

Roaring Fork Transportation Authority

Financial Report

December 31, 2003

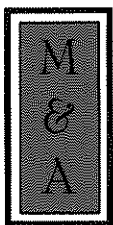
Roaring Fork Transportation Authority

Financial Report

December 31, 2003

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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, 2003, 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, 2003 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 April 25, 2004, 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. 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.

The Management's Discussion and Analysis on pages 2 through 5 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 26 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, LLC.

**McMahan and Associates, L.L.C.
April 25, 2004**

Performing services for local governments throughout Colorado

D. Jerry McMahan, C.P.A.
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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, 2003

As management of the Roaring Fork Transportation Authority, ("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, 2003.

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. Restricted net assets consist of the unreserved fund balance, inventory and are net of accrued interest. 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 6 through 8 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 on pages 9 through 14 of this report.

Financial Analysis of the Authority

Roaring Fork Transportation Authority's Net Assets

	2003	2002
Assets:		
Current and other assets	\$ 5,751,932	
Capital assets, net	23,019,194	
Total Assets	<u>28,771,126</u>	
Liabilities:		
Other liabilities	3,644,609	
Non-current liabilities	8,839,122	
Total Liabilities	<u>12,483,731</u>	
Net Assets:		
Invested in Capital Assets, net of debt	14,180,072	
Restricted	622,783	
Unrestricted	1,484,540	
Total Net Assets	<u>\$ 16,287,395</u>	

Comparative
Information
not available
in first
year of
implementation.

The Authority has 87% of its net assets invested in capital assets, net of related debt. Another \$622,783 is restricted for emergencies and trails. That leaves unrestricted net assets totaling \$1,484,540 or 9.6% of 2003 expenses. Of the Authority's current liabilities reported at December 31, 2003, \$1,772,057 was related to bus acquisitions. On a short-term basis, the Authority had unreserved fund balance of \$1,192,851.

For the year ended December 31, 2003, the Authority had a change in net assets of \$1,281,719. This large increase is largely a result of capital grants awarded for the purchase of buses. The Authority's net income for the General Fund was \$53,981.

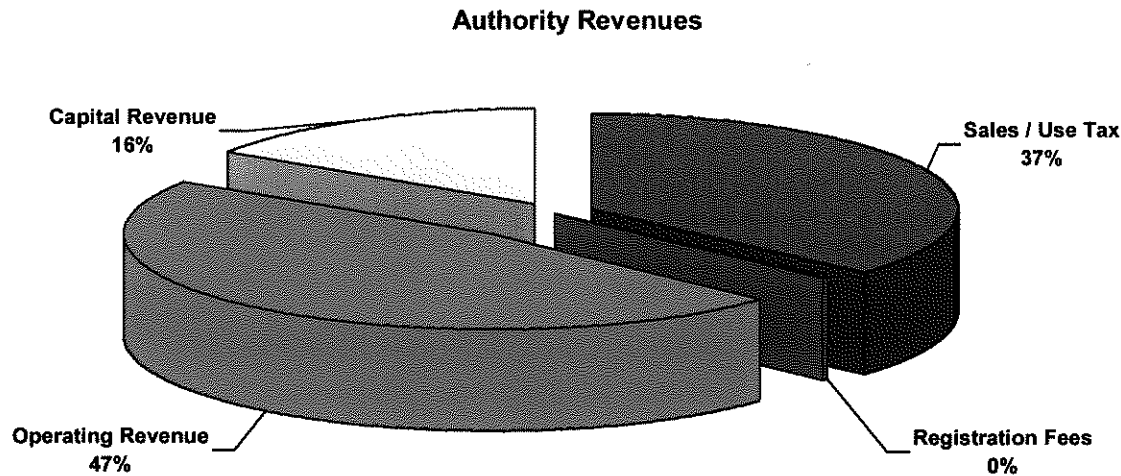
Roaring Fork Transportation Authority's Change in Net Assets

