TOWN OF HAYDEN, COLORADO

Financial Statements

December 31, 2008

TOWN OF HAYDEN, COLORADO

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	i-x
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Proprietary Fund:	
Balance Sheet	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	24
Capital Replacement Fund	25
Supplementary Information:	
Governmental Funds:	
Combining Balance Sheet – Non-major Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-major Governmental Funds	27
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Conservation Trust Fund	28
Hayden Public Library	29
Hayden Heritage Center	30
Development Fees Fund	31

Proprietary Fund:

Schedule of Revenues, Expenditures and Changes in Net Assets – Budget and Actual:
Enterprise Fund 32

Annual Schedule of Revenues and Expenditures for Roads, Bridges and Streets 33

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CATTERSON
& COMPANY, P.C.
Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and Board of Trustees
Town of Hayden, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hayden, Colorado (the Town), as of and for the year ended December 31, 2008, which collectively comprise the Town's financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Town's 2007 financial statements and, in our report dated April 17, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hayden, Colorado at December 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i-x and budgetary comparison schedules on pages 24-25 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The combining statements for non-major governmental funds, budgetary comparison schedules, and Annual Schedule of Revenues and Expenditures for Roads, Bridges and Streets on pages 26-34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Catterson & Company, P.C.

Steamboat Springs, Colorado
April 2, 2009

Town of Hayden, Colorado
Management's Discussion and Analysis
December 31, 2008

Purpose

The Town of Hayden's Management's Discussion and Analysis (MD&A) is designed to:

1. Assist the reader in focusing on significant financial issues.
2. Provide an overview of the Town's financial activity.
3. Identify changes in the Town's financial position.
4. Identify any material deviation from the budget.
5. Identify individual fund issues or concerns.
6. Focus on comparisons to prior year information

The MD&A is designed to focus on the report year's activities, resulting changes and currently known facts. Please read it in conjunction with the Town's Financial Statements beginning on Page 2 of that document.

Introduction

The Town of Hayden is a Statutory Rule Municipality that was incorporated in 1906. The type of government is Town Board-Mayor with the seven elected officials being responsible for all policy decisions that affect the Town's financial condition. The appointed Town Manager and Finance Director are responsible for preparing the annual budget, which is adopted by the Board on or before December 15th. The Manager and Finance Director are responsible for financial reporting to the Town Board and to the public-at-large. The Town maintains five funds, which are as follows:

- General Fund
- Enterprise Fund
- Conservation Trust Fund
- Development Fees Fund
- Capital Replacement Fund

Also included in the Town's financial statements are two component units which are as follows:

- The Hayden Public Library Fund
- The Hayden Heritage Center Fund

Financial Information

The Town's government-wide statements have been prepared using the economic resources measurement of focus and the accrual basis of accounting. The Town's fund financial statements for governmental funds have been prepared using the modified accrual basis of accounting. The Town's annual audit is prepared by an accounting firm (Catterson & Company, P.C.) with the contents of the audit meeting the requirements set forth by the Colorado State Auditor's Office. The financial system of the Town incorporates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. To ensure budgeting controls, the Town Board approves all major budgetary changes by passage of a Resolution amending the budget.

Financial Highlights

The Town of Hayden remains in strong financial condition in the General Fund balance, and at year-end is $1,530,778, compared to an ending fund balance in 2007 of $514,198. The large increase in fund balance is a result of $1.3 million received from a lease-purchase agreement (long-term debt proceeds) for the construction of the new Police Station.

The Town's Enterprise Fund (Business-Type Activities) show an unrestricted net asset balance of ($458,694), which reflects capital expenditures and unexpected expenses. This further reflects a shortfall between tap fees and related capital expenditures. In short, during 2008, expenditures significantly exceeded revenues, although capital assets were gained in the form of systems improvements and infrastructure that added to the overall value of the Enterprise Fund (see Statement of Activities on page 3 of this document).

The operations of the Town of Hayden are funded primarily by tax generated revenue from the Town's 4% sales tax and by a 25.067 mill levy on the assessed value of property within the Town. Tax revenue from property tax was $383,176, an 8% increase over 2007, due to increased valuations and as allowed by the 5.5% Statutory Property Tax Limit. Property valuations rose from $20,940,990 in 2007 for the year 2006 to $24,482,711 in 2008 for the year 2007. Sales tax revenues were $1,108,657, a 6.5% increase over 2007, although total actual sales tax revenue was below predicted revenues for 2008 (5.1% below budgeted amount).

The assets of the Town, including governmental and business-type activities, exceed its liabilities at the close of the 2008 fiscal year by $18,253,857 (net assets). Of this amount, $1,626,550 (unrestricted net assets) may be used to meet the Town's ongoing obligations to residents and creditors. $751,351 is designated for specific activities, including Capital Replacement, Conservation Trust, Hayden Public Library, Hayden Heritage Center and Development Fees and $143,000 is reserved for emergencies. The remaining is invested in capital assets.

At December 31, 2008, the Town's governmental funds reported combined ending fund balances of $2,282,129 reflecting an increase of $1,000,212 from December 31, 2007.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Hayden's financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The **statement of activities** presents information showing how the Town of Hayden's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods (e.g. uncollected taxes and earned but unused sick and vacation leave).

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. The Town of Hayden uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds

Most of the Town's basic services are reported in governmental funds, which focus on cash flows. The unrestricted balances left at year-end are available for spending in future years. The funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view as to cash, operations, and basic services provided.

The Town of Hayden maintains two major governmental funds and four non-major governmental funds. Information is presented in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. Annual budget appropriations are adopted for each of these funds. Budgetary comparison statements are provided to demonstrate compliance with budgets.

Proprietary Funds

The Town's water, sewer and refuse services are reported in proprietary funds. They focus on overall economic position rather than year-end fund balances. Enterprise funds are the type of proprietary funds used to account for each of the Town's utilities. Enterprise funds are used to report the same functions presented in business-type activities in the governmental-wide financial statements, only in more detail.

Notes to the Financial Statement

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 immediately after the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Hayden's assets exceeded liabilities by $18,253,857 at the close of 2008. This represents a 25% increase in net assets over 2007. Of this amount, $1,626,550 is unrestricted and is available to meet the Town's ongoing financial obligations.

Statement of Net Assets

	Governmental Activities	Business-Type Activities	2008 Totals	2007 Totals
Assets				
Current and Other Assets	3,477,229	(344,006)	3,115,223	1,856,836
Capital Assets	11,267,692	7,631,007	18,898,699	14,554,042
Total Assets	14,744,921	7,287,001	22,031,922	16,410,878
Liabilities				
Current Liabilities	1,248,985	114,688	1,363,673	680,456
Non current Liabilities	1,348,138	1,066,254	2,414,392	1,183,392
Total Liabilities	2,597,123	1,180,942	3,778,065	1,863,848
Net Assets				
Invested in Capital, net of debt	9,919,554	6,564,753	16,484,307	13,370,650
Restricted for Emergencies	143,000		143,000	112,996
Unrestricted	2,085,244	(458,694)	1,626,550	1,063,384
Total Net Assets	12,147,798	6,106,059	18,253,857	14,547,030

The largest of the Town's net assets (90%) reflects its investment in capital assets (land, buildings and systems, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending. $143,000 is reserved for emergency purposes. The remaining balance of net assets of $1,626,550 is unrestricted and may be used to meet the Town's ongoing obligations to residents, businesses and creditors.

