

**Gunnison Valley Transportation Authority**

**Financial Report**

**December 31, 2016**



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**Gunnison Valley Transportation Authority  
Financial Report  
December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Gunnison Valley Transportation Authority  
Gunnison, Colorado**

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

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Gunnison Valley Transportation Authority (the "Authority"), as of and for the year ended December 31, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Gunnison River Valley Local Marketing District**  
**Gunnison County, Colorado**

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Gunnison Valley Transportation Authority as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**July 14, 2017**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Gunnison Valley Transportation Authority

## Management's Discussion and Analysis December 31, 2016

As management of the Gunnison Valley 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, 2016.

### 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 Position 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 position. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position 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 Authority's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority adopts an annual appropriated budget for its only fund, the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The Authority's financial statements can be found in Section C 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

### Gunnison Valley Transportation Authority's Net Position

	<u>12/31/16</u>	<u>12/31/15</u>
<b>Assets:</b>		
Current assets	\$ 3,143,834	2,049,088
Capital assets	1,286,301	292,375
<b>Total Assets</b>	<u>4,430,135</u>	<u>2,341,463</u>
<b>Liabilities:</b>		
Current liabilities	143,939	91,740
<b>Total Liabilities</b>	<u>143,939</u>	<u>91,740</u>
<b>Net Position:</b>		
Investment in capital assets	1,286,300	292,375
Restricted	93,000	49,000
Unrestricted	2,906,896	1,908,348
<b>Total Net Position</b>	<u>\$ 4,286,196</u>	<u>2,249,723</u>

Between December 31, 2015 and 2016, total assets of the Authority increased by \$2,088,672. Capital assets of the Authority increased by \$993,926 during 2016 exceeding depreciation expense.

Between December 31, 2015 and 2016, total liabilities of the Authority increased by \$52,199. This change in liabilities is related to the timing of payments to vendors and typically varies on an annual basis.

Approximately 30% of the Authority's net position reflects its investment in capital assets, which include improvements and vehicles (e.g., buses). The Authority uses its capital assets to provide transportation services to its citizens; therefore, these assets are not available for future spending. Of the remaining \$2,999,896 of net position, \$93,000 has been restricted for emergencies. The remaining balance of \$2,906,896 may be used to meet the Authority's ongoing obligations relating to its operations.

## Financial Analysis of the Authority (continued)

The Authority's net position increased \$2,036,473 from the prior year. This change is summarized below:

### Gunnison Valley Transportation Authority Change in Net Position

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Transportation Authority sales tax	\$ 2,927,165	1,369,051
Department of Transportation grant	637,328	187,100
Contributions	-	37,359
Other revenue	139,298	8,311
Earnings on investments	10,399	7,622
<b>Total Revenues</b>	<u>3,714,190</u>	<u>1,609,443</u>
<b>Expenses:</b>		
Operating supplies and miscellaneous	93	229
Professional services	371,089	213,953
Auditing	2,600	2,500
Sales tax collection fee	18,664	18,049
Contracted temporary labor	1,550	1,801
Airline guarantees	-	137,891
Ground transportation	653,179	468,073
Advertising and legal notices	24,320	7,211
Insurance and bonds	4,146	4,318
Repairs, maintenance and fuel	303,571	189,321
Meals and lodging	1,702	4,042
Dues and meetings	1,621	5,583
Treasurer's fees	28,928	14,421
Depreciation	134,402	116,723
Administrative services	87,550	91,769
Storage rental	44,302	-
<b>Total Expenses</b>	<u>1,677,717</u>	<u>1,275,884</u>
<b>Change in Net Position</b>	2,036,473	333,559
<b>Net Position:</b>		
<b>Beginning of the Year</b>	<u>2,249,723</u>	<u>1,916,164</u>
<b>End of the Year</b>	<u>\$ 4,286,196</u>	<u>2,249,723</u>

In 2016, revenues increased \$2,104,747 from 2015 levels.

Transportation Authority sales taxes were again the most significant source of income. This revenue stream represents the 1% Transportation Authority sales tax passed by the voters; collections of the tax began in January 2003.

In 2016, expenses increased \$401,833 from 2015 levels due to increased services, new and increased contracts costs with consultants, and storage rental.

## Financial Analysis of the Authority (continued)

Expenses in 2016 totaled \$1,677,717. The Authority's costs are approved by the Board. Administration of the Authority is also the responsibility of the Board and its officers. The largest expense during the year was for ground transportation of \$653,179. The other significant expenses incurred for 2016 were professional services; repairs, maintenance, and fuel; and depreciation expense.

