

REGIONAL HAZARDOUS MATERIALS ASSOCIATION
OF EAGLE COUNTY

ANNUAL FINANCIAL REPORT

FOR THE

YEAR ENDED DECEMBER 31, 2016



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**REGIONAL HAZARDOUS MATERIALS ASSOCIATION
OF EAGLE COUNTY**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016**

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REGIONAL HAZARDOUS MATERIALS
ASSOCIATION OF EAGLE COUNTY

ROSTER OF OFFICIALS
DECEMBER 31, 2016

BOARD OF DIRECTORS

Karl Bauer, Eagle River Fire Protection District

Kurt Keiser, Greater Eagle Fire Protection District

Mark Novak, Town of Vail Fire & Emergency Services

Justin Kirkland, Gypsum Fire Protection District

Sheriff James Van Beek, Eagle County Sheriff's Office

ADMINISTRATIVE STAFF

Jessica Costabile
Eagle River Fire Protection District Finance Officer

Steve Thompson CPA CFP® MS
Thompson Financial & Accounting Services LLC



EAGLE COUNTY
HAZARDOUS MATERIALS TEAM

RHMAEC Board of Directors

Karl Bauer
Eagle River Fire Protection District
Kurt Keiser
Greater Eagle Fire Protection District
Mark Novak
Vail Fire and Emergency Services
Justin Kirkland
Gypsum Fire Protection District
Sheriff James Van Beek
Eagle County Sheriff's Office

Eagle County Commissioners & Eagle County Emergency Management

Emergency Response

Planning
Local Emergency Planning Committee (LEPC)

Unified Command

Incident Safety Officer

Operations

Hazmat Branch

Assistant Safety Officer - HazMat

Entry Leader

Decontamination Leader

Site Access Control Leader

Tech Specialist HazMat Reference

Safe Refuge Area Manager

Law Enforcement

Fire Fighting

Local Environmental Interests

Hospital & Transportation Personnel

Community Groups

Federal, State and Local Govt. Dept. and Agencies involved in Hazmat Response

Elected State and Local Officials

Civil Defense

First Aid

Health

Broadcast & Print Media

Owners & Operators of Facilities

Persons Designated by RHMAEC, ECSO or County Commissioners to Meet EPCRA

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HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

3082 Evergreen Parkway, Suite 2
Evergreen, CO 80439
(303) 694-2727

Board of Directors
Regional Hazardous Materials Association of Eagle County
Eagle County, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and major fund of the Regional Hazardous Materials Association of Eagle County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Association's 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Regional Hazardous Materials Association of Eagle County as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 7 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in 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.

Hamblin and Associates

Evergreen, Colorado
March 10, 2017

Management's Discussion and Analysis

As management of the Regional Hazardous Materials Association of Eagle County ("RHMAEC"), we offer readers of RHMAEC's financial statements this narrative overview and analysis of the financial activities of RHMAEC for the fiscal year ended December 31, 2016. The Management's Discussion and Analysis (MD&A) should be read in conjunction with RHMAEC's basic financial statements.

Financial Highlights

- The assets of RHMAEC exceeded its liabilities at the close of the most recent fiscal year by \$216,582 (net position). Of this amount, \$150,965 may be used to meet RHMAEC's ongoing obligations to citizens and creditors.
- RHMAEC's total net position increased by \$7,419.
- As of the close of the current fiscal year, RHMAEC reported ending fund balances of \$172,699 an increase of \$24,147 from the prior year. Approximately eighty-five percent (87.4%) of this total amount, \$150,965 is available for spending at RHMAEC's discretion (unassigned fund balance).
- Unassigned fund balance represents 448% of 2016 total expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to RHMAEC's basic financial statements. RHMAEC's basic financial statements are comprised of two components: 1) government-wide financial statements and fund financial statements, and 2) notes to the financial statements.

Combined Government-wide and Fund Financial Statements

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

The *statement of net position* presents information on all of RHMAEC's 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 the financial position of RHMAEC is improving or deteriorating.

The *statement of activities* presents information showing how RHMAEC's net position changed during the past 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 the related cash flows*. Thus, revenues and expenses may be reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements are designed to distinguish functions of RHMAEC that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The functions of RHMAEC include hazardous materials operations and emergency services and are considered as entirely governmental activities. RHMAEC has no business-type activities.

