Roaring Fork Transportation Authority

Financial Report

December 31, 2011

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Table of Contents

McMAHAN AND ASSOCIATES, L.L.C.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Roaring Fork Transportation Authority

We have audited the accompanying basic financial statements of the governmental activities and the budget and actual individual fund statements of Roaring Fork Transportation Authority (the "Authority") as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the budget and actual individual fund statements of Roaring Fork Transportation Authority as of December 31, 2011 and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 26, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of and audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis in Section B 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Member: American Institute of Certified Public Accountants

D. Jerry McMahan, C.P.A.
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The budgetary schedules in Section E are not a required part of the Authority's basic financial statements but are supplementary information required by Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards on page F7 is presented for purposes of additional analysis and as required by the U.S. Office of Management Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 26, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Roaring Fork Transportation Authority (the "Authority"), we offer readers of the Authority's financial report this narrative summary for the fiscal year ended December 31, 2011.

Financial Highlights

- When looking at a short term view, the General Fund had a decrease in Fund balance of $172,000 which fared better than the $655,000 deficit reflected in the budget. This improvement was attributable primarily to actual sales tax and operating revenues exceeding budget by 2.1% and 2.7%, respectively and savings from liability claims and unfilled administration positions;
- When looking at a long-term view, the Authority had an increase in Net Assets of $3.75 million resulting in a total Net Asset amount of $43.3 million. This increase was a result of the timing of capital grant reimbursements from the Federal Transit Administration's (FTA) Very Small Starts (VSS) Grant;
- After two years of declining Ridership, the Authority experienced an increase in all areas primarily due to the slowly improving local economy. Year to date Ridership and percentage increases were as follows: total Ridership of 4.1 million and 5.5%; Valley Service 1.87 million and 6.3% and Grand Hogback Service (I – 70 Corridor) 62,800 and 3.4%;
- Transit Operations overtime for 2011 and 2010 was $160,000 and $214,000, respectively; a decrease of 25% from the prior year because the Authority was able to retain more drivers to reduce overtime;
- Total transit fuel expenditures for 2011 and 2010 were $2.3 million and $1.8 million, respectively; an increase of approximately 27% from prior year because of substantially higher diesel fuel prices;
- The Authority entered into a $1 million Lease Purchase Agreement with Alpine Bank for offices located in 1340 Main Street in Carbondale, Colorado used primarily for the Bus Rapid Transit (BRT) Project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

The Financial Statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/ Statement of Net Assets presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net assets.

Overview of the Financial Statements (continued)

Government Funds, the General, Special Revenue, Capital Projects, and Debt Service Fund columns, present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. These columns show the various components (non-spendable, restricted, committed, assigned and unassigned) of fund balance. The unassigned, assigned, and committed fund balance may be spent for Board approved activities.

The Adjustments column represents the changes to the value of long-term assets and liabilities.

The Statement of Net Assets column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. This column adds capital assets net of both depreciation and debt into the long-term equation. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net assets changed during the most recent fiscal year.

Government Funds, the General, Special Revenue, Capital Projects, and Debt Service Fund columns, focus on short-term available resources and are reported on a modified accrual basis. It shows the increase or decrease in fund balance.

The Adjustments column represents the changes to the value of long-term assets and liabilities. For example, depreciation or changes in debt service may increase or decrease the value of an asset.

The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis. Though the focus is on long-term, it should not be associated with the future but rather with the changes in net assets from January through December. This column records the Authority's net worth.

The 2011 Authority financial statements report seven individual government funds in four types: the general fund, four special revenue funds, a capital projects fund, and a debt service fund:

The General Fund accounts for the Administration, Transit, and Trails Program activities of the general Government. The general Government provides administrative support services (the Administrative Program), public commuter transit services (the Transit Program), and maintains the Authority-owned railroad right-of way for pedestrian, equestrian and other recreational uses (the Trails and Corridor Management Program).

Overview of the Financial Statements (continued)

The Service Contract Special Revenue Fund accounts for revenue and operating activity for additional services based on contractual agreement. These services are provided in certain areas within the overall Authority service area. In the current year, the Authority had contractual agreements for Aspen Skiing Company Skier Shuttles, Ride Glenwood Springs, City of Aspen local bus service, and the Garfield County Traveler Program.

The Bus Shelter and Park and Ride Special Revenue Fund accounts for vehicle fee revenue and bus shelter and park and ride expenditure activity as required by State rural transit authority enabling legislation. Additionally, by resolution, Garfield County has dedicated certain development fees to construct bus shelter and park and ride improvements in unincorporated Garfield County.

The Mid Valley Trails Special Revenue Fund accounts for Eagle County sales tax funded capital trails projects within the Roaring Fork Valley boundaries of Eagle County. Through intergovernmental agreement, in return for membership, Eagle County dedicated a half cent sales tax collected in the Roaring Fork Valley to the Authority. 10% of the tax collected must be used to fund trail projects. Resolution 2002-14 adopted the Mid Valley Trails Committee as an Authority committee.

The Bus Rapid Transit Special Revenue Fund accounts for operating activity for planning the BRT Project. Specifically, this includes all revenues from the November 2008, voter approved, 0.4% increase in sales and use tax for payment on the Series 2009A & B bonds, the BRT Project and transit expenditures.

The Capital Projects Fund accounts for all expenditure activity related to the BRT Project for assets and infrastructure such as a portion of buses, intelligent transportation system components, and a portion of transit priority. These expenditures are certain and specific in accordance with State and Federal tax law as identified by Bond Counsel. In addition, this fund accounts for the assets and infrastructure expenditures related to the Aspen Maintenance Facility (AMF) Re-commissioning Project.

The Debt Service Fund accounts for all principal and interest expenditures for the Series 2009A $6.2 million bond issuance and Series 2009B $21.3 million bond issuance and interest earned as required by resolution. The 2009A bonds are a tax-exempt issuance. The 2009B bonds are Build America Bonds which allowed the Authority to access taxable credit markets and save approximately $4 million over the life of the bonds or $2.9 million at present value compared to issuing all tax exempt bonds. This fund also accounts for all activity related to the required reserves for the bonds and interest earned as required by resolution.

The Authority's financial statements can be found on Section C of this report.

Overview of the Financial Statements (continued)

The Notes to the Financial Statements provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements.

The Notes to the Financial Statements can be found in Section D of this report.

Supplementary Information concerning the Authority is also presented in addition to the basic financial statements and notes. This information can be found at section E of this report.

Statutory Information concerning the Authority is also presented in addition to the basic financial statements, notes, and supplementary information. This information can be found at section F of this report.

An Authority hybrid bus provides service to the Maroon Bells wilderness area.

An Authority bus provides service along the Highway 82 Corridor.

Financial Analysis of the Authority

Roaring Fork Transportation Authority's Net Assets
(in thousands)

	2011	2010	$ dif	% dif
Assets:				
Current assets	$ 35,507	$ 34,525	$982	2.8%
Inventory and prepaid expenditures	734	590	144	24.4%
Capital assets, net	55,641	55,625	17	0.0%
Total Assets	$ 91,883	$ 90,739	1,143	1.3%
Liabilities:				
Current liabilities and LT Debt due within a year	$ 5,898	$ 7,565	(1,667)	-22.0%
Accrued compensated absences	1,227	1,189	38	3.2%
Non-current liabilities	41,403	42,384	(981)	-2.3%
Total Liabilities	$ 48,527	$ 51,138	(2,610)	-5.1%
Net Assets:				
Invested in Capital Assets, Net of debt	$ 29,660	$ 27,030	2,631	9.7%
Restricted	4,764	9,692	(4,928)	-50.8%
Unrestricted	8,931	2,880	6,051	210.1%
Total Net Assets	$ 43,355	$ 39,602	3,753	9.5%

As of December 31, 2011 the following trends were noted:

- *Current assets compared to current liabilities* – $35.5 million and $34.5 million of current assets were available to meet $5.9 million and $7.6 million of current liabilities due within a year for 2011 and 2010, respectively. The $982,000 increase in current assets was primarily found in the Authority's cash balance; the $1.6 million decrease in current liabilities was due to a combination of lower accounts payable, amounts due to other funds, and debt service due within a year.

- *Capital assets, net* – $55.6 million of net capital assets were used to provide transit and trails services. While relatively flat from the prior year, the Authority anticipates an increase in the subsequent year primarily due to the construction of assets and infrastructure related to the BRT Project.

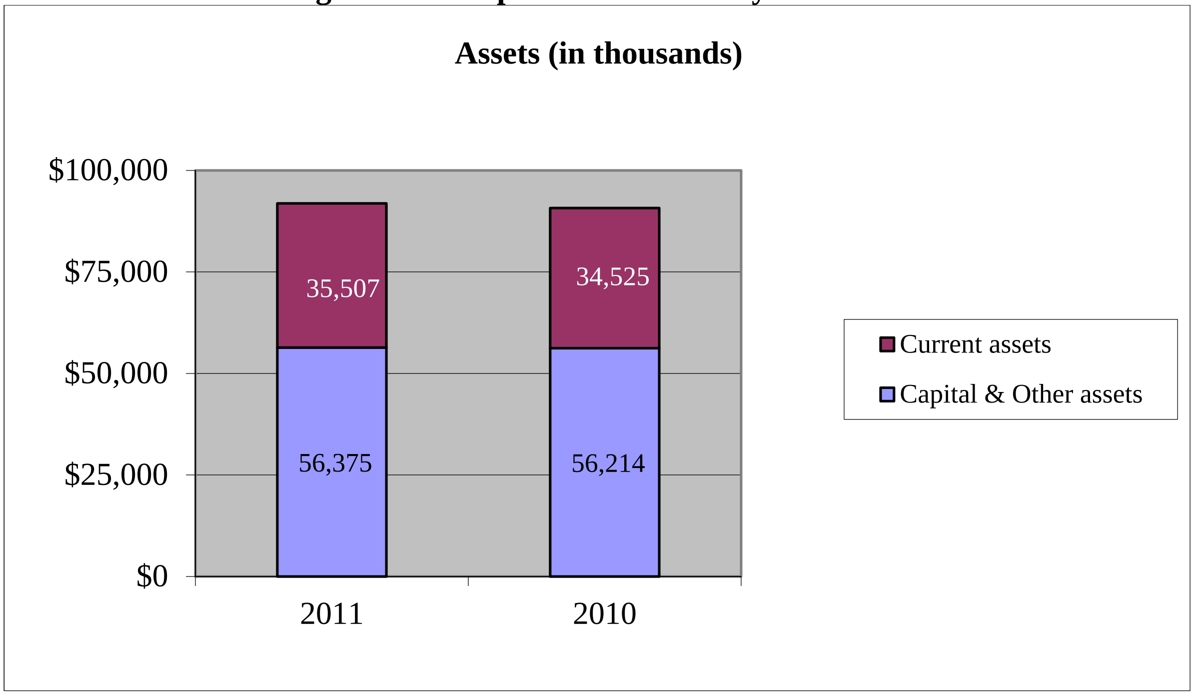
- *Non-current liabilities* – $981,000 decrease reflects the continued principal payments on existing debt.