	2003	2002
Revenues:		
Sales tax	\$ 6,083,780	
Registration fees	23,976	
Operating revenue	7,947,683	
Capital revenue	2,630,859	
Total Revenues	<u>16,686,298</u>	
Expenses:		
Transit operations	11,762,297	
Trails/Corridor management	64,105	
Trail administration	50,195	
Housing	103,920	
Midvalley trails	10,752	
Facilities maintenance and operations	786,114	
Other expenses	537,800	
Depreciation	1,517,271	
Interest expense	430,736	
Capital outlay	141,389	
Total Expenses	<u>15,404,579</u>	
Change in Net Assets	1,281,719	
Net Assets - January 1	15,005,676	
Net Assets - December 31	<u>\$ 16,287,395</u>	

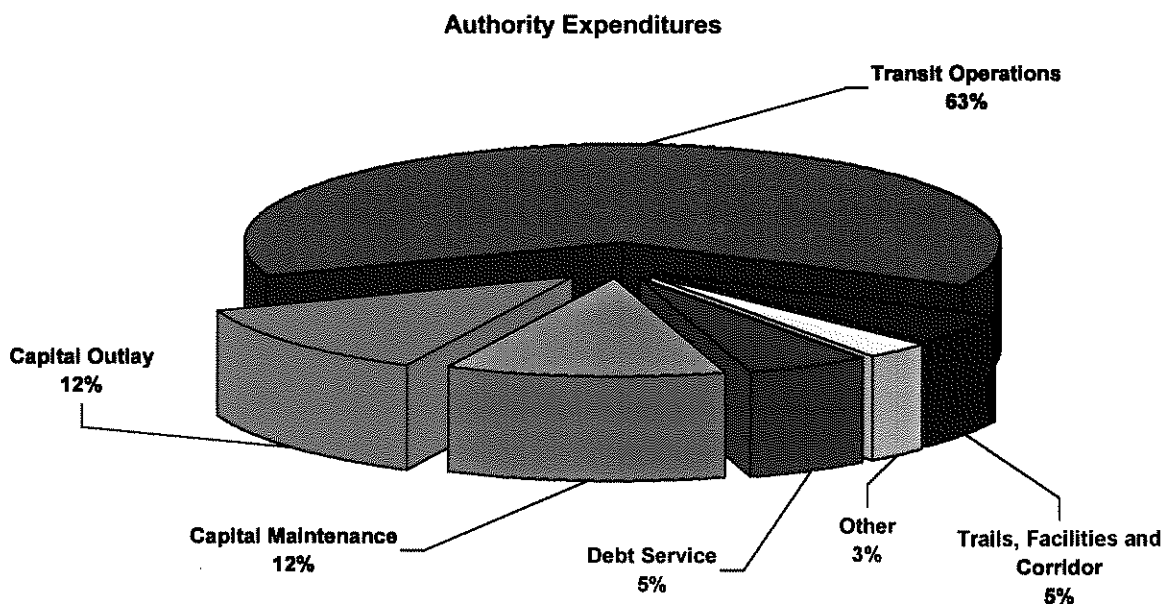
Comparative
Information not
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year of
implementation.

Financial Analysis of the Authority (continued)

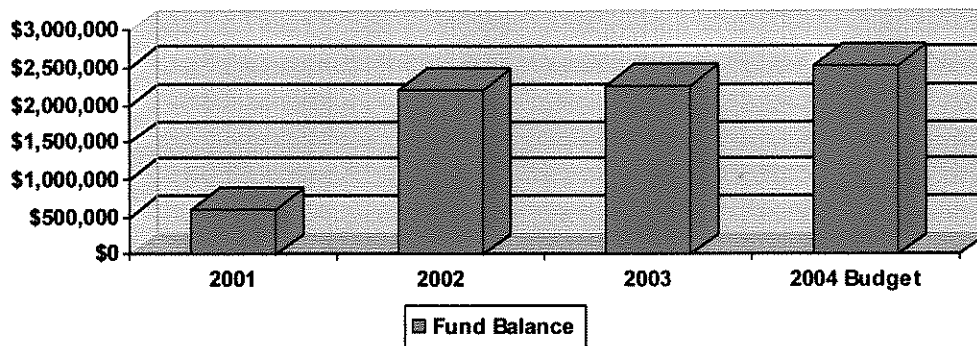
The Authority receives revenues from various sources. Details regarding the Authority's revenue sources can be found on page 8, the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. The following chart depicts the Authority's revenues:



