

**Roaring Fork Transportation Authority  
Aspen, Colorado**

**Financial Statements  
December 31, 2005**



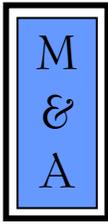
**Roaring Fork Transportation Authority**

**Financial Report**

**December 31, 2005**

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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, 2005, 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, 2005 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 May 16, 2005, 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 an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis in Section B is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 E6 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.**  
**May 16, 2006**

*Performing services for local governments throughout Colorado*

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National and Colorado Government Finance Officers Association/Colorado Municipal League

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **ROARING FORK TRANSPORTATION AUTHORITY**

## **Management's Discussion and Analysis December 31, 2005**

As management of the Roaring Fork Transportation Authority, (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2005.

### **Financial Highlights**

- When looking at a short term view, the Authority had an increase in total fund balance of \$ 3,321,161 in the General Fund and Mid Valley Trails Fund. The Authority's had \$ 7,558,447 of consolidated Fund Balance.
- When looking at a long-term view, the Authority had an increase in net assets of \$ 7,330,925 . The Authority had \$ 6,450,588 of net assets. The increase in net assets is generally attributable to receiving grants for the purchase of fixed assets. The Authority has experienced an increase in all areas of Ridership. Year to date Ridership and percentage increases by area are as follows (rounded to the thousands); total Ridership of 3,713,000 and 5.8%; Year Round City Service 825,000, and 1.5%; Seasonal City Service 170,000 and 1.8%; Valley Service 1,676,000 and 4.9%; Grand Hogback Service (Silt, New Castle and Rifle) 57,000 and 15.5%; Other Services 985,000 and 11%.
- The Authority issued Certificates of Participation totaling \$3,910,000 for the purchase of several new environmentally friendly buses.
- The Authority sold train rail for scrap metal for \$1,061,000 during the year.

### **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.

**Financial Statements:** 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. The General Fund column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. This column shows the reserved and unreserved portions of fund balance. The unreserved fund balance may be easily spent. 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. The General Fund column focuses on short-term available resources and is reported on a modified accrual basis. It shows the increase or decrease in fund balance. Fund balance consists of equity and inventories. The Adjustments column represents the changes to the value of long-term assets. 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 Authority's financial statements can be found on pages C1 through C3 of this report.

**Notes to the Financial Statements:** The notes 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.

### Financial Analysis of the Authority

#### Roaring Fork Transportation Authority's Net Assets

|   | <u>2005</u>          | <u>2004</u>          |
|---|----------------------|----------------------|
| <b>Assets:</b>                          |                      |                      |
| Current and other assets                | 9,867,330            | \$ 5,791,347         |
| Capital assets, net                     | 29,182,377           | 23,074,089           |
| <b>Total Assets</b>                     | <u>39,049,707</u>    | <u>28,865,436</u>    |
| <b>Liabilities:</b>                     |                      |                      |
| Other liabilities                       | 2,808,172            | 2,298,974            |
| Non-current liabilities                 | 11,500,000           | 8,275,517            |
| <b>Total Liabilities</b>                | <u>14,308,172</u>    | <u>10,574,491</u>    |
| <b>Net Assets:</b>                      |                      |                      |
| Invested in Capital Assets, net of debt | 17,682,377           | 14,798,572           |
| Restricted                              | 497,741              | 688,314              |
| Unrestricted                            | 6,561,416            | 2,804,059            |
| <b>Total Net Assets</b>                 | <u>\$ 24,741,534</u> | <u>\$ 18,290,945</u> |

The Authority has 71% of its net assets invested in capital assets, net of related debt. Another \$ 1,010,036 is restricted for emergencies, trails and inventory. That leaves unrestricted net assets totaling \$ 6,197,566 or 25% of expenditures. Current assets increased due to an increase in accounts receivable including \$1,200,000 due from the Elected Officers Transportation Committee "EOTC" and some service receivables.

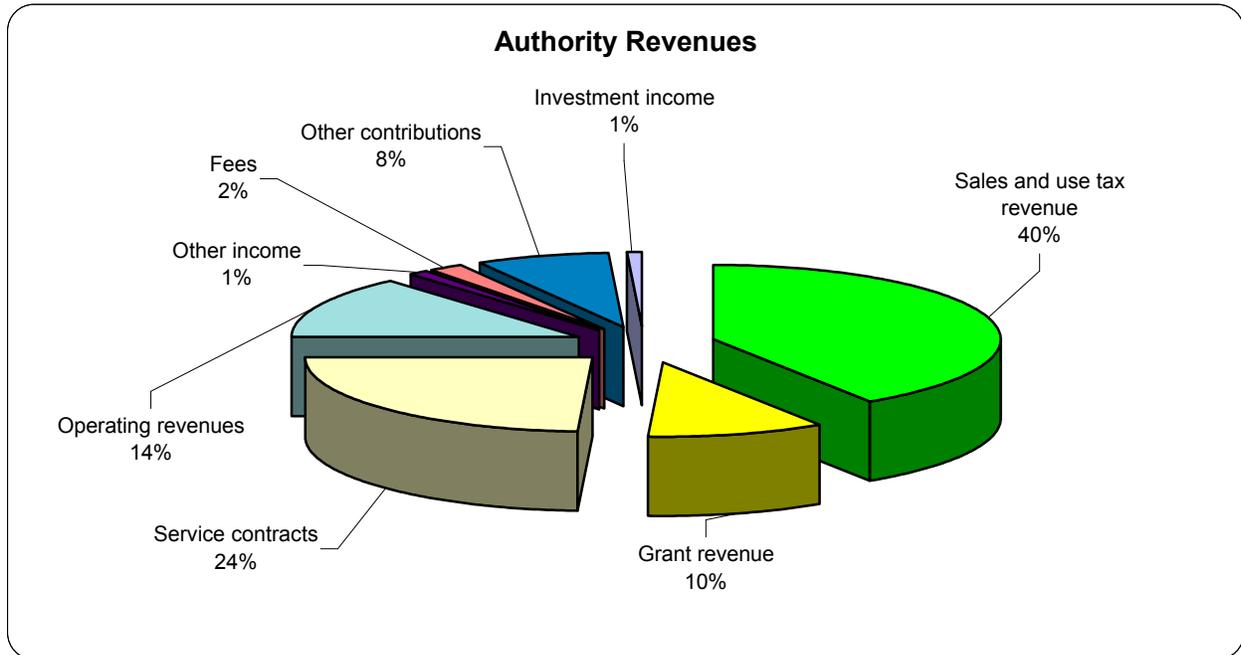
For the year ended December 31, 2005, the Authority's General Fund had an increase in net assets of \$3,284,213. This increase is primarily a result of capital grants and contributions awarded for the purchase of buses and park and ride facilities.