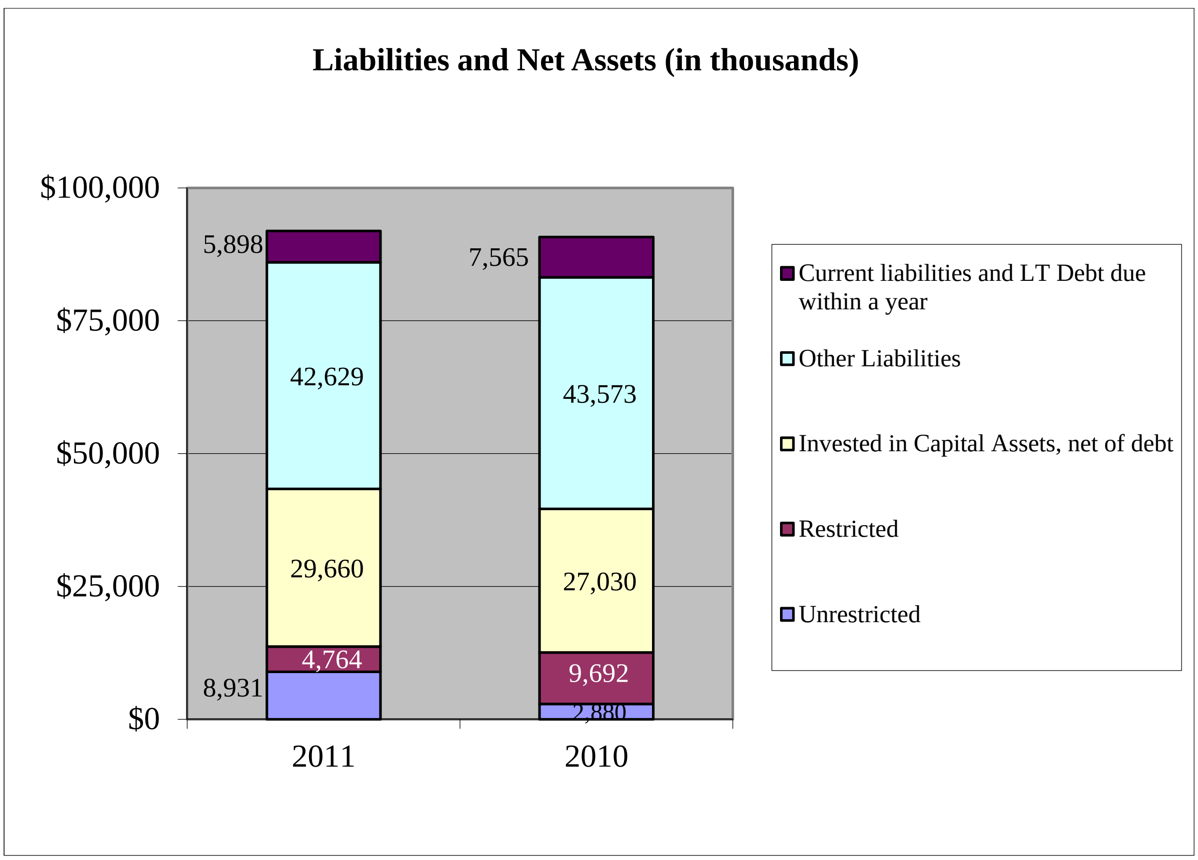
- *Total net assets* – $3.75 million increase was primarily due to the timing of capital grant reimbursements from the FTA's VSS Grant which will fund a significant portion of the BRT Project.

Details regarding the Authority's assets and liabilities can be found on Pages C1 and C2.

<u>Financial Analysis of the Authority (continued)</u>

Roaring Fork Transportation Authority's Net Assets





Financial Analysis of the Authority (continued)

Roaring Fork Transportation Authority's Change in Net Assets
(in thousands)

	2011	2010	$ dif	% dif
Revenues:				
Sales and use tax	$ 15,308	$ 14,398	$910	6.3%
Service contracts	7,751	7,481	271	3.6%
Operating revenue	3,833	3,643	190	5.2%
Grant revenue	5,590	1,320	4,270	323.6%
Other	1,765	1,477	288	19.5%
Local Government contributions	1,355	1,273	83	6.5%
Total Revenue	$ 35,603	$ 29,591	6,012	20.3%

For the Year Ended December 31, 2011 the following trends were noted:

- Pitkin County, the City of Aspen, the Town of Snowmass Village, Eagle County, the City of Glenwood Springs, and the Town of New Castle generated sales tax revenue increases while decreases were felt by the Town of Basalt and the Town of Carbondale.

- Service contract revenue (cost reimbursement contracts) increased as a result of additional Authority operating costs and a slight increase in services provided, particularly with the City of Aspen, compared to prior year.

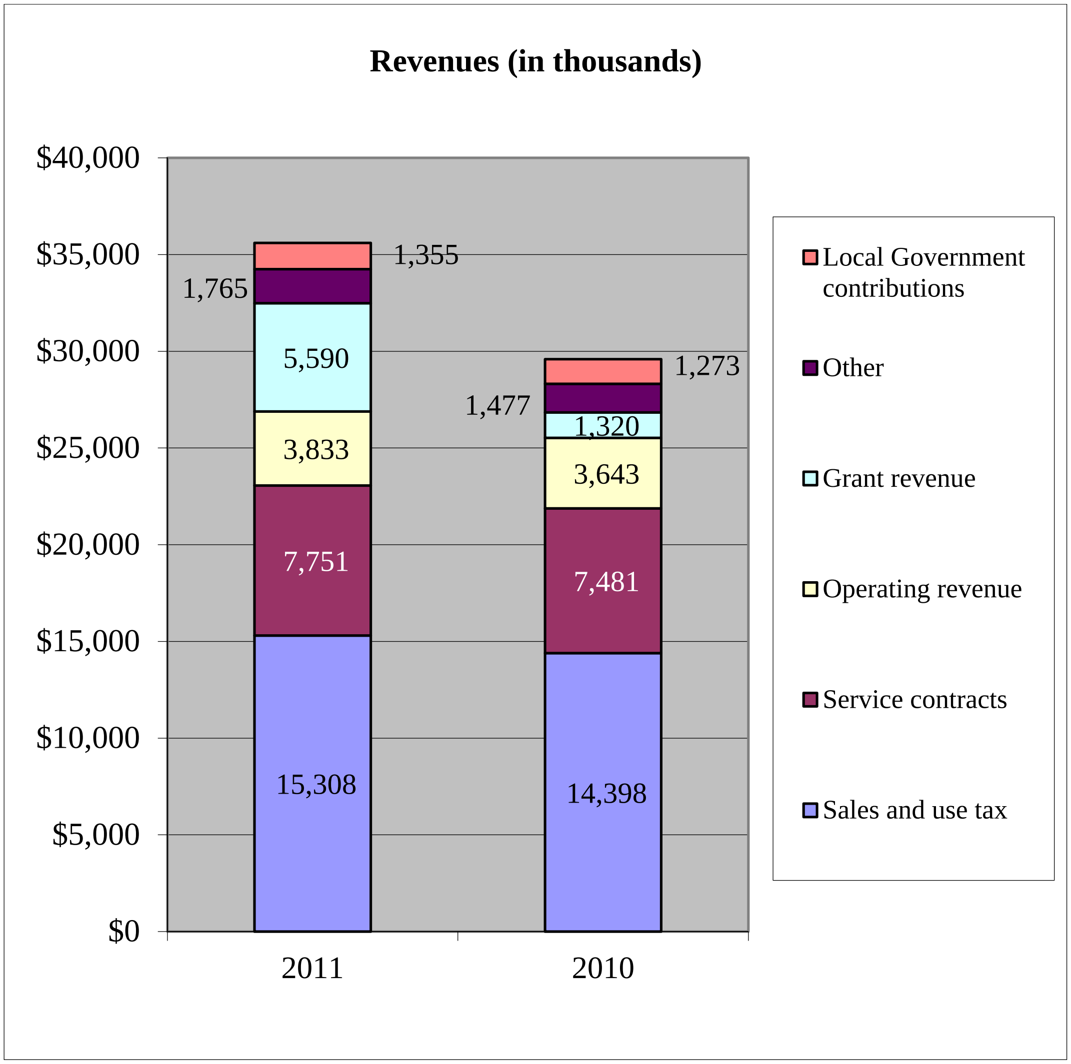
- Operating revenue (transit fares) increased in response to a rise in Ridership on the Highway 82 Corridor and Grand Hogback I-70 Corridor services.

- Grant revenue included operating and capital grants. Operating grant revenues for 2011 and 2010 were flat at $850,000. Capital grants can vary from year to year. In 2011, the Authority received $4.7 million of capital grants of which $4.3 million related to funds drawn from the VSS Grant for the BRT Project.

- Local government contributions included operating and capital contributions which vary from year to year. In 2011, the Elected Officials Transportation Committee (EOTC) contributed of $551,000 for continued bus service between the City of Aspen and Town of Snowmass Village while Garfield County contributed $650,000 for continued Grand Hogback I-70 Corridor bus service.

Details regarding the Authority's revenues and expenditures can be found on Pages C3 and C4.

Financial Analysis of the Authority (continued)



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Financial Analysis of the Authority (continued)

Expenditure:	**2011**	**2010**	**$ dif**	**% dif**
Transit Operations	$21,654	$19,308	$2,346	12.1%
Facilities	1,908	1,840	67	3.7%
Project Management	1,334	3,732	(2,398)	-64.3%
Trails & Corridor Management	238	333	(94)	-28.4%
Depreciation and Amortization	4,300	4,623	(323)	-7.0%
Debt Service Interest	2,418	2,387	31	1.3%
Total Expenditure	$31,852	$32,222	(371)	-1.2%
Other Financing Sources (Uses):				
Transfer to Other Funds	$(1,954)	$(2,330)	376	-16.1%
Transfer from Other Funds	1,954	2,330	(376)	-16.1%
Bond Premium	9	10	(1)	-8.6%
Bond Discount	(7)	(7)	-	0.0%
Total Other Financing Sources (Uses)	$2	$3	(1)	-28.5%
Extraordinary Items:				
Impairment Loss	$ -	$(2,844)	2,844	100.0%
Total Extraordinary Items	$ -	$(2,844)	2,844	100.0%
Change in Net Assets	$3,753	$(5,472)	9,226	168.6%
Net Assets - Beginning of Year	39,602	45,074	(5,472)	-12.1%
Net Assets - End of Year	$ 43,355	$ 39,602	3,753	9.5%

For the Year Ended December 31, 2011 the following trends were noted:

- Transit Operations expenditure increase was primarily due to higher costs for Transit Fuel and Maintenance parts, repairs and oil;

- Facilities expenditure increase was due to additional operating expenditures;