The government-wide financial statements are combined with the fund financial statements and can be found on pages 8-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. RHMAEC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of RHMAEC is a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

RHMAEC adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget and can be found on page 13 of this report.

The basic governmental fund financial statements are combined with the government-wide financial statements and can be found on pages 8-11 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 14-20 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RHMAEC, assets exceeded liabilities by \$216,582 at the close of the year.

A portion of RHMAEC's net position, 20% at December 31, 2016, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. RHMAEC uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although RHMAEC's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. RHMAEC had no debt at December 31, 2016.

The following is a condensed comparative summary of RHMAEC's net position at December 31:

	2016	2015
Current and Other Assets	\$175,518	\$148,552
Capital Assets	43,883	60,611
Total Assets	<u>219,401</u>	<u>209,163</u>
Current and Other Liabilities		
Noncurrent Liabilities	<u>2,819</u>	<u>-</u>
Total Liabilities	<u>2,819</u>	<u>-</u>
Net Position:		
Net Investment in Capital Assets	43,883	60,611
Restricted for TABOR Emergency Reserve	1,734	1,571
Restricted for Capital Equipment	20,000	20,000
Unrestricted	150,965	126,981
Total Net Position	<u>\$216,582</u>	<u>\$209,163</u>

An additional portion of RHMAEC's net position, \$21,734 at December 31, 2016 represent resources that are subject to restriction on how they may be used. The balance of unrestricted net position of \$150,965 at December 31, 2016 may be used to meet RHMAEC's ongoing obligations to citizens and creditors.

At the end of 2016, RHMAEC was able to report positive balances in all three categories of net position. RHMAEC's net position increased by \$7,419 during 2016 to \$216,582.

Governmental Activities

During 2016, the key element contributing to the increase in RHMAEC's net position was the positive net change of fund balance net of depreciation on capital assets.

The following is a condensed comparative summary of RHMAEC's revenue and expenses as of December 31:

	2016	2015
Program Revenues		
Charges for Services	<u>\$57,226</u>	<u>\$52,202</u>
Total Program Revenues	<u>57,226</u>	<u>52,202</u>
General Revenues		
Interest Earnings	<u>583</u>	<u>174</u>
Total General Revenues	<u>583</u>	<u>174</u>
Total Revenues	<u>57,809</u>	<u>52,376</u>
Expenses		
Hazardous Materials Operations	33,662	27,378
Depreciation	<u>16,728</u>	<u>12,975</u>
Total Expenses	<u>50,390</u>	<u>40,353</u>
Change in Net Position	7,419	12,023
Net Position – Beginning of Year	<u>209,163</u>	<u>197,140</u>
Net Position – End of Year	<u>\$216,582</u>	<u>\$209,163</u>

General Fund Budgetary Highlights

There were no budget amendments made during the year. A commitment of \$20,000 for capital equipment was carried over from the Board adopted resolution from the 2013 budget year.

Capital Assets and Debt Administration

Capital Assets. RHMAEC's investment in capital assets at December 31, 2016 totals \$43,883, net of accumulated depreciation. This investment in capital assets includes buildings and equipment. There were no major capital assets purchased during the year.

Capital assets are classified as follows (net of depreciation):

	2016	2015
Buildings	\$2,750	\$3,000
Machinery and Equipment	<u>41,133</u>	<u>57,611</u>
Total	<u>\$43,883</u>	<u>\$60,611</u>

Additional information on RHMAEC's capital assets can be found in Note 3 on page 19 of this report.

Long-term debt.

RHMAEC had no long-term liabilities of debt at December 31, 2016.

Economic Factors and Next Year's Budgets and Rates

RHMAEC's overall expenditures for 2017 are budgeted to be the same as the 2016 budget to a total of \$74,700, including \$9,200 in capital expenditures.

Requests for Information

This financial report is designed to provide a general overview of RHMAEC'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: Jessica Costabile, Eagle River Fire Protection District, P.O. Box 7980, Avon, Colorado 81620.