#### Roaring Fork Transportation Authority's Change in Net Assets

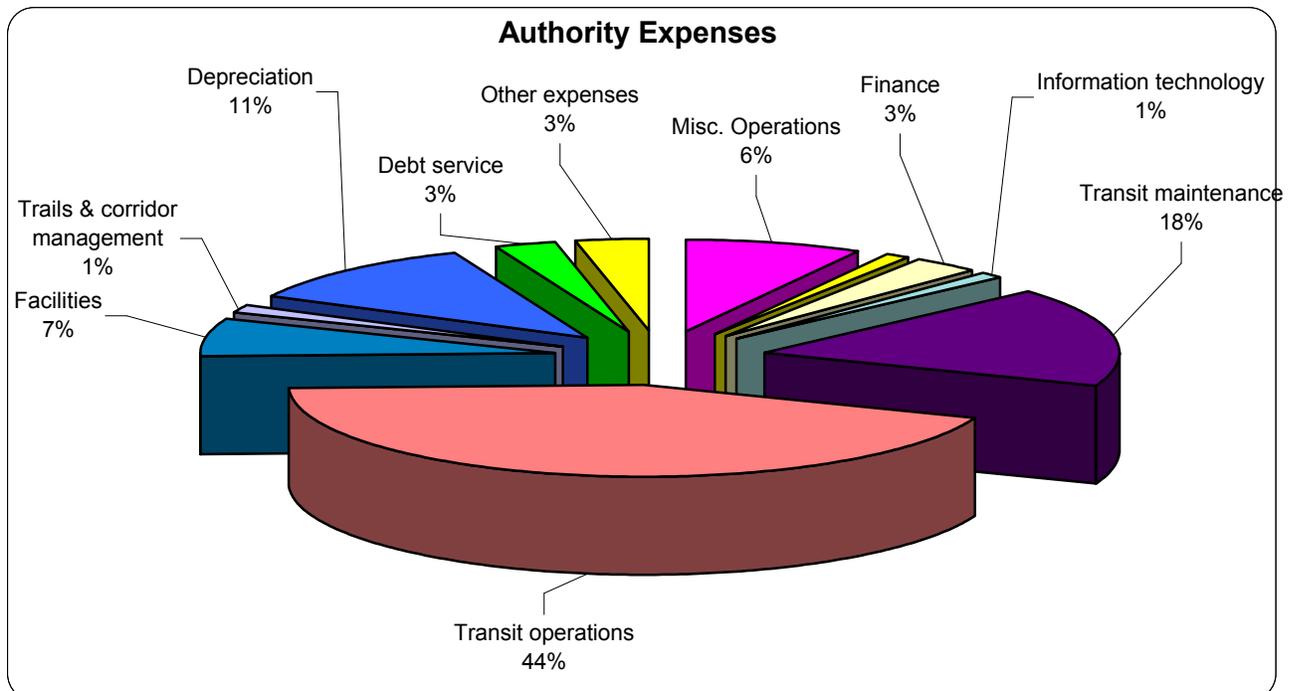
|                                       | <u>2005</u>       | <u>2004</u>       |
|---------------------------------------|-------------------|-------------------|
| <b>Revenues:</b>                      |                   |                   |
| Sales and use tax                     | \$ 9,469,920      | 6,592,830         |
| Sale of assets                        | 1,061,000         | -                 |
| Operating & other revenue             | 13,684,062        | 11,313,384        |
| <b>Total Revenue</b>                  | <u>24,214,982</u> | <u>17,906,214</u> |
| <b>Expenditure:</b>                   |                   |                   |
| Operations                            | 15,094,576        | 13,461,184        |
| Depreciation                          | 1,998,934         | 1,679,698         |
| Interest expense                      | 505,334           | 411,889           |
| Other capital expense                 | 165,550           | 349,893           |
| <b>Total Expenditure</b>              | <u>17,764,394</u> | <u>15,902,664</u> |
| <b>Change in Net Assets</b>           | 6,450,588         | 2,003,550         |
| <b>Net Assets - Beginning of Year</b> | <u>18,290,946</u> | <u>16,287,395</u> |
| <b>Net Assets - End of Year</b>       | <u>24,741,534</u> | <u>18,290,945</u> |