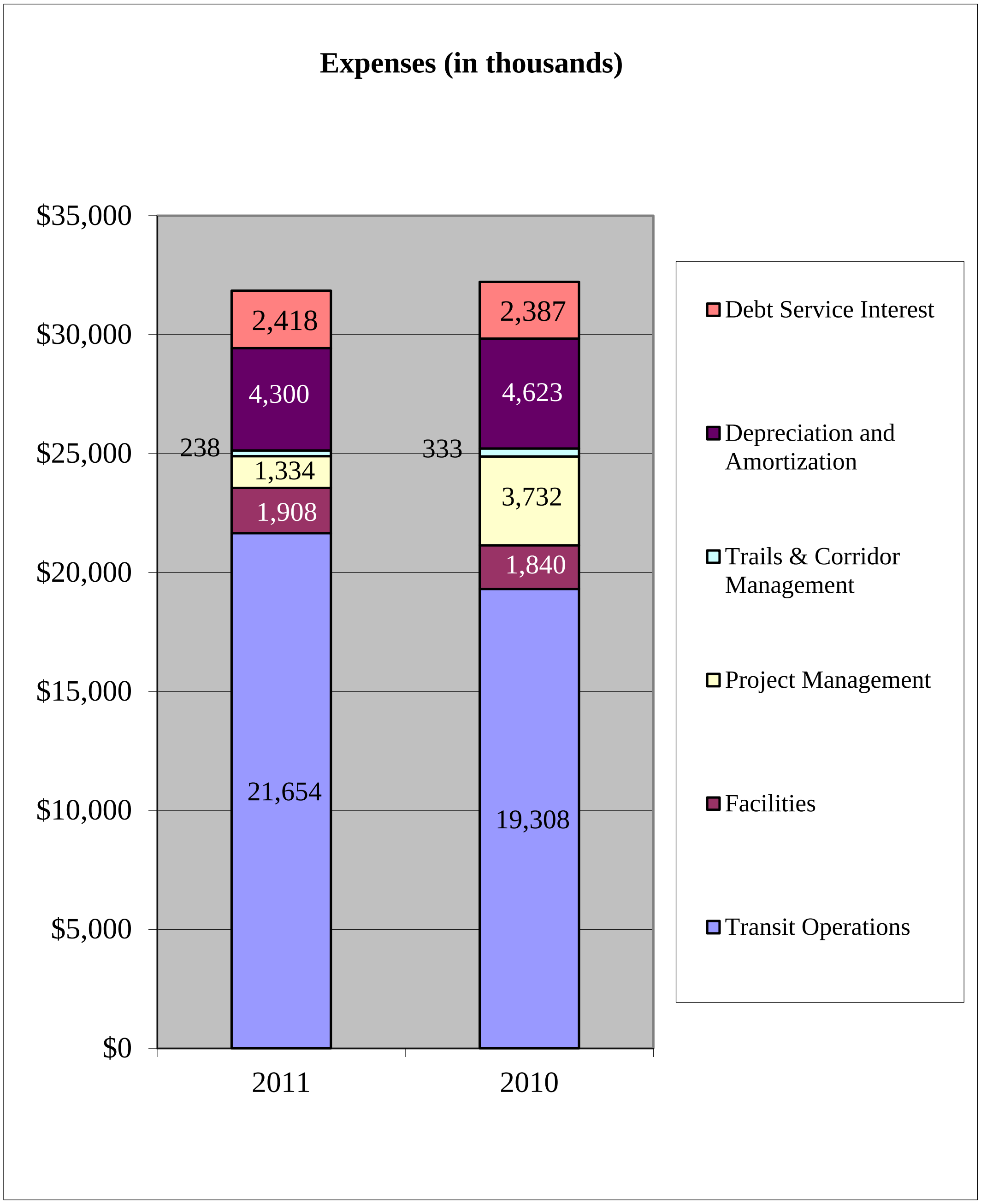
- Project management expenditures decrease was based on the progression and needs of the BRT Project;

- Trails & Corridor Management expenditure decrease was due the allocation of personnel expenditures between the Bus Shelter/PNR Special Revenue Fund, the BRT Special Revenue Fund;

- Depreciation expenditure decrease was primarily related to 18 transit buses that became fully depreciated in 2010 and, therefore, did not have any 2011 depreciation.

- Debt service interest expenditure net increase was due to the first payments made on the Series 2010A & B bonds which were issued in December 2010 for the AMF Re-commissioning Project.

Financial Analysis of the Authority (continued)



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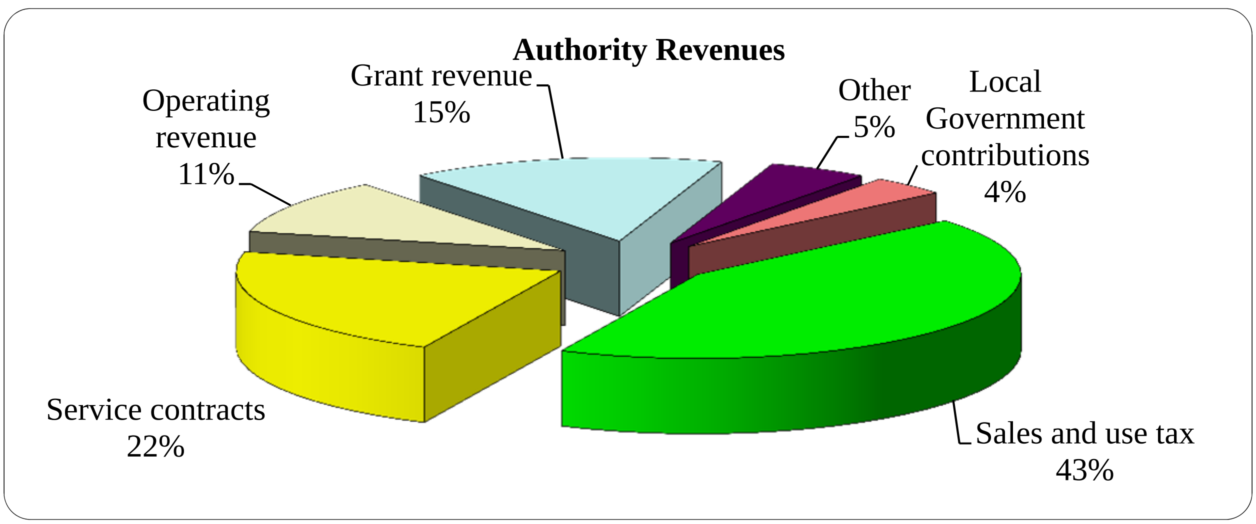
Financial Analysis of the Authority (continued)

The Authority receives revenues from various sources to fund the Administration, Transit and Trails Programs.

- Regional transit services are primarily funded through Sales and Use Tax and Operating revenues. Sales and Use Tax and Fees have been dedicated in various amounts by all member jurisdictions to fund regional services (see Notes to the Financial Statements, section V.B. Intergovernmental Agreement);
- Service contract revenue (cost allocation contracts) provides reimbursement of operating expenditures and a capital contribution for the services provided. The services provided under contract are typically within a limited area. See page B18 for a transit service area map. These services are identified as local circulator services. (see Notes to the Financial Statement, section V.C. Service Agreements);
- Operating revenues consist of transit fares collected on regional service routes; these routes are on the I-70 highway corridor between Rifle and Glenwood Springs, Colorado and State Highway 82 between Glenwood Springs and Aspen, Colorado. See page B18 for a transit service area map;
- Grant revenues are provided at the Federal or State level and funded capital and operating expenditures; the Authority received $850,000 in operating grants;
- Local Jurisdictions mainly provide operating contributions;
- Other income includes the following: Fees, Investment income, Miscellaneous, Other capital contributions, Rental, and Build America Bonds credit for interest expenditures paid on the related Series 2009B and Series 2010A bonds.

The following chart depicts the Authority's 2011 revenues by percentage:



Details regarding the Authority's revenue sources can be found on Pages C3 and C4.

Financial Analysis of the Authority (continued)

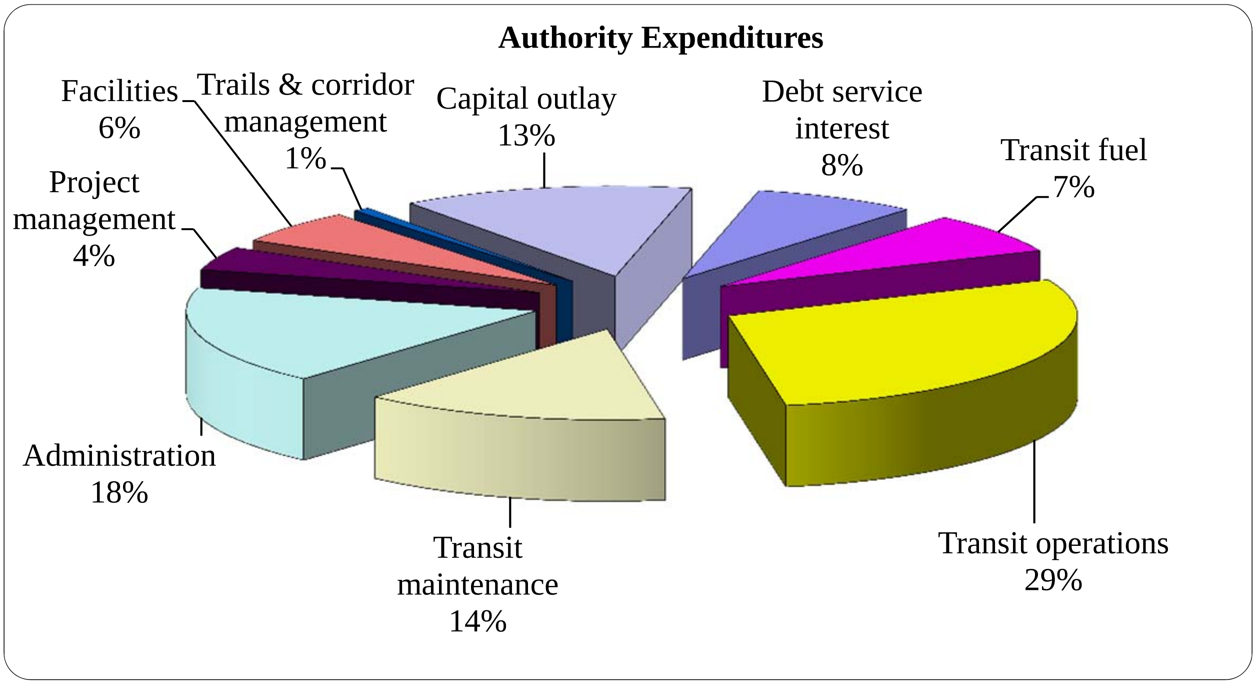
The Authority records the General Government activities as follows:

- The Administration line item includes the activities of the following Departments: Attorney, Board of Directors, CEO (including Procurement), Finance, Human Resources and Risk Management, Information Technology (including Marketing) and Planning;

- The Trails and corridor management line item includes the activities of The Trails and Corridor Management Program and Department;

- The Transit Program is reported on four line items: Transit operations, maintenance, fuel and facilities. Each line item, with the exception of fuel, includes the activities of the respective Department.

The following chart depicts the Authority's 2011 expenditures:



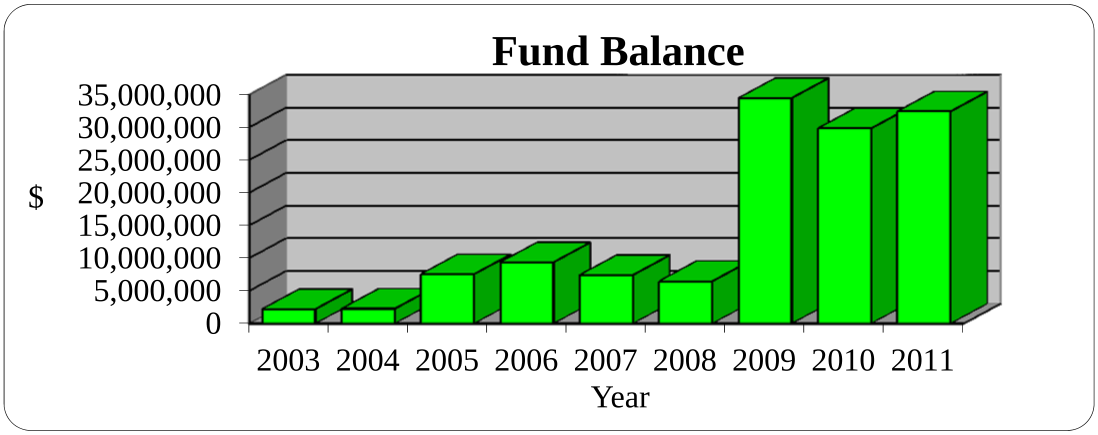
Details regarding the Authority's expenditures can be found on Pages C3 and C4.

Financial Analysis of the Authority (continued)

As of December 31, 2011 the Authority's total fund balance was approximately $32.4 million and has fluctuated dramatically in the recent past.

- The 2011/2010 increase was primarily due to the timing of the VSS capital grant revenues.
- The 2010/2009 decrease was due to the ongoing BRT Project expenditures and GMF Repairs;
- The 2009/2008 significant increase was due to the $27.5 million in proceeds from the Sales and Use Tax Revenue Bonds, Series 2009A & B;
- The 2008/ 2007 decrease was primarily due to the timing of a bus purchase; the capital purchase was reimbursed with grant revenue in 2009;
- The 2007/ 2006 decrease was due to the timing difference between purchasing and financing of an employee housing complex.