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 expenses. Interest expense reflects the borrowing costs payable to Pitkin County, Colorado, associated with the 1998 and 2001 transit debt for which the Authority is responsible. The debt is issued in the name of Pitkin County, Colorado, which the Authority has agreed to repay through dedicated sales tax. Capital outlay reflects expenses which did not meet the Authority's criteria for capitalization and relate primarily to major maintenance on the buses, e.g. engines and transmissions.



Financial Analysis of the Authority (continued)



Budget Variances in the General Fund:

The Authority's revenues were \$412,580 less than budgeted. Expenditures were \$558,058 lower than the budget. Significant budget variances were as follows:

Account	Final Budget	Actual Amount	Variance Positive (Negative)	Reason
<i>Revenues:</i>				
Sales tax revenue	\$ 5,809,033	6,007,610	198,577	Conservative budget.
Vehicle registration fee	100,000	23,976	(76,024)	Budget anticipated collection would start earlier in year.
Other operating revenue	877,663	664,465	(213,198)	Some operating grants budgeted not received.
Capital grants	1,577,000	1,417,646	(159,354)	Remaining amount to be received in 2004.
Other capital revenue	805,000	667,700	(137,300)	MidValley grant not received.
<i>Expenses:</i>				
Transportation maintenance	3,120,232	2,908,751	211,481	Bus parts and wages were under budget.
Transportation operations	6,891,386	7,126,787	(235,401)	Budgeted service decrease which did not occur.
Midvalley Trails	346,146	10,752	335,394	Did not receive anticipated grants.
Capital outlay - Transit	2,412,591	2,270,388	142,203	Timing issue.
Capital outlay - Trails	154,000	9,397	144,603	Project delayed and reappropriated in 2004.

Subsequent Year's Budget

The Authority's long-term plan has indicated a need to build reserves. Therefore, the Authority has undertaken significant budget cuts in 2004. The 2004 budget has provided no cost of living, health care, or merit increases. Additionally, several employment positions have been consolidated. As a result, the Authority anticipates a net increase in fund balance (reserves) of \$263,500, based on the 2004 budget.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning 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.

BASIC FINANCIAL STATEMENTS

Roaring Fork Transportation Authority
Balance Sheet/Statement of Net Assets
December 31, 2003

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets:			
Current Assets:			
Cash and cash equivalents	2,119,526	-	2,119,526
Taxes receivable	272,906	-	272,906
Other receivable	2,051,958	-	2,051,958
Due from other governments	851,777	-	851,777
Inventory	455,765	-	455,765
Capital assets, net of depreciation	-	23,019,194	23,019,194
Total Assets	<u>5,751,932</u>	<u>23,019,194</u>	<u>28,771,126</u>
Liabilities:			
Accounts payable	2,058,678	-	2,058,678
Accrued expenses	889,948	-	889,948
Accrued compensated absences	528,787	129,615	658,402
Deposits	3,120	-	3,120
Accrued interest	-	34,461	34,461
Non-current liabilities:			
Due within one year	-	575,000	575,000
Due longer than one year	-	8,264,122	8,264,122
Total Liabilities	<u>3,480,533</u>	<u>9,003,198</u>	<u>12,483,731</u>
Fund Balance/Net Assets:			
Fund Balance:			
Invested in capital assets, net of related debt			
Reserved for emergencies	414,487	(414,487)	-
Reserved for Midvalley Trails	208,296	(208,296)	-
Reserved for inventory	455,765	(455,765)	-
Unreserved	1,192,851	(1,192,851)	-
Total Fund Balance	<u>2,271,399</u>	<u>(2,271,399)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>5,751,932</u>		
Net Assets:			
Invested in capital assets, net of related debt		14,180,072	14,180,072
Reserved		622,783	622,783
Unrestricted		1,484,540	1,484,540
Total Net Assets		<u>16,287,395</u>	<u>16,287,395</u>