Statement of Activities

For 2008, total revenues for Governmental Activities exceeded expenses by $2,344,304. The main source of the change in net assets is the increase in Capital Grants and Contributions, which include land improvements, buildings in progress (a new Police Station and a multiuse building in Dry Creek Park) and infrastructure additions contributed by development (in this case, roads).

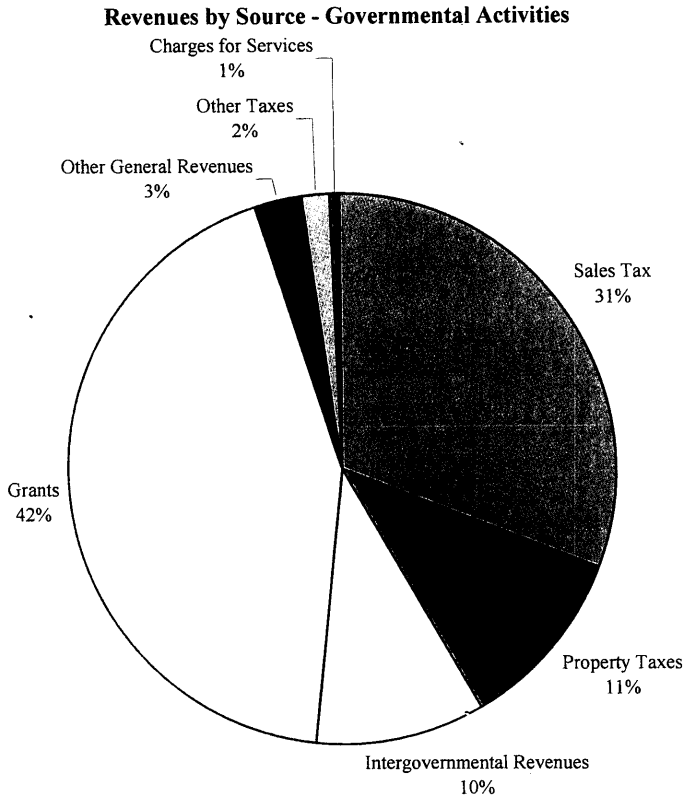
Total revenues for Business-type Activities exceeded expenditures by $1,362,523. Again, the change in net assets is due to Capital Grants and Contributions, which include improvements and additions to the water and sewer systems through development and improvement projects funded through capital grants.

The following condensed table of changes in net assets illustrates changes in net assets for Governmental Activities and Business-type Activities for 2008.

Statement of Activities	Governmental Activities	Business-Type Activities	2008 Totals	2007 Totals
Revenues				
Program Revenues:				
Charges for Services	331,183	765,930	1,097,113	796,940
Operating Grants & Contributions	67,378	0	67,378	57,124
Capital Grants & Contributions	2,206,883	1,870,825	4,077,708	1,126,529
General Revenues:				
Taxes	1,547,849	0	1,547,849	1,441,768
Intergovernmental Revenues	405,177	0	405,177	310,733
Interest	49,743	5,369	55,112	51,958
Sale of Capital Assets	(2,100)	0	(2,100)	3,371
Transfer of Capital Assets	(720)	720	-	
Transfers	22,000	(22,000)	-	0
Total Revenues	4,627,393	2,620,844	7,248,237	3,788,423
Expenses				
General Government	764,652		764,652	582,074
Public Safety	678,753		678,753	630,222
Public Works	482,878		482,878	681,772
Parks & Recreation	339,610		339,610	171,029
Economic Development	5,843		5,843	35,936
Interest on Long-Term Debt	11,353		11,353	0
Water		678,780	678,780	573,697
Sewer		457,112	457,112	287,886
Refuse		122,429	122,429	117,415
Total Expenses	2,283,089	1,258,321	3,541,410	3,080,031
Change in Net Assets	**2,344,304**	**1,362,523**	**3,706,827**	**708,392**
Net Assets, Beginning	9,803,494	4,743,536	14,547,030	13,838,638
Net Assets, End of Year	12,147,798	6,106,059	18,253,857	14,547,030

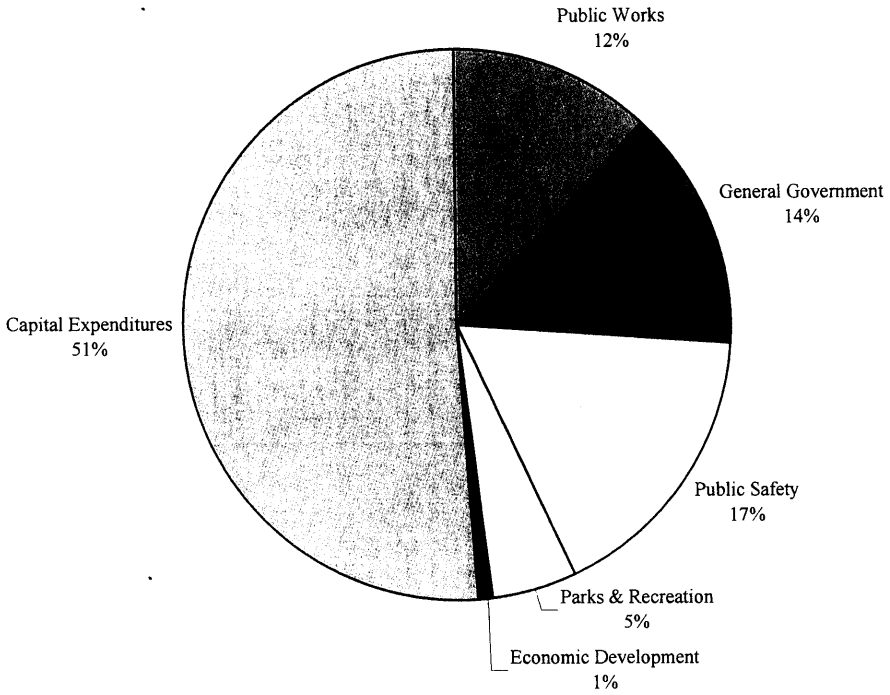
As previously noted, governmental activities are principally supported by taxes, intergovernmental revenues, grant funding and charges for services. These revenues support General Government activities, including Administration, Planning, Data Processing, Economic Development and Town Board, Public Safety, Public Works, including Streets, Mosquito Control, and Parks and Recreation.

The following two charts illustrate the Governmental Activities revenues and expenses.



Grant revenues, comprising 42% of total revenues, consisted of Energy Impact Funds, along with Great Outdoors Colorado funding for the development of a multi-use building and recreation fields at Dry Creek Park. Also in included in Grant revenues is Energy Impact Funds funding for the completion of a new Police Station. Intergovernmental revenues include motor vehicle use tax, highway user tax, town road and bridge levy, severance tax and mineral lease. Property taxes increase in proportion to increased assessed valuations, annexations and new construction of property within the Town and are subject to 5.5% limit imposed by State statute, limiting revenue that the Town can receive from the previous year's growth. Sales tax represents 31% of total revenues, although due to current economic conditions, the dollar amount declined in 2008 from 2007, as previously noted.

Expenses by Function - Governmental Activities



In 2008, a large portion of the Town's resources was spent on capital expenditures, which are expenditures used for the acquisition or construction of major capital facilities. These expenditures were for improvements to Dry Creek Park, including a multiuse building and recreational fields, and the acquisition of land and building construction of a new Police Station.