The following chart shows fund balances for the past several years:



Major Capital Asset events
In early 2011, the Authority completed extensive repairs to the Glenwood Maintenance Facility which started in the previous year.

Major Debt events
The Authority entered into a $1 million Lease Purchase Agreement with Alpine Bank for offices located in 1340 Main Street in Carbondale, Colorado used primarily for the BRT Project. Additional debt information is available in the Notes to the Financial Statements, section IV.F. Other Liabilities.

Long term Financial Plan
The Authority's long-term goal is to maintain operating and capital reserves within Fund Balance in accordance with Management's policies. Additionally, Management is planning for the implementation of the BRT Project. Please visit www.rftabrt.com for more information.

Financial Analysis of the Authority's Funds

The Authority uses fund accounting to ensure and demonstrate compliance with accounting and related legal requirements.

The General Fund had an unassigned fund balance of $798,000, while total fund balance reached $6.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.5% of total general fund expenditures, while total fund balance represents 36% of that same amount.

The fund balance decreased by $172,000 during the current fiscal year which fared better than the $655,000 deficit reflected in the amended budget. This improvement was due to actual sales tax and operating revenues exceeding budget by 2.1% and 2.7%, respectively, and savings from liability claims and unfilled administrative positions.

The Service Contract Special Revenue Fund had a total fund balance of zero as the fund accounts for contractual services where revenue covers operating activity.

The Bus Shelter and Park and Ride Special Revenue Fund had a total fund balance of $135,000, all of which is restricted by enabling legislation for bus shelter and park and ride expenditure activities. The net increase in fund balance of $105,000 was primarily due to vehicle registration fees exceeding expenditures.

The Mid Valley Trails Special Revenue Fund had a total fund balance of $130,000, all of which is restricted by enabling legislation to fund trail projects within the Roaring Fork Valley boundaries of Eagle County. The net increase in fund balance was $31,000.

The Bus Rapid Transit Special Revenue Fund had a total fund balance of $6.5 million, all of which is committed to fund the BRT Project. The net increase in fund balance was $1.1 million. The sales and use tax produced revenues of $5.1 million in the current fiscal year. The fund recorded project planning expenditures of $2.1 million and capital expenditures primarily related to the Lease Purchase of the property located at 1340 Main Street in Carbondale, Colorado serving primarily as offices for the BRT Project; additionally, the fund transferred out $1.8 million for annual debt service on the Series 2009A & B bonds.

The Capital Projects Fund had a total fund balance of $17.4 million, of which $15.2 million will fund certain and specific asset and infrastructure expenditures related to the BRT Project and $2.2 million will fund the asset and infrastructure expenditures related to the Aspen Maintenance Facility (AMF) Project. The net increase in fund balance was $1.5 million. The Authority had $1.3 million of project management expenditures related to the BRT Project and $1.5 million of capital expenditures. The BRT Project expenditures were funded by the remaining proceeds from the Series 2009A & B bond issuance. The AMF Project expenditures were funded by the proceeds from the Series 2010A bond issuance.

Financial Analysis of the Authority's Funds (continued)

The Debt Service Fund had a total fund balance of $1.8 million representing the required reserves for the Series 2009A & B bonds and interest earned as required by resolution. The fund received a Build America Bonds credit of $500,000 representing 35% of the actual interest paid during the current fiscal year on the Series 2009B Build America Bonds and a transfer from the BRT Special Revenue Fund for the remaining balance. Expenditures included $1.6 million of debt service interest expenditures related to both bonds.

Twilight riding along the Authority-owned Rio Grande Trail

General Fund Budgetary Highlights

The Authority's revenues exceeded budget by $381,000. Expenditures were $187,000 under budgeted. Significant budget variances were as follows:

Description	Final Budget	Actual	Variance Positive (Negative)	Reason
Revenues:				
Sales and use tax revenue	$ 9,974,000	$10,183,915	$ 209,915	Improving local economy
Operating Revenues	3,731,500	3,832,915	101,415	Increased ridership
Other Income	602,760	713,395	110,635	Unpredictable reimbursements
Net variances in other accounts	2,598,246	2,557,818	(40,428)	Various
Total Revenues	$16,906,506	$17,288,043	$ 381,537	
Expenditures:				
Transit Fuel	$ 1,438,967	$ 1,605,353	$(166,386)	Increase in transit diesel fuel
Administration	2,652,379	2,346,690	305,689	Savings from liability claims and unfilled positions
Net variances in other accounts	13,891,788	13,843,633	48,155	Various
Total Expenditures	$17,983,134	$17,795,676	$ 187,458	

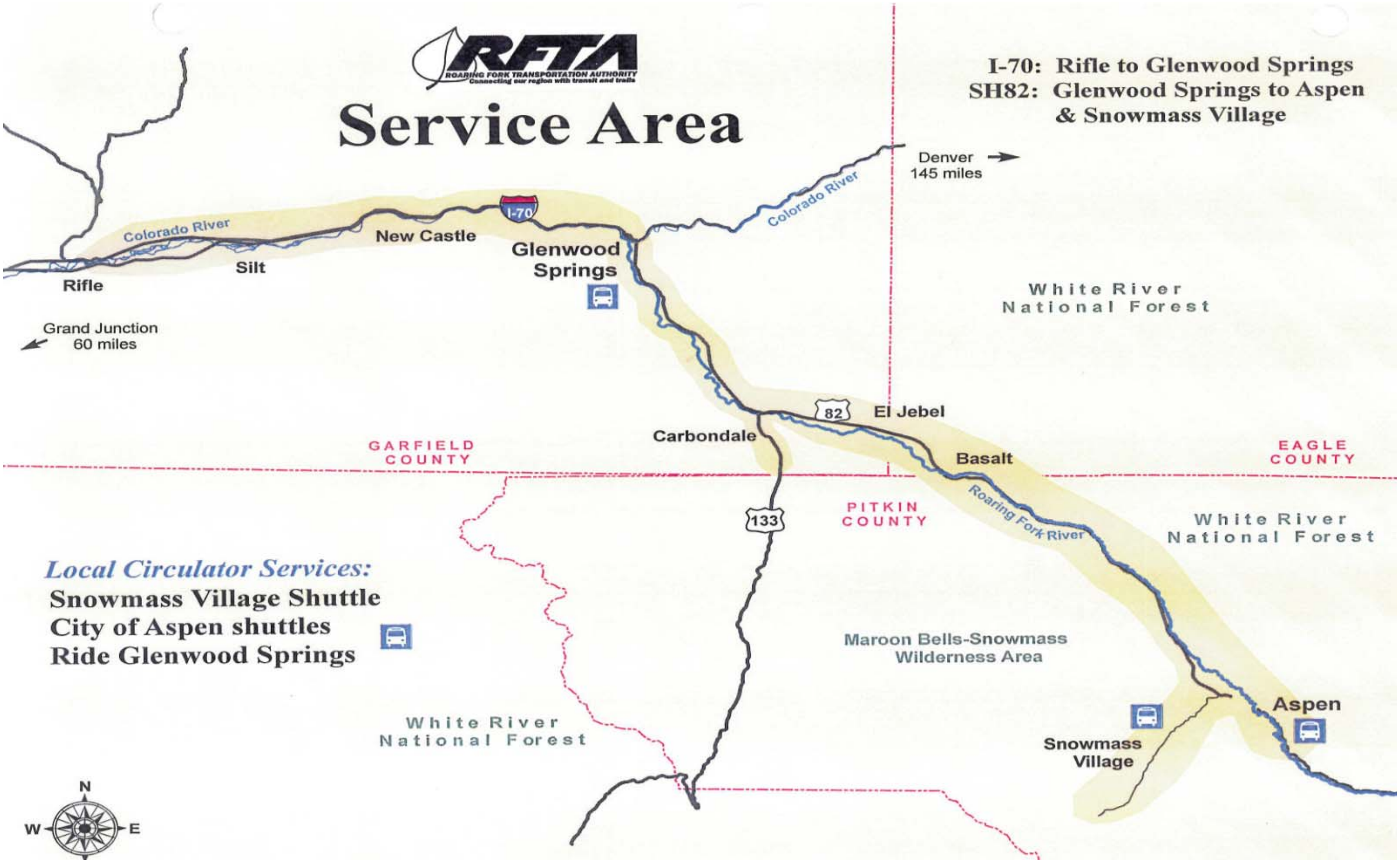
Subsequent Year's Budget

- The Authority ended the year with a combined ending fund balance of $32.4 million. The 2012 adopted budget anticipates a decrease of $8.1 million; increases of $83,000 in the General Fund and $1.2 million in the Special Revenue BRT Fund are offset by a $9.4 million decrease in the Capital Projects Fund.
- With a slowly recovering economy, the subsequent year budget reflects a slight increase in transit expenditures in relation to the increase in sales tax, service contracts, and operating revenues;
- In August of 2011, the Authority was awarded a total of $24.973 million from the FTA's VSS capital grant which will help fund the BRT Project with a total cost of approximately $46 million. The BRT Project started the construction phase during 2011 and includes approximately $23.8 million of capital outlay and approximately $14.4 million in grant reimbursements resulting in the $9.4 million decrease of fund balance in the Capital Projects Fund. The project's estimated completion is in the fall of 2013.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Roaring Fork Transportation Authority, Attention: Finance, 0766 Industry Way Carbondale, Colorado 81623.

Below is a map of the Authority's commuter transit service area, the I-70 Corridor between Rifle and Glenwood Springs, and the Highway 82 Corridor between Glenwood Springs and Aspen. Additionally, the Authority-owned railroad right of way runs adjacent to the Highway 82, between Glenwood and connects with the Pitkin County trail before Aspen.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

Roaring Fork Transportation Authority
Balance Sheet/Statement of Net Assets
December 31, 2011

	Funds Financial			
	General Fund	**SRF Service Contracts**	**SRF Bus Shelter/ PNR**	**SRF Mid Valley Trails**
Assets:				
Cash and cash equivalents - unrestricted	$ 2,610,428	-	-	-
Cash and cash equivalents - restricted	435,516	-	-	-
Investments	1,229,201	-	$ 104,529	$ 127,842
Accounts receivable	711,279	$ 795,353	30,722	-
Due from Other Funds	795,436	30,235	4,626	-
Due from other governments	2,186,431	-	-	2,582
Prepaid expenses	1,679	-	-	-
Inventory	732,042	-	-	-
Other assets, net of amortization	-	-	-	-
Capital assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Total Assets	$ 8,702,012	$ 825,588	$ 139,877	$ 130,424
Liabilities:				
Accounts payable	$ 891,592	$ 30,152	$ 4,626	-
Due to Other Funds	608,847	795,436	-	-
Accrued expenses	753,042	-	-	-
Accrued compensated absences	-	-	-	-
Accrued interest	-	-	-	-
Non-current liabilities:				
Due within one year	-	-	-	-
Due longer than one year	-	-	-	-
Total Liabilities	$ 2,253,481	$ 825,588	$ 4,626	$ -
Fund Balance/Net Assets:				
Fund Balance:				
Non-spendable fund balance	$ 733,722	-	-	-
Restricted fund balance	518,641	-	$ 135,251	$ 130,424
Committed fund balance	4,398,000	-	-	-
Unassigned fund balance	798,168	-	-	-
Total Fund Balance	$ 6,448,531	$ -	$ 135,251	$ 130,424
Total Liabilities and Fund Balance	$ 8,702,012	$ 825,588	$ 139,877	$ 130,424
Net Assets:				
Invested in capital assets, net of related debt				
Restricted				
Unrestricted				
Total Net Assets				

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Balance Sheet/Statement of Net Assets
December 31, 2011

