



MOUNTAIN EXPRESS

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

March 28, 2019

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 year ended December 31, 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 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 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, 2018, 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.



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 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.

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

MOUNTAIN EXPRESS

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2018

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, 2018. 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 \$4,753,281 at the end of the year, an increase of \$845,890 from the prior year.
- Governmental funds reported an ending fund balance of \$1,274,355, a decrease of \$329,943 from the prior year.
- Mountain Express continues to maintain a position free of any long-term debt obligations.
- Mountain Express purchased four new buses, two new service vehicles and property at the Whetstone Industrial Park at a total cost of \$1,454,859.

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, 2018

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, 2018, total net position was \$4,753,281, an increase of \$845,890. This increase 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 \$1,226,539, a decrease of \$333,672 from 2017.

The following table summarizes governmental activities net position for 2018 and 2017.

Mountain Express December 31 Statements of Net Position				
	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other assets	\$1,754,825	\$1,658,614	\$1,754,825	\$1,658,614
Capital assets	<u>3,526,742</u>	<u>2,347,180</u>	<u>3,526,742</u>	<u>2,347,180</u>
Total Assets	<u>5,281,567</u>	<u>4,005,794</u>	<u>5,281,567</u>	<u>4,005,794</u>
Current liabilities	480,470	54,316	480,470	54,316
Other liabilities	<u>47,816</u>	<u>44,087</u>	<u>47,816</u>	<u>44,087</u>
Total Liabilities	<u>528,286</u>	<u>98,403</u>	<u>528,286</u>	<u>98,403</u>
Net Position:				
Net investment in capital assets	3,526,742	2,347,180	3,526,742	2,347,180
Unrestricted	<u>1,226,539</u>	<u>1,560,211</u>	<u>1,226,539</u>	<u>1,560,211</u>
Total Net Position	<u>\$4,753,281</u>	<u>\$3,907,391</u>	<u>\$4,753,281</u>	<u>\$3,907,391</u>

MOUNTAIN EXPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2018

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES				
Program Revenues:				
Operating grants & contributions	\$1,827,654	\$1,752,551	\$1,827,654	\$1,752,551
Capital grants & contributions	819,690	422,400	819,690	422,400
Charges for services	54,260	44,581	54,260	44,581
General Revenues:				
Investment earnings	7,821	6,559	7,821	6,559
Other	<u>5,904</u>	<u>1,000</u>	<u>5,904</u>	<u>1,000</u>
Total Revenues	<u>2,715,329</u>	<u>2,227,091</u>	<u>2,715,329</u>	<u>2,227,091</u>
EXPENSES				
General government	62,883	67,616	62,883	67,616
Transportation	<u>1,806,556</u>	<u>1,698,258</u>	<u>1,806,556</u>	<u>1,698,258</u>
Total Expenses	<u>1,869,439</u>	<u>1,765,874</u>	<u>1,869,439</u>	<u>1,765,874</u>
Increase (decrease) in net position	<u>\$ 845,890</u>	<u>\$ 461,217</u>	<u>\$ 845,890</u>	<u>\$ 461,217</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, 2018 Mountain Express governmental fund balance was \$1,274,355 which represented a decrease of \$329,943. The fund balance is approximately 66% 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 2018 there was one amendment to the budget. The major decrease in the budget was fuel cost. Governmental revenues were \$121,129 over budget. There were several significant variances in expenditures from budget to actual. Retirement, Health Insurance, Repair & Maintenance were all under budget. Fuel & Oil came in over budget. The overall revenues and expenditures positive variance was \$169,357.

MOUNTAIN EXPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2018

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. During 2018, Mountain Express purchased four buses at a cost of \$698,613, two service vehicles at a cost of \$79,400, with 80% of the cost reimbursed through capital grants. Mountain Express also purchased property at the Whetstone Industrial Park at a cost of \$676,846. This expenditure came out of the Capital Reserve account. 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 2018. Intergovernmental revenues are also received in the form of operating grants from the Federal Transportation Authority. Those revenues did increase in 2018 and a slight increase is expected in 2019. Operating revenues budgeted for 2019 increased from 2018 actual operating revenues by \$125,934.

The 2019 budget reflects a net increase in fund balance of \$27,700 after total capital expenditures of \$85,000. 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, \$30,000 for improvements to the land purchased, \$18,000 for painting the new buses purchased in 2018, and \$25,000 for a new tire machine.

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

STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 827,717
Accounts receivable	641,703
Due from:	
Town of Mt. Crested Butte	114,096
Town of Crested Butte	164,219
Prepaid expenses	7,090
Non-current assets	
Capital assets (net of accumulated depreciation)	
Land, nondepreciable	676,846
Buildings	835,532
Vehicles	1,993,345
Equipment	21,019
Total assets	<u>5,281,567</u>
LIABILITIES	
Accounts payable	449,275
Accrued liabilities	31,195
Compensated absences	47,816
Total liabilities	<u>528,286</u>
NET POSITION	
Net investment in capital assets	3,526,742
Unrestricted	1,226,539
Total net position	<u>\$ 4,753,281</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 SHEET - GOVERNMENTAL FUND

December 31, 2018

ASSETS

Cash and investments	\$ 827,717
Accounts receivable	641,703
Due from:	
Town of Mt. Crested Butte	114,096
Town of Crested Butte	164,219
Prepaid expenses	7,090
Total assets	<u>\$ 1,754,825</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 449,275
Accrued liabilities	31,195
Total liabilities	<u>480,470</u>

Fund balance

Nonspendable	7,090
Assigned for capital reserve	400,000
Unassigned:	
Operating reserve	800,000
Other unassigned	67,265
Total fund balance	<u>1,274,355</u>
Total liabilities and fund balance	<u>\$ 1,754,825</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$ 1,274,355
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Accrued compensated absences payable are not due and payable in the current year and, therefore, are not reported in the Fund	(47,816)
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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	<u>3,526,742</u>
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Net position of Governmental Activities	<u>\$ 4,753,281</u>
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The accompanying notes are an integral part of this statement.

