

**REGIONAL HAZARDOUS MATERIALS ASSOCIATION
OF EAGLE COUNTY**

ANNUAL FINANCIAL REPORT

FOR THE

YEAR ENDED DECEMBER 31, 2021

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

INTRODUCTION	Page
Association Officials	ii
FINANCIAL SECTION	
Report of Independent Auditor	
Management's Discussion and Analysis	1-2 3-7
Basic Financial Statements	
<i>Combined Government-wide and Fund Financial Statements:</i>	
Governmental Fund Balance Sheet and Statement of Net Position	
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	8
Statement of Revenue, Expenditures and Changes in Fund Balance and Statement of Activities	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis) - Budget and Actual - <i>General Fund</i>	11 12
Notes to Financial Statements	13-19

REGIONAL HAZARDOUS MATERIALS
ASSOCIATION OF EAGLE COUNTY

ROSTER OF OFFICIALS
DECEMBER 31, 2021

BOARD OF DIRECTORS

Karl Bauer, Eagle River Fire Protection District

Doug Cupp, Greater Eagle Fire Protection District

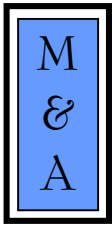
Mark Novak, Town of Vail Fire & Emergency Services

Justin Kirkland, Gypsum Fire Protection District

Sheriff James Van Beek, Eagle County Sheriff's Office

ADMINISTRATIVE STAFF

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



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Regional Hazardous Materials Association of Eagle County**

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Regional Hazardous Materials Association of Eagle County (the "District"), as of and for the year ended December 31, 2021, which collectively comprise the District'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 each major fund of the District, as of December 31, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 the District 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
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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 U.S. GAAS 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 U.S. GAAS, 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 District'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 District'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.

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.
Avon, Colorado
September 18, 2022**

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, 2021. 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 \$397,671 (net position). Of this amount, \$127,877 may be used to meet RHMAEC's ongoing obligations to citizens and creditors.
- RHMAEC's total net position increased by \$15,692.
- As of the close of the current fiscal year, RHMAEC reported ending fund balances of \$130,181 an increase of \$39,635 from the prior year. Approximately eighty-five percent (82.9%) of this total amount, \$107,887 is available for spending at RHMAEC's discretion (unassigned fund balance).
- Unassigned fund balance represents 293% of 2021 operating 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.

Management's Discussion and Analysis

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 12 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 13-19 of this report.

Management's Discussion and Analysis

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 \$381,979 at the close of the year.

A portion of RHMAEC's net position, 76.3% at December 31, 2021, 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, 2021.

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

	2021	2020
Current and Other Assets	\$130,181	\$105,224
Capital Assets	267,490	291,433
Total Assets	<u>397,671</u>	<u>396,657</u>
Current and Other Liabilities		
Noncurrent Liabilities	<u>14,678</u>	<u>14,678</u>
Total Liabilities	<u>14,678</u>	<u>14,678.00</u>
Net Position:		
Net Investment in Capital Assets	267,490	291,433
Restricted for TABOR Emergency Reserve	2,294	2,005
Unrestricted	127,887	88,541
Total Net Position	<u>\$397,671</u>	<u>\$381,979</u>

A portion of RHMAEC's net position, \$2,294 at December 31, 2021 represent resources that are subject to restriction on how they may be used. The balance of unrestricted net position of \$127,887 at December 31, 2021 may be used to meet RHMAEC's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

At the end of 2021, RHMAEC was able to report positive balances in all three categories of net position. RHMAEC's net position increased by \$15,692 during 2021 to \$397,671.

Governmental Activities

During 2021, the key element contributing to the increase in RHMAEC's net position was revenues exceeded expenditures .

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

	2021	2020
Program Revenues		
Charges for Services	<u>\$76,440</u>	<u>\$66,738</u>
Total Program Revenues	<u>76,440</u>	<u>66,738</u>
General Revenues		
Interest Earnings	<u>14</u>	<u>88</u>
Total General Revenues	<u>14</u>	<u>88</u>
Total Revenues	<u>76,454</u>	<u>66,826</u>
Expenses		
Hazardous Materials Operations	36,819	119,715
Depreciation	<u>23,943</u>	<u>28,326</u>
Total Expenses	<u>60,762</u>	<u>148,041</u>
Change in Net Position	15,692	(81,215)
Net Position – Beginning of Year	<u>381,979</u>	<u>463,194</u>
Net Position – End of Year	<u>\$397,671</u>	<u>\$381,979</u>

Management's Discussion and Analysis

General Fund Budgetary Highlights

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, 2021 totals \$267,490 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):

	<u>2020</u>	<u>2019</u>
Machinery and Equipment	<u>\$ 267,490</u>	<u>\$ 291,433</u>
Total	<u><u>\$ 267,490</u></u>	<u><u>\$ 291,433</u></u>

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

Long-term debt.

RHMAEC had no long-term liabilities of debt at December 31, 2021.