### Budget Variances in the General Fund:

The Authority's revenues were \$515,260 greater than budget and expenditures were \$1,572,628 under budget during fiscal year 2016.

Significant budget variances in the General Fund were as follows:

	Final Budget	Actual	Final Budget Variance Positive (Negative)	Reason
<b>Revenues:</b>				
Transportation Authority sales tax	\$ 2,535,830	2,927,165	391,335	Conservative budgeting
Other revenue	2,000	139,298	137,298	Unbudgeted refund of airline guarantees
<b>Expenditures:</b>				
Professional services	400,800	371,089	29,711	Contract for senior care center conservatively budgeted for
Airline guarantees	1,340,070	-	1,340,070	None of the airline contracts required prepayments
Ground transportation	620,000	653,179	(33,179)	Due to increase in planned services
Repairs, maintenance, and fuel	327,000	303,571	23,429	Budgeted high due to the volatility of fuel pricing; price of fuel was less than expected
Administrative services	197,500	87,550	109,950	The maximum airline cap was budgeted.
Capital outlay	1,201,000	1,128,327	72,673	Procurement consortium resulted in discounts on vehicles

### Capital Assets

The Authority's capital assets increased \$993,926 in 2016, as previously discussed, which consisted mainly of the purchase of two buses and a shuttle. Additional information as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements in Section D of this report.

### Next Year's Budget

The Authority's General Fund balance at the end of the 2016 fiscal year totaled \$2,999,896. The Authority's 2017 budget anticipates an ending balance of \$912,008. The 2017 budget anticipates revenues of \$3,198,930 and expenditures of \$4,244,270, of which \$734,000 is budgeted for capital projects.

## **Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Gunnison Valley Transportation Authority  
200 E Virginia  
Gunnison, CO 81230

**BASIC FINANCIAL STATEMENTS**



**Gunnison Valley Transportation Authority**  
**Balance Sheet/Statement of Net Position**  
**December 31, 2016**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets:</b>			
Cash and cash equivalents	2,535,396	-	2,535,396
Restricted cash and cash equivalents	175,000	-	175,000
Due from other governments	433,337	-	433,337
Accounts receivable	102	-	102
Capital assets, net	-	1,286,300	1,286,300
<b>Total Assets</b>	<b>3,143,835</b>	<b>1,286,300</b>	<b>4,430,135</b>
<b>Liabilities:</b>			
Warrants payable	143,939	-	143,939
<b>Total Liabilities</b>	<b>143,939</b>	<b>-</b>	<b>143,939</b>
<b>Fund Balance/Net Position:</b>			
Non-spendable:			
Spendable:			
Restricted for emergencies	93,000	(93,000)	-
Unassigned	2,906,896	(2,906,896)	-
<b>Total Fund Balance</b>	<b>2,999,896</b>	<b>(2,999,896)</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>3,143,835</b>		
<b>Net Position:</b>			
Investment in capital assets		1,286,300	1,286,300
Restricted for emergencies		93,000	93,000
Unrestricted		2,906,896	2,906,896
<b>Total Net Position</b>		<b>4,286,196</b>	<b>4,286,196</b>

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

**Gunnison Valley Transportation Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Transportation Authority sales tax	2,927,165	-	2,927,165
Department of Transportation grant	637,328	-	637,328
Other revenue	139,298	-	139,298
Earnings on investments	10,399	-	10,399
<b>Total Revenues</b>	<u>3,714,190</u>	<u>-</u>	<u>3,714,190</u>
<b>Expenditures/Expenses:</b>			
Operating supplies and miscellaneous	93	-	93
Professional services	371,089	-	371,089
Auditing	2,600	-	2,600
Sales tax collection fee	18,664	-	18,664
Contracted temporary labor	1,550	-	1,550
Ground transportation	653,179	-	653,179
Advertising and legal notices	24,320	-	24,320
Insurance and bonds	4,146	-	4,146
Repairs, maintenance, and fuel	303,571	-	303,571
Meals and lodging	1,702	-	1,702
Dues and meetings	1,621	-	1,621
Treasurer's fees	28,928	-	28,928
Administrative services	87,550	-	87,550
Storage rental	44,302	-	44,302
Depreciation	-	134,402	134,402
Capital outlay	1,128,327	(1,128,327)	-
<b>Total Expenditures/Expenses</b>	<u>2,671,642</u>	<u>(993,925)</u>	<u>1,677,717</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	1,042,548	(1,042,548)	-
<b>Change Net Position</b>	-	2,036,473	2,036,473
<b>Fund Balance / Net Position:</b>			
Beginning of the year	<u>1,957,348</u>		<u>2,249,723</u>
End of the year	<u>2,999,896</u>		<u>4,286,196</u>