General government expenditures include the cost of Administration, Planning, Airport Contributions, Legislative, Building and Plant, Data Processing, Judicial, Executive and Other. Expenditures in this segment increased 23.9% from 2007, as resources were allocated to larger projects in 2008.

Public Safety expenditures increased by 7.2% due to annual salary increases and the continued presence of officers to provide airport security at the Yampa Valley Regional Airport. Digital video cameras and recorders were also purchased. All other operating expenses were held relatively constant from 2007.

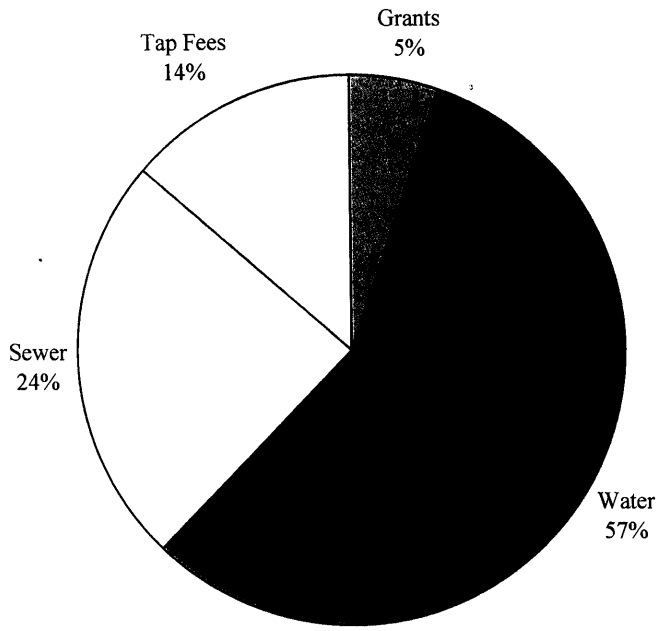
Public Works Streets Department showed a 29.2% decrease in expenditures from 2007 as the there were no major street improvement projects completed in 2008. Efforts instead were focused on routine maintenance of existing roads and seasonal snowplowing.

Parks and Recreation's expenditures increased 49.6% in 2008, as the former Parks and Rec department was split into a two separate departments. Line items such as Trees and Trails were added to the budget in 2008 in order to continue with improvement projects.

Business-type Activities

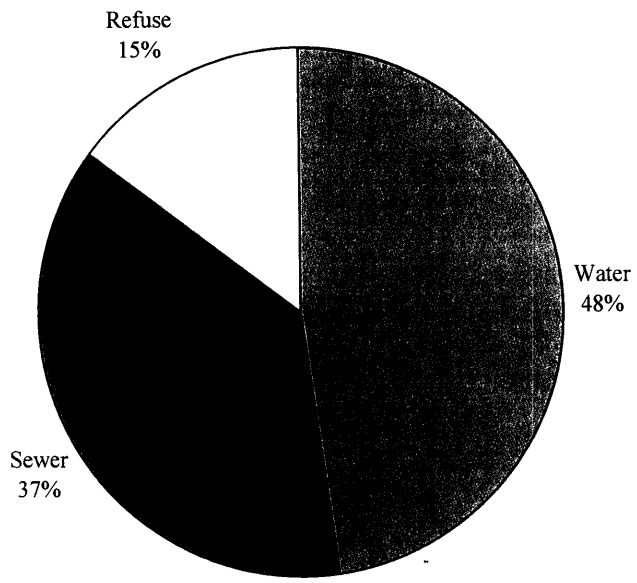
The following two charts illustrate the Business-type Activities revenues and expenses.

Revenues by Source - Business-type Activities



In 2008, water user rates were again raised 5% in order to balance revenues with ever-increasing operating expenses. Tap fees, otherwise known as plant investment fees, dropped significantly in 2008 as economic conditions slowed residential, commercial and industrial development. Proceeds from grants include Energy Impact funding for the remainder of a water line replacement that began in 2007 and was completed in 2008.

Expenses by Source - Business-type Activities



Water and sewer expenditures increased in 2008, mostly due to the addition of a full-time plant operator for both water and sewer. In addition, a reallocation of one FTE from streets to water and sewer also resulted in increases in costs in both funds.

Water distribution costs increased significantly, due to an unexpected water line break.

Sewer professional services expenditures increased, as there were unexpected engineering costs incurred to address a new regulation on discharge permits.

THE TOWN'S FUNDS

The Town of Hayden uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Governmental Funds are accounted for using the modified accrual basis of accounting, and the balance of spendable resources (unreserved fund balance) is shown at year end. The unreserved fund balance serves as a useful measure of a government's net resources available for spending at year end.

The individual major funds are discussed below.

General Fund. The General fund is the chief operating fund of the Town of Hayden. It accounts for all general services provided by the Town, excluding utilities.

Capital Replacement Fund. The Capital Replacement Fund accounts for general government capital projects and outlays. It is primarily financed by transfers from other Town Funds.
Proprietary Funds. The Town's Water, Sewer and Refuse funds are used to account for those operations that are financed and operated in a manner similar to private business, in that fees are charged to external users for goods and services.

DEBT ADMINISTRATION

At December 31, 2008, the Town had total outstanding debt of $1,066,254 for business-type activities that included water treatment plant improvements and infrastructure installation and improvements. The Town also entered into a lease-purchase agreement with Alpine Bank that placed a debt obligation of $1,300,000 for governmental activities.

SUMMARY OF FINANCIAL CONDITION

The Town of Hayden continues to maintain a strong financial position but has begun to review reserves and financial projections to ensure as we grow we continue to maintain this position. Financial trends have turned downward at the end of 2008 and are expected to flatten or worsen in 2009. This will require a careful approach to future projects until a better financial projection can be seen.

In 2008, the Town completed revisions to the 5 year Capital Improvement Plan for all departments. This list has assisted in budgeting, long-term capital infrastructure planning and continues to assist us in a proactive approach to addressing needs. The Town continues to use this as a major tool in development of its annual budget and has resulted in thinking about the financial condition of the Town years in advance.

The Planning Department continued to see increased revenues generated by development applications; this is a sign of future needs of the Town to accommodate current and future infrastructure needs. The Use Tax passed by the voters in November 2007 did not produce the revenue expected in 2008; an adjustment to valuations should bring more correct returns in future years.

The Parks and Recreation Department continued to change and add and absorb community programs. 2008 brought the construction of a new park building at Dry Creek Park to be completed and occupied in 2009; these amenities need appropriate maintenance that will need ongoing resources.

Throughout 2008, the Town experienced slowing growth to the previous two years, but saw even greater interest in Hayden from commercial/industrial developers. This was highlighted by an annexation to the west for the relocation of a downtown business to a large industrial lot with a new building. Construction of the building at this location will extend our water and sewer infrastructure for opportunities at this west end of Town. This trend is in line with our Comprehensive Plan to balance our residential growth with this type of tax base and local jobs. As we look to 2009 and beyond, the Town will be finding more ways to finance growing demands by considering a Home Rule Charter that may provide addition revenue opportunities. Once again, for the reasons demonstrated in this report, the Town is in a strong financial position to face those anticipated challenges.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have questions about this report or need additional information, contact the Town Manager or Finance Director, P.O. Box 190, Hayden, CO 81639 or call (970) 276-3741.