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION DECEMBER 31, 2016

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and Cash Equivalents	\$ 175,518	\$ -	\$ 175,518
Accounts Receivable		-	-
Capital Assets, net of accumulated depreciation	-	43,883	43,883
Total Assets	\$ 175,518	\$ 43,883	\$ 219,401
LIABILITIES			
Accounts Payable	\$ 2,819	\$ 2,819	\$ 2,819
Total Liabilities	2,819	2,819	2,819
FUND BALANCES			
Restricted for TABOR Emergency Reserves	1,734	(1,734)	-
Committed to Capital Equipment	20,000	(20,000)	-
Unassigned	150,965	(150,965)	-
Total Fund Balances	172,699	(172,699)	-
Total Liabilities and Fund Balances	\$ 175,518		
NET POSITION			
Net Investment in Capital Assets		43,883	43,883
Restricted for:			
Emergencies		1,734	1,734
Capital Equipment		20,000	20,000
Unrestricted		150,965	150,965
Total Net Position		\$ 216,582	\$ 216,582

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Total Fund Balances - Governmental Funds \$ 172,699

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in the governmental funds.

Capital Assets	159,894
Accumulated Depreciation	<u>(116,011)</u>
	<u>43,883</u>

Net Position of Governmental Activities \$ 216,582

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND AND STATEMENT OF ACTIVITIES DECEMBER 31, 2016

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Hazardous Materials Operations	\$ 33,662	\$ -	\$ 33,662
Depreciation	-	16,728	16,728
Total Expenditures/Expenses	33,662	16,728	50,390
Program Revenues			
Charges for Services	57,226	-	57,226
Total Program Revenues	57,226	-	57,226
Net Program Expense (Revenue)	(23,564)	16,728	(6,836)
General Revenues			
Interest Earnings	583	-	583
Total General Revenues	583	-	583
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,147	(24,147)	
Change in Net Position	-	7,419	7,419
Fund Balance-Net Position, Beginning of Year	148,552	60,611	209,163
Fund Balance-Net Position, End of Year	\$ 172,699	\$ 43,883	\$ 216,582

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - Total Governmental Funds \$ 24,147

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, for governmental activities, those capital outlays other than noncapitalizable items are shown in the Statement of Activities and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	-
Depreciation	(16,728)
	(16,728)

Change in Net Position of Governmental Activities **\$ 7,419**

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REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Charges for Services	\$ 57,226	\$ 57,226	\$ -
Interest Earnings	150	583	433
Total Revenues	57,376	57,809	433
Expenditures			
Current:			
General and Administrative	18,900	12,596	6,304
Operations	18,500	18,718	(218)
Training	18,100	2,348	15,752
Contingency	10,000	-	10,000
Capital	9,200	-	9,200
Total Expenditures	74,700	33,662	41,038
Net Change in Fund Balances	(17,324)	24,147	41,471
Fund Balances, Beginning of Year (Budget Basis)	108,056	148,552	40,496
Fund Balances, End of year (Budget Basis)	\$ 90,732	\$ 172,699	\$ 81,967

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

The financial statements of the Regional Hazardous Materials Association of Eagle County (“RHMAEC”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. The following notes are an integral part of RHMAEC’s Annual Financial Report.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

RHMAEC was organized in 2002 under an intergovernmental agreement (IGA) between the Town of Vail, Eagle River Fire Protection District, Greater Eagle Fire Protection District, Gypsum Fire Protection District, Eagle County Sheriff, and the Colorado State Patrol. RHMAEC is considered a separate governmental entity in accordance with Section 18(2)(a) and (2)(b) of Article XIV of the Colorado Constitution and Section 29-1-201, *et seq.*, C.R.S. The IGA was entered into for the express purpose of creating RHMAEC and for mutual cooperation between the RHMAEC Members for hazardous substance planning and, in the event of a hazardous substance incident, providing initial emergency action necessary to minimize the effects of a hazardous substance incident. The IGA was amended on October 9, 2012 in order to revise the funding requirements by the member organizations.

The parties to the IGA are Operational Members of RHMAEC and each name one representative as a full voting member of the Board of Directors of RHMAEC. Operational Member representatives comprise the RHMAEC Board of Directors.

RHMAEC follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, 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.

Prior to 2009, the administration of RHMAEC was provided by Eagle County, Colorado and it was reported as a special revenue fund within the Eagle County financial reporting entity. As of September 1, 2008, RHMAEC has been accounted for as a separate legal entity and is not financially accountable for any other organization, nor is it a component unit of any other primary governmental entity.

