



MOUNTAIN EXPRESS

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

March 17, 2020

Board of Directors
Mountain Express
Crested Butte, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Mountain Express as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Mountain Express' basic financial statements as listed in the table of contents.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Mountain Express' 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 Mountain Express' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mountain Express, as of December 31, 2019 and 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors
Mountain Express
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 required supplementary information 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 audits 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

MOUNTAIN EXPRESS

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2019

Our discussion and analysis of Mountain Express financial performance provides an overview of the Mountain Express financial activities for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of Mountain Express.

A. FINANCIAL HIGHLIGHTS

- Mountain Express assets exceed liabilities by \$4,685,164 at the end of the year, a decrease of \$68,117 from the prior year.
- Governmental funds reported an ending fund balance of \$1,574,868, an increase of \$300,513 from the prior year.
- Mountain Express continues to maintain a position free of any long-term debt obligations.
- Mountain Express had no major purchases in 2019.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Mountain Express basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private sector business.

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The statement of activities presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Mountain Express has only one function and thus all of its activities are reported under governmental activities in the government-wide financial statements.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mountain Express has only one fund, a governmental fund.

Governmental Fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of Mountain Express' operations. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Mountain Express programs.

MOUNTAIN EXPRESS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Capital assets. Mountain Express has complied with capital assets financial statements reporting requirements as specified in Governmental Accounting Standards Board Statement 34 (GASB34). One of the requirements is to report capital assets in the government-wide financial statements.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At December 31, 2019, total net position was \$4,685,164, a decrease of \$68,117. This decrease was largely due to the excess of operating revenues over operating expenditures offset by depreciation expense for the year. Unrestricted net position, the part of net position that can be used to finance day to day operations without constraints, was \$1,518,112, an increase of \$288,573 from 2018.

The following table summarizes governmental activities net position for 2019 and 2018.

Mountain Express
December 31
Statements of Net Position

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other assets	\$1,642,220	\$1,754,825	\$1,642,220	\$1,754,825
Capital assets	<u>3,167,052</u>	<u>3,526,742</u>	<u>3,167,052</u>	<u>3,526,742</u>
Total Assets	<u>4,809,272</u>	<u>5,281,567</u>	<u>4,809,272</u>	<u>5,281,567</u>
Current liabilities	67,352	480,470	67,352	480,470
Other liabilities	<u>56,756</u>	<u>47,816</u>	<u>56,756</u>	<u>47,816</u>
Total Liabilities	<u>124,108</u>	<u>528,286</u>	<u>124,108</u>	<u>528,286</u>
Net Position:				
Net investment in capital assets	3,167,052	3,526,742	3,167,052	3,526,742
Unrestricted	<u>1,518,112</u>	<u>1,226,539</u>	<u>1,518,112</u>	<u>1,226,539</u>
Total Net Position	<u>\$4,685,164</u>	<u>\$4,753,281</u>	<u>\$4,685,164</u>	<u>\$4,753,281</u>

MOUNTAIN EXPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

The following table summarizes the changes in net position for Mountain Express:

	Mountain Express		December 31	
	Changes in Net Position			
	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
REVENUES				
Program Revenues:				
Operating grants & contributions	\$1,932,787	\$1,827,654	\$1,932,787	\$1,827,654
Capital grants & contributions	99,025	819,690	99,025	819,690
Charges for services	57,354	54,260	57,354	54,260
General Revenues:				
Investment earnings	10,192	7,821	10,192	7,821
Other	<u>10,554</u>	<u>5,904</u>	<u>10,554</u>	<u>5,904</u>
Total Revenues	<u>2,109,912</u>	<u>2,715,329</u>	<u>2,109,912</u>	<u>2,715,329</u>
EXPENSES				
General government	80,324	62,883	80,324	62,883
Transportation	<u>2,097,705</u>	<u>1,806,556</u>	<u>2,097,705</u>	<u>1,806,556</u>
Total Expenses	<u>2,178,029</u>	<u>1,869,439</u>	<u>2,178,029</u>	<u>1,869,439</u>
Increase (decrease) in net position	\$ <u>(68,117)</u>	\$ <u>845,890</u>	\$ <u>(68,117)</u>	\$ <u>845,890</u>

D. FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

Governmental funds. The focus of government funds is to provide information on near term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Mountain Express has only one fund, the governmental fund.