## Financial Analysis of the Authority (continued)

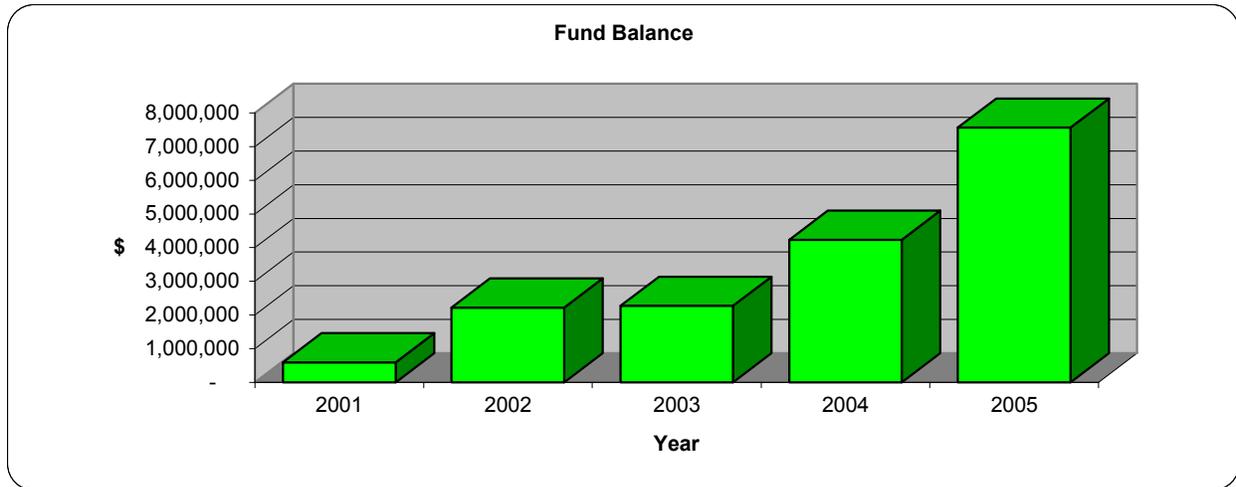
The Authority receives revenues from various sources. Details regarding the Authority's revenue sources can be found on Page C2. Other income consists of rental and miscellaneous income, each of .05%. The following chart depicts the Authority's revenues:



The Authority has expenses consisting of transit operations, trails, facilities, and corridor management. The Authority is responsible for a railroad right-of-way that runs adjacent to Highway 82. Expenses relating to maintaining this right-of-way are referred to as corridor management. The Authority incurs other expenses which generally consist of service contract payments to the Town of Snowmass Village and legislative assistance expenditures. Interest expense reflects the borrowing costs payable to Pitkin County, Colorado, associated with the 1998 and 2001 transit debt and the 2005 Certificates of Participation. Other expenses includes Board of Directors (0.2%), Attorney (0.8%), Human Resources (0.9%), Planning (0.6%) and Capital Outlay (0.9%). The following chart depicts the Authority's expenses:



**Financial Analysis of the Authority (continued)**



**Budget Variances in the General Fund:**

The Authority's revenues were \$1,169,442 more than budgeted. Expenditures were \$ 2,058,094 less than the budget. Significant budget variances were as follows:

|                           | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u><br><u>Positive</u><br><u>Negative</u> | <u>Reason</u>                               |
|---------------------------|---------------------|---------------|---|---|
| <b>Revenues:</b>          |                     |               |   |   |
| Sales and use tax revenue | 8,625,830           | 9,498,568     | 872,738   | Increased sales tax                         |
| Sale of fixed assets      | -                   | 1,061,000     | 1,061,000   | Sale of rails                               |
| Capital outlay            | 9,862,571           | 8,252,677     | (1,609,894)   | Timing Difference - will be completed in 06 |

The Authority's long-term plan has indicated a need to build reserves.

**Fixed Assets**

RFTA purchased several new buses and had capital outlay expenditures relating to park and ride lots. Additional fixed asset information is available in the footnotes.

**Subsequent Year's Budget**

The Authority ended the year with an ending fund balance of \$ 7,558,447 . The 2006 budget anticipates an increase of \$870,033.

**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, 0051 Service Center Road, Aspen, Colorado 81611.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**Roaring Fork Transportation Authority  
Balance Sheet/Statement of Net Assets  
December 31, 2005**

|   | <b>Funds Financial Statements</b> |                              |                  | <b>Adjustments</b> | <b>Statement of<br/>Net Assets</b> |
|---|-----------------------------------|------------------------------|------------------|--------------------|------------------------------------|
|   | <b>General<br/>Fund</b>           | <b>Mid Valley<br/>Trails</b> | <b>Total</b>     |                    |                                    |
| <b>Assets:</b>                                  |                                   |                              |                  |                    |                                    |
| Cash and cash equivalents - Unrestricted        | 3,171,968                         | 219,001                      | 3,390,969        | -                  | 3,390,969                          |
| Cash and cash equivalents - Restricted          | 408,402                           | -                            | 408,402          | 207,956            | 616,358                            |
| Accounts receivable                             | 2,145,992                         | 8,521                        | 2,154,513        | -                  | 2,154,513                          |
| Due from other governments                      | 3,014,525                         | -                            | 3,014,525        | -                  | 3,014,525                          |
| Prepaid expenses                                | 48,841                            | -                            | 48,841           | -                  | 48,841                             |
| Inventory                                       | 512,295                           | -                            | 512,295          | -                  | 512,295                            |
| Other assets, net of amortization               | -                                 | -                            | -                | 129,829            | 129,829                            |
| Capital assets                                  | -                                 | -                            | -                | 45,305,061         | 45,305,061                         |
| Accumulated depreciation                        | -                                 | -                            | -                | (16,122,684)       | (16,122,684)                       |
| <b>Total Assets</b>                             | <b>9,302,023</b>                  | <b>227,522</b>               | <b>9,529,545</b> | <b>45,642,846</b>  | <b>39,049,707</b>                  |
| <b>Liabilities:</b>                             |                                   |                              |                  |                    |                                    |
| Accounts payable                                | 1,533,297                         | -                            | 1,533,297        | -                  | 1,533,297                          |
| Accrued expenses                                | 133,738                           | -                            | 133,738          | -                  | 133,738                            |
| Accrued compensated absences                    | -                                 | -                            | -                | 794,330            | 794,330                            |
| Construction retainage payable                  | 104,459                           | -                            | 104,459          | -                  | 104,459                            |
| Deposits  | 4,895                             | -                            | 4,895            | -                  | 4,895                              |
| Deferred grant revenue                          | 194,709                           | -                            | 194,709          | -                  | 194,709                            |
| Accrued interest                                | -                                 | -                            | -                | 42,744             | 42,744                             |
| Non-current liabilities:                        |                                   |                              |                  |                    |                                    |
| Due within one year                             | -                                 | -                            | -                | 885,000            | 885,000                            |
| Due longer than one year                        | -                                 | -                            | -                | 10,615,000         | 10,615,000                         |
| <b>Total Liabilities</b>                        | <b>1,971,098</b>                  | <b>-</b>                     | <b>1,971,098</b> | <b>12,337,074</b>  | <b>14,308,172</b>                  |
| <b>Fund Balance/Net Assets:</b>                 |                                   |                              |                  |                    |                                    |
| <b>Fund Balance:</b>                            |                                   |                              |                  |                    |                                    |
| Reserved for emergencies                        | 497,741                           | -                            | 497,741          | (497,741)          |                                    |
| Reserved for inventory                          | 512,295                           | -                            | 512,295          | (512,295)          |                                    |
| Unreserved:                                     |                                   |                              |                  |                    |                                    |
| Designated                                      | 350,845                           | -                            | 350,845          | (350,845)          |                                    |
| Undesignated                                    | 5,970,044                         | 227,522                      | 6,197,566        | (6,197,566)        |                                    |
| <b>Total Fund Balance</b>                       | <b>7,330,925</b>                  | <b>227,522</b>               | <b>7,558,447</b> |                    |                                    |
| <b>Total Liabilities and Fund Balance</b>       | <b>9,302,023</b>                  | <b>227,522</b>               | <b>9,529,545</b> |                    |                                    |
| <b>Net Assets:</b>                              |                                   |                              |                  |                    |                                    |
| Invested in capital assets, net of related debt |                                   |                              |                  | 17,682,377         | 17,682,377                         |
| Reserved  |                                   |                              |                  | 497,741            | 497,741                            |
| Unrestricted                                    |                                   |                              |                  | 6,561,416          | 6,561,416                          |
| <b>Total Net Assets</b>                         |                                   |                              |                  | <b>24,741,534</b>  | <b>24,741,534</b>                  |

