning of year	<u>215,377</u>	<u>53,981,805</u>	<u>54,197,182</u>
Net position, end of year	<u>\$ 201,383</u>	<u>\$ 40,496,358</u>	<u>\$ 40,697,741</u>

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**18. Ridefinders (Continued)**

The condensed combining statement of cash flows of Ridefinders and GRTC for the year ended June 30, 2020 is as follows:

	<u>Ridefinders</u>	<u>GRTC</u>	<u>Total</u>
Net cash used in operating activities	\$ (20,564)	\$ (43,115,517)	\$ (43,166,081)
Net cash provided by investing activities	-	237,028	237,028
Net cash provided by capital financing activities	-	62,033	62,033
Net cash provided by noncapital financing activities	<u>-</u>	<u>42,088,316</u>	<u>42,088,316</u>
Decrease in cash	(20,564)	(758,140)	(778,704)
Cash, beginning of year	<u>220,899</u>	<u>16,943,632</u>	<u>17,164,531</u>
Cash, end of year	<u>\$ 200,335</u>	<u>\$ 16,185,492</u>	<u>\$ 16,385,827</u>

Ridefinders has recorded various transactions with the Company for 2020 which are summarized as follows:

Payroll and related expenses	\$ 477,989
Other expenses (advertising, transit tickets)	\$ 208,383
Accounts receivable	\$ 36,540
Accounts payable	\$ 145,837

Effective January 1, 1998, all Ridefinders' employees became GRTC employees. Ridefinders and GRTC entered into an employee lease agreement whereby Ridefinders leases its employees from GRTC.

**19. COVID-19 Uncertainty**

During fiscal year 2020, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Company. COVID-19 resulted in loss of revenue due to bus route changes by the Company in response to the virus, decrease in ridership, and the suspension of fare collections. Beginning in March 2020, the Company implemented additional cleaning and safety measures to combat the virus and ensure safe and reliable transportation service for its staff and passengers.

Due to the COVID-19 emergency, the Virginia's Department of Rail and Public Transportation approved additional operating assistance to transit agencies, and the Company was allocated \$1,168,037 of this funding. This emergency assistance and reductions in expenditures helped to offset part of the revenues losses that resulted from COVID-19 during fiscal year 2020.

The Authority has incurred \$489,263 of operational expenses in response to the COVID-19 pandemic as of June 30, 2020, related to the purchase of personal protective equipment, sanitizer, and cleaning supplies.

(Continued)

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**19. COVID-19 Uncertainty (Continued)**

In April 2020, the Company was provided with \$32,236,074 of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, for which the Company must incur eligible expenditures and then apply for reimbursement. The Company incurred a total of \$3,132,111 in expenditures and lost revenue during fiscal year 2020 that will be applied for reimbursement under the grant. The Company has developed plans to expend the remainder of the funds during fiscal years 2021 through 2023

The extent to which COVID-19 may impact the Company's operations and financial condition in subsequent fiscal years will depend on future developments, which remain uncertain and cannot be predicted due to the evolving nature of this situation. As result, the Company cannot reasonably estimate the future impact of COVID-19 at this time, except as discussed regarding the CARES Act funding.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GREATER RICHMOND TRANSIT COMPANY**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

<b>Year Ended June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 239,564	\$ 147,037	\$ 89,380
Interest on total OPEB liability	114,206	62,852	54,554
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	-	550,119	-
Effect of assumption changes or inputs	399,790	876,079	(39,570)
Benefit payments	(114,005)	(65,734)	(57,923)
Net change in total OPEB liability:	639,555	1,570,353	46,441
Total OPEB liability, beginning	3,079,965	1,509,612	1,463,171
Total OPEB liability, ending (a)	<u>\$ 3,719,520</u>	<u>\$ 3,079,965</u>	<u>\$ 1,509,612</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions, employer	\$ -	\$ -	\$ -
Contributions, employee	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position, beginning	-	-	-
Plan fiduciary net position, ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 3,719,520</u>	<u>\$ 3,079,965</u>	<u>\$ 1,509,612</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered payroll	<u>\$ 19,283,827</u>	<u>\$ 19,283,827</u>	<u>\$ 14,884,004</u>
Total OPEB liability as a percentage of covered payroll	19.3%	16.0%	10.1%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB BENEFITS**  
**Year Ended June 30, 2020**

The following actuarial methods and assumptions were used in the funding valuation as of July 1, 2018:

Valuation date	July 1, 2018
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Discount rate	2.21%; The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.
20 year tax-exempt municipal bond yield	2.21%
Inflation	2.30%
Medical trend rate	6.70% - 3.90% over 73 years
Projected benefit payments	All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.