As of December 31, 2019 Mountain Express governmental fund balance was \$1,574,868 which represented an increase of \$300,513. The fund balance is approximately 87% of annual operating expenditures. Due to the volatile nature of Mountain Express' revenues, it is management's intent to maintain a strong fund balance dedicated to operations.

E. GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

In 2019 there were no amendments to the budget. Governmental revenues were \$228,012 over budget. There were several significant variances in expenditures from budget to actual. Salaries and Wages, Retirement and Benefits, Professional Services and Repairs and Maintenance came in over budget. The overall revenues and expenditures positive variance was \$272,813.

MOUNTAIN EXPRESS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. During 2019, Mountain Express capital purchases were a tire changing machine (\$18,680) and bus painting project (\$16,928), of which the tire changing machine was capitalized. More detailed information on Mountain Express' capital assets may be found in Note B of the financial statements.

Long-term Debt. Mountain Express has no long-term debt obligations or capital leases.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Most of the intergovernmental revenue received by Mountain Express is derived from a fixed percentage of sales taxes and admissions taxes collected by the Town of Crested Butte and the Town of Mt. Crested Butte. Those revenues were up in 2019. Intergovernmental revenues are also received in the form of operating grants from the Federal Transportation Authority. Those revenues did increase in 2019 and a slight increase is expected in 2020. Operating revenues budgeted for 2020 increased from 2019 actual operating revenues by \$59,100.

The 2020 budget reflects a net decrease in fund balance of \$47,000 after total capital expenditures of \$95,000. The capital expenditure budget includes \$12,000 to be used as matching funds for a grant to plan a new maintenance facility to be built on land purchased in 2018 and \$35,000 for improvements to the land purchased.

H. REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Mountain Express finances. If you have questions about this report or need additional financial information, contact Mountain Express, PO Box 3482, Crested Butte, Colorado 81224.

Mountain Express

STATEMENTS OF NET POSITION

December 31,

	Governmental Activities	
	2019	2018
ASSETS		
Cash and investments	\$ 1,338,937	\$ 827,717
Accounts receivable	9,497	641,703
Due from:		
Town of Mt. Crested Butte	135,934	114,096
Town of Crested Butte	127,715	164,219
Prepaid expenses	30,137	7,090
Non-current assets		
Capital assets (net of accumulated depreciation)		
Land, nondepreciable	676,846	676,846
Buildings	795,421	835,532
Vehicles	1,657,453	1,993,345
Equipment	37,332	21,019
Total assets	<u>4,809,272</u>	<u>5,281,567</u>
LIABILITIES		
Accounts payable	27,983	449,275
Accrued liabilities	39,369	31,195
Compensated absences	56,756	47,816
Total liabilities	<u>124,108</u>	<u>528,286</u>
NET POSITION		
Net investment in capital assets	3,167,052	3,526,742
Unrestricted	1,518,112	1,226,539
Total net position	<u>\$ 4,685,164</u>	<u>\$ 4,753,281</u>

The accompanying notes are an integral part of this statement.

Mountain Express

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

Function/Programs	Expenses	Program Revenues			Governmental Activities, Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 80,324	\$ -	\$ 80,324	\$ -	\$ -
Transportation	2,097,705	57,354	1,852,463	99,025	(88,863)
Total governmental activities	<u>\$ 2,178,029</u>	<u>\$ 57,354</u>	<u>\$ 1,932,787</u>	<u>\$ 99,025</u>	<u>(88,863)</u>
			General revenues:		
			Unrestricted investment earnings	10,192	
			Gain on disposals of capital assets	10,554	
			Total general revenues	<u>20,746</u>	
			Change in net position	(68,117)	
			Net position at beginning of year	4,753,281	
			Net position at end of year	<u>\$ 4,685,164</u>	

The accompanying notes are an integral part of this statement.