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, 2003

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Sales tax	6,101,102	(17,322)	6,083,780
Registration fees	23,976	-	23,976
Operating revenue	7,940,341	7,342	7,947,683
Capital revenue	2,630,859	-	2,630,859
Total Revenues	<u>16,696,278</u>	<u>(9,980)</u>	<u>16,686,298</u>
Expenditures/Expenses:			
Transit operations	11,827,326	(65,029)	11,762,297
Trails/Corridor management	64,105	-	64,105
Trail administration	50,195	-	50,195
Housing	103,920	-	103,920
Midvalley Trails	10,752	-	10,752
Facilities maintenance and operations	786,114	-	786,114
Other expenses	537,800	-	537,800
Depreciation	-	1,517,271	1,517,271
Debt service:			
Principal	550,000	(550,000)	-
Interest	432,300	(1,564)	430,736
Capital outlay	2,279,785	(2,138,396)	141,389
Total Expenditures/Expenses	<u>16,642,297</u>	<u>(1,237,718)</u>	<u>15,404,579</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	53,981	(53,981)	-
Change in Net Assets	-	1,281,719	1,281,719
Fund Balance/Net Assets:			
Beginning of the Year	<u>2,217,418</u>		<u>15,005,676</u>
End of the Year	<u>2,271,399</u>		<u>16,287,395</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, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:				
Sales tax revenue:				
Regional/local service	5,809,033	5,809,033	6,007,610	198,577
Local projects	64,603	64,603	65,056	453
ECO Trails	24,574	24,574	28,436	3,862
Registration fee revenue:				
Vehicle registration fee	100,000	100,000	23,976	(76,024)
Operating revenue:				
Municipal service contract revenue	3,438,530	3,438,529	3,459,944	21,415
Aspen Skiing Co. service contract revenue	1,171,569	1,171,569	1,090,905	(80,664)
Service fare revenue	2,419,266	2,697,515	2,725,027	27,512
Other operating revenue	1,166,814	877,663	664,465	(213,198)
Capital revenue:				
Capital grants	1,577,000	1,577,000	1,417,646	(159,354)
Municipal service capital cost recovery	140,030	137,346	137,453	107
Aspen Skiing Co. capital cost recovery	408,060	408,060	408,060	-
Other capital revenue	475,000	805,004	667,700	(137,304)
Total Revenues	<u>16,794,479</u>	<u>17,110,896</u>	<u>16,696,278</u>	<u>(414,618)</u>
Expenditures:				
Transit operations:				
Transportation maintenance	3,162,394	3,120,232	2,908,751	211,481
Transportation operations	6,870,387	6,891,386	7,126,787	(235,401)
Administration	1,713,603	1,767,966	1,791,788	(23,822)
Trails, Facilities, and Corridor Management:				
Trail/Corridor Management	75,971	75,971	64,105	11,866
Trail administration	47,852	47,852	50,195	(2,343)
Housing	125,250	125,250	103,920	21,330
Midvalley trails	24,574	346,146	10,752	335,394
Facilities maintenance and operations	723,174	727,084	786,114	(59,030)
Other expenses:				
Town of Snowmass Village service contract	250,267	267,013	259,600	7,413
Legislative assistance	120,000	120,000	127,854	(7,854)
Other	164,603	164,602	150,346	14,256
Debt service:				
Principal	550,000	550,000	550,000	-
Interest	432,300	432,300	432,300	-
Capital outlay:				
Transit	2,336,300	2,412,591	2,270,388	142,203
Trails	125,000	154,000	9,397	144,603
Total Expenditures	<u>16,721,675</u>	<u>17,202,393</u>	<u>16,642,297</u>	<u>560,096</u>
Excess (Deficiency) of Revenues Over Expenditures	72,804	(91,497)	53,981	145,478
Fund Balance - Beginning of Year	<u>2,410,902</u>	<u>2,410,902</u>	<u>2,217,418</u>	<u>(193,484)</u>
Fund Balance - End of Year	<u>2,483,706</u>	<u>2,319,405</u>	<u>2,271,399</u>	<u>(48,006)</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, 2003