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**  
**For the Year Ended December 31, 2005**

|  | <b>Funds Financial Statements</b> |                              |                   | <b>Adjustments</b> | <b>Statement of<br/>Net Assets</b> |
|--|-----------------------------------|------------------------------|-------------------|--------------------|------------------------------------|
|  | <b>General<br/>Fund</b>           | <b>Mid Valley<br/>Trails</b> | <b>Total</b>      |                    |                                    |
| <b>Revenues:</b>   |                                   |                              |                   |                    |                                    |
| Sales and use tax revenue                                | 9,498,568                         | -                            | 9,498,568         | (28,648)           | 9,469,920                          |
| Grant revenue  | 2,301,783                         | -                            | 2,301,783         | -                  | 2,301,783                          |
| Service contracts  | 5,597,755                         | -                            | 5,597,755         | -                  | 5,597,755                          |
| Operating revenues                                       | 3,168,983                         | -                            | 3,168,983         | -                  | 3,168,983                          |
| Other income   | 96,173                            | 6,899                        | 103,072           | -                  | 103,072                            |
| Fees   | 473,540                           | -                            | 473,540           | -                  | 473,540                            |
| Other contributions                                      | 1,728,568                         | 31,050                       | 1,759,618         | -                  | 1,759,618                          |
| Rental revenues  | 108,384                           | -                            | 108,384           | -                  | 108,384                            |
| Investment income  | 153,806                           | -                            | 153,806           | 17,121             | 170,927                            |
| <b>Total Revenues</b>                                    | <u>23,127,560</u>                 | <u>37,949</u>                | <u>23,165,509</u> | <u>(11,527)</u>    | <u>23,153,982</u>                  |
| <b>Expenditures/Expenses:</b>                            |                                   |                              |                   |                    |                                    |
| Operations   | 1,420,984                         | -                            | 1,420,984         | -                  | 1,420,984                          |
| Board of directors                                       | 27,866                            | -                            | 27,866            | -                  | 27,866                             |
| Attorney   | 127,161                           | -                            | 127,161           | -                  | 127,161                            |
| Administration   | 212,332                           | -                            | 212,332           | -                  | 212,332                            |
| Finance  | 517,225                           | -                            | 517,225           | -                  | 517,225                            |
| Human resources  | 166,242                           | -                            | 166,242           | -                  | 166,242                            |
| Planning   | 97,538                            | -                            | 97,538            | -                  | 97,538                             |
| Information technology                                   | 204,239                           | -                            | 204,239           | -                  | 204,239                            |
| Transit maintenance                                      | 3,144,049                         | -                            | 3,144,049         | -                  | 3,144,049                          |
| Transit operations                                       | 7,651,182                         | -                            | 7,651,182         | 82,237             | 7,733,419                          |
| Facilities   | 1,199,897                         | -                            | 1,199,897         | -                  | 1,199,897                          |
| Trails & corridor management                             | 242,174                           | 1,000                        | 243,174           | -                  | 243,174                            |
| Capital outlay   | 8,252,677                         | -                            | 8,252,677         | (8,087,127)        | 165,550                            |
| Depreciation and amortization                            | -                                 | -                            | -                 | 1,998,934          | 1,998,934                          |
| Debt service:  |                                   |                              |                   |                    |                                    |
| Principal  | 905,000                           | -                            | 905,000           | (905,000)          | -                                  |
| Interest   | 491,332                           | -                            | 491,332           | 14,002             | 505,334                            |
| Cost of issuance   | 154,450                           | -                            | 154,450           | (154,000)          | 450                                |
| <b>Total Expenditures/Expenses</b>                       | <u>24,814,348</u>                 | <u>1,000</u>                 | <u>24,815,348</u> | <u>(7,050,954)</u> | <u>17,764,394</u>                  |
| <b>Excess of Revenues<br/>Over Expenditures/Expenses</b> | (1,686,788)                       | 36,949                       | (1,649,839)       | 7,039,427          | 5,389,588                          |
| <b>Other financing sources (uses):</b>                   |                                   |                              |                   |                    |                                    |
| COP proceeds   | 3,910,000                         | -                            | 3,910,000         | (3,910,000)        | -                                  |
| Sale of assets   | 1,061,000                         | -                            | 1,061,000         | -                  | 1,061,000                          |
| <b>Total other financing sources (uses)</b>              | <u>4,971,000</u>                  | <u>-</u>                     | <u>4,971,000</u>  | <u>(3,910,000)</u> | <u>1,061,000</u>                   |
| <b>Change in Net Assets</b>                              | 3,284,212                         | 36,949                       | 3,321,161         | 3,129,427          | 6,450,588                          |
| <b>Fund Balance/Net Assets:</b>                          |                                   |                              |                   |                    |                                    |
| <b>Beginning of Year</b>                                 | <u>4,046,713</u>                  | <u>190,573</u>               | <u>4,237,286</u>  |                    | <u>18,290,946</u>                  |
| <b>End of Year</b>                                       | <u>7,330,925</u>                  | <u>227,522</u>               | <u>7,558,447</u>  |                    | <u>24,741,534</u>                  |