**GREATER RICHMOND TRANSIT COMPANY**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

<b>Year Ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 3,409,609	\$ 1,878,738	\$ 2,043,015	\$ 1,948,697	\$ 1,450,042	\$ 2,853,856
Interest	3,370,599	4,027,357	3,830,331	3,796,263	4,057,519	4,445,277
Differences between expected and actual experience	31,264,920	(5,830,131)	2,803,368	7,988,685	(13,996,709)	31,902,783
Effect of plan changes	-	-	-	-	(24,336,327)	-
Effect of economic/demographic gains or losses	(2,818,974)	449,165	-	-	-	-
Benefit payments, including refunds	(5,051,835)	(5,321,234)	(5,216,184)	(5,056,520)	(4,952,698)	(4,516,684)
Net change in total pension liability:	30,174,319	(4,796,105)	3,460,530	8,677,125	(37,778,173)	34,685,232
Total pension liability, beginning	78,337,747	83,133,852	79,673,322	70,996,197	108,774,370	74,089,138
Total pension liability, ending (a)	<u>\$ 108,512,066</u>	<u>\$ 78,337,747</u>	<u>\$ 83,133,852</u>	<u>\$ 79,673,322</u>	<u>\$ 70,996,197</u>	<u>\$ 108,774,370</u>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions, employer	\$ 2,171,361	\$ 1,822,920	\$ 1,813,544	\$ 1,696,418	\$ 1,632,672	\$ 1,552,764
Contributions, employee	1,381,914	1,239,610	1,310,020	1,216,483	1,164,749	1,064,699
Net investment income	6,249,173	(1,182,755)	4,925,115	1,576,447	(796,759)	1,525,695
Benefit payments	(4,975,690)	(5,321,234)	(5,216,184)	(5,056,520)	(4,952,698)	(4,516,684)
Administrative expenses	(107,011)	(188,730)	(169,033)	(136,604)	(66,427)	(81,776)
Other changes	2,003	-	-	(268,149)	-	-
Net change in plan fiduciary net position	4,721,750	(3,630,189)	2,663,462	(971,925)	(3,018,463)	(455,302)
Plan fiduciary net position, beginning	31,798,598	35,428,787	32,765,325	33,737,250	36,755,713	37,211,015
Plan fiduciary net position, ending (b)	<u>\$ 36,520,348</u>	<u>\$ 31,798,598</u>	<u>\$ 35,428,787</u>	<u>\$ 32,765,325</u>	<u>\$ 33,737,250</u>	<u>\$ 36,755,713</u>
Net pension liability, ending (a) - (b)	<u>\$ 71,991,718</u>	<u>\$ 46,539,149</u>	<u>\$ 47,705,065</u>	<u>\$ 46,907,997</u>	<u>\$ 37,258,947</u>	<u>\$ 72,018,657</u>
Plan fiduciary net position as a percentage of the total pension liability	33.7%	40.6%	42.6%	41.1%	47.5%	33.8%
Covered payroll*	<u>\$ 16,448,830</u>	<u>\$ 16,367,124</u>	<u>\$ 16,514,954</u>	<u>\$ 16,514,954</u>	<u>\$ 15,420,198</u>	<u>\$ 15,018,061</u>
Net pension liability as a percentage of covered payroll	437.7%	284.3%	288.9%	284.0%	241.6%	479.5%

\*Covered payroll represents the total pensionable payroll for employees covered under the pension plan, in accordance with GASB Statement No. 82.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

See accompanying notes and Independent Auditor's Report.

**GREATER RICHMOND TRANSIT COMPANY**

**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**

<b>Year Ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 3,589,495	\$ 2,433,113	\$ 2,542,550	\$ 2,347,897	\$ 3,742,841	\$ 3,475,196
Contributions in relation to the actuarially determined contribution	<u>2,171,361</u>	<u>1,822,920</u>	<u>1,813,544</u>	<u>1,696,418</u>	<u>1,632,672</u>	<u>1,552,764</u>
Contribution deficiency	<u>\$ 1,418,134</u>	<u>\$ 610,193</u>	<u>\$ 729,006</u>	<u>\$ 651,479</u>	<u>\$ 2,110,169</u>	<u>\$ 1,922,432</u>
Employer's covered payroll	<u>\$ 16,448,830</u>	<u>\$ 16,367,124</u>	<u>\$ 16,514,954</u>	<u>\$ 16,514,954</u>	<u>\$ 15,420,198</u>	<u>\$ 15,018,061</u>
Contributions as a percentage covered payroll	13.20%	11.14%	10.98%	10.27%	10.59%	10.34%

Note: Information in this schedule is presented for the year in which information is available.  
Information will be added each year until a full 10-year trend is presented.

