

Gunnison Valley Transportation Authority

Financial Report

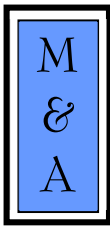
December 31, 2022



**Gunnison Valley Transportation Authority
Financial Report
December 31, 2022**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A3
Management's Discussion and Analysis	B1 – B4
Basic Financial Statements:	
Balance Sheet/Statement of Net Position	C1
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	C2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	C3
Notes to the Financial Statements	D1 – D10



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Gunnison Valley Transportation Authority GVTA (the "Authority"), as of and for the year ended December 31, 2022, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

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 major fund of Gunnison Valley Transportation Authority, as of December 31, 2022, the respective changes in financial position and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gunnison Valley Transportation Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Gunnison Valley Transportation Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison Valley Transportation Authority
Gunnison, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison Valley Transportation Authority
Gunnison, Colorado

Required Supplementary Information

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 is the responsibility of management and, 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 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.
Avon, Colorado
September 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



Gunnison Valley Transportation Authority

Management's Discussion and Analysis December 31, 2022

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, 2022.

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>12/31/22</u>	<u>12/31/21</u>
Assets:		
Current assets	7,823,895	7,885,288
Capital assets	<u>11,117,638</u>	<u>8,293,469</u>
Total Assets	<u>18,941,533</u>	<u>16,178,757</u>
Liabilities:		
Current liabilities	<u>1,021,472</u>	<u>1,922,004</u>
Total Liabilities	<u>1,021,472</u>	<u>1,922,004</u>
Net Position:		
Investment in capital assets	11,117,638	8,293,469
Restricted	243,000	162,000
Unrestricted	<u>6,559,423</u>	<u>5,801,284</u>
Total Net Position	<u>17,920,061</u>	<u>14,256,753</u>

Between December 31, 2021 and 2022, total assets of the Authority increased by \$2,762,776. Capital assets of the Authority increased by \$2,824,169 during 2022 as additions to capitalized assets exceeded depreciation expense.

Between December 31, 2021 and 2022, total liabilities of the Authority decreased by \$900,532. This change in liabilities is related to the timing of payments to vendors and typically varies on an annual basis.

Approximately 62% of the Authority's net position reflects its investment in capital assets, which include land, 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 \$6,802,423 of net position, \$243,000 has been restricted for emergencies. The remaining balance of \$6,559,423 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 \$3,663,308 from the prior year. This change is summarized below:

	<u>2022</u>	<u>2021</u>
Revenues:		
Transportation Authority sales tax	6,052,064	5,441,210
Department of Transportation grant	2,493,302	1,808,071
Other revenue	77,712	36,389
Earnings on investments	<u>(168,438)</u>	<u>(16,226)</u>
Total Revenues	<u>8,454,640</u>	<u>7,269,444</u>
Expenses:		
Operating supplies and miscellaneous	74	70
Professional services	676,239	600,275
Auditing	8,014	7,400
Sales tax collection fee	31,021	30,540
Contracted temporary labor	750	6,680
Airline guarantees	441,236	300,000
Ground transportation	1,976,252	1,629,385
Advertising and legal notices	9,007	11,508
Insurance and bonds	10,974	9,315
Repairs, maintenance and fuel	842,371	536,523
Meals and lodging	2,490	2,641
Dues and meetings	7,272	8,194
Building repairs and maintenance	24,614	21,857
Treasurer's fees	74,400	59,382
Depreciation	674,918	575,417
Administrative services	<u>11,700</u>	<u>-</u>
Total Expenses	<u>4,791,332</u>	<u>3,799,187</u>
Change in Net Position	3,663,308	3,470,257
Net Position:		
Beginning of the Year	<u>14,256,753</u>	<u>10,786,496</u>
End of the Year	<u><u>17,920,061</u></u>	<u><u>14,256,753</u></u>

In 2022, revenues increased \$1,185,196 from 2021 levels due to increases in sales taxes and grants 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 2022, expenses increased \$992,145 from 2021 levels, which are a result of rising inflation costs for ground transportation and repair and maintenance costs.

Financial Analysis of the Authority (continued)

Expenses in 2022 totaled \$4,791,332. 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 \$1,976,252. The other significant expenses incurred for 2022 were airline guarantees; professional services; repairs, maintenance, and fuel; and depreciation expense.

Budget Variances in the General Fund:

The Authority’s revenues were \$107,666 greater than budget and expenditures were \$586,661 under budget during fiscal year 2022.

Significant budget variances in the General Fund were as follows:

	Final Budget	Actual	Final Budget Variance Positive (Negative)	Reason
Revenues:				
Transportation Authority sales tax	5,947,489	6,052,064	104,575	Conservative budgeting
Expenditures:				
Capital outlay	4,039,262	3,499,087	540,175	Conservative budgeting, timing of prc
Capital Assets				

The Authority’s capital assets increased \$2,824,169 in 2022, as previously discussed, which includes land and bus purchases, and bus stop improvements. 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 2022 fiscal year totaled \$6,802,423. The Authority’s 2023 budget anticipates an ending balance of \$2,972,554. The 2023 budget anticipates revenues of \$7,828,418 and expenditures of \$11,461,960.