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 and Actual**  
**General Fund**  
**For the Year Ended December 31, 2005**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <b>Final Budget<br/>Variance<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|-------------------------|-------------------|--|
| <b>Revenues:</b>   |                            |                         |                   |  |
| Sales and use tax revenue                                | 8,608,541                  | 8,625,830               | 9,498,568         | 872,738  |
| Grant revenue  | 2,066,208                  | 2,889,499               | 2,301,783         | (587,716)  |
| Service Contracts  | 5,921,220                  | 5,921,220               | 5,597,755         | (323,465)  |
| Operating revenues                                       | 2,831,202                  | 2,831,202               | 3,168,983         | 337,781  |
| Other income   | 80,543                     | 80,543                  | 96,173            | 15,630   |
| Fees   | 374,750                    | 374,750                 | 473,540           | 98,790   |
| Other contributions                                      | 2,143,258                  | 2,173,258               | 1,728,568         | (444,690)  |
| Rental revenues  | 135,699                    | 135,699                 | 108,384           | (27,315)   |
| Investment income  | 22,117                     | 22,117                  | 153,806           | 131,689  |
| COP proceeds   | 3,310,471                  | 3,875,000               | 3,910,000         | 35,000   |
| Sale of fixed assets                                     | -                          | -                       | 1,061,000         | 1,061,000  |
| <b>Total Revenues</b>                                    | <u>25,494,009</u>          | <u>26,929,118</u>       | <u>28,098,560</u> | <u>1,169,442</u>   |
| <b>Expenditures:</b>                                     |                            |                         |                   |  |
| Operations   | 1,563,430                  | 1,563,430               | 1,420,984         | 142,446  |
| Board of directors                                       | 34,155                     | 34,155                  | 27,866            | 6,289  |
| Attorney   | 132,287                    | 132,287                 | 127,161           | 5,126  |
| Administration   | 203,217                    | 213,217                 | 212,332           | 885  |
| Finance  | 539,103                    | 544,103                 | 517,225           | 26,878   |
| Human resources  | 163,479                    | 163,479                 | 166,242           | (2,763)  |
| Planning   | 114,247                    | 104,247                 | 97,538            | 6,709  |
| Information technology                                   | 223,028                    | 259,528                 | 204,239           | 55,289   |
| Transit maintenance                                      | 3,130,244                  | 3,130,244               | 3,144,049         | (13,805)   |
| Transit operations                                       | 7,396,979                  | 7,496,979               | 7,651,182         | (154,203)  |
| Facilities   | 1,268,934                  | 1,186,934               | 1,199,897         | (12,963)   |
| Trails & corridor management                             | 272,556                    | 292,556                 | 242,174           | 50,382   |
| Capital outlay   | 7,892,092                  | 9,862,571               | 8,252,677         | 1,609,894  |
| Debt service:  |                            |                         |                   |  |
| Principal  | 920,000                    | 816,640                 | 905,000           | (88,360)   |
| Interest   | 1,072,072                  | 1,072,072               | 491,332           | 580,740  |
| Cost of issuance   | -                          | -                       | 154,450           | (154,450)  |
| <b>Total Expenditures/Expenses</b>                       | <u>24,925,823</u>          | <u>26,872,442</u>       | <u>24,814,348</u> | <u>2,058,094</u>   |
| <b>Excess of Revenues<br/>Over Expenditures/Expenses</b> | <u>568,186</u>             | <u>56,676</u>           | 3,284,212         | <u>3,227,536</u>   |
| <b>Fund Balance/Net Assets:</b>                          |                            |                         |                   |  |
| <b>Beginning of Year</b>                                 |                            |                         | <u>4,046,713</u>  |  |
| <b>End of Year</b>                                       |                            |                         | <u>7,330,925</u>  |  |

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 and Actual**  
**Mid Valley Trails Fund**  
**For the Year Ended December 31, 2005**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <b>Final Budget<br/>Variance<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|-------------------------|----------------|--|
| <b>Revenues:</b>   |                            |                         |                |  |
| Grant revenue  | -                          | 15,000                  | -              | (15,000)   |
| Other income   | -                          | -                       | 6,899          | 6,899  |
| Other contributions  | -                          | 32,711                  | 31,050         | (1,661)  |
| <b>Total Revenues</b>  | <u>-</u>                   | <u>47,711</u>           | <u>37,949</u>  | <u>(9,762)</u>   |
| <b>Expenditures:</b>   |                            |                         |                |  |
| <b>Trails and Corridor Management:</b>                       |                            |                         |                |  |
| Trail management   | -                          | 15,000                  | -              | 15,000   |
| Other  | -                          | 73,649                  | 1,000          | 72,649   |
| <b>Capital Outlay:</b>                                       |                            |                         |                |  |
| Willits Trail  | -                          | 15,000                  | -              | 15,000   |
| Hooks Land project   | -                          | 72,000                  | -              | 72,000   |
| Emma Trail   | -                          | 29,266                  | -              | 29,266   |
| Stage Road   | -                          | 30,000                  | -              | 30,000   |
| <b>Total Expenditures</b>                                    | <u>-</u>                   | <u>234,915</u>          | <u>1,000</u>   | <u>233,915</u>   |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>-</u>                   | <u>(187,204)</u>        | 36,949         | <u>224,153</u>   |
| <b>Fund Balance - Beginning of Year</b>                      |                            |                         | <u>190,573</u> |  |
| <b>Fund Balance - End of Year</b>                            |                            |                         | <u>227,522</u> |  |

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

**NOTES TO THE FINANCIAL STATEMENTS**



**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**

**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 Glenwood Springs, Town of Carbondale, Town of Basalt, Town of Snowmass Village, Town of New Castle, City of Aspen, Pitkin County and Eagle County. The Authority is supported by contributions, fares, and dedicated sales tax collections by governments within the service area.

