**GREATER ROANOKE TRANSIT COMPANY –
TRANSIT OPERATIONS**

(A Component Unit of the City of Roanoke, Virginia)

Communication to the Board of Directors

Year ended June 30, 2012

KPMG LLP
Suite 1010
10 S. Jefferson Street
Roanoke, VA 24011-1331

October 31, 2012

The Board of Directors
Greater Roanoke Transit Company –
Transit Operations

Dear Members:

We have audited the financial statements of Greater Roanoke Transit Company – Transit Operations (the Company), a discretely presented component unit of the City of Roanoke, Virginia (the City), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming an opinion about whether the financial statements, that have been prepared by management with the oversight of the Board of Directors, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of Directors of their responsibilities.

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

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Directors in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Company's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in any such document, for example, Management's Discussion and Analysis. We have, however, applied certain limited procedures to the required supplementary information as of June 30, 2012 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Significant Accounting Policies, Unusual Transactions, and Accounting Practices

Significant Accounting Policies

The significant accounting policies used by the Company are described in note 1 to the financial statements. There were no changes in accounting policies used by the Company or their application during fiscal year 2012.

Unusual Transactions

We noted no transactions entered into by the Company during fiscal year 2012 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of Accounting Practices

We have discussed with the Board of Directors and management our judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Company's accounting policies and their application, and the understandability and completeness of the Company's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Uncorrected and Corrected Misstatements

In connection with our audit of the Company's financial statements, we have not identified any significant financial statement misstatements that have not been corrected in the Company's books and records as of and for the year ended June 30, 2012 and have communicated that finding to management. In addition, we proposed no audit adjustments to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Company's financial reporting process.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the Company's financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, either written or oral, from other independent accountants during the year ended June 30, 2012.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with the Board of Directors and management each year prior to our retention by the Board of Directors as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this report, please find copies of the following material written communications between management and us:

1) Engagement letter; and
2) Management representation letter

Significant Difficulties Encountered During the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Independence

We hereby confirm that as of October 31, 2012, we are independent accountants with respect to the Company under all relevant professional and regulatory standards.

* * * * * * *

This letter to the Board of Directors is intended solely for the use of the Board of Directors and management of the Company and the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

KPMG

KPMG LLP
Suite 1010
10 S. Jefferson Street
Roanoke, VA 24011-1331

Telephone +1 540 982 0505
Fax +1 540 983 8877
Internet www.us.kpmg.com

April 19, 2012

Board of Directors
Greater Roanoke Transit Company
P.O. Box 13247
Roanoke, VA 24032

Attention: Mr. Christopher P. Morrill, Vice President of Operations

Re: Audit Services for the Greater Roanoke Transit Company – Transit Operations (the Company), pursuant to Contract Agreement #87EP7K

This letter amends our Engagement Letter dated June 10, 2010, confirming our understanding to provide professional audit services to the Greater Roanoke Transit Company – Transit Operations (the Company), a component unit of the City of Roanoke, Virginia (the City), by substituting the attached Appendix I for the Appendix I originally attached to our Engagement Letter.

The attached Appendix I lists the services to be rendered and related fees to provide each specified service for the identified time period. Except as specified in this letter and in the Appendix I attached to this letter, all provisions of the aforementioned Engagement Letter and contract previously established on June 10, 2010 remain in effect until either Management or we terminate this agreement or mutually agree to the modification of its terms. The fees for each subsequent year during the duration of the contract will be based on the contract terms previously established on June 10, 2010.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

While our reports may be sent to the Company electronically for your convenience, only the hard copy reports are to be relied upon as our work product.

The Company agrees to provide prompt notification if the Company or any of its subsidiaries currently are or become subject to the laws of a foreign jurisdiction that require regulation of any securities issued by the Company or such subsidiary.

In connection with the performance of services under the Engagement Letter, KPMG may utilize the services of KPMG controlled entities, KPMG member firms and/or third party service providers within and without the United States to complete the services under the Engagement Letter. Moreover, KPMG may utilize third party service providers within and without the United States to provide, at KPMG's direction, administrative and clerical support services to KPMG.

Collaboration Site

KPMG has developed a collaborative, virtual workspace ("Collaboration Site") in a protected, online environment. This Collaboration Site allows for the placement of certain documents into the Collaboration Site to be used by those providing the Services to you. The Collaboration Site will be decommissioned at the end of the Engagement, unless otherwise required by applicable law or professional standards, or other requirements of the engagement team.

In order to maintain the confidentiality of the information contained in the Collaboration Site, KPMG has taken certain steps to provide protection against unauthorized access. Access to the Collaboration Site is limited to KPMG authenticated and authorized users and the Collaboration Site is protected by encryption and a secure network.

Other Government Auditing Standards Matters

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

* * * * *

It is our understanding that the Municipal Auditor will forward a copy of this letter to the members of the Board of Directors.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign in the space provided and return the copy to us.