Statements					
SRF Bus Rapid Transit	**Capital Projects Fund**	**Debt Service Fund**	**Total**	**Adjustments**	**Statement of Net Assets**
-	-	-	$ 2,610,428	-	$ 2,610,428
-	-	$ 1,771,146	2,206,662	$ 72,263	2,278,926
$ 5,594,274	$ 17,047,134	18,796	24,121,776	-	24,121,776
-	365,488	-	1,902,842	58,000	1,960,842
225,776	348,211	-	1,404,284	-	1,404,284
942,136	-	-	3,131,148	-	3,131,148
-	-	-	1,679	-	1,679
-	-	-	732,042	-	732,042
-	-	-	-	690,104	690,104
-	-	-	-	86,026,109	86,026,109
-	-	-	-	(31,074,754)	(31,074,754)
$ 6,762,185	$ 17,760,833	$ 1,789,942	$ 36,110,861	$ 55,771,723	$ 91,882,585
$ 225,776	$ 348,211	-	$ 1,500,356	-	$ 1,500,356
-	-	-	1,404,284	-	1,404,284
-	16,746	-	769,788	$ 58,010	827,798
-	-	-	-	1,226,685	1,226,685
-	-	-	-	191,199	191,199
-	-	-	-	1,974,292	1,974,292
-	-	-	-	41,402,736	41,402,736
$ 225,776	$ 364,957	$ -	$ 3,674,428	$ 44,852,922	$ 48,527,351
-	-	-	$ 733,722	$ (733,722)	
-	$2,208,931	$1,771,146	4,764,393	(4,764,393)	
$6,536,409	15,186,945	$18,796	26,140,150	(26,140,150)	
-	-	-	798,168	(798,168)	
$ 6,536,409	$ 17,395,876	$ 1,789,942	$ 32,436,433	$(32,436,433)	
$ 6,762,185	$ 17,760,833	$ 1,789,942	$ 36,110,861		

$29,660,308	$29,660,308
4,764,393	4,764,393
8,930,534	8,930,534
$43,355,235	$43,355,235

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Statement of Revenues, Expenditures and Changes In Fund Balance/Statement of Activities
December 31, 2011

	Funds Financial			
	General Fund	**SRF Service Contracts**	**SRF Bus Shelter/ PNR**	**SRF Mid Valley Trails**
Revenues:				
Sales and use tax revenue	$ 10,183,915	-	-	$ 32,430
Service contracts	-	$ 7,751,244	-	-
Operating revenues	3,832,915	-	-	-
Capital grant revenue	366,156	-	-	-
Operating grant revenues	830,549	20,000	-	-
Local government operating contributions	1,355,378	-	-	-
Other income	713,395	-	$ 439,549	-
Investment income	5,735	-	417	331
Total Revenues	$ 17,288,043	$ 7,771,244	$ 439,965	$ 32,761
Expenditures/Expenses:				
Transit fuel	$ 1,605,353	$ 732,978		
Transit operations	5,593,692	3,554,391	-	-
Transit maintenance	2,912,837	1,587,605	-	-
Administration	2,346,690	1,372,178	-	$ 1,323
Project management	-	-	-	-
Facilities	915,601	524,091	$ 295,973	-
Trails & corridor management	248,507	-	-	323
Capital outlay	1,825,657	-	-	-
Depreciation and amortization	-	-	-	-
Debt service:				
Principal	1,636,258	-	-	-
Interest	711,081	-	-	-
Total Expenditures/Expenses	$ 17,795,676	$ 7,771,244	$ 295,973	$ 1,646
Excess of Revenues Over Expenditures/ Expenses	$ (507,633)	-	$143,992	$ 31,115
Other Financing Sources (Uses):				
Transfer to Other Funds	-	-	(39,000)	-
Transfer from Other Funds	$ 335,705	-	-	-
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Lease Proceeds	-	-		
Total Other Financing Sources (Uses)	$ 335,705	$ -	$ (39,000)	$ -
Change in Net Assets	$ (171,928)	$ -	$104,992	$ 31,115
Fund Balance/Net Assets:				
Beginning of Year	$ 6,620,459	$ -	$30,259	$ 99,309
End of Year	$ 6,448,531	$ -	$ 135,251	$ 130,424

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Statement of Revenues, Expenditures and Changes In Fund Balance/Statement of Activities
December 31, 2011

Statements					
SRF Bus Rapid Transit	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
$ 5,091,460	-	-	$ 15,307,805	-	$ 15,307,805
-	-	-	7,751,244	-	7,751,244
-	-	-	3,832,915	-	3,832,915
-	$ 4,373,491	-	4,739,647	-	4,739,647
-	-	-	850,549	-	850,549
-	-	-	1,355,378	-	1,355,378
-	-	$ 500,215	1,653,159	$ 47,384	1,700,543
21,328	32,506	4,631	64,947	-	64,947
$ 5,112,788	$ 4,405,997	$ 504,846	$ 35,555,644	$ 47,384	$ 35,603,028
			$ 2,338,331		$ 2,338,331
$ 25,856	-	-	9,173,939	$ 37,844	9,211,783
14,461	-	-	4,514,903	(5,929)	4,508,974
1,904,531	-	-	5,624,722	(30,000)	5,594,722
-	$ 1,333,776	-	1,333,776		1,333,776
179,295	-	-	1,914,960	(7,250)	1,907,710
-	-	-	248,830	(10,709)	238,121
1,056,954	1,464,569	-	4,347,179	(4,347,179)	-
-	-	-	-	4,300,359	4,300,359
-	-	$ 495,000	2,131,258	(2,131,258)	-
-	-	1,624,336	2,335,417	82,580	2,417,997
$ 3,181,096	$ 2,798,345	$ 2,119,336	$ 33,963,315	$ (2,111,542)	$ 31,851,773
$ 1,931,692	$ 1,607,652	$ (1,614,490)	$ 1,592,329	$ 2,158,926	$ 3,751,255
$ (1,790,102)	$ (125,000)	-	$ (1,954,102)	-	$ (1,954,102)
-	-	$ 1,618,397	1,954,102	-	1,954,102
-	-	-	-	$ 9,461	9,461
-	-	-	-	(7,241)	(7,241)
1,000,000	-	-	1,000,000	(1,000,000)	-
$ (790,102)	$ (125,000)	$ 1,618,397	$ 1,000,000	$ (997,780)	$ 2,220
$ 1,141,590	$ 1,482,652	$ 3,907	$ 2,592,329	$ 1,161,146	$ 3,753,475
$ 5,394,819	$ 15,913,224	$ 1,786,035	$ 29,844,105		$ 39,601,760
$ 6,536,409	$ 17,395,876	$ 1,789,942	$ 32,436,434		$ 43,355,235

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund
December 31, 2011

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Sales and use tax revenue	$ 9,548,000	$ 9,974,000	$10,183,915	$ 209,915
Operating revenues	3,672,500	3,731,500	3,832,915	101,415
Capital grant revenue	1,114,000	358,156	366,156	8,000
Operating grant revenues	830,550	830,550	830,549	(1)
Local government operating contributions	1,301,000	1,404,540	1,355,378	(49,162)
Other income	723,760	602,760	713,395	110,635
Investment income	5,000	5,000	5,735	735
Total Revenues	$ 17,194,810	$16,906,506	$17,288,043	$ 381,537
Expenditures:				
Transit fuel	$ 1,153,567	$ 1,438,967	$ 1,605,353	$ (166,386)
Transit operations	5,589,960	5,627,667	5,593,692	33,975
Transit maintenance	2,840,844	2,910,991	2,912,837	(1,846)
Administration	2,455,910	2,652,379	2,346,690	305,689
Facilities	948,718	919,895	915,601	4,294
Trails & corridor management	237,807	237,807	248,507	(10,700)
Capital outlay	1,567,500	1,848,086	1,825,657	22,429
Debt service:				
Principal	1,739,267	1,636,260	1,636,258	2
Interest	647,581	711,082	711,081	1
Total Expenditures/Expenses	$ 17,181,154	$ 17,983,134	$ 17,795,676	$ 187,458
Excess of Revenues Over Expenditures/Expenses	$ 13,656	$(1,076,628)	$ (507,633)	$ 568,995
Other Financing Sources / (Uses)				
Transfer from Other Funds	250,000	421,705	335,705	$ (86,000)
Total Other Financing Sources /(Uses)	$ 250,000	$ 421,705	$ 335,705	$ (86,000)
Change in Net Assets	$ 263,656	$ (654,923)	$ (171,928)	$ 482,995
Fund Balance/Net Assets:				
Beginning of Year			6,620,459	
End of Year			$ 6,448,531	

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Service Contracts
Special Revenue Fund
December 31, 2011

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Service contracts	$7,324,748	$7,797,748	$7,751,244	$ (46,504)
Operating grant revenue	20,000	20,000	20,000	-
Local government contributions	55,000	55,000	-	(55,000)
Investment income	200	200	-	(200)
Total Revenues	$7,399,948	$7,872,948	$7,771,244	$ (101,704)
Expenditures:				
Transit fuel	$ 624,948	$ 734,948	$ 732,978	$ 1,970
Transit operations	6,740,000	7,091,000	3,554,391	3,536,609
Transit maintenance	15,000	15,000	1,587,605	(1,572,605)
Administration	20,000	32,000	1,372,178	(1,340,178)
Facilities	-	-	524,091	(524,091)
Total Expenditures/Expenses	$7,399,948	$7,872,948	$7,771,244	$ 101,704
Excess of Revenues Over Expenditures/Expenses	$ -	$ -	$ -	$ -
Other Financing Sources / (Uses)				
Total Other Financing Sources / (Uses)	$ -	$ -	$ -	$ -
Change in Net Assets	$ -	$ -	$ -	$ -
Fund Balance/Net Assets:				
Beginning of Year			-	
End of Year			$ -	

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Bus Shelter/ Park and Ride
Special Revenue Fund
December 31, 2011

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Other income	$ 375,000	$ 337,000	$ 439,549	$ 102,549
Investment income	-	-	417	417
Total Revenues	$ 375,000	$ 337,000	$ 439,966	$ 102,966
Expenditures:				
Facilities	$ 295,973	$ 295,973	$ 295,973	$ -
Capital outlay	-	-	-	-
Total Expenditures/Expenses	$ 295,973	$ 295,973	$ 295,973	$ -
Excess of Revenues Over Expenditures/Expenses	$ 79,027	$ 41,027	$ 143,993	$ 102,966
Other Financing Sources / (Uses)				
Transfers to Other Funds	$(125,000)	$ (39,000)	$ (39,000)	$ -
Total Other Financing Sources / (Uses)	$(125,000)	$ (39,000)	$ (39,000)	$ -
Change in Net Assets	$ (45,973)	$ 2,027	$ 104,993	$ 102,966
Fund Balance/Net Assets:				
Beginning of Year			30,259	
End of Year			$ 135,252	

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Mid Valley Trails
Special Revenue Fund
December 31, 2011

	Original and Final Budget	Actual	Budget Variance Positive (Negative)
Revenues:			
Sales and use tax revenue	$ 25,000	$ 32,430	$ 7,430
Investment income	-	331	331
Total Revenues	$ 25,000	$ 32,761	$ 7,761
Expenditures:			
Administration	$ 12,000	$ 1,323	$ 10,677
Trails & Corridor Management	5,000	323	4,677
Total Expenditures	$ 17,000	$ 1,646	$ 15,354
Excess (Deficiency) of Revenues Over Expenditures	$ 8,000	$ 31,115	$ 23,115
Other Financing Sources / (Uses)			
Total Other Financing Sources / (Uses)	$ -	$ -	$ -
Change in Net Assets	$ 8,000	$ 31,115	$ 23,115
Fund Balance/Net Assets:			
Beginning of Year		99,309	
End of Year		$ 130,424	

The accompanying notes are an integral part of these financial statements.

