

Gunnison Valley Transportation Authority

Financial Report

December 31, 2017



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**Gunnison Valley Transportation Authority
Financial Report
December 31, 2017**

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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, 2017, 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, 2017, 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 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



Gunnison Valley Transportation Authority

Management's Discussion and Analysis December 31, 2017

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, 2017.

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>12/31/17</u>	<u>12/31/16</u>
Assets:		
Current assets	3,169,816	3,143,834
Capital assets	<u>1,696,525</u>	<u>1,286,300</u>
Total Assets	<u>4,866,341</u>	<u>4,430,134</u>
Liabilities:		
Current liabilities	<u>190,218</u>	<u>143,938</u>
Total Liabilities	<u>190,218</u>	<u>143,938</u>
Net Position:		
Investment in capital assets	1,696,525	1,286,300
Restricted	101,000	93,000
Unrestricted	<u>2,878,598</u>	<u>2,906,896</u>
Total Net Position	<u>4,676,123</u>	<u>4,286,196</u>

Between December 31, 2016 and 2017, total assets of the Authority increased by \$436,206. Capital assets of the Authority increased by \$410,225 during 2017 exceeding depreciation expense.

Between December 31, 2016 and 2017, total liabilities of the Authority increased by \$46,280. This change in liabilities is related to the timing of payments to vendors and typically varies on an annual basis.

Approximately 36% 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 \$2,979,598 of net position, \$101,000 has been restricted for emergencies. The remaining balance of \$2,878,598 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 \$389,927 from the prior year. This change is summarized below:

Gunnison Valley Transportation Authority Change in Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Transportation Authority sales tax	3,160,080	2,927,165
Department of Transportation grant	355,025	637,328
Other revenue	8,221	139,298
Earnings on investments	16,560	10,399
Gain (loss) on sale of asset	(16,217)	-
Total Revenues	<u>3,523,669</u>	<u>3,714,190</u>
Expenses:		
Operating supplies and miscellaneous	90	93
Professional services	370,131	371,089
Auditing	2,680	2,600
Sales tax collection fee	14,271	18,664
Contracted temporary labor	1,400	1,550
Airline guarantees	1,028,252	-
Airline buy-down program	61,616	-
Ground transportation	906,296	653,179
Advertising and legal notices	8,380	24,320
Insurance and bonds	4,199	4,146
Repairs, maintenance and fuel	262,306	303,571
Meals and lodging	4,988	1,702
Dues and meetings	3,884	1,621
Treasurer's fees	32,913	28,928
Depreciation	269,412	134,402
Administrative services	116,984	87,550
Storage rental	45,940	44,302
Total Expenses	<u>3,133,742</u>	<u>1,677,717</u>
Change in Net Position	389,927	2,036,473
Net Position:		
Beginning of the Year	<u>4,286,196</u>	<u>2,249,723</u>
End of the Year	<u>4,676,123</u>	<u>4,286,196</u>

In 2017, revenues decreased \$190,521 from 2016 levels. The decrease in revenue is from a decrease in grant revenue netted with an increase in sales tax for the year.

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 2017, expenses increased \$1,456,025 from 2016 levels due to airline contract payments and increased services.

Financial Analysis of the Authority (continued)

Expenses in 2017 totaled \$3,133,742. 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 airline guarantees of \$1,028,252. The other significant expenses incurred for 2017 were ground transportation; professional services; repairs, maintenance, fuel; and depreciation expense.

Budget Variances in the General Fund:

The Authority's revenues were \$284,786 greater than budget and expenditures were \$742,752 under budget during fiscal year 2017.

Significant budget variances in the General Fund were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Reason</u>
Revenues:				
Transportation Authority sales tax	2,868,000	3,160,080	292,080	Conservative budgeting
Expenditures:				
Professional services	410,000	370,131	39,869	Contract for senior care center conservatively budgeted for
Airline guarantees	1,572,000	1,028,252	543,748	Maximum airlines' cap conservatively budgeted for
Airline buy-down program	-	61,616	(61,616)	Program created after budgeting
Ground transportation	820,000	906,296	(86,296)	Unanticipated costs for facility update
Repairs, maintenance, and fuel	382,500	262,306	120,194	Budgeted high due to the volatility of fuel pricing; price of fuel was less than expected
Administrative services	239,536	116,984	122,552	Maximum airline cap conservatively budgeted for
Capital outlay	736,000	697,554	38,446	Conservative budgeting