TOWN OF HAYDEN, COLORADO
Statement of Net Assets
December 31, 2008
(with summarized financial information as of December 31, 2007)

	2008			
	Governmental Activities	Business-Type Activities	Total	2007
Assets:				
Cash and cash equivalents	$ 2,710,587	$ (564,902)	$ 2,145,685	$ 1,048,998
Due from other governments	313,642	-	313,642	245,215
Accounts receivable	-	61,896	61,896	59,623
Property tax receivable	453,000	-	453,000	384,000
Cash reserve	-	159,000	159,000	119,000
Capital assets, net of accumulated depreciation	11,267,692	7,631,007	18,898,699	14,554,042
Total assets	14,744,921	7,287,001	22,031,922	16,410,878
Liabilities:				
Accounts payable and accrued expenses	274,964	40,554	315,518	190,218
Accrued interest payable	11,353	10,667	22,020	11,423
Retainage payable	42,532	-	42,532	25,598
Customer deposits	-	63,467	63,467	58,717
Letter of credit proceeds	467,136	-	467,136	-
Deferred revenue	453,000	-	453,000	394,500
Noncurrent liabilities:				
Due within one year	34,000	70,742	104,742	67,704
Due in more than one year	1,314,138	995,512	2,309,650	1,115,688
Total liabilities	2,597,123	1,180,942	3,778,065	1,863,848
Net assets:				
Invested in capital assets, net of related debt	9,919,554	6,564,753	16,484,307	13,370,650
Restricted for:				
Emergencies	143,000	-	143,000	112,996
Unrestricted	2,085,244	(458,694)	1,626,550	1,063,384
Total net assets	$ 12,147,798	$ 6,106,059	$ 18,253,857	$ 14,547,030

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

TOWN OF HAYDEN, COLORADO
Statement of Activities
For the Year Ended December 31, 2008
(with summarized financial information for the year ended December 31, 2007)

	2008							
		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	2007
Governmental activities:								
General government	$ 764,652	$ 300,030	$ 37,378	$ -	$ (427,244)	$ -	$ (427,244)	$ (496,089)
Public safety	678,753	-	-	1,045,382	366,629	-	366,629	(628,707)
Public works	482,878	-	-	939,698	456,820	-	456,820	(609,827)
Parks	204,939	-	30,000	221,803	46,864	-	46,864	269,473
Recreation	134,671	31,153	-	-	(103,518)	-	(103,518)	-
Economic development	5,843	-	-	-	(5,843)	-	(5,843)	(35,936)
Interest on long-term debt	11,353	-	-	-	(11,353)	-	(11,353)	-
Total governmental activities	2,283,089	331,183	67,378	2,206,883	322,355	-	322,355	(1,501,086)
Business-type activities:								
Water	678,780	447,053	-	1,220,028	-	988,301	988,301	418,137
Sewer	457,112	196,448	-	650,797	-	390,133	390,133	(16,489)
Refuse	122,429	122,429	-	-	-	-	-	-
Total business-type activities	1,258,321	765,930	-	1,870,825	-	1,378,434	1,378,434	401,648
Total primary government	$ 3,541,410	$ 1,097,113	$ 67,378	$ 4,077,708	322,355	1,378,434	1,700,789	(1,099,438)
	General revenues:							
	Taxes:							
	Sales tax				1,108,657	-	1,108,657	1,036,349
	General property tax				383,176	-	383,176	354,725
	Franchise tax				50,989	-	50,989	46,133
	Cigarette tax				5,027	-	5,027	4,561
	Intergovernmental				405,177	-	405,177	310,733
	Interest				49,743	5,369	55,112	51,958
	Gain (loss) on sale or retirement of capital assets				(2,100)	-	(2,100)	3,371
	Net capital assets transferred				(720)	720	-	-
	Transfers				22,000	(22,000)	-	-
	Total general revenues and transfers				2,021,949	(15,911)	2,006,038	1,807,830
	Change in net assets				2,344,304	1,362,523	3,706,827	708,392
	Net assets, beginning of year				9,803,494	4,743,536	14,547,030	13,838,638
	Net assets, end of year				$ 12,147,798	$ 6,106,059	$ 18,253,857	$ 14,547,030

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

TOWN OF HAYDEN, COLORADO
Governmental Funds
Balance Sheet
December 31, 2008
(with summarized financial information as of December 31, 2007)

	General	Capital Replacement	Other Governmental Funds	Total Governmental Funds	2007
Assets:					
Cash and cash equivalents	$ 1,959,236	$ 368,215	$ 383,136	$ 2,710,587	$ 1,147,152
Due from other governments	313,642	-	-	313,642	245,215
Property tax receivable	453,000	-	-	453,000	384,000
Total assets	$ 2,725,878	$ 368,215	$ 383,136	$ 3,477,229	$ 1,776,367
Liabilities and fund balance:					
Liabilities:					
Accounts payable and accrued expenses	$ 274,964	$ -	$ -	$ 274,964	$ 99,950
Letter of credit proceeds	467,136	-	-	467,136	-
Deferred revenue	453,000	-	-	453,000	394,500
Total liabilities	1,195,100	-	-	1,195,100	494,450
Fund balance:					
Reserved for:					
Emergencies	143,000	-	-	143,000	112,996
Unreserved	1,387,778	368,215	383,136	2,139,129	1,168,921
Total fund balances	1,530,778	368,215	383,136	2,282,129	1,281,917
Total liabilities and fund balance	$ 2,725,878	$ 368,215	$ 383,136	$ 3,477,229	$ 1,776,367

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

TOWN OF HAYDEN, COLORADO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2008

Governmental funds total fund balance		$ 2,282,129
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds:		
Cost of capital assets	$ 14,341,227	
Less accumulated depreciation	(3,073,535)	11,267,692
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This is the amount of long-term liabilities not currently payable.		(1,348,138)
Interest payable on debt is not recorded in the fund financial statements but rather recognized as an expenditure when due. This is the accrued interest on debt that has been incurred but not yet due.		(11,343)
Retainage liabilities on construction projects are not expected to be paid from current avaiable resources and therefore are not reported in the funds. This is the amount of retainage payable for construction in progress.		(42,542)
Governmental activities net assets		$ 12,147,798

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

TOWN OF HAYDEN, COLORADO
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2008
(with summarized financial information for the year ended December 31, 2007)