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
BRT Special Revenue Fund
December 31, 2011

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Sales and use tax revenue	$ 4,267,082	$ 5,011,082	$ 5,091,460	$ 80,378
Investment income	-	-	21,328	21,328
Total Revenues	$ 4,267,082	$ 5,011,082	$ 5,112,788	$ 101,706
Expenditures:				
Transit operations	$ 26,006	$ 26,006	$ 25,856	$ 150
Transit maintenance	31,681	31,681	14,461	17,220
Administration	824,233	2,065,288	1,904,531	160,757
Facilities	180,695	157,950	179,295	(21,345)
Capital outlay	-	1,068,000	1,056,954	11,046
Total Expenditures/Expenses	$ 1,062,615	$ 3,348,925	$ 3,181,096	$ 167,828
Excess of Revenues Over Expenditures/Expenses	$ 3,204,467	$ 1,662,157	$ 1,931,692	$ 269,535
Other Financing Sources / (Uses)				
Transfers to Other Funds	$(1,618,321)	$(1,790,026)	$(1,790,102)	$ (76)
Lease proceeds	-	1,000,000	1,000,000	-
Total Other Financing Sources / (Uses)	$(1,618,321)	$ (790,026)	$ (790,102)	$ (76)
Change in Net Assets	$ 1,586,146	$ 872,131	$ 1,141,590	$ 269,459
Fund Balance/Net Assets:				
Beginning of Year			5,394,819	
End of Year			$ 6,536,409	

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The Roaring Fork Transit Agency was formed by an intergovernmental agreement between the City of Aspen and Pitkin County in 1983. In November of 2000 the electorate of the Roaring Fork Valley, subject to an intergovernmental agreement authorized by participating entities, approved the establishment of the Roaring Fork Transportation Authority (the "Authority"). The function of the Authority is to create, operate, and maintain a public transportation system and a multi-purpose non-motorized trail network that serves the residents and visitors of the Roaring Fork and Colorado River Valley with environmentally friendly, convenient, safe, efficient and economical transportation. The Authority's service area encompasses six towns and two counties that include the City of Aspen, Town of Basalt, Town of Carbondale, Eagle County, City of Glenwood Springs, Town of New Castle, Pitkin County and Town of Snowmass Village. The Authority regional transit services are supported by dedicated sales tax collections by governments within the service area, contributions, and fares.

The Authority's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), as applied to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the Authority are discussed below.

A. Reporting Entity

The Authority is governed by a Board of Directors consisting of eight members and eight alternates who consist of two elected officials from each participating governmental entity. The Board is responsible for setting policy, appointing administrative personnel, and adopting an annual budget in accordance with state statutes. As required by GAAP, the financial statements of the reporting entity include those of the Authority. Additionally, a second Authority Board, the Mid Valley Trails Board administers 20% (0.10%) of the Eagle County sales tax dedicated to the Authority. No additional separate governmental units, agencies, or non-profit corporations are included in the financial statements of the Authority since none were discovered to fall within the oversight responsibility based on the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

B. Government-wide and Fund Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental (i.e., normally supported by taxes and intergovernmental revenues) or business (i.e., relying to a significant extent on fees and charges for support) type activities. Currently, the Authority performs only governmental activities. Neither fiduciary nor component units that are fiduciary in nature are included.

1. Government-wide Financial Statements

In the government-wide Statement of Net Assets, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported as unrestricted net assets. The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from the current year's activities.

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The fund focus is on current available resources and budget compliance. The Authority reports seven funds:

- **General Fund –** accounts for all activities of the general government except those accounted for in the special revenue, capital projects, debt service, and reserve funds.
- **Service Contract Special Revenue Fund –** reports revenue and operating activity for additional services based on contractual agreement.
- **Bus Shelter and Park and Ride Special Revenue Fund –** reports vehicle fee revenue and bus shelter and park and ride expenditure activity as required by State rural transit authority enabling legislation.
- **Mid Valley Trails Special Revenue Fund –** reports transactions restricted to trail activities in accordance with the June 2002 resolution where the Authority adopted the Eagle County Mid Valley Trails Committee which administers all aspects of appropriating the funds and the Authority provides accounting of the funds and other services as requested by the Committee.
- **Bus Rapid Transit Special Revenue Fund –** reports operating activity committed for the planning of the Bus Rapid Transit project by the November 2008 voter approved 0.4% increase in sales tax.
- **Capital Projects Fund –** reports all expenditures related to the BRT Project for assets and infrastructure using proceeds from Series 2009A and 2009B bonds and grants from the Federal Transit Administration's Very Small Starts Program. Also reports all expenditures related to the Aspen Maintenance Facility Recommissioning Project for assets and infrastructure using proceeds from Series 2010A bonds.
- **Debt Service Fund –** reports all principal and interest expenditures for the Series 2009A $6.5 million bond issuance, Series 2009B $21 million Build America Bonds issuance, interest earned, and the required reserves for these bonds.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

2. Current Financial Focus and Modified Accrual Basis (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities to the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales tax, fees, and licenses associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Financial Statement Accounts

1. Deposits and Investments

Cash and cash equivalents – unrestricted are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with original maturities of three months or less.

Cash and cash equivalents –restricted are defined as certain proceeds from debt issuance with limited use by applicable debt covenants.

The Authority has adopted a formal investment policy to manage its safety of principal, liquidity to meet all operating requirements, and yield. The following is a summary of relevant guidelines from the policy:

- **Investment Types –** All investments will be made in accordance with the Colorado Revised Statutes as follows: C.R.S. 11-10.5-101, et seq. Public Deposit Protection Act; C.R.S. 24-75-601, et. seq. Funds - Legal Investments; C.R.S. 24-75-603, Depositories; and C.R.S. 24-75-702, Local governments – authority to pool surplus funds.
- **Diversification –** The investments shall be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as local government surplus funds trust funds, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- **Maturity –** Investment maturities shall be based on the anticipated cash flow requirements of the Authority. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than five (5) years. The Authority adopts weighted average maturity limitations (which often range from 90 days to 3 years). Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide with the expected use of funds.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Inventory

Inventory consists largely of bus equipment parts and is recorded at the lower of cost or market.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the Authority considers all accounts to be collectible.

4. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note I.E.

5. Use of Estimates

The preparation of financial statements is in conformity with U.S. GAAP 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and vehicles, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial cost of $5,000 or more and an estimated useful life in excess of three years for all assets other than equipment. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest, if any, incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

I. **Summary of Significant Accounting Policies (continued)**

D. **Financial Statement Accounts (continued)**

6. **Capital Assets (continued)**

Asset	Years
Buildings and improvements	20-40
Machinery and equipment	3-10
Vehicles	7-12

Depreciation is not taken on assets in the first year of service.

E. **Fund Balance Disclosure**

The Authority classifies governmental fund balances as follows:

1. **Non-spendable** - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

2. **Spendable Fund Balance**:

   a. **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

   b. **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Authority's Board of Directors. For details on the Authority's budget process, refer to Note III.A.

   c. **Assigned** – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board or its management designee.

   d. **Unassigned** - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Authority would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority does not have a formal minimum fund balance policy. However, the Authority's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to the Board.

F. **Fund Definitions of Funds Reported**

1. **General Fund**: The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

I. **Summary of Significant Accounting Policies (continued)**

F. **Fund Definitions of Funds Reported (continued)**

2. **Special Revenue Funds**: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

3. **Capital Projects Funds**: Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

4. **Debt Service Funds**: Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

II. **Reconciliation of Government-wide and Fund Financial Statements**

A. **Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets**

The governmental fund Balance Sheet includes reconciliation between Fund balance – Governmental funds and Net assets – Governmental activities as reported in the government-wide Statement of Net Assets. The Authority adds capital assets net of depreciation of $54,951,000. Another element of this reconciliation adds long-term debt relating to Pitkin County, Colorado's Series 2010A & B sales tax revenue bonds. The Authority has agreed to the repayment of this debt through its Pitkin County dedicated sales tax. Additional long-term debt includes 2005 Certificates of Participation, Series 2009A & B bonds, and various capital leases. The Authority also has deferred refunding costs of $191,000 relating to all the aforementioned debt.

B. **Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes reconciliation between Net change in fund balance – Governmental funds and Changes in net assets – Governmental activities as reported in the government-wide Statement of Activities. The Authority also reduces capital outlay in the amount of $4,347,000 for assets which have been capitalized.

III. **Stewardship, Compliance, and Accountability**

A. **Budgets and Budgetary Accounting**

In the fall of each year, the Authority's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds is adopted on a basis consistent with U.S. GAAP.

III. Stewardship, Compliance, and Accountability (continued)

A. Budgets and Budgetary Accounting (continued)

(1) On or before October 15, the Authority submitted to the Board a recommended budget that details the revenues necessary to meet the Authority's operating requirements.

(2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15.

(3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) emergency appropriations; and (c) reduction of appropriations for which originally estimated revenues are insufficient.

All appropriations lapse at year end. During the year, twelve supplemental appropriation resolutions were adopted by the Authority. The budgetary comparison statements reflect the original budget and the final budget after legally authorized revisions were made. As a result of the supplementary budget appropriations, the 2011 appropriations were increased as follows:

	Appropriation
Original Appropriation	$ 31,095,000
Changes to Annual Appropriations:	
Resolution 2011-01	$ 3,057,560
Resolution 2011-03	301,500
Resolution 2011-04	1,606,450
Resolution 2011-05	390,000
Resolution 2011-09	100,000
Resolution 2011-10	4,016,300
Resolution 2011-11	443,000
Resolution 2011-13	8,899,700
Resolution 2011-15	181,089
Resolution 2011-18	(5,767,200)
Resolution 2012-2	(8,166,780)
Resolution 2012-4	399,776
Total supplemental appropriations	$ 5,461,395
Final Appropriation	$ 36,556,395

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue. As required by TABOR, the Authority has restricted $518,000 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2011.

The ballot question authorizing the creation of the Authority in 2000 allows the Authority to treat all amounts received from taxes, contributions and otherwise and earnings thereon as a voter approved revenue change.

The Authority's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

C. Excess of Expenditures over Appropriations

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, by object. The government's department heads may make transfers of appropriations within a fund. Transfers of appropriations between funds require approval of the Board. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level.

For the year ended December 31, 2011, the Authority's expenditures did not exceed appropriations.

IV. Detailed Notes on All Funds

A. Deposits and Investments

As of December 31, 2011, the Authority had the following investments and maturities:

	Standard & Poors Rating	Carrying Amounts	Less than one year	Less than five years
Deposits:				
Cash on Hand	Not Rated	$ 6,225	$ 6,225	-
Checking	Not Rated	4,218,207	4,218,207	-
Short Term Investment Accounts	Not Rated	4,921,598	157,681	-
Short Term Investment Accounts	AAAm	18,355,587	18,355,587	-
Deposits held by Trustee	AAAm	435,516	435,515	-
Deposits held by Pitkin County Treasurer	Not Rated	72,264	72,264	-
Corporate and Government Bonds	AA+	1,002,273	1,002,273	$ -
Total		$29,011,669	$24,247,751	$ -

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the Authority diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Authority coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the Authority has limited its interest rate risk.

Credit Risk. State law and Authority policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The Authority's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. As of December 31, 2011, the government's Deposits held by Trustee was invested in The First American Treasury Obligations Fund and was rated Aaa-mf by Moody's Investor Service, AAAm by Standard and Poor's and AAAmmf by Fitch Ratings. As of December 31, 2011, a significant portion of the government's short-term investments were held by ColoTrust and was rated AAAm by Standard and Poor's.