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

**Gunnison Valley Transportation Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2016**  
**(With Comparative Actual Amounts For the Year Ended 2015)**

	<u>2016</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2015</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>					
Transportation Authority sales tax	2,535,830	2,535,830	2,927,165	391,335	1,369,051
Department of Transportation grant	651,100	651,100	637,328	(13,772)	187,100
Contributions	-	-	-	-	37,359
Other revenue	2,000	2,000	139,298	137,298	189,479
Earnings on investments	10,000	10,000	10,399	399	7,622
<b>Total Revenues</b>	<u>3,198,930</u>	<u>3,198,930</u>	<u>3,714,190</u>	<u>515,260</u>	<u>1,790,611</u>
<b>Expenditures:</b>					
Operating supplies and miscellaneous	250	250	93	157	229
Professional services	400,800	400,800	371,089	29,711	213,953
Auditing	3,000	3,000	2,600	400	2,500
Sales tax collection fee	32,000	32,000	18,664	13,336	18,049
Contracted temporary labor	2,500	2,500	1,550	950	1,801
Airline guarantees	1,340,070	1,340,070	-	1,340,070	137,891
Ground transportation	620,000	620,000	653,179	(33,179)	468,073
Advertising and legal notices	41,000	41,000	24,320	16,680	7,211
Insurance and bonds	4,250	4,250	4,146	104	4,318
Repairs, maintenance, and fuel	327,000	327,000	303,571	23,429	189,321
Meals and lodging	8,000	8,000	1,702	6,298	4,042
Dues and meetings	2,800	2,800	1,621	1,179	5,583
Treasurer's fees	30,000	30,000	28,928	1,072	14,421
Administrative services	197,500	197,500	87,550	109,950	91,769
Storage rental	34,100	34,100	44,302	(10,202)	-
Capital outlay	1,201,000	1,201,000	1,128,327	72,673	-
<b>Total Expenditures</b>	<u>4,244,270</u>	<u>4,244,270</u>	<u>2,671,642</u>	<u>1,572,628</u>	<u>1,159,161</u>
<b>Change in Fund Balance:</b>	<u>(1,045,340)</u>	<u>(1,045,340)</u>	1,042,548	<u>2,087,888</u>	631,450
<b>Fund Balance - Beginning of Year</b>			<u>1,957,348</u>		<u>1,325,898</u>
<b>Fund Balance - End of Year</b>			<u>2,999,896</u>		<u>1,957,348</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**



**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**

**I. Summary of Significant Accounting Policies**

The Gunnison Valley Rural Transportation Authority (the "Authority") is a political subdivision incorporated under the laws of the State of Colorado. The purpose of the Authority is to fund and provide expanded mass transit and other transportation services including expanded air service in accordance with an intergovernmental agreement, explained below and in footnote VAB. – Intergovernmental Agreement.

The Authority was authorized on November 5, 2002, by Gunnison County's (the "County") electorate in a general election, which also established a sales tax within the Authority's boundaries. In 2015, the Authority's electorate approved to increase the sales tax within the Authority's boundaries to 1%. The Authority's boundaries include unincorporated Gunnison County, the Town of Crested Butte, the Town of Mt. Crested Butte, and the City of Gunnison. In order to improve intergovernmental efficiencies, the Authority has signed an intergovernmental agreement to establish a cooperative approach among the participating municipalities. This agreement is further explained in Note V.A. of these financial statements.

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 an appointed Board, two by the Board of County Commissioners, two by the Gunnison City Council, two by the Town Council of Crested Butte and two appointed by the Town Council of Mt. Crested Butte. 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.

The Authority has agreed to have Gunnison County provide administrative functions, including management of the Authority's finances. However, Gunnison County neither receives benefit nor carries any burden of the Authority; therefore, the Authority is not a component unit of Gunnison County.