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 member 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. 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.

**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.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**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/expenses.

The fund focus is on current available resources and budget compliance.

The Authority reports only one fund - the General Fund - which accounts for all activities of the general government. Contributions, taxes, operating revenues and other sources of revenue used to finance the fundamental operations of the Authority are included in this fund.

**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.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents 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.

**2. Inventory**

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

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

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

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

**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. Fund Equity**

In both government-wide and fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**5. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported 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:

| <u>Asset</u>               | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20-40        |
| Machinery and equipment    | 3-10         |
| Vehicles                   | 7-12         |

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**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 \$29,182,377. Another element of this reconciliation subtracts long-term debt relating to Pitkin County, Colorado's 1998 and 2001 transit sales tax revenue bonds. The Authority has agreed to the repayment of this debt through its Pitkin County dedicated sales tax. The debt recorded is net of a \$207,956 reserve which is held by Pitkin County, Colorado. The Authority also has accrued interest of \$42,744 relating to 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 has recorded a decrease in sales and use tax revenue and an increase in interest income relating to the debt service reserve currently being held by Pitkin County, Colorado. The Authority also reduces capital outlay in the amount of \$8,087,127 for assets which have been capitalized and depreciated. The remaining capital outlay of \$165,550 represents capital expenditures which do not meet the Authority's capitalization policy.

**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 are adopted on a basis consistent with U.S. generally accepted accounting principles.

- (1) On or before October 15, 2004, 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, 2004.
- (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.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgets and Budgetary Accounting (continued)**

All appropriations lapse at year end. During the year, two 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 appropriation, the 2005 appropriations were increased as follows:

|                                   | <b>Appropriation</b> |
|-----------------------------------|----------------------|
| <b>Original Appropriation</b>     | \$ 24,925,823        |
| Changes to Annual Appropriations: |                      |
| <i>Resolution 2005-02</i>         | 1,357,086            |
| <i>Resolution 2005-06</i>         | 539,533              |
| <i>Resolution 2005-07</i>         | 50,000               |
| Total supplemental appropriations | 1,946,619            |
| <b>Final Appropriation</b>        | <b>\$ 26,872,442</b> |

**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.

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 reserved \$497,741 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2005.

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.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

The Authority' 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 \$100,000 of the Authority's deposits at each financial institution. Deposit balances over \$100,000 are collateralized as required by PDPA. The carrying amount of the Authority's demand deposits was \$4,007,327 at year end. The Authority had the following investments and maturities:

|                                   | <b>Standard<br/>&amp; Poors<br/>Rating</b> | <b>Carrying<br/>Amounts</b> | <b>Less than<br/>one year</b> | <b>Less than<br/>five years</b> |
|-----------------------------------|--|-----------------------------|-------------------------------|---------------------------------|
| Deposits:                         |  |                             |                               |                                 |
| Cash on Hand                      | Not Rated                                  | \$ 3,450                    | 3,450                         | -                               |
| Checking                          | Not Rated                                  | 3,387,519                   | 3,387,519                     | -                               |
| Deposits held by Trustee          | Not Rated                                  | 408,402                     | 408,402                       | -                               |
| Deposits held by County Treasurer | Not Rated                                  | 207,956                     | 207,956                       | -                               |
| Total                             |  | <u>\$ 4,007,327</u>         | <u>4,007,327</u>              | <u>-</u>                        |

*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.

*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.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

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

**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, 2005 and anticipates the collection of all receivables.

**C. Reservation and Designation of Fund Balances**

At December 31, 2005, the fund balance of the Authority's General Fund was designated and reserved for the following:

|                                   |                                   |
|-----------------------------------|-----------------------------------|
| Reserved for emergencies          | \$ 497,741                        |
| Reserved for inventory            | 512,295                           |
| Designated for Transit            | 75,000                            |
| Designated for Trails             | 50,000                            |
| Designated for Facilities         | 75,000                            |
| Designated for Operating Reserves | 150,845                           |
| <b>Total</b>                      | <b><u><u>\$ 1,360,881</u></u></b> |

Funds restricted for emergencies are required by Colorado's TABOR amendment. Funds are restricted for inventories as they are not readily spendable and therefore are not included in unrestricted fund balance. Additional amounts have been designated for specific purposes by RFTA as indicated.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

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

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2005 was as follows:

|   | <u>1/1/05</u>        | <u>Increases</u>   | <u>Decreases</u> | <u>12/31/05</u>     |
|---|----------------------|--------------------|------------------|---------------------|
| <b>Governmental Activities:</b>                     |                      |                    |                  |                     |
| Capital assets, not being depreciated:              |                      |                    |                  |                     |
| Construction in progress                            | \$ 284,000           | 562,841            | (284,000)        | 562,841             |
| Land and improvements                               | 9,402,259            | -                  | -                | 9,402,259           |
| <b>Total Capital Assets, Not Being Depreciated</b>  | <u>9,686,259</u>     | <u>562,841</u>     | <u>(284,000)</u> | <u>9,965,100</u>    |
| Capital assets, being depreciated:                  |                      |                    |                  |                     |
| Buildings   | 4,597,612            | 410,520            | -                | 5,008,132           |
| Improvements other than buildings                   | 147,170              | 1,129,598          | -                | 1,276,768           |
| Equipment   | 22,797,905           | 6,268,168          | (11,012)         | 29,055,061          |
| <b>Total Capital Assets Being Depreciated</b>       | <u>27,542,687</u>    | <u>7,808,286</u>   | <u>(11,012)</u>  | <u>35,339,961</u>   |
| Less accumulated depreciation for:                  |                      |                    |                  |                     |
| Buildings   | (325,368)            | (142,295)          | -                | (467,663)           |
| Improvements other than buildings                   | (55,292)             | (20,914)           | -                | (76,206)            |
| Equipment   | (13,774,198)         | (1,815,629)        | 11,012           | (15,578,815)        |
| <b>Total Accumulated Depreciation</b>               | <u>(14,154,858)</u>  | <u>(1,978,838)</u> | <u>-</u>         | <u>(16,122,684)</u> |
| <b>Total Capital Assets, Being Depreciated, Net</b> | <u>13,387,829</u>    | <u>5,829,448</u>   | <u>(11,012)</u>  | <u>19,217,277</u>   |
| <b>Governmental Activities Capital Assets, Net</b>  | <u>\$ 23,074,088</u> | <u>6,392,289</u>   | <u>(295,012)</u> | <u>29,182,377</u>   |