Concentration of Credit Risk. The Authority diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured or issued by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding Authority funds must provide the Authority a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may be returned to it. The Authority's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first $250,000 of the Authority's interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over $250,000 are collateralized as required by PDPA.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are made in the name of the Authority. Marketable securities are held by either (1) a third-party custodian as evidenced by safekeeping receipts or (2) a broker-dealer in a customer account that is insured by the Securities Investor Protection Corporation and supplemental insurance for the maximum held in such account.

B. Receivables

Accounts receivable is due primarily from entities participating in "the Authority" for Sales and Use Tax and Other Governmental Contributions. Due from other Governments consists of amounts due from the Federal and State Government. The Authority has recorded no allowance for doubtful accounts at December 31, 2011 and anticipates the collection of all receivables.

IV. **Detailed Notes on All Funds (continued)**

C. Non-spendable, Restriction and Commitment of Fund Balances

At December 31, 2011, the fund balance of the Authority's General Fund was restricted and committed for the following:

Restricted for emergencies	$ 518,641
Non-spendable for inventory & prepaids	733,722
Committed for Transit	135,000
Committed for Trails	375,000
Committed for Facilities	375,000
Committed for Operating Reserves	3,513,000
Total	$ 5,650,363

Funds restricted for emergencies are required by Colorado's TABOR amendment. Funds are non-spendable for inventories and prepaids as they are not readily spendable and, therefore, are not included in unassigned fund balance. Additional amounts have been committed for specific purposes by the Authority as indicated.

At December 31, 2011, the fund balance of the BRT Special Revenue Fund was committed for the following specific purposes by the Authority:

Committed for Series 2009A debt service	$ 692,775
Committed for Series 2009B debt service	928,971
Committed for the BRT Project and transit expenditures	4,914,663
Total	$ 6,536,409

At December 31, 2011, the fund balance of the Capital Projects Fund was restricted and committed for the following:

Restricted for facilities	$ 2,208,931
Committed for the BRT Project	15,186,945
Total	$ 17,395,876

Funds restricted for facilities are from the Pitkin County 2010 bond issuance. Additional amounts have been committed for the Authority for the BRT Project.

At December 31, 2011, the fund balance of the Debt Service Fund was restricted and committed for the following:

Restricted for debt	$ 1,171,146
Committed for debt	18,796
Total	$ 1,789,942

Funds restricted for debt are reserve requirements by the Series 2009A&B bonds. Additional amounts have been committed by the Authority for debt payments on the Series 2009A&B bonds.

IV. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	1/1/11	Adjustments	Increases	Decreases	12/31/11
Governmental Activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 7,028,386	$ (4,684,824)	$ 1,420,035	$ -	$ 3,763,597
Land and improvements	12,383,782	-	601,779	-	12,985,561
Total Capital Assets, Not Being Depreciated	$ 19,412,169	$ (4,684,824)	$ 2,021,814	$ -	$ 16,749,158
Capital assets, being depreciated:					
Buildings	$ 5,486,280	-	$ 430,142	-	$ 5,916,422
Improvements other than buildings	8,252,188	4,684,824	469,851	-	13,406,863
Equipment	48,504,406	$ -	1,449,261	$ -	49,953,667
Total Capital Assets Being Depreciated	$ 62,242,874	$ 4,684,824	$ 2,349,254	$ -	$ 69,276,952
Less accumulated depreciation for:					
Buildings	$ (3,945,734)	-	$ (88,060)	-	$ (4,033,794)
Improvements other than buildings	(1,960,420)	-	(505,756)	-	(2,466,176)
Equipment	(20,880,478)	-	(3,694,306)	-	(24,574,784)
Total Accumulated Depreciation	$ (26,786,632)	$ -	$ (4,288,123)	$ -	$ (31,074,754)
Total Capital Assets, Being Depreciated, Net	$ 35,456,242	$ 4,684,824	$ (1,938,869)	$ -	$ 38,202,198
Governmental Activities Capital Assets, Net	$ 54,868,411	$ -	$ 82,945	$ -	$ 54,951,356

E. Interfund Transfers

Interfund balances as of December 31, 2011 are comprised of interfund transfers:

	Transfer In:		
Transfer Out:	**General Fund**	**Debt Service Fund**	**Total**
Bus Shelter/PNR Special Revenue Fund	$ 39,000	-	$225,500
Bus Rapid Transit Special Revenue Fund	171,705	$1,618,397	1,649,583
Capital Projects Fund	125,000	-	229,750
Total	$ 335,705	$ 1,618,397	$ 1,954,102

The Bus Shelter/PNR Special Revenue Fund transfer reimbursed the General Fund for prior year bus shelter/ PNR expenditures paid by the General Fund. Bus Rapid Transit Special Revenue Fund transfers were to help fund IT equipment that will be used in providing the BRT bus service as well as the local, non-BRT service and also debt service. The Capital Projects Fund transfers were used to move a portion of the tax-exempt bond issuance proceeds to the General Fund for the reimbursement of general administrative expenditures.

IV. Detailed Notes on All Funds (continued)

F. Other Liabilities

1. Sales Tax Revenue Bonds

The original intergovernmental agreement forming the Authority allows Pitkin County, Colorado (the "County") to reduce the sales tax paid to the Authority by the principal and interest payments on the County's outstanding transit debt, the Series 1998 and 2001 Sales Tax Revenue Bonds. The transit debt was originally issued in order to provide capital for the Roaring Fork Transit Agency. Upon formation of the Authority, the obligation for payment of transit debt, along with specific Agency assets were transferred to the Authority. On December 22, 2010, the County issued additional transit debt on behalf of the Authority: $2,530,000 of Taxable Sales Tax Revenue Build America Bonds, Series 2010A and $5,830,000 of Tax-Exempt Sales Tax Revenue Refunding Bonds, Series 2010B. The County refunded the 1998 and 2001 Series bonds to reduce its annual debt service payments from 2011 to 2021 by approximately $200,000. The transaction resulted in an economic gain or net present value savings of $237,000.

Series 2010A bonds carry an interest rate of 6.689% to 6.939% with final maturity date of 2040. Series 2010B tax-exempt bonds carry an interest rate of 2.0% to 4.25% with final maturity date of 2026. These bonds are currently the two Sales Tax Revenue Bonds outstanding and held by Pitkin County.

In July 2009, the Authority issued Tax-Exempt Sales and Use Tax Revenue Bonds, Series 2009A to finance asset and infrastructure expenditures for the BRT Project. The Series 2009A bonds carry an interest rate of 2.0% to 4.0% with final maturity date of 2020.

In July 2009, the Authority issued Taxable Sales and Use Tax Revenue Bonds (Build America Bonds – Direct Payment to Issuer), Series 2009B to finance the asset and infrastructure expenditures for the BRT Project. The Series 2009B bonds carry an interest rate of 6.6% to 6.8% with final maturity date of 2039.

The Authority had $17 million of authorized unissued debt as of December 31, 2011.

2. Certificates of Participation

On April 6, 2005 the Authority issued Certificates of Participation totaling $3,910,000. The Certificates carry an interest rate of 3% to 4.25% with a final maturity of 2014. The proceeds from the Certificates were used for acquisition of additional buses.

3. Capital Leases

In 2006 the Authority signed a lease for buses totaling $2,450,000. The lease carried an interest rate of approximately 4% and matured in 2011.

In 2007 the Authority signed a lease for buses totaling $5,418,092. The lease carries an interest rate of 4.28% with a final maturity of 2017.

In 2008, the Authority signed leases for buses totaling $1,122,000. The lease carries an interest rate of 3.18% with a final maturity of 2016.

In 2008, the Authority signed leases for administrative automobiles totaling $163,507. The leases carry interest rate between 4.8-5.4% with a final maturity of 2013.

IV. Detailed Notes on All Funds (continued)

F. Other Liabilities (continued)

3. Capital Leases (continued)

In 2008, the Authority signed a lease for an employee housing complex totaling $2,300,000. The lease carries an interest rate of 4.39% with final maturity of 2028. The employee housing financing was a private placement and subject to the following covenants. The Authority is required each year to have revenues not less than 110% of the amount required to pay all annual payments in the year; additionally, revenues for the immediately preceding year are equal to at least 125% of the maximum annual payments required to be paid in any succeeding year.

In 2009, the Authority signed a lease for an administrative automobile totaling $37,875. The lease carries an interest rate of 5.9% with a final maturity of 2013.

In 2011, the Authority signed a lease with Alpine Bank for the acquisition of commercial real estate, located at 1340 Main Street in Carbondale, CO. The lease carries an interest rate of 4.5% and has an original principal amount, at inception of the lease, of $1,000,000 with a final maturity of 2031.

4. Changes in Debt

The Authority had the following changes in its outstanding debt:

	1/1/11	Increases	Decreases	12/31/11	Due within one year
Bonds payable:					
Sales tax revenue bonds:					
Series 2009A	$ 5,705,000	-	$ (495,000)	$ 5,210,000	$ 510,000
Series 2009B	21,310,000	-	-	21,310,000	-
Series 2010A	2,530,000	-	-	2,530,000	-
Series 2010B	5,830,000	-	(285,000)	5,545,000	305,000
Certificates of participation:					
Series 2005	2,140,000	-	(320,000)	1,820,000	335,000
Less deferred amounts:					
Issuance premiums and discounts	(501,218)	-	28,444	(472,773)	-
On refunding	(217,233)	-	25,383	(191,850)	-
Capital leases:					
2006	263,646	-	(263,646)	-	-
2007	3,720,433	-	(499,979)	3,220,454	521,803
2008 Parker House	2,103,404	-	(82,280)	2,021,124	85,966
2008 Admin Vehicles	84,350	-	(33,441)	50,909	35,106
2008 Buses	801,282	-	(135,540)	665,742	139,884
2009 Admin Vehicle	20,176	-	(9,379)	10,797	9,808
2011 1340 Main Street	-	$1,000,000	(6,993)	993,007	31,730
Total bonds payable	$ 43,789,840	$1,000,000	$ (2,077,431)	$ 42,712,410	$ 1,974,297
Compensated absences	$ 1,188,841	$ 37,844	$ -	$ 1,226,685	$ -
Long-term liabilities	$ 44,978,681	$1,037,844	$ (2,077,431)	$ 43,939,095	$ 1,974,297

IV. Detailed Notes on All Funds (continued)

F. Other Liabilities (continued)

5. Future Debt Payments

The following schedule shows all of the future debt payments, including those related to the Pitkin County Taxable Sales Tax Revenue Build America Bonds, Series 2010A and Tax-Exempt Sales Tax Revenue Refunding Bonds, Series 2010B.