	General	Capital Replacement	Other Governmental Funds	Total Governmental Funds	2007
Revenues:					
Taxes	$ 1,547,849	$ -	$ -	$ 1,547,849	$ 1,441,768
Intergovernmental	358,630	-	46,547	405,177	310,733
Licenses, permits and fees	8,250	-	-	8,250	6,780
Charges for services	24,597	-	-	24,597	16,327
Fines and forfeitures	12,383	-	-	12,383	13,265
Grants	1,558,473	-	-	1,558,473	486,657
Recreation programs	31,153	-	-	31,153	27,305
Interest	23,266	8,198	18,279	49,743	49,067
Other	25,027	-	270,751	295,778	53,213
Total revenues	3,589,628	8,198	335,577	3,933,403	2,405,115
Expenditures:					
General government:					
Administration	296,238	-	-	296,238	270,527
Planning	11,670	-	-	11,670	23,535
Airport	66,928	-	-	66,928	69,163
Legislative	31,290	-	-	31,290	32,316
Building and plant	29,702	-	-	29,702	30,322
Data processing	10,857	-	-	10,857	13,488
Judicial	10,183	-	-	10,183	7,671
Executive	2,123	-	-	2,123	1,410
Other	58	-	283,946	284,004	37,909
Public safety	653,382	-	-	653,382	616,590
Economic development	5,843	-	-	5,843	35,936
Public works:					
Streets	413,152	-	-	413,152	369,598
Mosquito control	23,787	-	-	23,787	24,153
Parks	166,147	-	-	166,147	199,902
Recreation	134,671	-	-	134,671	-
Capital expenditures	1,903,517	122,153	89,544	2,115,214	686,509
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Contingency	-	-	-	-	21,000
Total expenditures	3,759,548	122,153	373,490	4,255,191	2,440,029
Excess (deficiency) of revenues over expenditures	(169,920)	(113,955)	(37,913)	(321,788)	(34,914)
Other financing sources (uses):					
Long-term debt proceeds	1,300,000			1,300,000	-
Transfers in	-	135,500	-	135,500	89,500
Transfers out	(113,500)	-	-	(113,500)	(94,500)
Proceeds from disposal of equipment	-	-	-	-	33,984
Total other financing sources (used)	1,186,500	135,500	-	1,322,000	28,984
Net change in fund balances	1,016,580	21,545	(37,913)	1,000,212	(5,930)
Fund balances, beginning of year	514,198	346,670	421,049	1,281,917	1,287,847
Fund balances, end of year	$ 1,530,778	$ 368,215	$ 383,136	$ 2,282,129	$ 1,281,917

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

TOWN OF HAYDEN, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008

Net change in fund balances - governmental funds		$ 1,000,212
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost is allocated over the estimated useful lives of the assets as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays	$ 2,329,109	
Depreciation	(350,550)	1,978,559
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. This is the change in the amount of compensated absences not currently payable.		1,296
Interest payable on debt is not recorded in the fund financial statements but rather recognized as an expenditure when due. This is the change in accrued interest on debt that has been incurred but not yet due.		(11,353)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not however, have any effect on net assets because although the Town has more current financial resources, it also has more long-term debt. This is the amount of governmental debt proceeds issued during the year.		(1,300,000)
Capital assets donated from developers is reported under capital grants and contributions in the statement of activities. However, donated capital assets are not reported as revenues in the governmental funds.		678,410
The disposal or transfer of capital assets used in governmental activities is not reported as an expenditure in the governmental funds. However, in the statement of activities, the difference between proceeds from the sale and the net carrying value of the capital assets upon disposal or transfer is reported as a gain or loss under general revenues.		(2,820)
Change in net assets of governmental activities		$ 2,344,304

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

TOWN OF HAYDEN, COLORADO
Proprietary (Enterprise) Fund
Balance Sheet
December 31, 2008
(with summarized financial information as of December 31, 2007)

	2008	2007
Assets:		
Current assets:		
Accounts receivable	$ 61,896	$ 59,623
Total current assets	61,896	59,623
Noncurrent assets:		
Capital assets, net of accumulated depreciation	7,631,007	5,983,031
Restricted cash	159,000	119,000
Total noncurrent assets	7,790,007	6,102,031
Total assets	7,851,903	6,161,654
Liabilities:		
Current liabilities:		
Deficiency in pooled cash	564,902	98,154
Accounts payable and accrued expenses	40,554	90,268
Accrued interest payable	10,667	11,423
Retainage payable	-	25,598
Customer deposits	63,467	58,717
Current portion of long-term debt	70,742	67,704
Total current liabilities	750,332	351,864
Noncurrent liabilities:		
Long-term debt	995,512	1,066,254
Total liabilities	1,745,844	1,418,118
Net assets:		
Invested in capital assets, net of related debt	6,564,753	4,849,073
Unrestricted (deficit)	(458,694)	(105,537)
Total net assets	$ 6,106,059	$ 4,743,536

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

TOWN OF HAYDEN, COLORADO
Proprietary (Enterprise) Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended December 31, 2008
(with summarized financial information for the year ended December 31, 2007)

	2008	2007
Operating revenues:		
Charges for services:		
Water	$ 430,762	$ 406,178
Sewer	182,024	176,969
Refuse	122,429	117,415
Other	30,715	5,212
Total operating revenues	765,930	705,774
Operating expenses:		
Water	393,636	302,160
Sewer	308,679	170,533
Refuse	122,429	117,415
Other	-	2,563
Depreciation	385,480	337,848
Total operating expenses	1,210,224	930,519
Operating income (loss)	(444,294)	(224,745)
Non-operating revenues (expenses):		
Grants	40,200	361,800
Interest income	5,369	2,891
Interest expense	(48,097)	(48,479)
Total non-operating revenues (expenses)	(2,528)	316,212
Net income (loss) before contributions and transfers	(446,822)	91,467
Capital assets contributed by developers	1,726,999	-
Net capital assets transferred in	720	-
Plant investment fees:		
Water	69,084	219,369
Sewer	34,542	93,703
Transfers in	-	15,000
Transfers out	(22,000)	(10,000)
Net income (loss)	1,362,523	409,539
Net assets, beginning of year	4,743,536	4,333,997
Net assets, end of year	$ 6,106,059	$ 4,743,536

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

TOWN OF HAYDEN, COLORADO
Proprietary (Enterprise) Fund
Statement of Cash Flows
For the Year Ended December 31, 2008
(with summarized financial information for the year ended December 31, 2007)

	2008	2007
Cash flows from operating activities:		
Cash received from customers	$ 768,407	$ 703,390
Cash payments to vendors for goods and services	(670,580)	(429,122)
Cash payments to employees for services	(203,879)	(154,755)
Net cash provided (used) by operating activities	(106,052)	119,513
Cash flows from non-capital financing activities:		
Transfers from (to) other funds, net	(22,000)	5,000
Net cash provided by non-capital financing activities	(22,000)	5,000
Cash flows from capital and related financing activities:		
Proceeds from grants	40,200	361,800
Proceeds from issuance of debt	-	148,000
Capital contributed by customers (plant investment fees)	103,626	313,072
Acquistion of capital assets	(331,334)	(673,229)
Principal payments	(67,704)	(69,741)
Interest paid on debt	(48,853)	(46,817)
Net cash provided (used) by capital and related financing activites	(304,065)	33,085
Cash flows from investing activities:		
Interest income	5,369	2,891
Transfer to restricted cash	(40,000)	(30,000)
Net cash provided (used) by investing activities	(34,631)	(27,109)
Net change in cash and cash equivalents	(466,748)	130,489
Cash and cash equivalents (overdraft), beginning of year	(98,154)	(228,643)
Cash and cash equivalents (overdraft), end of year	$ (564,902)	$ (98,154)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (444,294)	$ (224,745)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	385,480	337,848
(Increase) decrease in:		
Accounts receivable	(2,273)	(4,788)
(Decrease) increase in:		
Accounts payable and accrued expenses	(49,715)	8,794
Customer deposits	4,750	2,404
Net cash provided (used) by operating activities	$ (106,052)	$ 119,513

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

Note 1: Summary of Significant Accounting Policies

The Town of Hayden, Colorado (the Town) was incorporated in March 1906 in Routt County and is governed by an elected, seven member Board of Trustees. The Town provides general government, public safety, public works, water, sewer, parks and recreation services for the Town's residents.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing US GAAP for state and local governments through its pronouncements. The more significant accounting policies established by US GAAP used by the Town are discussed below.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the Town. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval of the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

As required by US GAAP, the accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. There are two blended component units reported in the Town's financial statements, the Hayden Public Library and the Hayden Heritage Center. These organizations serve all citizens of the Town and are governed by Boards appointed by the Town's Board of Trustees.