Mountain Express

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Function/Programs	Expenses	Program Revenues			Governmental Activities, Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 62,883	\$ -	\$ 62,883	\$ -	\$ -
Transportation	1,806,556	54,260	1,764,771	819,690	832,165
Total governmental activities	<u>\$ 1,869,439</u>	<u>\$ 54,260</u>	<u>\$ 1,827,654</u>	<u>\$ 819,690</u>	<u>832,165</u>
			General revenues:		
			Unrestricted investment earnings	7,821	
			Gain on disposals of capital assets	5,904	
			Total general revenues	<u>13,725</u>	
			Change in net position	845,890	
			Net position at beginning of year	3,907,391	
			Net position at end of year	<u>\$ 4,753,281</u>	

The accompanying notes are an integral part of this statement.

Mountain Express

BALANCE SHEETS - GOVERNMENTAL FUND

December 31,

	2019	2018
ASSETS		
Cash and investments	\$ 1,338,937	\$ 827,717
Accounts receivable	9,497	641,703
Due from:		
Town of Mt. Crested Butte	135,934	114,096
Town of Crested Butte	127,715	164,219
Prepaid expenses	30,137	7,090
Total assets	\$ 1,642,220	\$ 1,754,825
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 27,983	\$ 449,275
Accrued liabilities	39,369	31,195
Total liabilities	67,352	480,470
Fund balance		
Nonspendable	30,137	7,090
Assigned for capital reserve	400,000	400,000
Unassigned:		
Operating reserve	800,000	800,000
Other unassigned	344,731	67,265
Total fund balance	1,574,868	1,274,355
Total liabilities and fund balance	\$ 1,642,220	\$ 1,754,825
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance - governmental funds	\$ 1,574,868	\$ 1,274,355
Accrued compensated absences payable are not due and payable in the current year and, therefore, are not reported in the Fund	(56,756)	(47,816)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Cost of capital assets, net of accumulated depreciation	3,167,052	3,526,742
Net position of Governmental Activities	\$ 4,685,164	\$ 4,753,281

The accompanying notes are an integral part of this statement.

Mountain Express

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND

Years ended December 31,

	2019	2018
Revenues		
Intergovernmental revenue	\$ 2,031,812	\$ 2,647,344
Charges for services	57,354	54,260
Interest income	10,192	7,821
Miscellaneous revenue	10,554	5,904
Total revenue	<u>2,109,912</u>	<u>2,715,329</u>
Expenditures		
General government	80,324	62,883
Transportation	1,729,075	2,982,389
Total expenditures	<u>1,809,399</u>	<u>3,045,272</u>
Change in fund balance	300,513	(329,943)
Fund balance, beginning	<u>1,274,355</u>	<u>1,604,298</u>
Fund balance, ending	<u><u>\$ 1,574,868</u></u>	<u><u>\$ 1,274,355</u></u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance - governmental fund	\$ 300,513	\$ (329,943)
Capital outlays are reported as expenditures in the Fund; in the Statement of Activities, the costs of capital assets are allocated over their estimated useful life as depreciation expense.		
Asset additions	18,680	1,467,360
Depreciation expense	(378,370)	(287,798)
Compensated absences are recognized as an expenditure in the fund when they are determined to be payable from current financial resources. This is the amounts by which compensated absences changed in the current year.	<u>(8,940)</u>	<u>(3,729)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (68,117)</u></u>	<u><u>\$ 845,890</u></u>

The accompanying notes are an integral part of this statement.