See accompanying notes and Independent Auditor's Report.

**GREATER RICHMOND TRANSIT COMPANY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION**  
**Year Ended June 30, 2020**

The following actuarial methods and assumptions were used in the funding valuation as of December 31, 2019:

Valuation date	January 1, 2019
Measurement date	December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	6.50%
20 year - bond GO index	2.74%
Interest on employee contributions	3.00%
Cost of living adjustments	None
Inflation	3.00%
Salary increases	12% per year for participants with less than four years of service and 4.5% per year for participants with at least four years of service
Termination	Rates varying by service as in the table below:

<u>Years of Service</u>	<u>Probability</u>
Less than 1	30.00%
Between 1 and 2	20.00%
Between 2 and 4	15.00%
4 or more	4.00%

Incidence of disability Rates are from the 1985 Pension Unisex Disability Table, Class 2. Sample rates for active employees varying by age are shown below:

<u>Age</u>	<u>Probability</u>
25	0.094%
35	0.219%
45	0.511%
55	1.498%
65	2.718%

Active and Healthy Inactive Mortality Pub-2010 General Mortality with separate tables for employees, retirees, and survivors generationally projected using Projection Scale MP-2019.

Disabled Mortality Pub-2010 General Mortality tables for disabled participants generationally projected using Projection Scale MP-2019.

Retirement Rates for active employees varying by age as in the table below:

<u>Age</u>	<u>Probability</u>
55	10.000%
56-59	5.000%
60-61	10.000%
62	70.000%
63	40.000%
64	20.000%
65	100.000%

All future deferred vested participants are assumed to retire at age 62. The Company provides the assumed dates of retirement for current deferred vested participants.

Form of payment All participants are assumed to elect straight life annuities.

Postretirement Returns of Contributions Refunds of accumulated contributions are approximated with a five-year certain annuity.

See accompanying notes and Independent Auditor's Report.

## **COMPLIANCE SECTION**



**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***

To the honorable members of the Board of Directors  
Greater Richmond Transit Company  
Richmond, Virginia

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 Greater Richmond Transit Company (the "Company"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Greater Richmond Transit Company's basic financial statements and have issued our report thereon dated January 27, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company and its blend component unit'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
January 27, 2021

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

To the Board of Directors  
Greater Richmond Transit Company  
Richmond, Virginia

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

We have audited Greater Richmond Transit Company's (the "Company") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company's major federal program for the year ended June 30, 2020. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 Greater Richmond Transit 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, 2020.

## Report on Internal Control over Compliance

Management of the Greater Richmond Transit 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 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 weakness. However, material weakness 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

Newport News, Virginia  
January 27, 2021

**GREATER RICHMOND TRANSIT COMPANY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2020**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Total Awards Expended</b>
<b>DIRECT AWARDS</b>			
Department of Transportation, Federal Transit Administration (FTA):			
Federal Transit Cluster:			
Federal Transit - Formula Grants	20.507	VA90-X398	\$ 40,589
	20.507	VA90-X523 / VA2016-021	6,388
	20.507	VA90-X524 / VA2016-027	28,411
	20.507	VA90-X535 / VA2017-022	3,838,656
	20.507	VA2020-009	4,730,168
	20.507	VA2020-023	3,132,111
Total Federal Transit - Formula Grants			<u>11,776,323</u>
Bus and Bus Facilities Formula Program	20.526	VA34-X0002 / VA2020-11	170,902 344,128
			<u>515,030</u>
Total Federal Transit Cluster			<u>\$ 12,291,353</u>

See Independent Auditor's Report.

## GREATER RICHMOND TRANSIT COMPANY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

#### 1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on an accrual basis of accounting consistent with the basis of accounting used by Greater Richmond Transit Company. The schedule includes all known federal funds expended by the Company for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the presentation of the basic financial statements.

#### 2. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Company has elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

#### 3. Subrecipient Payments

None of the expenditures reported on the Schedule were passed through to subrecipients.

**GREATER RICHMOND TRANSIT COMPANY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2020**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements.
  2. No significant deficiencies related to the audit of financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government 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 was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
  5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.
- F. The audit disclosed no audit findings related to the major program.
- G. The major program was:
- |  | <u>CFDA #</u> |
|--|---------------|
| Federal Transit Cluster:               |               |
| Federal Transit - Formula Grants       | 20.507        |
| Bus and Bus Facilities Formula Program | 20.526        |
- H. The threshold used to distinguish between Type A and Type B programs is \$750,000.
  - I. The auditee did not qualify as a low-risk auditee under Subpart F Section 200.520 of the Uniform Guidance.

**B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None noted.