The Authority's depreciation expense at December 31, 2005 totaled \$1,978,838.

**E. 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 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. There is currently two Sales Tax Revenue Bonds outstanding. The Series 1998 Bonds carry an interest rate of 3.5% to 5% with final maturity date of 2014. The Series 2001 Sales Tax Revenue Bonds carry an interest rate of 3.25% to 4% and mature in 2021. The Bonds are subject to an optional maturity under certain conditions.

**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.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

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

**E. Other Liabilities (continued)**

**3. Changes in Debt**

The Authority had the following changes in its outstanding debt:

|                                       | <u>1/1/05</u>        | <u>Increases</u> | <u>Decreases</u> | <u>12/31/05</u>   |
|---------------------------------------|----------------------|------------------|------------------|-------------------|
| <i>Sales Tax Revenue Bonds:</i>       |                      |                  |                  |                   |
| 1998 issue                            | \$ 1,375,000         | -                | (115,000)        | 1,260,000         |
| 2001 issue                            | 7,120,000            | -                | (475,000)        | 6,645,000         |
| <i>Certificates of Participation:</i> |                      |                  |                  |                   |
| 2005 issue                            | 3,910,000            | -                | (315,000)        | 3,595,000         |
| <i>Compensated Absences</i>           | 712,093              | 82,237           |                  | 794,330           |
| <b>Total</b>                          | <u>\$ 13,117,093</u> | <u>82,237</u>    | <u>(905,000)</u> | <u>12,294,330</u> |

**3. Future Debt Payments**

The following schedule shows the future payments required to be made to the County through a reduction of their apportioned sales tax:

| <u>Year</u>  | <u>98 Sales Tax Rev. Bonds</u> |                 | <u>01 Sales Tax Rev. Bonds</u> |                  |
|--------------|--------------------------------|-----------------|--------------------------------|------------------|
|              | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u>               | <u>Interest</u>  |
| 2006         | \$ 115,000                     | 58,962          | 495,000                        | 314,512          |
| 2007         | 120,000                        | 54,017          | 505,000                        | 297,188          |
| 2008         | 125,000                        | 48,797          | 225,000                        | 279,512          |
| 2009         | 135,000                        | 43,235          | 230,000                        | 271,075          |
| 2010         | 140,000                        | 37,093          | 240,000                        | 261,875          |
| 2011-2015    | 625,000                        | 79,198          | 1,540,000                      | 1,141,125        |
| 2016-2020    | -                              | -               | 2,765,000                      | 617,989          |
| 2021-2025    | -                              | -               | 645,000                        | 33,863           |
| <b>Total</b> | <u>\$ 1,260,000</u>            | <u>321,302</u>  | <u>6,645,000</u>               | <u>3,217,139</u> |

| <u>Year</u>  | <u>2005 COP</u>     |                  | <u>Total</u>      |                  |
|--------------|---------------------|------------------|-------------------|------------------|
|              | <u>Principal</u>    | <u>Interest</u>  | <u>Principal</u>  | <u>Interest</u>  |
| 2006         | \$ 275,000          | 139,813          | 885,000           | 513,287          |
| 2007         | 280,000             | 131,563          | 905,000           | 482,768          |
| 2008         | 290,000             | 122,463          | 640,000           | 450,772          |
| 2009         | 300,000             | 112,313          | 665,000           | 426,623          |
| 2010         | 310,000             | 101,513          | 690,000           | 400,481          |
| 2011-2015    | 1,745,000           | 1,745,000        | 3,910,000         | 2,965,323        |
| 2016-2020    | 395,000             | 395,000          | 3,160,000         | 1,012,989        |
| 2021-2025    | -                   | -                | 645,000           | 33,863           |
| <b>Total</b> | <u>\$ 3,595,000</u> | <u>2,747,665</u> | <u>11,500,000</u> | <u>6,286,106</u> |

**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, 2005.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**V. Other Information (continued)**

**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.

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, 2005 the sales tax sharing agreements have been amended and approved by the Authority's electorate to the following:

- City of Glenwood Springs – .6% sales tax.
- Town of Carbondale – a RTA tax of .6% and a projects tax of .1% for a total .7% sales tax. The projects tax, or 14.28% of the total collected, is returned to the Town and used to fund projects within Carbondale.
- Town of Basalt – .4% sales tax.
- Eagle County – .5% sales tax on the portion of sales tax collected within the Town of Basalt and .7% within the unincorporated area of Eagle County within precincts 7,8,24 and 25. A minimum of 10% of the first .5% sales tax proceeds of this tax shall be used for trails construction and maintenance within the aforementioned precincts.
- Pitkin County – .8104% of a .5% sales tax and .48131% of a 1% sales tax for an equivalent total of a .8865% sales tax.
- New Castle – .40% sales and use tax.

**C. Service Agreements**

The Authority has the following extended local service contracts:

- 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.
- 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. The proceeds of the .5% Visitor Benefits tax indicated above are applied towards the cost of this service contract.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**V. Other Information (continued)**

**E. Employee Benefits**

The Authority carries a traditional medical insurance through Pacificare Corp. Vision Service is carried through Vision Service Plan, Inc. The Authority also provides dental, short term disability, and prescription benefits to its employees.