Mountain Express

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

Year ended December 31, 2018

Revenues		
Intergovernmental revenue		\$ 2,647,344
Charges for services		54,260
Interest income		7,821
Miscellaneous revenue		5,904
Total revenue		<u>2,715,329</u>
Expenditures		
General government		62,883
Transportation		2,982,389
Total expenditures		<u>3,045,272</u>
Change in fund balance		(329,943)
Fund balance, beginning		<u>1,604,298</u>
Fund balance, ending		<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		\$ (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	1,467,360	
Depreciation expense	<u>(287,798)</u>	1,179,562
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>(3,729)</u>
Change in Net Position of Governmental Activities		<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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Grant revenues	\$ 865,400	\$ 1,065,400	\$ 1,054,740	\$ (10,660)
Town of Mt. Crested Butte				
Contribution	668,500	668,500	708,748	40,248
Town of Crested Butte				
Contribution	813,800	813,800	883,856	70,056
Charges for services	42,500	42,500	54,260	11,760
Interest income	4,000	4,000	7,821	3,821
Other revenues	-	-	5,904	5,904
Total revenues	2,394,200	2,594,200	2,715,329	121,129
Expenditures				
Salaries and wages	846,700	846,700	858,012	(11,312)
Retirement and benefits	347,900	347,900	323,036	24,864
Supplies	26,000	26,000	18,681	7,319
Travel and education	4,200	4,200	1,967	2,233
Insurance	71,300	71,300	57,667	13,633
Professional services	18,200	18,200	23,014	(4,814)
Utilities	19,500	19,500	16,876	2,624
Repairs and maintenance	115,000	115,000	93,466	21,534
Building rent	4,200	4,200	3,774	426
Telephone	6,000	6,000	6,808	(808)
Gas and oil	118,000	118,000	133,651	(15,651)
Tires	30,000	30,000	29,301	699
Trash removal	1,200	1,200	1,134	66
Capital outlay	808,300	1,485,300	1,477,885	7,415
Total expenditures	2,416,500	3,093,500	3,045,272	48,228
Change in fund balance	(22,300)	(499,300)	(329,943)	169,357
Fund balance - beginning	22,300	499,300	1,604,298	1,104,998
Fund balance - ending	\$ -	\$ -	\$ 1,274,355	\$ 1,274,355

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 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, 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, 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, 2018 was as follows:

	<u>Balance</u> <u>12/31/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Capital assets not depreciated:				
Land	\$ -	\$ 676,846	\$ -	\$ 676,846
Capital assets being depreciated:				
Buildings	1,198,855	12,500	-	1,211,355
Vehicles	2,975,521	778,014	(367,891)	3,385,644
Equipment	<u>89,663</u>	<u>-</u>	<u>-</u>	<u>89,663</u>
	4,264,039	790,514	(367,891)	4,686,662
Accumulated depreciation:				
Buildings	(336,128)	(39,695)	-	(375,823)
Vehicles	(1,514,039)	(246,151)	367,891	(1,392,299)
Equipment	<u>(66,692)</u>	<u>(1,952)</u>	<u>-</u>	<u>(68,644)</u>
Total accumulated depreciation	<u>(1,916,859)</u>	<u>(287,798)</u>	<u>367,891</u>	<u>(1,836,766)</u>
Total capital assets being depreciated	<u>2,347,180</u>	<u>502,716</u>	<u>-</u>	<u>2,849,896</u>
Total capital assets, net of depreciation	<u>\$ 2,347,180</u>	<u>\$ 1,179,562</u>	<u>\$ -</u>	<u>\$ 3,526,742</u>

Depreciation expense was charged to governmental functions as follows:

Transportation	<u>\$ 287,798</u>
Total depreciation	<u>\$ 287,798</u>

Mountain Express

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE C – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2018 were as follows:

	December 31, 2017	Increases	Decreases	December 31, 2018	Due Within One Year
Compensated absences	\$ 44,087	\$ 3,729	\$ -	\$ 47,816	\$ 47,816

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, 2018, consisted of the following:

Insured by FDIC	\$ 658,618
Collateralized as noted above	198,379
Outstanding deposits	-
Less outstanding checks	(29,280)
Cash and investments per financial report	<u>\$ 827,717</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, 2018

NOTE D – CASH AND INVESTMENTS – CONTINUED

The composition of all cash and investments as of December 31, 2018 is as follows:

	<u>Amounts</u>	<u>Maturities</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
Checking	\$ 690		
Money market	208,680		
Certificates of deposit	618,347	–	618,347
	<u>\$ 827,717</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 2018, total government contributions to the retirement plan were \$37,869.

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, 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.