Basis of Presentation

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Government-wide Financial Statements

The government-wide financial statements report on information of all of the nonfiduciary activities of the Town and its component units. For the most part, the effect of interfund activity has been removed from these statements. The Town's primary activities are categorized as either governmental or business-type.

The government-wide statement of activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities. The governmental functions are also supported by general revenues (e.g., taxes, interest). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues are directly associated with the governmental function or business-type activity.

The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Capital Replacement Fund* accounts for general government capital projects and expenditures. It is financed primarily by transfers from the Town's other funds.

The Town reports the following major proprietary or business-type fund:

The *Enterprise Fund* accounts for the activities of the water, sewer and refuse utilities of the Town that are provided to its residents. The major sources of revenue are from user fees, which are used for operations, and from tap fees, which are used for capital improvements.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed by the Town to the extent that those standards do not conflict with or contradict guidance by GASB.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets

Cash and Investments

Whenever possible, cash is pooled from the various Town funds to enhance investment capabilities and maximize investment income.

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, certificates of deposit with maturities less than one year and investments stated at fair value, excluding restricted cash balances.

Accounts Receivable

The Town considers all receivables to be fully collectible at December 31, 2008 and 2007. Therefore, no allowance for uncollectible accounts has been established.

Capital Assets

Capital assets include property, equipment, vehicles, and infrastructure assets. Capital assets are defined by the Town as assets with an initial cost of $2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Infrastructure assets contributed to the Town are recorded at estimated fair value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and systems	15-40
Equipment and vehicles	3-10
Infrastructure	10-50

Letter of Credit Proceeds

In 2008 the Town was the beneficiary of $502,000 proceeds from an irrevocable standby letter of credit. The funds are restricted for use in the completion of infrastructure associated with a development within the Town. The Town has recorded a liability of $467,136 at December 31, 2008 for the remaining proceeds to be spent on the development's infrastructure.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time, compensatory time, and sick leave. Accumulated vacation is maximized at 240 hours, accumulated compensatory time is maximized at 80 hours, and accumulated sick leave is maximized at 480 hours. After five years of service and upon termination, sick leave may be converted at a rate of 8 hours for every 24 hours accumulated with a maximum of 80 hours.

Amounts of accumulated compensated absences that have been incurred are reported in the governmental activities column in the government-wide financial statements. Accumulated compensated absences of the proprietary fund are recorded as an expense and liability of that fund as the benefits accrue to employees.

Note 1: Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the Town on a monthly basis. In accordance with US GAAP, the assessed but uncollected property taxes have been recorded as receivable and as deferred revenue as property taxes are assessed in one year as a lien on the property, but not collected by the Town until the subsequent year.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the Town's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Town's audited financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with US GAAP for all governmental funds. The enterprise fund adopts a budget on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. All annual appropriations lapse at year end.

The Town conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Finance Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Trustees to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Trustees.
- All appropriations lapse at the end of each fiscal year.

The Town adopted the following supplemental appropriations during 2008:

- General Fund appropriations were increased by $459,992 for construction of a new police station and proceeds from a lease-purchase agreement.
- Enterprise Fund appropriation were increased by $79,000 for various repairs and replacements that were unexpected when the original budget was approved.

Note 2: Stewardship, Compliance and Accountability (continued)

Compliance

The Town had expenditures in excess of appropriations in the following funds during 2008:

- General Fund expenditures exceeded appropriations by $301,725 primarily due to capital expenditures related to the construction of the new police station. The excess expenditure was covered by a grant and proceeds from a lease-purchase agreement.
- Development Fees Fund expenditures exceeded appropriations by $10,000. The excess expenditure was available from additional traffic impact fees received.
- Enterprise Fund expenditures exceeded appropriations by $258,284 primarily due to capital expenditures.

Expenditures in excess of appropriations may be a violation of Colorado statutes.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending excluding bonded debt service and enterprise spending. The Town has reserved $143,000 of the December 31, 2008 fund balance in the General Fund for this purpose.

The Town's voters passed a ballot question on November 7, 1995, authorizing the Town to collect and retain the full proceeds of the Town's fees, taxes, reduction in debt service, state and federal grants and intergovernmental revenues, generated in 1995 and subsequent years. The ballot question allowed the Town to expend such proceeds for debt service, municipal operations, capital projects such as recreation and street paving and any other municipal purpose, notwithstanding state restrictions on fiscal year revenues and spending, including without limitation the restrictions of TABOR.

The Town's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Detailed Notes on All Funds

Cash and Investments

In order to facilitate the recording of cash transactions and maximize earnings on investments, the Town has combined the cash and investments and maintains accountability for each fund's equity in the pooled cash and investments. Investment earnings are prorated among the contributing funds based upon each fund's respective percentage to the total amount of pooled cash and investments.

Note 3: Detailed Notes on All Funds (continued)

Deposits

The carrying amount of the Town's deposits at December 31, 2008 and 2007 was $2,281,720 and $1,060,268, respectively and bank balances were $2,512,074 and $1,031,269, respectively. Of the bank balances, $290,922 and $150,453 at December 31, 2008 and 2007, respectively was covered by federal deposit insurance and $2,221,152 and $880,816, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The PDPA requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit 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. The collateral 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 equal or exceed 102% of the aggregate uninsured deposits.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state sponsored investment pools. The Town invests in one such pool, the Colorado Government Liquid Asset Trust (COLOTRUST). This trust is an investment vehicle established for local governmental entities in Colorado, enabling them to pool surplus funds for investment purposes according to state statute. An investment pool is similar to money market funds, with each share valued at $1.00. The designated custodial bank provides safekeeping and depository services to the pool in connection with the direct investment and withdrawal functions of the pool. All securities owned by the investment pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the investment pool. The Town invests in the COLOTRUST PLUS+ fund which can invest in U.S. Treasury, government agencies, and the highest-rated commercial paper. The PLUS+ fund holds a 'AAAm' rating by Standard and Poor's, a 'AAA'/'V1+' rating by Fitch, and a 'Aaa' rating from Moody's.

At December 31, 2008 and 2007, the Town had $8,772 and $107,730, respectively, invested with COLOTRUST.

The Town's investments are subject to interest rate, credit risk, and concentration of credit risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town currently invests only in investment pools which may be redeemed at any time.

Cash Reserve

The Town is required by the Colorado Water Resources and Power Development Authority (CWRPDA) to maintain a reserve for maintenance and repair equal to three months' operating expense of the Town's water and sewer enterprise activities. The Town has reserved $159,000 at December 31, 2008for this purpose.