**B. Government-wide and Fund Financial Statements**

**1. Government-wide 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-type (i.e., relying to a significant extent on fees and charges for support) activities. Currently, the Authority performs only governmental activities.

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

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

**1. Government-wide Financial Statements (continued)**

In the Balance Sheet/Statement of Net position, the Statement of Net position column is 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 position are reported in three parts – invested in capital assets, restricted and unrestricted. The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

**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 government. Transportation Authority sales tax 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 (i.e., 60 days). 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, if any, is recognized when due.

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

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

**1. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired.

**2. 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.

**3. Capital Assets**

Capital assets, which include improvements and vehicles, are reported 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 one year. Such assets are recorded at cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital expenditures for projects are capitalized as projects are constructed and completed. Interest incurred during the construction phase, if applicable, is not capitalized as part of the value of the fixed asset.

Improvements are depreciated over forty years and equipment is depreciated over ten years using the straight-line method.

**4. Categories and Classification of Fund Balance**

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

**5. Use of Estimates**

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

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

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

The governmental fund Balance Sheet/Statement of Net Position includes an adjustment column. Explanations of the adjustments included in this column are as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$1,286,300 represents the net book value of capital assets at December 31, 2016.

**B. Explanation of 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/Statement of Activities includes an adjustment column. Explanations of the adjustments included in this column are as follows:

Governmental funds report capital outlays as expenditures when incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. \$134,402 represents depreciation expense related to capital assets and \$1,128,327 related to capital asset additions in the current year.

**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 fund is adopted on a basis consistent with U.S. GAAP.

- (1) On or before October 15, 2015, the Authority submitted to the Board a recommended budget that detailed 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, 2015.
- (3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

**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, and 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 \$93,000 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2016.

The ballot question approved by voters on November 3, 2015, which increased the established Transportation Authority sales tax within the Authority's boundaries to 1%, also authorized the Authority to collect and spend the proceeds of the tax, investment income, and all other revenues, without regard to the limitations imposed by TABOR, effective January 1, 2016.

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, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

At December 31, 2016, the Authority's cash and cash equivalents were held by the Gunnison County Treasurer as an agent, but not in the Authority's name.

The Gunnison County Treasurer follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

**A. Deposits and Investments (continued)**

Risk to the Authority's deposits is generally limited to Interest Rate Risk, Credit Risk, and Concentration of Credit Risk. The Authority seeks to minimize these risks as follows:

**Interest Rate Risk.** As a means of limiting its exposure to interest rate risk, the Authority, through investment by the County, restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

**Credit Risk.** State law and District 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, through the County diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured 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.

**Restricted Cash and Cash Equivalents.** The Authority had \$175,000 of restricted cash held as collateral for a letter of credit (see Note IV.D) relating to air service guarantees with Alaska Airlines, Inc. ("Alaska Airlines").

**B. Receivables**

At December 31, 2016, of the Authority's receivables of \$433,439 were comprised of 2016 sales tax remitted to the Authority in 2017.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>1/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>
<b>Capital assets, being depreciated:</b>				
Improvements	\$ 21,765	-	-	21,765
Vehicles	1,161,784	1,128,327	-	2,290,111
Total	<u>1,183,549</u>	<u>1,128,327</u>	<u>-</u>	<u>2,311,876</u>
<b>Less accumulated depreciation for:</b>				
Improvements	3,401	544	-	3,945
Vehicles	887,773	133,858	-	1,021,631
Total	<u>891,174</u>	<u>134,402</u>	<u>-</u>	<u>1,025,576</u>
<b>Total capital assets, net</b>	<u>\$ 292,375</u>	<u>993,925</u>	<u>-</u>	<u>1,286,300</u>

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

**D. Letter of Credit**

During 2015, the Authority secured a letter of credit with an aggregate credit limit of \$400,000 from Gunnison Savings & Loan Association for the benefit of Alaska Airlines. The letter of credit, which expired in June 2016, provides collateral to assist Crested Butte, LLC ("CBMR") in meeting its financial obligations to Alaska Airlines relating to an air services agreement which guarantees certain airline revenue to Alaska Airlines as a condition of flights into Gunnison Airport.

During 2016, the Authority secured another letter of credit with an aggregated credit limit of \$175,000 from Gunnison Savings & Loan Association for the benefit of Alaska Airlines. The letter of credit, which expires in June 2017, provides a collateral to Alaska Airlines relating to an air services agreement which guarantees certain airline revenue to Alaska Airlines as a condition of flights into Gunnison Airport.