Mountain Express

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)	2018 Actual
Revenues					
Grant revenues	\$ 307,500	\$ 307,500	\$ 258,560	\$ (48,940)	\$ 1,054,740
Town of Mt. Crested Butte Contribution	692,900	692,900	852,097	159,197	708,748
Town of Crested Butte Contribution	826,000	826,000	921,155	95,155	883,856
Charges for services	52,500	52,500	57,354	4,854	54,260
Interest income	3,000	3,000	10,192	7,192	7,821
Other revenues	-	-	10,554	10,554	5,904
Total revenues	<u>1,881,900</u>	<u>1,881,900</u>	<u>2,109,912</u>	<u>228,012</u>	<u>2,715,329</u>
Expenditures					
Salaries and wages	905,600	905,600	918,888	(13,288)	858,012
Retirement and benefits	396,600	396,600	411,608	(15,008)	323,036
Supplies	26,500	26,500	17,822	8,678	18,681
Travel and education	3,000	3,000	4,640	(1,640)	1,967
Insurance	61,700	61,700	64,191	(2,491)	57,667
Professional services	23,200	23,200	37,051	(13,851)	23,014
Utilities	19,200	19,200	18,313	887	16,876
Repairs and maintenance	101,000	101,000	115,670	(14,670)	93,466
Building rent	4,200	4,200	3,774	426	3,774
Telephone	7,000	7,000	6,851	149	6,808
Gas and oil	140,000	140,000	143,085	(3,085)	133,651
Tires	32,000	32,000	30,603	1,397	29,301
Trash removal	1,200	1,200	1,295	(95)	1,134
Capital outlay	133,000	133,000	35,608	97,392	1,477,885
Total expenditures	<u>1,854,200</u>	<u>1,854,200</u>	<u>1,809,399</u>	<u>44,801</u>	<u>3,045,272</u>
Change in fund balance	27,700	27,700	300,513	272,813	(329,943)
Fund balance - beginning	-	-	1,274,355	1,274,355	1,604,298
Fund balance - ending	<u>\$ 27,700</u>	<u>\$ 27,700</u>	<u>\$ 1,574,868</u>	<u>\$ 1,547,168</u>	<u>\$ 1,274,355</u>

The accompanying notes are an integral part of this statement.

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Mountain Express was established as an intergovernmental agency between the towns of Crested Butte and Mt. Crested Butte. Mountain Express provides bus service to the Crested Butte ski area and throughout the towns. The towns of Crested Butte and Mt. Crested Butte contribute ninety-five percent (95%) of their respective town's one percent (1%) sales tax adopted for transportation services. The Town of Mt. Crested Butte also contributes twenty-five percent (25%) of the proceeds of the four percent (4%) admissions tax adopted by the Town of Mt. Crested Butte and designated for transportation. Due to the nature of funding from federal grants and contributions by the partners, the operations are reported as a Governmental Fund.

The accompanying statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The financial statements include all activities and functions that comprise Mountain Express. Component units are legally separate entities for which the governmental entity is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the government's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the governmental entity. Using these criteria, Mountain Express has no component units.

2. Basis of accounting

Mountain Express' financial statements (including notes to the financial statements) are prepared in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended. The Statement includes the following: (1) A Management's Discussion and Analysis (MD&A) section providing an analysis of Mountain Express' overall financial position and results of operations (2) Financial statements prepared using full accrual accounting for the government's activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become available and measurable. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon the expenditures recorded. Expenditures are recorded when the liability is incurred.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted assets first.

3. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of Mountain Express. Mountain Express does not have any component units to report. All of the activities of Mountain Express are reported as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes or other items not properly included among program revenues are reported instead as general revenues.

4. Tax, spending and debt limitation

Article X, Section 20 of the Constitution of the State of Colorado has certain requirements concerning revenue and expenditure limits and the establishment of an Emergency Reserve. The towns of Mt. Crested Butte and Crested Butte each record their share of the Mountain Express on their books, which is included when determining their Article X, Section 20 limits and Emergency Reserve.

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Capital assets

Property and equipment are reported as governmental activities in the government-wide financial statements. Capitalized assets are defined by Mountain Express as assets that have a useful life of one or more years, and for which the initial value equals or exceeds \$5,000. All purchased assets are valued at cost. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful life</u>
Buildings	30 years
Other Improvements	10-20 years
Vehicles	5-10 years
Furniture & Equipment	5-15 years

6. Accrued liabilities for compensated absences

Mountain Express allows employees to accumulate earned but unused vacation and sick pay benefits. A liability for accrued, unused vacation or sick leave is recorded in the government-wide statement of activities. In governmental fund statements, vacation or sick leave is reported as an expenditure and liability to the fund when used.

7. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net position

Net position represents the difference between assets and liabilities. The net position category of 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 or construction of improvements on those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Mountain Express or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE B – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance</u> <u>12/31/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2019</u>
Capital assets not depreciated:				
Land	\$ 676,846	\$ -	\$ -	\$ 676,846
Capital assets being depreciated:				
Buildings	1,211,355	-	-	1,211,355
Vehicles	3,385,644	-	44,384	3,341,260
Equipment	<u>89,663</u>	<u>18,680</u>	<u>8,500</u>	<u>99,843</u>
	4,686,662	18,680	52,884	4,652,458
Accumulated depreciation:				
Buildings	(375,823)	(40,111)	-	(415,934)
Vehicles	(1,392,299)	(335,892)	44,384	(1,683,807)
Equipment	<u>(68,644)</u>	<u>(2,367)</u>	<u>8,500</u>	<u>(62,511)</u>
Total accumulated depreciation	<u>(1,836,766)</u>	<u>(378,370)</u>	<u>52,884</u>	<u>(2,162,252)</u>
Total capital assets being depreciated	<u>2,849,896</u>	<u>(359,690)</u>	<u>-</u>	<u>2,490,206</u>
Total capital assets, net of depreciation	<u>\$ 3,526,742</u>	<u>\$ (359,690)</u>	<u>\$ -</u>	<u>\$ 3,167,052</u>

Depreciation expense was charged to governmental functions as follows:

Transportation	<u>\$ 378,370</u>
Total depreciation	<u>\$ 378,370</u>

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE C – LONG-TERM LIABILITES

Changes in long-term liabilities for the year ended December 31, 2019 were as follows:

	December 31, 2018	Increases	Decreases	December 31, 2019	Due Within One Year
Compensated absences	\$ 47,816	\$ 8,940	\$ -	\$ 56,756	\$ 56,756

NOTE D – CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA, which allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Deposits at December 31, 2019, consisted of the following:

Insured by FDIC	\$ 765,271
Collateralized as noted above	599,092
Outstanding deposits	-
Less outstanding checks	(25,426)
Cash and investments per financial report	<u>\$ 1,338,937</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest:

- 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
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Certificates of deposit are valued at amortized cost.

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE D – CASH AND INVESTMENTS – CONTINUED

The composition of all cash and investments as of December 31, 2019 is as follows:

	<u>Amounts</u>	<u>Maturities</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
Checking	\$ 2,403		
Money market	608,626		
Certificates of deposit	<u>727,908</u>	212,637	515,271
	<u>\$ 1,338,937</u>		

NOTE E – RETIREMENT PLAN

Mountain Express maintains a defined contribution retirement plan for all qualified full-time employees and a deferred compensation retirement plan for all qualified seasonal employees. The plans are maintained by the “Colorado County Officials and Employees Retirement Association”.

The medium of funding is by means of the accumulation of contributions in a trust fund. Each participant’s contribution to the plan varies from 4% to 12% of their compensation depending on employment status and longevity. Mountain Express matches the participant’s contribution on a dollar for dollar basis. Benefits payable upon retirement, death, disability, resignation or dismissal are equal to the amounts accumulated for that participant subject to Internal Revenue Service regulations.

During 2019 and 2018, total government contributions to the retirement plan were \$42,274 and \$37,869, respectively.

NOTE F – RISK MANAGEMENT

Mountain Express is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Mountain Express is a member of the Colorado Intergovernmental Risk Sharing Agency (“CIRSA”), CIRSA provides liability and property insurance. The insurance is provided through joint self-insurance, insurance and reinsurance, or any combination of thereof. CIRSA’s rate setting policies are established by the board of Director’s in consultation with independent actuaries. Mountain Express is subject to a supplemental assessment in the event of deficiencies and may receive credit on future contributions in the event of surplus.

Mountain Express carries workman’s compensation insurance through Pinnacol Assurance.

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE G – COMMITMENTS AND CONTINGENT LIABILITIES

Mountain Express participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE H – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by Mountain Express' highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose.

A capital reserve of \$400,000 has been assigned by the Board to be used for capital projects.

- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. Mountain Express will only report a positive unassigned fund balance in the General Fund.

The Board has adopted a policy to designate a portion of unassigned fund balance as an operating reserve. The designated portion of unassigned fund balance of \$800,000 represents amounts set aside to serve as a financial cushion for use in emergency situations or when revenue shortages or budgetary imbalances arise. The operating reserve amount represents 50% of annual expenditures.

Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

NOTE I – SUBSEQUENT EVENTS

During 2020 there was a worldwide pandemic from the Coronavirus. It is clear that there will be potential short and long-term effects from local to global economies. It is unclear what these effects will be for Mountain Express at the date of the auditor's report.