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, 2022

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	6,179,585	-	6,179,585
Due from other governments	1,618,745	-	1,618,745
Accounts receivable	25,565	-	25,565
Capital assets, net	-	11,117,638	11,117,638
Total Assets	7,823,895	11,117,638	18,941,533
Liabilities:			
Warrants payable	1,021,472	-	1,021,472
Total Liabilities	1,021,472	-	1,021,472
Fund Balance/Net Position:			
Non-spendable:			
Spendable:			
Restricted for emergencies	243,000	(243,000)	-
Unassigned	6,559,423	(6,559,423)	-
Total Fund Balance	6,802,423	(6,802,423)	-
Total Liabilities and Fund Balance	7,823,895		
Net Position:			
Investment in capital assets		11,117,638	11,117,638
Restricted for emergencies		243,000	243,000
Unrestricted		6,559,423	6,559,423
Total Net Position		17,920,061	17,920,061

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, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Transportation Authority sales tax	6,052,064	-	6,052,064
Department of Transportation grant	2,493,302	-	2,493,302
Other revenue	77,712	-	77,712
Earnings on investments	(168,438)	-	(168,438)
Total Revenues	<u>8,454,640</u>	<u>-</u>	<u>8,454,640</u>
Expenditures/Expenses:			
Operating supplies and miscellaneous	74	-	74
Professional services	676,239	-	676,239
Auditing	8,014	-	8,014
Sales tax collection fee	31,021	-	31,021
Contracted temporary labor	750	-	750
Airline guarantees	441,236	-	441,236
Ground transportation	1,976,252	-	1,976,252
Advertising and legal notices	9,007	-	9,007
Insurance and bonds	10,974	-	10,974
Repairs, maintenance, and fuel	842,371	-	842,371
Meals and lodging	2,490	-	2,490
Dues and meetings	7,272	-	7,272
Building repairs and maintenance	24,614	-	24,614
Treasurer's fees	74,400	-	74,400
Administrative services	11,700	-	11,700
Depreciation	-	674,918	674,918
Capital outlay	3,499,087	(3,499,087)	-
Total Expenditures/Expenses	<u>7,615,501</u>	<u>(2,824,169)</u>	<u>4,791,332</u>
Change Net Position	-	3,663,308	3,663,308
Fund Balance / Net Position:			
Beginning of the year	<u>5,963,284</u>		<u>14,256,753</u>
End of the year	<u>6,802,423</u>		<u>17,920,061</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, 2022
(With Comparative Actual Amounts For the Year Ended 2021)

	<u>2022</u>			Final Budget Variance Positive (Negative)	<u>2021</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Transportation Authority sales tax	5,347,000	5,947,489	6,052,064	104,575	5,441,210
Department of Transportation grant	1,972,618	2,493,302	2,493,302	-	1,808,071
Other revenue	36,400	95,183	77,712	(17,471)	36,389
Earnings on investments	25,000	(189,000)	(168,438)	20,562	(16,226)
Total Revenues	<u>7,381,018</u>	<u>8,346,974</u>	<u>8,454,640</u>	<u>107,666</u>	<u>7,269,444</u>
Expenditures:					
Operating supplies and miscellaneous	300	200	74	126	70
Professional services	730,000	712,000	676,239	35,761	600,275
Auditing	7,600	8,014	8,014	-	7,400
Sales tax collection fee	34,000	34,000	31,021	2,979	30,540
Contracted temporary labor	12,000	12,000	750	11,250	6,680
Airline guarantees	1,440,380	441,236	441,236	-	300,000
Ground transportation	1,920,000	1,980,000	1,976,252	3,748	1,629,385
Advertising and legal notices	20,000	12,000	9,007	2,993	11,508
Insurance and bonds	11,500	14,000	10,974	3,026	9,315
Repairs, maintenance, and fuel	587,000	825,500	842,371	(16,871)	536,523
Meals and lodging	12,000	4,500	2,490	2,010	2,641
Dues and meetings	16,000	10,750	7,272	3,478	8,194
Building repairs and maintenance	30,000	30,000	24,614	5,386	21,857
Treasurer's fees	50,000	67,000	74,400	(7,400)	59,382
Administrative services	11,700	11,700	11,700	-	-
Capital outlay	3,670,000	4,039,262	3,499,087	540,175	2,626,647
Total Expenditures	<u>8,552,480</u>	<u>8,202,162</u>	<u>7,615,501</u>	<u>586,661</u>	<u>5,850,417</u>
Change in Fund Balance:	<u>(1,171,462)</u>	<u>144,812</u>	839,139	<u>694,327</u>	1,419,027
Fund Balance - Beginning of Year			5,963,284		4,544,257
Fund Balance - End of Year			<u>6,802,423</u>		<u>5,963,284</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, 2022

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.1. 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

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, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

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

1. Government-wide Financial Statements

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 is 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, Basis of Accounting, and Financial Statement Presentation

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, 2022
(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 land, 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 historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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, and Net Position

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.