Economic Factors and Next Year's Budgets and Rates

RHMAEC's overall expenditures for 2022 are budgeted to increase \$110,503 compared to the 2021 original budget, and the use of \$77,521 in fund balance is budgeted.

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: Steve Thompson, 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, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	\$ 124,976	\$ -	\$ 124,976
Accounts Receivable	5,205	-	5,205
Capital Assets, net of accumulated depreciation	-	267,490	267,490
Total Assets	\$ 130,181	\$ 267,490	\$ 397,671
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCES			
Restricted for TABOR Emergency Reserves	2,294	(2,294)	-
Committed to Capital Equipment	20,000	(20,000)	-
Unassigned	107,887	(107,887)	-
Total Fund Balances	130,181	(130,181)	-
Total Liabilities and Fund Balances	\$ 130,181		
NET POSITION			
Net Investment in Capital Assets		267,490	267,490
Restricted for:			
Emergencies		2,294	2,294
Unrestricted		127,887	127,887
Total Net Position		\$ 397,671	\$ 397,671

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, 2021**

Total Fund Balances - Governmental Funds \$ 130,181

*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	425,866
Accumulated Depreciation	<u>(158,376)</u>
	<u>267,490</u>

Net Position of Governmental Activities \$ 397,671

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND AND STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Hazardous Materials Operations	\$ 36,819	\$ -	\$ 36,819
Depreciation	-	23,943	23,943
Total Expenditures/Expenses	36,819	23,943	60,762
Program Revenues			
Charges for Services	76,440	-	76,440
Total Program Revenues	76,440	-	76,440
Net Program Expense (Revenue)	39,621	23,943	(15,678)
General Revenues (Expenditures)			
Interest Earnings	14	-	14
Total General Revenues	14	-	14
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,635	(23,943)	-
Change in Net Position	-	-	15,692
Fund Balance-Net Position, Beginning of Year	90,546	291,433	381,979
Fund Balance-Net Position, End of Year	\$ 130,181	\$ 267,490	\$ 397,671

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, 2021**

Net change in fund balances - Total Governmental Funds \$ 39,635

*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.

Asset Additions

Depreciation

(23,943)

(23,943)

Change in Net Position of Governmental Activities \$ 15,692

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, 2021

	Budgeted Amounts Original	Budgeted Amounts Amended	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Services	\$ 69,735	\$ 69,735	\$ 69,735	\$ -
Other	-	6,705	6,705	-
Interest Earnings	-	-	14	14
Total Revenues	69,735	76,440	76,454	14
Expenditures				
Current:				
General and Administrative	15,450	15,450	11,283	4,167
Operations	25,872	25,872	19,638	6,234
Training	6,100	6,100	5,898	202
Total Expenditures	47,422	47,422	36,819	10,603
Net Change in Fund Balances	22,313	29,018	39,635	10,617
Fund Balances, Beginning of Year (Budget Basis)	119,751	90,546	90,546	-
Fund Balances, End of year (Budget Basis)	\$ 142,064	\$ 119,564	\$ 130,181	\$ 10,617

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

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

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, and Eagle County. 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 and restated on August 12, 2018.

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.

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

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.

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	3-20 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. The Board of Directors is the highest level of decision-making authority for the Association that can, by adoption of a resolution (including budget resolution) prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (adoption of another resolution) to remove or revise the limitation;
- Assigned fund balance – amounts in the assigned fund balance classification are intended to be used by the Association for specific purposes but do not meet the criteria to be classified as

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

committed. The Board of Directors assigns fund balance through the annual Budget Adoption Resolution or may at times delegate this authority to the Association's management, where further resolutions are not required to remove or revise the specific limitation.;

- 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, 2018.

Note 2. Deposits and Investments

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Cash & Cash Equivalents	<u>\$ 124,976</u>
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Cash and investments as of December 31, 2021 consist of the following:

Deposits with Financial Institutions	\$ 111,812
Deposits with Local Government Investment Pools	<u>13,164</u>
Total	<u>\$ 124,976</u>

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, 2021.

<u>Ratings</u> <u>S&P</u>	<u>Local Government</u> <u>Investment Pool</u>
AAAm	<u>\$ 13,164</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, 2021, RHMAEC had an investment of \$13,164 for both market and carrying value.

REGIONAL HAZARDOUS MATERIALS ASSOCIATION OF EAGLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 425,866	\$ -	\$ -	\$ 425,866
Total Capital Assets, Being Depreciated	425,866	-	-	425,866
Less Accumulated Depreciation:				
Machinery and Equipment	(134,433)	(23,943)	-	(158,376)
Total Accumulated Depreciation	(134,433)	(23,943)	-	(158,376)
Total Capital Assets, Being Depreciated, Net	\$ 291,433	\$ (23,943)	\$ -	\$ 267,490

Depreciation expense in the amount of \$23,943 was charged to the hazardous materials operations function in the Statement of Activities for the year ended December 31, 2021.

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, 2021.

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 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, 2021 in the amount of \$2,294.