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 five towns and two counties that include the City of Glenwood Springs, Town of Carbondale, Town of Basalt, Town of Snowmass Village, 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 seven member and seven alternates which 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, 2003
(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, 2003
(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 two 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, 2003
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Receivables

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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, 2003
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgets and Budgetary Accounting (continued)

All appropriations lapse at year end. During the year, five 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 2003 appropriations were increased as follows:

	<u>Appropriation</u>
Original Appropriation	\$ 16,721,675
Changes to Annual Appropriations:	
<i>Resolution 2003-04</i>	39,697
<i>Resolution 2003-07</i>	10,000
<i>Resolution 2003-11</i>	208,483
<i>Resolution 2003-15</i>	20,438
<i>Resolution 2003-18</i>	100,000
Total supplemental appropriations	<u>378,618</u>
Final Appropriation	<u><u>\$ 17,100,293</u></u>

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 \$414,487 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2003.

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, 2003
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2003 the Authority's cash and cash equivalents are considered to be its cash on hand and demand deposits with maturities of three months or less when purchased. The Authority's operating cash is pooled with Pitkin County's portfolio of pooled cash and investments, which is not specifically identified as belonging to the Authority. Cash in excess of its daily operating requirements are invested. Investment earnings are prorated among the contributing funds. All investments are carried at their fair value.

GASB pronouncements have established the following three categories of deposit credit risk:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- (3) Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.

At December 31, 2003, the Authority's cash deposits with Pitkin County, Colorado were considered Category 3, as defined above.

B. Receivables

At December 31, 2003, the Authority's receivables were comprised of the following:

Taxes receivable	\$ 272,906
Other receivables	2,051,958
Due from other governments	851,777
Total	<u><u>\$ 3,176,641</u></u>

C. Reservation and Designation of Fund Balances

At December 31, 2003, the fund balance of the Authority's General Fund was reserved for the following:

Reserved for:	
Emergencies	\$ 414,487
Inventory	455,765
Midvalley Trails	208,296
Total	<u><u>\$ 1,078,548</u></u>

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. The Authority has also restricted funds for the study, phasing, contracting, and construction of trail projects within the Roaring Fork Valley, known as Midvalley trails. Funds restricted include 10% of the proceeds of the Eagle County Transportation Sales tax and specific trail project grants.

Roaring Fork Transportation Authority
Notes to the Financial Statements
December 31, 2003
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 8,109,000	-	-	8,109,000
Total Capital Assets, Not Being Depreciated	<u>8,109,000</u>	<u>-</u>	<u>-</u>	<u>8,109,000</u>
Capital assets, being depreciated:				
Buildings	4,235,385	251,471	-	4,486,856
Improvements other than buildings	147,170	-	-	147,170
Equipment	21,845,118	1,886,925	(181,053)	23,550,990
Total Capital Assets Being Depreciated	<u>26,227,673</u>	<u>2,138,396</u>	<u>(181,053)</u>	<u>28,185,016</u>
Less accumulated depreciation for:				
Buildings	(98,494)	(105,884)	-	(204,378)
Improvements other than buildings	(41,736)	(6,778)	-	(48,514)
Equipment	(11,798,374)	(1,404,609)	181,053	(13,021,930)
Total Accumulated Depreciation	<u>(11,938,604)</u>	<u>(1,517,271)</u>	<u>-</u>	<u>(13,274,822)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,289,069</u>	<u>621,125</u>	<u>(181,053)</u>	<u>14,910,194</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,398,069</u>	<u>621,125</u>	<u>(181,053)</u>	<u>23,019,194</u>

The Authority's depreciation expense at December 31, 2003 totaled \$1,517,271.