Capital Assets

The Authority's capital assets increased \$410,224 in 2017, as previously discussed, which consisted of a bus purchase. 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 2017 fiscal year totaled \$2,979,598. The Authority's 2018 budget anticipates an ending balance of \$3,257,953. The 2018 budget anticipates revenues of \$3,686,420 and expenditures of \$3,408,065, of which \$959,000 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, 2017

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	2,684,378	-	2,684,378
Due from other governments	476,938	-	476,938
Accounts receivable	8,500	-	8,500
Capital assets, net	-	1,696,525	1,696,525
Total Assets	3,169,816	1,696,525	4,866,341
Liabilities:			
Warrants payable	190,218	-	190,218
Total Liabilities	190,218	-	190,218
Fund Balance/Net Position:			
Non-spendable:			
Spendable:			
Restricted for emergencies	101,000	(101,000)	-
Unassigned	2,878,598	(2,878,598)	-
Total Fund Balance	2,979,598	(2,979,598)	-
Total Liabilities and Fund Balance	3,169,816		
Net Position:			
Investment in capital assets		1,696,525	1,696,525
Restricted for emergencies		101,000	101,000
Unrestricted		2,878,598	2,878,598
Total Net Position		4,676,123	4,676,123

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, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Transportation Authority sales tax	3,160,080	-	3,160,080
Department of Transportation grant	355,025	-	355,025
Other revenue	8,221	-	8,221
Earnings on investments	16,560	-	16,560
Total Revenues	<u>3,539,886</u>	<u>-</u>	<u>3,539,886</u>
Expenditures/Expenses:			
Operating supplies and miscellaneous	90	-	90
Professional services	370,131	-	370,131
Auditing	2,680	-	2,680
Sales tax collection fee	14,271	-	14,271
Contracted temporary labor	1,400	-	1,400
Airline guarantees	1,028,252	-	1,028,252
Airline buy-down program	61,616	-	61,616
Ground transportation	906,296	-	906,296
Advertising and legal notices	8,380	-	8,380
Insurance and bonds	4,199	-	4,199
Repairs, maintenance, and fuel	262,306	-	262,306
Meals and lodging	4,988	-	4,988
Dues and meetings	3,884	-	3,884
Treasurer's fees	32,913	-	32,913
Administrative services	116,984	-	116,984
Storage rental	45,940	-	45,940
Depreciation	-	269,412	269,412
Capital outlay	697,554	(697,554)	-
Total Expenditures/Expenses	<u>3,561,884</u>	<u>(428,142)</u>	<u>3,133,742</u>
Excess (Deficiency) of Revenues over Expenditures	(21,998)	21,998	-
Other Financing Sources:			
Gain (loss) on disposition of assets	1,700	(17,917)	(16,217)
Total Other Financing Sources (Uses)	<u>1,700</u>	<u>(17,917)</u>	<u>(16,217)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(20,298)	20,298	-
Change Net Position	-	389,927	389,927
Fund Balance / Net Position:			
Beginning of the year	<u>2,999,896</u>		<u>4,286,196</u>
End of the year	<u>2,979,598</u>		<u>4,676,123</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, 2017
(With Comparative Actual Amounts For the Year Ended 2016)