Note 3: Detailed Notes on All Funds (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2008 is summarized below:

	December 31, 2007 Balance	Additions	Retirements	December 31, 2008 Balance
Governmental activities:				
Land and land improvements	$ 1,371,775	$ 297,563	$ -	$ 1,669,338
Other capital assets:				
Buildings	892,900	1,030,703	-	1,923,603
Equipment and vehicles	1,078,873	196,354	(107,949)	1,167,278
Infrastructure	8,055,578	1,525,429	-	9,581,007
Total other capital assets at cost	10,027,351	2,752,486	(107,949)	12,671,888
Less accumulated depreciation for:				
Buildings	(241,190)	(22,323)	-	(263,513)
Equipment and vehicles	(637,577)	(122,359)	105,129	(654,807)
Infrastructure	(1,949,348)	(205,868)	-	(2,155,216)
Total accumulated depreciation	(2,828,115)	(350,550)	105,129	(3,073,536)
Other capital assets, net	7,199,236	2,401,936	(2,820)	9,598,352
Governmental activities capital assets, net	$ 8,571,011	$ 2,699,499	$ (2,820)	$ 11,267,690
Business-type activities:				
Land	$ 340,274	$ -	$ -	$ 340,274
Other capital assets:				
Buildings and systems	11,587,803	1,860,304	-	13,448,107
Equipment and vehicles	66,395	208,932	(23,775)	251,552
Total other capital assets at cost	11,654,198	2,069,236	(23,775)	13,699,659
Less accumulated depreciation for:				
Buildings and systems	(5,945,046)	(364,630)	-	(6,309,676)
Equipment and vehicles	(66,395)	(20,850)	(12,005)	(99,250)
Total accumulated depreciation	(6,011,441)	(385,480)	(12,005)	(6,408,926)
Other capital assets, net	5,642,757	1,683,756	(35,780)	7,290,733
Business-type activities capital assets, net	$ 5,983,031	$ 1,683,756	$ (35,780)	$ 7,631,007

Note 3: Detailed Notes on All Funds (continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2007 is summarized below:

	December 31, 2006 Balance	Additions	Retirements	December 31, 2007 Balance
Governmental activities:				
Land and land improvements	$ 933,400	$ 438,375	$ -	$ 1,371,775
Other capital assets:				
Buildings	876,000	16,900	-	892,900
Equipment and vehicles	896,562	220,592	(38,281)	1,078,873
Infrastructure	8,055,578	-	-	8,055,578
Total other capital assets at cost	9,828,140	237,492	(38,281)	10,027,351
Less accumulated depreciation for:				
Buildings	(219,580)	(21,610)	-	(241,190)
Equipment and vehicles	(547,615)	(97,630)	7,668	(637,577)
Infrastructure	(1,777,551)	(171,797)	-	(1,949,348)
Total accumulated depreciation	(2,544,746)	(291,037)	7,668	(2,828,115)
Other capital assets, net	7,283,394	(53,545)	(30,613)	7,199,236
Governmental activities capital assets, net	$ 8,216,794	$ 384,830	$ (30,613)	$ 8,571,011
Business-type activities:				
Land	$ 340,274	$ -	$ -	$ 340,274
Other capital assets:				
Buildings and systems	10,888,976	698,827	-	11,587,803
Equipment and vehicles	68,967	-	(2,572)	66,395
Total other capital assets at cost	10,957,943	698,827	(2,572)	11,654,198
Less accumulated depreciation for:				
Buildings and systems	(5,607,198)	(337,848)	-	(5,945,046)
Equipment and vehicles	(68,967)	-	2,572	(66,395)
Total accumulated depreciation	(5,676,165)	(337,848)	2,572	(6,011,441)
Other capital assets, net	5,281,778	360,979	-	5,642,757
Business-type activities capital assets, net	$ 5,622,052	$ 360,979	$ -	$ 5,983,031

Note 3: Detailed Notes on All Funds (continued)

Capital Assets (continued)

The Town recorded the following additions to capital assets during 2008, estimated at fair value, that were contributed from developers and grantors:

Governmental activities:	
Infrastructure	$ 636,298
Equipment	42,112
	$ 678,410
Business-type activities:	
Water lines	$ 1,110,744
Sewer lines	616,255
	$ 1,726,999

Depreciation expense was charged to functions of the Town as follows during 2008 and 2007:

	2008	2007
Governmental activities:		
General government	$ 26,459	$ 28,658
Public safety	40,900	29,190
Public works	251,461	211,466
Parks and recreation	31,730	21,723
Total depreciation expense - governmental activities	$ 350,550	$ 291,037
Business-type activities:		
Water	$ 237,047	$ 220,495
Sewer	148,433	117,353
Total depreciation expense - business-type activities	$ 385,480	$ 337,848

Long-Term Liabilities

The Town has the following long-term debt outstanding for governmental activities at December 31, 2008:

Alpine Bank Lease-Purchase Agreement

The Town entered into a $1,300,000 lease-purchase agreement with Alpine Bank dated September 1, 2008. The lease requires semi-annual installments of varying amounts on May 10 and November 10 including interest at 6.25% through maturity on November 19, 2028 subject to annual appropriation by the Town. Proceeds of the note are being used for construction of a new police station. The lease is secured by an interest in the land on which the police station is being constructed.

Note 3: Detailed Notes on All Funds (continued)

Long-Term Liabilities (continued)

The Town has the following long-term debt outstanding for business-type activities at December 31, 2008:

CWRPDA Loan

The Town entered into a $1,000,000 loan agreement dated April 30, 2002. The note is payable in semi-annual installments of $36,658 on May 1 and November 1 including interest at 4.00% through maturity on November 1, 2022. Proceeds of the note were used for water treatment plant improvements.

State of Colorado Loan (2002)

The Town entered into a $200,000 loan agreement with the Department of Local Affairs dated August 30, 2002. The note is payable in annual installments of $16,049 on September 1 including interest at 5.00% through maturity on September 1, 2022. Proceeds of the note were used for water treatment plant improvements.

State of Colorado Loan (2005)

The Town entered into a $120,000 loan agreement with the Department of Local Affairs dated September 1, 2005. The note is payable in annual installments of $15,217 on September 1 including interest at 5.00% through maturity on September 1, 2014. Proceeds of the note were used for water treatment plant improvements.

State of Colorado Loan (2007)

The Town entered into a $148,000 loan agreement with the Department of Local Affairs dated March 26, 2007. The note is payable in annual installments of $18,528 on September 1 including interest at 5.00% through maturity on September 1, 2016. Proceeds of the note were used for water line replacements.