B. Government-wide and Fund 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 non-fiduciary activities of RHMAEC. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 customers or applicants 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. Other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting. The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of capital lease obligations are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is 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. The major sources of revenue which are susceptible to accrual are billed fees to RHMAEC members. Expenditures generally are recorded when the liability is incurred, as under full accrual accounting.

Financial Statement Presentation – Fund Accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. RHMAEC uses funds to report results of operations and financial position, and demonstrate compliance with legal, contractual and regulatory requirements.

RHMAEC reports the following major governmental fund:

- *General Fund* -This is RHMAEC's primary operating fund. It is used to account for all activities and financial resources of RHMAEC not required to be accounted for in another fund.

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2016

D. Capital Assets

Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by RHMAEC as assets with an initial individual cost of more than \$5,000. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Depreciation of property, plant and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and Facilities	10-30 years
Vehicles and Rolling Stock	3-17 years
Machinery and Equipment	3-10 years

E. Personnel

The IGA and RHMAEC bylaws provide that personnel of Operational Members serving as appointed representatives or performing other duties related to carrying out the purposes of RHMAEC remain at all times employees of each respective Operational Member and the Operational Members are responsible for compensation, benefits and insurance of such employees.

F. Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

RHMAEC establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

When net position or fund balance resources are available for a specific purpose in more than one classification, it is RHMAEC’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. RHMAEC considers all unassigned fund balances to be “reserves” for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 5).

G. Budgetary Information

In accordance with the State Budget Law, RHMAEC’s Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. RHMAEC’s Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

The budget includes each fund on its basis of accounting unless otherwise indicated. RHMAEC had no supplemental appropriations during the year ended December 31, 2016.

Note 2. Deposits and Investments

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 175,518</u>
---------------------------	-------------------

Cash and investments as of December 31, 2016 consist of the following:

Deposits With Financial Institutions	\$ 85,204
Deposits With Local Government Investment Pools	<u>90,313</u>
Total	<u>\$ 175,518</u>

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2016

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, RHMAEC would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The Colorado Public Deposit Protection Act (PDPA) requires that cash be deposited in eligible public depositories and that deposits in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds with RHMAEC being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping, and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA.

Investments

Credit Risk. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. These investments include local government investment pools and certain obligations of the United States government. State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. RHMAEC has no investment policy that would further limit its investment choices.

Presented below is the minimum rating, as required by Colorado State Statutes, for investments held by the District as of December 31, 2016.

Ratings <u>S&P</u>	Local Government <u>Investment Pool</u>
AAAm	<u>\$ 90,313</u>

Interest Rate Risk. RHMAEC does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. RHMAEC places no limit on the amount it may invest in any one issuer. RHMAEC invests in one local government investment pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST). The investment is not categorized because the

investment is not evidenced by securities that exist in physical or book entry form. At December 31, 2016, RHMAEC had an investment of \$90,313 for both market and carrying value.

Note 3. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Buildings	\$ 5,000	\$ -	\$ -	\$ 5,000
Machinery and Equipment	<u>154,894</u>	<u>-</u>	<u>-</u>	<u>154,894</u>
Total Capital Assets, Being Depreciated	<u>159,894</u>	<u>-</u>	<u>-</u>	<u>159,894</u>
Less Accumulated Depreciation:				
Buildings	(2,000)	(250)	-	(2,250)
Machinery and Equipment	<u>(97,283)</u>	<u>(16,478)</u>	<u>-</u>	<u>(113,761)</u>
Total Accumulated Depreciation	<u>(99,283)</u>	<u>(16,728)</u>	<u>-</u>	<u>(116,011)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 60,611</u>	<u>\$ (16,728)</u>	<u>\$ -</u>	<u>\$ 43,883</u>

Depreciation expense in the amount of \$16,728 was charged to the hazardous materials operations function in the Statement of Activities for the year ended December 31, 2016.

Note 4. Risk Management

RHMAEC is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or acts of God. RHMAEC maintains commercial insurance for significant insurable risks. No claims have been incurred or were pending at December 31, 2016.

Note 5. Commitments and Contingencies

Litigation. RHMAEC is not aware of any pending or threatened lawsuits.

Tax, Spending and Debt Limitations. Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2016

generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than ten percent of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. TABOR also requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. RHMAEC has established an emergency reserve for the year ended December 31, 2016 in the amount of \$1,734.