	<u>2017</u>			Final Budget Variance Positive (Negative)	<u>2016</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Transportation Authority sales tax	2,868,000	2,868,000	3,160,080	292,080	2,927,165
Department of Transportation grant	357,100	357,100	355,025	(2,075)	637,328
Other revenue	2,500	2,500	8,221	5,721	139,298
Earnings on investments	27,500	27,500	16,560	(10,940)	10,399
Total Revenues	<u>3,255,100</u>	<u>3,255,100</u>	<u>3,539,886</u>	<u>284,786</u>	<u>3,714,190</u>
Expenditures:					
Operating supplies and miscellaneous	250	250	90	160	93
Professional services	410,000	410,000	370,131	39,869	371,089
Auditing	3,000	3,000	2,680	320	2,600
Sales tax collection fee	20,000	20,000	14,271	5,729	18,664
Contracted temporary labor	1,000	1,000	1,400	(400)	1,550
Airline guarantees	1,572,000	1,572,000	1,028,252	543,748	-
Airline buy-down program	-	-	61,616	(61,616)	-
Ground transportation	820,000	820,000	906,296	(86,296)	653,179
Advertising and legal notices	24,000	24,000	8,380	15,620	24,320
Insurance and bonds	4,250	4,250	4,199	51	4,146
Repairs, maintenance, and fuel	382,500	382,500	262,306	120,194	303,571
Meals and lodging	14,000	14,000	4,988	9,012	1,702
Dues and meetings	2,300	2,300	3,884	(1,584)	1,621
Treasurer's fees	30,000	30,000	32,913	(2,913)	28,928
Administrative services	239,536	239,536	116,984	122,552	87,550
Storage rental	45,800	45,800	45,940	(140)	44,302
Capital outlay	736,000	736,000	697,554	38,446	1,128,327
Total Expenditures	<u>4,304,636</u>	<u>4,304,636</u>	<u>3,561,884</u>	<u>742,752</u>	<u>2,671,642</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,049,536)	(1,049,536)	(21,998)	1,027,538	1,042,548
Other Financing Sources (Uses):					
Gain (loss) on disposition of assets	-	-	1,700	1,700	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,700</u>	<u>1,700</u>	<u>-</u>
Change in Fund Balance:	<u>(1,049,536)</u>	<u>(1,049,536)</u>	<u>(20,298)</u>	<u>1,029,238</u>	<u>1,042,548</u>
Fund Balance - Beginning of Year			<u>2,999,896</u>		<u>1,957,348</u>
Fund Balance - End of Year			<u>2,979,598</u>		<u>2,999,896</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, 2017

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 V.A.1. – 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, 2017
(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, 2017
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

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, 2017
(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. \$1,696,525 represents \$2,984,431 of capital assets, net of accumulated depreciation of \$1,287,906 at December 31, 2017.

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. \$269,412 represents depreciation expense related to capital assets and \$697,554 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, 2016, 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, 2016.
- (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, 2017
(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 \$101,000 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2017.

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, 2017, 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, 2017
(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.

B. Receivables

At December 31, 2017, the Authority's receivables of \$485,438 were comprised of 2017 sales tax remitted to the Authority in 2018.

C. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>1/1/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/17</u>
Capital assets, being depreciated:				
Improvements	21,765	-	-	21,765
Vehicles	2,290,112	697,554	(25,000)	2,962,666
Total	<u>2,311,877</u>	<u>697,554</u>	<u>(25,000)</u>	<u>2,984,431</u>
Less accumulated depreciation for:				
Improvements	3,945	544	-	4,489
Vehicles	1,021,632	268,868	(7,083)	1,283,417
	<u>1,025,577</u>	<u>269,412</u>	<u>(7,083)</u>	<u>1,287,906</u>
Total capital assets, net	<u>1,286,300</u>	<u>428,142</u>	<u>(17,917)</u>	<u>1,696,525</u>

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2017
(continued)

IV. Detailed Notes on All Funds (continued)

D. 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.

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.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2017
(continued)

V. Other Information

A. Agreements

1. 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.

2. Air Service

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 2017, the Authority entered into agreements with United, and American Airlines, Inc. ("American 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 2017 through April 2018. Under the agreements, the maximum guaranteed amount payable per agreement range from \$271,415 to \$300,000.

During 2017, the Authority recorded \$1,028,252 expense for estimated guarantee payments and received no refunds from previous estimated guarantee payments.

During 2017, the Authority entered in an agreement ("buy-down program") with the Gunnison/Crested Butte Tourism Association (GCBTA), in which the Authority will reimburse GCBTA for the difference between the published cost of the flight and the discounted price offered by GCBTA for certain flights through Gunnison County Airport with contract date December 2017 through April 2018. The Authority is committed up to \$200,000. During 2017, the Authority recorded \$61,616 for the buy-down program.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2017
(continued)

V. Other Information (continued)

A. Agreements (continued)

3. 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 2017, the Association incurred \$1,021,006 of expenses with respect to services provided by AEX. The Authority had a balance of \$147,821 payable to AEX at December 31, 2017.

4. 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 \$102,000 for 2016 and 2017, respectively.

In March 2018, the Authority executed an agreement with Truex Management Services, Inc. to perform management duties from January, 1 2018 through December 31, 2018. The agreement will automatically renew for four successive one-year terms. Under the agreement, the Authority will be charged an annual management fee of \$140,000 for 2018 which shall increase 3% each year.

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, 2017.

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 2016 have been reclassified to conform to the 2017 presentation.