All Authority employees may continue their health insurance 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.

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 the Stanton Group, Inc.

All Authority employees receive a 12.6% 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 2005 is \$10,081,512 and, \$9,073,451 respectively. Contributions were \$1,143,255 .

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.

**Roaring Fork Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2005**  
**(Continued)**

**V. Other Information (continued)**

**G. Risk Management**

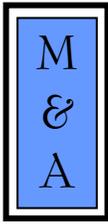
The Authority is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The Authority purchases commercial insurance to mitigate these risks.

**H. Restatement**

The Authority restated its treatment of compensated absences earned by employees but not expected to be used during the next subsequent year to a long term liability. The change had no effect on the Authority's net assets. Additionally, the Authority restated its General Fund balance to break out amounts restricted to the use of Mid Valley trails through the creation of the Mid Valley Trails Fund.

SUPPLEMENTARY INFORMATION





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*Certified Public Accountants and Consultants*

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### Board of Directors Roaring Fork Transportation Authority

We have audited the financial statements of Roaring Fork Transportation Authority (the "Authority") as of and for the year ended December 31, 2005, and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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 grants, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, 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, LLC.*

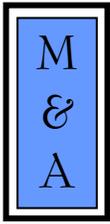
**McMahan and Associates, L.L.C.**  
**May 16, 2006**

*Performing services for local governments throughout Colorado*

*D. Jerry McMahan, C.P.A.*  
*Paul J. Backes, C.P.A.*

*Daniel R. Cudahy, C.P.A.*  
*Michael N. Jenkins, C.A., C.P.A.*

Members: American Institute of Certified Public Accountants/Colorado Society of Certified Public Accountants  
National and Colorado Government Finance Officers Association/Colorado Municipal League



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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, 2005. 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 generally accepted auditing standards; 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 non-compliance 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.

As described in item 2005-1 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with draw requirements applicable to a grant agreement with the Federal Transit Administration. Compliance is necessary, in our opinion, for the Authority to meet the requirements applicable to that award.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2005.

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**Board of Directors  
Roaring Fork Transportation Authority**

**Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants, caused by error or fraud, that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, 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, LLC.*

**McMahan and Associates, L.L.C.  
May 16, 2006**

**Roaring Fork Transportation Authority**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2005**

**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 condition identified that is not considered to be material weaknesses | None reported |
| Non-compliance material to financial statements noted                            | None noted    |

*Federal Awards*

|   |               |
|---|---------------|
| Internal control over major programs:   |               |
| Material weakness identified  | None noted    |
| Reportable conditions identified that is not considered to be material weaknesses                                 | None reported |
| Type of auditor's report issued on compliance for major programs  | Qualified     |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 | Yes           |
| Major Programs:   |               |
| Department of Transportation –  |               |
| Federal Transit Capital Investment Grants   | CFDA# 20.500  |
| Formula Grant for Other than Urbanized Areas  | CFDA# 20.509  |
| Dollar threshold used to identify Type A from Type B programs   | \$300,000     |
| Identified as low-risk auditee  | No            |

**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 |

**Roaring Fork Transportation Authority**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2005**

**Part III: Findings Related to Federal Awards**

Findings related to federal awards as required by Government Auditing Standards:

**2005-1 Federal Transit Capital Investment Grants**

In reviewing the requirements related to requesting Federal Transit Administration dollars, it came to our attention that the Authority is not always disbursing funds to vendors within three business days.

**Criteria:** Requirement to disburse funds received by the Federal Transit Administration within three business days.

**Condition:** The Authority has been requesting Federal Transit Administration dollars for amount held by the Authority as retainage, which will not be disbursed until project completion. Total retainage at December 31, 2005 totaled \$43,485, of which 80% would represent dollars requested from the Federal Transit Administration. These dollars were requested from the time period beginning June 2005 through March 2006 for expenses incurred in 2005.

In February 2006, the Authority requested \$46,098 in Federal Transit Administration dollars, which was not expended as of fieldwork. Of this amount, approximately \$19,000 was held as retainage, addressed above.

**Questioned Costs:** See above.

**Context:** The Authority was requesting Federal Transit Administration dollars as they were expended by the Authority, not as they were paid, resulting in having Federal Transit Administration dollars being held as retainage.

The amount requested in February 2006 from the Federal Transit Administration was for 100% of costs incurred, not the 80% match, resulting in receiving more dollars than allowed.

**Effect:** The Authority is holding dollars received from the Federal Transit Authority which were not disbursed within three business day, in contrast to grant requirements.

**Course:** See Context.

**Recommendations:** Contact the Federal Transit Administration to initiate the return of these dollars.

**Management's Response:** The Authority will follow all recommendations.

**Contact person:** Laura Mattson, Interim Finance Manager

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2005**  
**(Continued)**

There were no findings for the year ended December 31, 2004.

**Roaring Fork Transportation Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2005**

| <u>Program Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Major<br/>Program</u> | <u>Expenditures</u>     |
|--|------------------------------------|--------------------------|-------------------------|
| <b>U.S. Department of Transportation:</b>                    |                                    |                          |                         |
| Federal Transit Capital Investment Grants                    | 20.500                             | Yes                      | 1,544,544               |
| Job Access/Reverse Commute Grant                             | 20.516                             | No                       | 103,989                 |
| Highway Planning and Construction                            | 20.205                             | No                       | 40,000                  |
| <b>Passed through Colorado Department of Transportation:</b> |                                    |                          |                         |
| Federal Transit Formula Grant                                | 20.507                             | No                       | 50,577                  |
| Formula Grant Other Than Urbanized Areas                     | 20.509                             | Yes                      | <u>386,868</u>          |
| <b>Total Federal Financial Awards</b>                        |                                    |                          | <u><u>2,125,978</u></u> |

**Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005:**

**Note 1. Basis of Presentation:**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Roaring Fork Transit 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.

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