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.

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.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Categories and Classification of Fund Balance, and Net Position (continued)

Spendable Fund Balance:

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 categories mentioned above. 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, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies

1. 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.

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. \$11,117,638 represents \$14,453,089 of capital assets, net of accumulated depreciation of \$3,335,451 at December 31, 2022.

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. \$674,918 represents depreciation expense related to capital assets and \$3,499,086 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. The Authority followed the required timetable noted below in preparing, approving, and enacting its budget for 2022.

- (1) On or before October 15, 2021, 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, 2021.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgets and Budgetary Accounting (continued)

- (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.

All appropriations lapse at year end. During the year, supplemental appropriations were necessary. The budgetary comparison statement reflects the original budget and the final budget after legally authorized revisions were made. As a result of the supplementary budget appropriations, the general fund's 2022 appropriations decreased from \$8,552,480 to \$8,202,162.

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 \$243,000 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2022.

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.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2022, 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

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 Authority has limited its interest rate risk.

Credit Risk. State law and Authority 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, 2022, the Authority's receivables of \$1,644,310 were comprised primarily of 2022 sales tax remitted to the Authority in 2023.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>1/1/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/22</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 900,963			\$ 900,963
Construction in progress	1,832,351	1,030,000	-	2,862,351
Total capital assets, not being depreciated	<u>2,733,314</u>	<u>1,030,000</u>	<u>-</u>	<u>3,763,314</u>
Capital assets, being depreciated:				
Improvements	787,083	-	-	787,083
Buildings	843,112	2,392,569	-	3,235,681
Vehicles	6,590,494	76,517	-	6,667,011
Total capital assets, being depreciated	<u>8,220,689</u>	<u>2,469,086</u>	<u>-</u>	<u>10,689,784</u>
Less accumulated depreciation for:				
Improvements	54,006	19,677	-	73,683
Buildings	69,986	79,950	-	149,936
Vehicles	2,536,541	575,291	-	3,111,832
Total accumulated depreciation	<u>2,660,533</u>	<u>674,918</u>	<u>-</u>	<u>3,335,441</u>
Total capital assets, being depreciated, net	<u>5,560,156</u>	<u>1,794,168</u>	<u>-</u>	<u>7,354,343</u>
Governmental activities capital assets, net	<u>\$ 8,293,470</u>	<u>\$ 2,824,168</u>	<u>\$ -</u>	<u>\$ 11,117,656</u>

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.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

A. Agreements (continued)

2. Air Service

During 2021, 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 2021 through April 2022. Under the agreements, the maximum guaranteed amount payable per agreement range from \$300,000 to \$440,380

During 2022, the Authority entered into agreements with United, and 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 2022 through April 2023. Under the agreements, the maximum guaranteed amount payable per agreement range from \$300,000 to \$603,073.

During 2022, the Authority recorded \$441,236 expense for estimated guarantee payments and received no refunds from previous estimated guarantee payments.

3. Transportation Service

In September 2015, the Authority executed an agreement with AEX, Inc. (“AEX”), to provide scheduled bus services between the City of Gunnison and the Town of Mt. Crested Butte. In addition to the transportation services, the agreement includes fees for fuel, bus maintenance, indoor storage for buses and snow removal from bus stops. All fees shall be adjusted annually by the Consumer Price Index (“CPI”) for Denver-Aurora-Lakewood. The initial term of the agreement was for November 2015 through November 2016, and automatically renews for nine successive one-year terms. The fees for such services are outlined in the agreement.

During 2022, the Authority incurred \$1,976,252 of expenses with respect to services provided by AEX. The Authority had a balance of \$242,079 payable to AEX at December 31, 2022.

4. Management

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. The annual management fee for the first year of the agreement is \$140,000, which is subject to an annual increase of 3%. In 2022, the Authority incurred 180,000 relating to management fees.

Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

A. Agreements (continued)

5. Senior Transportation Services

During 2022, the Authority entered into separate agreements with Mountain Express and Gunnison Valley Hospital, to furnish transportation services to seniors of Gunnison County. The terms of both agreements go through December 31, 2022, and were subject to the Authority's Board of Directors making an appropriation during the budgeting process to set aside funds for these agreements. Expenses unless otherwise pre-approved by the Authority's management, were not to exceed certain amounts for the term. For 2022, the set and incurred fee under the Mountain Express agreement was \$55,000 and \$56,518, respectively. For 2022, the set and incurred fee under the Gunnison Valley Hospital agreement was \$300,000 and 286,730, respectively.

6. Consulting Agreement

In October 2017, the Authority entered into an agreement with Airplanners, LLC to provide marketing development and air service management and consulting services. The agreement is effected January 1, 2018, and has a term ending December 31, 2022. Compensation under the agreement includes an annual fee of \$84,000 payable in twelve equal monthly installments, reimbursement of reasonable and necessary travel expenses, and a bonus of 10% of any negotiated complementary air tickets for all airline contracts signed by the Authority. For 2022, the Authority incurred \$87,789 in expenses relating to services provided under this agreement.

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, 2022.

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.