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 Transportation Agency. Upon formation of the Authority, the obligation for payment of transit debt, along with specific Agency assets were transferred to the Authority. The obligation to the County is reduced by the applicable debt service reserve which is being held by the County.

Roaring Fork Transportation Authority
Notes to the Financial Statements
December 31, 2003
(Continued)

IV. Detailed Notes on All Funds (continued)

E. Other Liabilities (continued)

1. Sales Tax Revenue Bonds (continued)

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

Year	98 Sales Tax Rev. Bonds		01 Sales Tax Rev. Bonds		Total owed to County	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 110,000	68,470	465,000	345,062	575,000	413,532
2005	115,000	63,850	475,000	329,950	590,000	393,800
2006	115,000	58,962	495,000	314,512	610,000	373,474
2007	120,000	54,017	505,000	297,188	625,000	351,205
2008	125,000	48,797	225,000	279,512	350,000	328,309
2009-2013	730,000	151,026	1,250,000	1,256,775	1,980,000	1,407,801
2014-2018	170,000	8,500	2,335,000	873,062	2,505,000	881,562
2019-2021	-	-	1,835,000	196,089	1,835,000	196,089
Total	\$ 1,485,000	453,622	7,585,000	3,892,150	9,070,000	4,345,772

Total owed to County for Transit Debt
Less: Applicable Debt Service Reserve
Total Owed to County, Net

\$ 9,070,000
(230,878)
\$ 8,839,122

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, 2003.

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.

Roaring Fork Transportation Authority
Notes to the Financial Statements
December 31, 2003
(Continued)

V. Other Information (continued)

B. Intergovernmental Agreement

Included in the intergovernmental agreement is a requirement to provide funding through an allocation of sales tax received in the participating entities. The Authority receives the following sales tax allocations:

- City of Aspen Visitor Benefits Tax. – .5% sales tax.
- City of Glenwood Springs – .4% sales tax.
- Town of Carbondale – .5% sales tax. Twenty percent of the taxes collected are used to fund services within the Town of Carbondale.
- Town of Basalt – .2% sales tax.
- Eagle County – .5% sales tax on the portion of sales tax collected within the Town of Basalt and unincorporated area of Eagle County within precincts 7,8,24 and 25. A minimum of 10% of the proceeds of this tax shall be used for trails construction and maintenance within the aforementioned precincts.
- Pitkin County – .4804% of a .5% sales tax and .48131% of a 1% sales tax for an equivalent total of a .72151% sales 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.

D. Line of Credit

The Authority has verbally agreed to a line of credit in the amount of \$1,000,000 with Pitkin County, Colorado. The agreement requires interest to be charged at Pitkin County's average investment earnings rate. The Authority did not utilize the line of credit during 2003.

Roaring Fork Transportation Authority
Notes to the Financial Statements
December 31, 2003
(Continued)

V. Other Information (continued)

E. Employee Benefits

1. Retirement Plan

By agreement with the Pitkin County, Colorado, the Authority's employees participate in the Pitkin County Public Employee Retirement Plan (PCPERP). PCPERP is a defined contribution plan whereby benefits depend solely on amounts contributed and earnings allocated to the participants' account. Therefore, the plan has no unfunded liabilities and actuarial valuations are not required. PCPERP is a single employer defined contribution plan, formed under the provisions of Colorado Revised Statutes (24-51-901). All full-time employees of the Authority participate in the plan after six months of employment. The Authority contributes 13% of participant's compensation to the plan and purchases replacement insurance coverage for Social Security's life, disability, and survivor benefits at a cost of 1% of participant's compensation. Participants vest immediately in 50% of the Authority's contribution and thereafter at a rate of 10% per year of employment. Upon termination of employment a participants unvested share is forfeited back to the County to fund plan administrative expenses.