	2005 COP		2007 Capital Lease-Bus		2008 Capital Lease-Bus	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 335,000	$ 78,350	$ 521,803	$ 127,678	$ 139,884	$ 20,067
2013	350,000	64,613	544,579	104,902	144,368	15,584
2014	360,000	50,175	568,350	81,131	148,995	10,956
2015	380,000	34,875	593,158	56,323	153,771	6,181
2016	395,000	17,775	619,049	30,432	78,724	1,252
2017-2021	-	-	373,516	5,348	-	-
Total	$ 1,820,000	$ 245,788	$ 3,220,455	$ 405,814	665,742	54,040

	2008 Capital Lease-Admin Veh.		2008 Capital Lease-Parker House		2009 Capital Lease-Admin Veh.	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 35,106	$ 1,644	$ 85,966	$ 87,011	$ 9,808	$ 368
2013	15,801	231	89,816	83,161	989	5
2014	-	-	93,840	79,137	-	-
2015	-	-	98,043	74,934	-	-
2016	-	-	102,435	70,542	-	-
2017-2021	-	-	585,253	279,632	-	-
2022-2026	-	-	728,614	136,271	-	-
2027-2031	-	-	237,156	7,884	-	-
Total	$ 50,907	$ 1,875	$ 2,021,123	$ 818,572	$ 10,797	$ 373

	2009A Sales/Use Tax Rev. Bonds		2009B Sales/Use Tax Rev. Bonds		2010A Sales/Use Tax Rev. Bonds	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 510,000	$ 182,775	-	$ 1,429,186	-	$ 173,032
2013	525,000	167,475	-	1,429,186	-	173,032
2014	540,000	151,725	-	1,429,186	-	173,032
2015	555,000	135,525	-	1,429,186	-	173,032
2016	570,000	118,875	-	1,429,186	-	173,032
2017-2021	2,510,000	254,525	$ 840,000	7,145,930	-	865,160
2022-2026	-	-	4,775,000	6,262,961	-	865,160
2027-2031	-	-	5,480,000	4,554,904	$ 735,000	771,175
2032-2036	-	-	5,170,000	2,739,949	910,000	500,114
2037-2041	-	-	5,045,000	814,136	885,000	156,474
Total	$ 5,210,000	$ 1,010,900	$ 21,310,000	$ 28,663,810	$ 2,530,000	$ 4,023,243

	2010B Sales/Use Tax Rev. Bonds		2011 Capital Lease-1340 Main Street		Total	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 305,000	$ 176,231	$ 31,730	$ 44,646	$ 1,974,297	$ 2,320,988
2013	315,000	170,131	33,209	43,167	2,018,763	2,251,486
2014	320,000	163,831	34,756	41,620	2,065,941	2,180,794
2015	325,000	157,431	36,375	40,001	2,141,348	2,107,488
2016	330,000	150,931	38,070	38,306	2,133,278	2,030,331
2017-2021	1,805,000	609,245	218,667	163,214	6,332,436	9,323,053
2022-2026	2,145,000	270,425	274,579	107,301	7,923,194	7,642,118
2027-2031	-	-	325,622	37,164	6,777,778	5,371,127
2032-2036	-	-	-	-	6,080,000	3,240,063
2037-2041	-	-	-	-	5,930,000	970,610
Total	$ 5,545,000	$ 1,698,225	993,008	515,419	$ 43,377,035	$ 37,438,058

V. Other Information

A. Legal Claims

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority and their legal counsel feel none of these claims or assertions, after coverage applying appropriate insurance coverage are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2011.

B. Intergovernmental Agreement

The creation of the Authority was formed by an intergovernmental agreement, dated September 12, 2000 which authorized ballot questions which were ultimately approved by the appropriate electorate of the City of Aspen, Town of Basalt, Town of Carbondale, Eagle County, the City of Glenwood Springs, Pitkin County, and the Town of Snowmass Village (the "participating entities"). The Authority was created pursuant to Colorado Revised Statutes [Title 43, Article 4, Part 6] known as the Colorado Rural Transportation Authority Law. The Town of New Castle became a member pursuant to an intergovernmental agreement and election held on November 2, 2004 approved by the electorate.

Included in the intergovernmental agreement is a requirement to provide funding through an allocation of sales tax received in the participating entities. Effective January 1, 2009 the sales tax sharing agreements have been amended and approved by the Authority's electorate to the following:

- **New Castle** – 0.8% sales and use tax.
- **City of Glenwood Springs –** 1.0% sales and use tax.
- **Town of Carbondale** – an RTA tax of 0.9% and a projects tax of 0.1% for a total 1.0% sales and use tax. The projects tax, or 10% of the total collected, is returned to the Town and used to fund projects within Carbondale.
- **Town of Basalt** – 0.8% sales and use tax.
- **Eagle County –** 0.5% sales and use tax on the portion of sales and use tax collected within the Town of Basalt and 0.6% within the Unincorporated Eagle County within precincts 7,8,24 and 25. A minimum of 20% (0.1%) of the first 0.5% sales and use tax proceeds of this tax shall be used for trails construction and maintenance within the aforementioned precincts. The 0.1% sales tax dedicated to trails construction and maintenance is recorded in the Mid Valley Trails special revenue fund.
- **Pitkin County** (including the **City of Aspen** and the **Town of Snowmass Village**) – 0.8104% of a 0.5% sales tax and 0.4813% of a 1% sales tax for an equivalent total of a 0.8865% sales tax and 0.4% sales and use tax within Unincorporated Pitkin County.
- **City of Aspen** – 0.4% sales and use tax.
- **Town of Snowmass Village** – 0.4% sales and use tax.

C. Service Agreements

The Authority has the following extended local service contracts reported in a separate special revenue fund:

- **Aspen Skiing Company Skier Shuttles**: The Authority operates skier shuttles on behalf of Aspen Skiing Company. The agreement provides for reimbursement of operational expenses and a capital cost recovery component.

V. Other Information (continued)

C. Service Agreements (continued)

- **Ride Glenwood Springs**: The Authority operates mini shuttles on behalf of the City of Glenwood Springs, Colorado. The agreement provides for reimbursement of operational expenses and a capital cost recovery component. Reimbursement is accounted for as municipal service revenue on the Authority's financial statements.

- **City of Aspen**: The Authority operates local service for the City of Aspen shuttles. The agreement provides for reimbursement of operational expenses and a capital cost recovery component. Reimbursement is accounted for as municipal service revenue on the Authority's financial statements. A portion of the proceeds of the Pitkin County mass transit sales tax, parking revenues and the 0.5% City of Aspen Visitor Benefit tax indicated above are applied towards the cost of this service contract.

- **The Travelers**: The Authority operates Senior and Americans with Disabilities Act services in Garfield County. The agreement provides for reimbursement of operational expenses and a capital cost recovery component. Reimbursement is accounted for as municipal service contract revenue on the Authority's financial statements.

D. Contingent Liabilities

As of December 31, 2011, the Authority maintained an unused letter of credit of $1 million from Alpine Bank; therefore, no obligation exists at the end of the year. The Authority plans to renew this letter of credit in the subsequent year.

E. Employee Benefits

The Authority carried a traditional medical insurance through Anthem. Vision Service is carried through Vision Service Plan, Inc. The Authority also provides dental, short-term and long-term disability to its full-time employees.

In compliance with the provisions of COBRA, all Authority employees may continue their health insurance for a period of 18 months due to a reduction in work hours or termination of employment. Employees who elect continued coverage must pay the insurance carrier for premiums from the termination date of coverage and monthly thereafter. No cost to the Authority is recognized as employees reimburse 100% of their premium cost.

F. Retirement Plans

1. Deferred Compensation Plan – Section 457

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries.

The accrual basis of accounting is used for the plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

V. Other Information (continued)

F. Retirement Plans (continued)

1. Deferred Compensation Plan – Section 457 (continued)

Plan investment purchases are determined by the plan participant and, therefore, the plan's investment concentration varies between participants. The Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority is neither the trustee nor the administrator for the plan. The plan is administered by the Colorado County Officers and Employees Retirement Association ("CCOERA").

2. Retirement Plan - Section 401(a)

In 2005, the Authority established a defined contribution money purchase plan under Code Section 401 of the Internal Revenue code. The plan is administered by Great West Retirement Services, Inc.

The Plan is governed by a plan document and amendment requires approval by the Authority Board.

The Plan sponsor is the only contributor to the Plan. All Authority employees receive a 12.55% contribution to the Plan. Only full-time employees who have been with the Authority for six consecutive months are eligible. The Authority's total and covered payroll for 2011 is $11,172,000 and $10,537,000 respectively. Contributions were approximately $1,322,000.

The Authority is the trustee of the plan and has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the plan.

G. Risk Management

The Authority is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The Authority purchases commercial insurance to mitigate these risks.

SUPPLEMENTARY INFORMATION

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Capital Projects Fund
December 31, 2011

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Capital Grant revenue	$ -	$ 7,845,000	$ 4,373,491	$ (3,471,509)
Investment income	185,000	50,000	32,506	(17,494)
Total Revenues	$ 185,000	$ 7,895,000	$ 4,405,997	$ (3,489,003)
Expenditures:				
Project management	$ 750,000	$ 1,336,100	$ 1,333,776	$ 52,324
Capital outlay	400,000	1,628,300	1,464,569	113,731
Total Expenditures/Expenses	$ 1,150,000	$ 2,964,400	$ 2,798,345	$ 166,055
Excess of Revenues Over Expenditures/Expenses	$ (965,000)	$ 4,930,600	$ 1,607,652	$ (3,322,948)
Other Financing Sources / (Uses)				
Transfer to Other Funds	$ (125,000)	$ (125,000)	$ (125,000)	-
Total Other Financing Sources / (Uses)	$ (125,000)	$ (125,000)	$ (125,000)	$ -
Change in Net Assets	$(1,090,000)	$ 4,805,600	$ 1,482,652	$ (3,322,948)
Fund Balance/Net Assets:				
Beginning of Year			15,913,224	
End of Year			$ 17,395,876	

Roaring Fork Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Debt Service Fund
December 31, 2011

	Original and Final Budget	Actual	Budget Variance Positive (Negative)
Revenues:			
Other income	$ 500,215	$ 500,215	$ -
Investment income	10,800	4,631	(6,168)
Total Revenues	$ 511,015	$ 504,846	(6,168)
Expenditures:			
Debt service:			
Principal	$ 495,000	$ 495,000	-
Interest	1,624,336	1,624,336	-
Total Expenditures/Expenses	$ 2,119,336	$ 2,119,336	-
Excess of Revenues Over Expenditures/Expenses	$(1,608,321)	$(1,614,490)	(6,169)
Other Financing Sources / (Uses)			
Transfers from Other Funds	$ 1,618,321	$ 1,618,397	$ 76
Total Other Financing Sources / (Uses)	$ 1,618,321	$ 1,618,397	$ 76
Change in Net Assets	$ 10,000	$ 3,907	$ (6,093)
Fund Balance/Net Assets:			
Beginning of Year		1,786,035	
End of Year		$ 1,789,942	

Roaring Fork Transportation Authority

STATUTORY INFORMATION

M & A

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Board of Directors
Roaring Fork Transportation Authority

We have audited the financial statements of the governmental activities and each major fund of Roaring Fork Transportation Authority (the "Authority") as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Member: American Institute of Certified Public Accountants

D. Jerry McMahan, C.P.A.
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This report is intended solely for the information and use of management, the Board of the Authority, others within the Authority, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 26, 2012

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Certified Public Accountants and Consultants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Roaring Fork Transportation Authority

Compliance

We have audited the compliance of Roaring Fork Transportation Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority'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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Member: American Institute of Certified Public Accountants

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A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement on 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Authority Commissioners, others within the Authority, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 26, 2012

Roaring Fork Transportation Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

Part I – Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	None noted
Reportable conditions identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	None noted
Federal Awards	
Internal control over major programs:	
Material weakness identified	None noted
Reportable conditions identified that are not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None noted
Major programs:	
Federal Transit Capital Investment Grants	20.500
Dollar threshold used to identify Type A from Type B programs	$300,000
Identified as low-risk auditee	Yes

Part II – Findings Related to Financial Statements

Findings related to financial statements as required by *Government Auditing Standards*	None noted
Auditor-assigned reference number	Not applicable

Part III – Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Roaring Fork Transportation Authority
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2010

There were no findings noted in the prior year.

Roaring Fork Transportation Authority
Schedule of Expenditures of Federal Awards
December 31, 2011

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended, December 31, 2011.

Program Title	Federal CFDA Number	Major Program	Expenditures
U.S. Department of Transportation:			
Federal Transit Capital Investment Grants	20.500	Yes	$ 4,318,159
Formula Grant for other than Urbanized Areas	20.509	No	830,550
State Planning and Research	20.515	No	48,000
Total Federal Financial Awards			$ 5,196,709

Note 1. Basis of Presentation:
The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Roaring Fork Transportation Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Note 2. Pass-Through Sub-Recipients:
The Authority had no sub-recipients as of December 31, 2011.