Very truly yours,

KPMG LLP

R. Timothy Conner

R. Timothy Conner
Partner

cc: Mr. Carl L. Palmer
General Manager
Greater Roanoke Transit Company

Ms. Stephanie Giles
Director of Finance
Greater Roanoke Transit Company

Ms. Ann H. Shawver
Treasurer
Greater Roanoke Transit Company

Mr. Drew Harmon
Municipal Auditor
City of Roanoke

ACCEPTED:

Greater Roanoke Transit Company

Christopher P. Morrill
Authorized Signature

VP Operations
Title

April 25, 2012
Date

KPMG

Appendix I

Fees for Services

Based upon the contract terms previously established on June 10, 2010, our fees for services we will perform are as follows:

Audit of the financial statements of the Greater Roanoke Transit Company - (Transit Operations) as of and for the years ended June 30, 2012 and 2011	$ 19,800

The above fees for services will be billed in accordance with the contract terms previously established on June 10, 2010 and are based on the level of experience of the individuals who will perform the services. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the terms previously established. We will endeavor to notify you of any such circumstances as they are assessed.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients pwc

System Review Report

To the Partners of KPMG LLP
and the National Peer Review Committee of the AICPA Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the Firm), applicable to non-SEC issuers, in effect for the year ended March 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, an audit performed under FDICIA, and an audit of a carrying broker-dealer.

In our opinion, the system of quality control for the accounting and auditing practice of KPMG LLP, applicable to non-SEC issuers, in effect for the year ended March 31, 2011, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. KPMG LLP has received a peer review rating of *pass*.

PricewaterhouseCoopers LLP

December 2, 2011

PricewaterhouseCoopers LLP, 400 Campus Drive, P. O. Box 988, Florham Park, NJ 07932
T: (973) 236 4000, F: (973) 236 5000, www.pwc.com/us

AICPA Peer Review Program

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

December 8, 2011

John B. Veihmeyer, CPA
KPMG LLP
345 Park Ave Bsmt LB6
New York, NY 10154

Dear Mr. Veihmeyer:

It is my pleasure to notify you that on December 8, 2011 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2014. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

James W. Brackens, Jr.
Vice President—Ethics and Quality Practice
+1.919.402.4502
nprc@aicpa.org

cc: Betty Jo Charles, CPA

Firm Number: 10054128 Review Number: 320334

Administered by the
National Peer Review Committee

October 31, 2012

KPMG LLP
10 South Jefferson Street, Suite 1010
Roanoke, VA 24011-1331

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the statements of net assets of the Greater Roanoke Transit Company – Transit Operations (the Company), a discretely presented component unit of the City of Roanoke, Virginia, as of June 30, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of the Company, and the changes in its net assets, and its cash flows in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All financial records and related data.

   b. All minutes of the meetings of the Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. Except as disclosed to you in writing, there have been no:

   a. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements, except as disclosed in the financial statements or notes to the financial statements.

   b. False statements affecting the Company's financial statements made to the Company's internal auditors in connection with your audit.

Greater Roanoke Transit Company
P.O. Box 13247 • Roanoke, Virginia 24032 • Phone: 540.982.0305 • Fax: 540.982.2703 • www.valleymetro.com

4. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies*.

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SFAS No. 5.

   d. Material transactions, for example, grants or encumbrances that have not been properly recorded in the accounting records underlying the financial statements.

   e. Events that have occurred subsequent to the date of the statement of net assets and through the date of this letter that would require adjustments to or disclosure in the financial statements, except as disclosed in the financial statements or notes to the financial statements.

5. There are no uncorrected financial statement misstatements that should be summarized on a schedule of uncorrected financial statement misstatements.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent, deter and detect fraud. We understand that the term "fraud" is defined as misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

   Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   a. Management,

   b. Employees who have significant roles in internal control over financial reporting, or

   c. Others where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

9. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. We have no knowledge of any officer or director of the Company, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audits.

11. The following have been properly recorded or disclosed in the financial statements:

    a. Related party transactions including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.

       The term "related party" refers to affiliates of the enterprise; entities for which investments in their equity securities would be required to be accounted for by the equity method by the enterprise; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    b. Guarantees, whether written or oral, under which the Company is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    d. Agreements to repurchase assets previously sold, including sales with recourse.

    e. Changes in accounting principle affecting consistency.

    f. The existence of and transactions with joint ventures and other related organizations.

12. Capital assets are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

13. The Company has complied with applicable laws, regulations, contracts and grants that could have a material effect on the financial statements in the event of noncompliance.

14 Management is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the Company. Management has identified and disclosed to you all laws, regulations, donor restriction, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

15. The Company has identified and properly accounted for all nonexchange transactions.

16. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Company's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit.*

17. We believe that all material expenditures that have been deferred to future periods will be recoverable.

18. Deposits and investment securities are properly classified and reported.

19. The Company has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

20. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net assets, and allocations have been made on a reasonable basis.

21. Revenues are appropriately classified in the statement of revenues, expenses and changes in net assets.

22. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net assets and have been appropriately reduced to their estimated net realizable value.

23. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

24. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Company's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

25. The financial statements properly classify all activities.

26. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.

27. We acknowledge our responsibility for the presentation of required supplementary information, such as management's discussion and analysis, in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

    a. Believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with the applicable criteria and prescribed guidelines.

    b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.

    c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

28. The Company has complied with all applicable laws and regulations in adopting, approving and amending budgets.

29. The Company has elected to apply the option allowed in paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, and, as a consequence, applies *Financial Accounting and Standards Board* Statements and Interpretations that do not conflict with GASB Statements and Interpretations.

30. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

31. Provision has been made in the financial statements for any material loss that is probable from environmental remediation liabilities. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and is reasonable based on available information.

32. The Company has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

Further, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Very truly yours,

GREATER ROANOKE TRANSIT COMPANY

Carl L. Palmer
General Manager

Stephanie Giles
Director of Finance

Christopher P. Morrill
Vice President of Operations

Ann H. Shawver
Treasurer