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.

2. Employee Health Insurance

The Authority provides access to health insurance for its employees by participating in the Pitkin County, Colorado's County health insurance pool. Pitkin County, in turn provides insurance through their membership in the County Health Pool (CHP), a public entity risk pool, currently operating as a common risk management and insurance program for member counties. The County pays a monthly contribution to CHP for its health, life and accidental death and dismemberment coverage. The intergovernmental agreement for formation of CHP provides that the pool will be financially self-sustaining through member contributions, and the Pool will purchase stop loss insurance through commercial companies for member claims in excess of a specified self – insurance retention, with is determined each policy year.

3. Post Employment Health Care Benefits

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.

Roaring Fork Transportation Authority
Notes to the Financial Statements
December 31, 2003
(Continued)

V. Other Information (continued)

F. Risk Management

The Authority is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The Authority participates in Pitkin County's workers compensation self insurance programs and general liability insurance program. Details regarding these programs are as follows:

1. Workers Compensation Insurance Program

The County's workers' compensation self insurance program operates to pay claims, claim reserves and administrative costs relating to workers compensation claims. Premiums are paid to the County for coverage. Risk retention of \$275,000 per accident is maintained and funded through annual estimated claim costs. An excess insurance policy covers individual claims in excess of \$275,000. There has been no significant reduction in insurance coverage from past years and no settlements have exceeded insurance coverage in any of the last three years.

The State of Colorado has a strict application and annual review process which includes funding verification, excess insurance coverage verification; claims review data and provision of comprehensive loss prevention and control program as well as self insurer's bond with a bond sum of \$535,000 to cover the Authority's risk retention program.

The Authority pays the County based upon actuarial estimates of the amounts needed to pay current year claims and to establish a reserve for catastrophic losses. The amount of the reserve relating to the Authority is not readily determinable at December 31, 2003.

2. County General Liability Insurance Pool

The Authority participates in Pitkin County's general liability self insurance pool. The County provides insurance with a deductible of \$50,000 per occurrence with an aggregate limit of \$600,000 annually. Excess insurance coverage is purchased to cover claims in excess of these limits. The Authority has recorded its actuarial share of these losses by recording an accrued expense liability for \$413,567 on its General Fund at December 31, 2003.

SUPPLEMENTARY INFORMATION



McMAHAN AND ASSOCIATES, L.L.C.

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 Transit Authority

We have audited the financial statements of Roaring Fork Transit Authority (the "Authority") as of and for the year ended December 31, 2003, and have issued our report thereon dated April 25, 2004. 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, 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 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 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 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

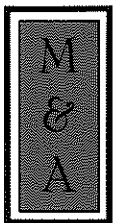
**McMahan and Associates, L.L.C.
April 25, 2004**

Performing services for local governments throughout Colorado

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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 Transit Authority

Compliance

We have audited the compliance of Roaring Fork Transit 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, 2003. 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 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, 2003.

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.

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**Board of Directors
Roaring Fork Transit Authority**

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 noncompliance with applicable requirements of laws, regulations, contracts and grants 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.
April 25, 2004**

Roaring Fork Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2003

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	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	
Department of Transportation – Capital Program Grant #136	CFDA# 20.808
Department of Transportation – Capital Program Grant #158	CFDA# 20.808
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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2003
(Continued)

There were no findings for the year ended December 31, 2002.

Roaring Fork Transit Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2003

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Expenditures</u>
U.S. Department of Transportation:			
Capital program grant #136	20.808	Yes	681,442
Capital program grant #158	20.808	Yes	738,590
Passed through Colorado Department of Transportation:			
Formula grant	20.509	No	<u>219,000</u>
Total Federal Financial Awards			<u><u>1,639,032</u></u>

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2003:

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.