**E. Fund Balances and Net position**

The Authority classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable Fund Balance:

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

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

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

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

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

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

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

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

**E. Fund Balances and Net position (continued)**

In the Balance Sheet/Statement of Net Position, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

**V. Other Information**

**A. Agreements**

**i. Intergovernmental Agreement**

Effective August 20, 2002, the Authority entered into an intergovernmental agreement (the "Agreement") with the Gunnison County, City of Gunnison, Town of Crested Butte and Town of Mt. Crested Butte pursuant to the Colorado Rural Transportation Authority Law, Title 43, Article 4, Part 6, Colorado Revised Statutes, as amended. This Agreement will remain effective indefinitely, unless the members agree in writing to terminate the Agreement or the Authority is otherwise reauthorized by the registered voters residing within the Authority boundaries.

The basic provision of the agreement is to finance, construct, operate and maintain an efficient, sustainable and regional multi-modal transportation system at any location or locations within or without the boundaries of the Authority, subject to compliance within the Act.

**ii. Air Service**

During 2015, the Authority entered into an agreement with United Airlines, Inc. ("United") in which the Authority guarantees that United will receive minimum revenues for certain flights into Gunnison County Airport from December 2015 through March 2016. Under the agreement, the Authority is to make estimated guaranty payments of \$260,457.

During 2016, the Authority entered into agreements with United, American Airlines, Inc. ("American Airlines"), and Alaska Airlines, in which the Authority guarantees that the airlines will receive minimum revenues for certain flights into Gunnison County Airport with contract dates ranging from June 2016 through March 2017. Under the agreements, the maximum guaranteed amount payable per agreement range from \$213,019 to \$602,525.

During the 2016, the Authority recorded no expense for estimated guarantee payments and was refunded \$133,896 in previous estimated guarantee payments.

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

**V. Other Information (continued)**

**A. Agreements (continued)**

**iii. Transportation Service**

In September 2015, the Authority executed an agreement with AEX, Inc. ("AEX") for AEX to provide scheduled bus services between the City of Gunnison and the Town of Mt. Crested Butte. The agreement also includes fees for fuel and bus maintenance. The initial term of the agreement is from November 2015 through November 2016, with the option of four successive one-year terms. The fees for such services are outlined in the agreement. In addition to the transportation services, the agreement includes indoor storage for buses for \$3,675 per month.

During 2016, the Association incurred \$797,665 of expenses with respect to services provided by AEX. The Authority had a balance of \$100,768 payable to AEX at December 31, 2016.

**iv. Management**

In January 2016, the Authority executed an agreement with Truex Management Services, Inc. to perform management duties from January 1, 2016 through December 31, 2017. Under the agreement, the Authority will be charged an annual management fee of \$99,600 and \$103,200 for 2016 and 2017, respectively.

**v. CMBR**

In June 2015, the Authority executed an agreement with CMBR in which the Authority obtained an irrevocable letter of credit in the amount of \$400,000 with Gunnison Savings & Loan Association which was used as collateral to provide airline revenue guarantees to Alaska Airlines. The agreement provided for CMBR to replenish the Authority's reserves committed as collateral through \$100,000 monthly installments according to the following dates:

- \$100,000 - November 1, 2015
- \$100,000 - December 1, 2015
- \$100,000 - January 1, 2016
- \$100,000 - February 1, 2016

The agreement provided that if at the end of the air services agreement between CMBR and Alaska Airlines, an amount was owed to Alaska Airlines by CMBR, the Authority would pay Alaska Airlines the amount due, up to \$400,000. Any remaining funds will be paid to CMBR. The Authority was not required to make any payments in 2016.

In September 2016, the Authority executed another agreement with CMBR. The agreement provides that if at the end of the air services agreements between the Authority, Alaska Airlines, American Airlines, and United, an amount is owed to the airlines by the Authority, the Authority will pay the airlines the amount due, up to \$1,300,000. Any remaining funds, up to \$271,544, will be paid to CMBR.

**Gunnison Valley Transportation Authority**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(continued)**

**V. Other Information (continued)**

**B. 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 are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2016.

**C. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; and errors and omissions. The Authority has obtained coverage through contracting with an outside insurance agency for these risks and claims, if any, which are not expected to exceed covered amounts.

**D. Comparative Information**

Certain amounts in 2015 have been reclassified to conform to the 2016 presentation.