Note 3: Detailed Notes on All Funds (continued)

Long-Term Liabilities (continued)

Long-term liability activity for the year ended December 31, 2008 was as follows:

	December 31, 2007 Balance	Additions	Reductions	December 31, 2008 Balance	Amounts Due Within One Year
Governmental activites:					
Lease purchase obligation	$ -	$ 1,300,000	$ -	$ 1,300,000	$ 34,000
Compensated absences	49,434	48,138	(49,434)	48,138	-
Governmental activites long-term liabilities	$ 49,434	$ 1,348,138	$ (49,434)	$ 1,348,138	$ 34,000
Business-type activities:					
Notes payable:					
CWRPDA	$ 747,638	$ -	$ (37,227)	$ 710,411	$ 38,741
State of Colorado (2002)	166,578	-	(7,720)	158,858	8,106
State of Colorado (2005)	88,050	-	(10,814)	77,236	11,355
State of Colorado (2007)	131,692	-	(11,943)	119,749	12,540
Business-type activities long-term liabilities	$ 1,133,958	$ -	$ (67,704)	$ 1,066,254	$ 70,742

Long-term liability activity for the year ended December 31, 2007 was as follows:

	December 31, 2006 Balance	Additions	Reductions	December 31, 2007 Balance	Amounts Due Within One Year
Governmental activites:					
Compensated absences	$ -	$ 49,434	$ -	$ 49,434	$ -
Governmental activites long-term liabilities	$ -	$ 49,434	$ -	$ 49,434	$ -
Business-type activities:					
Notes payable:					
CWRPDA	$ 783,420	$ -	$ (35,782)	$ 747,638	$ 37,227
State of Colorado (2002)	173,930	-	(7,352)	166,578	7,720
State of Colorado (2005)	98,349	-	(10,299)	88,050	10,814
State of Colorado (2007)	-	148,000	(16,308)	131,692	11,943
Business-type activities long-term liabilities	$ 1,055,699	$ 148,000	$ (69,741)	$ 1,133,958	$ 67,704

The CWRPDA loan agreement includes a rate covenant whereby the Town's Enterprise Fund water and sewer systems revenues, after meeting the operation and maintenance expenses of the systems, is sufficient to cover 110% of the debt service coming due. The Town was not in compliance with the rate covenant for the year ended December 31, 2008 and is required to have a professional rate study performed.

Note 3: Detailed Notes on All Funds (continued)

Long-Term Liabilities (continued)

Aggregate debt service requirements at December 31, 2008 were as follows:

	Principal	Interest	Total
Governmental activities:			
2009	$ 34,000	$ 80,719	$ 114,719
2010	36,000	78,563	114,563
2011	39,000	76,281	115,281
2012	41,000	73,813	114,813
2013	43,000	71,219	114,219
2014-2018	263,000	310,906	573,906
2019-2023	357,000	216,374	573,374
2024-2028	487,000	87,563	574,563
Total governmental activities	$ 1,300,000	$ 995,438	$ 2,295,438
Business-type activities:			
2009	$ 70,742	$ 45,816	$ 116,558
2010	73,897	42,661	116,558
2011	77,205	39,352	116,557
2012	80,662	35,895	116,557
2013	84,277	32,280	116,557
2013-2017	378,032	106,831	484,863
2018-2022	301,439	29,811	331,250
Total business-type activities	$ 1,066,254	$ 332,646	$ 1,398,900

Interfund Transfers

The Town makes transfers between funds to allocate resources based upon the Town's adopted budgetary policies. The following transfers were made during 2008:

Transfer In (Out):	
Capital Replacement Fund	$ 135,500
General Fund	(113,500)
Enterprise Fund	(22,000)
Total	$ -

Note 4: Other Information

Defined Compensation Plan

Town employees may voluntarily contribute to a deferred compensation plan, an Internal Revenue Code Section 457 defined contribution plan administered by ICMA Retirement Corporation. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the Town or its creditors.

Note 4: Other Information (continued)

Defined Compensation Plan (continued)

The Town's contribution for each employee and investment earnings allocated to the employee's account are fully vested. The Town contributes up to 7% of eligible employees' wages. The Town's contributions to the plan were $53,791 and $41,700 during the years ended December 31, 2008 and 2007, respectively.

Commitments

As of December 31, 2008, the Town has been awarded a grant that has the following amount remaining to be earned by the Town in future years:

Grantor	Purpose	Remaining Grant Funds
Governmental Activities:		
Colorado Department of Transportation	Sidewalk extension	$ 445,021
Total		$ 445,021

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, or acts of God. The Town maintains commercial insurance for these risks of loss, including workers compensation. Settled claims have not exceeded coverage in the past three fiscal years.

Insurance Pool

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self-insurance pool created by intergovernmental agreement of member municipalities. Types of coverage include property, general liability, auto liability, law enforcement liability, public officials' errors and omissions liability, excess liability, crime coverage, and supplemental defense coverage. CIRSA is governed by a Board of Directors elected by its membership.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

TOWN OF HAYDEN, COLORADO
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes:				
Sales tax	$ 1,168,600	$ 1,168,600	$ 1,108,657	$ (59,943)
General property tax	384,183	384,183	383,176	(1,007)
Franchise tax	46,000	46,000	50,989	4,989
Cigarette tax	4,500	4,500	5,027	527
Intergovernmental:				
Airport security reimbursement	139,000	139,000	109,781	(29,219)
Building materials use tax	100,000	100,000	60,370	(39,630)
Highway users	46,807	46,807	46,350	(457)
Specific ownership	-	-	29,811	29,811
Severance	24,000	24,000	50,433	26,433
Mineral lease	32,000	32,000	47,245	15,245
Motor vehicle registration	6,675	6,675	7,586	911
Road and bridge	10,000	10,000	7,054	(2,946)
Licenses, permits and fees	7,300	7,300	8,250	950
Charges for services	38,420	38,420	24,597	(13,823)
Fines and forfeitures	15,250	15,250	12,383	(2,867)
Grants	966,307	966,307	1,558,473	592,166
Recreation programs	23,166	23,166	31,153	7,987
Interest	20,000	20,000	23,266	3,266
Other	7,800	7,800	25,027	17,227
Total revenues	3,040,008	3,040,008	3,589,628	549,620
Expenditures:				
General government:				
Administration	296,430	296,430	296,238	192
Planning	13,750	13,750	11,670	2,080
Airport	76,928	76,928	66,928	10,000
Legislative	31,745	31,745	31,290	455
Building and plant	25,270	25,270	29,702	(4,432)
Data processing	15,900	15,900	10,857	5,043
Judicial	9,270	9,270	10,183	(913)
Executive	2,205	2,205	2,123	82
Elections	1,475	1,475	58	1,417
Public safety	761,950	761,950	653,382	108,568
Economic development	7,100	7,100	5,843	1,257
Public works:				
Streets	313,120	313,120	413,152	(100,032)
Mosquito control	28,540	28,540	23,787	4,753
Parks	198,705	198,705	166,147	32,558
Recreation	128,375	128,375	134,671	(6,296)
Capital expenditures	1,063,568	1,523,560	1,903,517	(379,957)
Contingency	23,500	23,500	-	23,500
Total expenditures	2,997,831	3,457,823	3,759,548	(301,725)
Excess (deficiency) of revenues over expenditures	42,177	(417,815)	(169,920)	247,895
Other financing sources (uses):				
Long-term debt proceeds	-	459,992	1,300,000	840,008
Transfers out	(142,000)	(142,000)	(113,500)	(28,500)
Total other financing sources (uses)	(142,000)	317,992	1,186,500	868,508
Net change in fund balance	$ (99,823)	$ (99,823)	1,016,580	$ 1,116,403
Fund balance, beginning of year			514,198	
Fund balance, end of the year			$ 1,530,778	

TOWN OF HAYDEN, COLORADO
Capital Replacement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	$ 10,000	$ 8,198	$ (1,802)
Total revenues	10,000	8,198	(1,802)
Expenditures:			
Capital expenditures	236,500	122,153	114,347
Total expenditures	236,500	122,153	114,347
Other financing sources:			
Transfers in	314,000	135,500	(178,500)
Total other financing sources	314,000	135,500	(178,500)
Net change in fund balance	$ 87,500	21,545	$ (65,955)
Fund balance, beginning of year		346,670	
Fund balance, end of year		$ 368,215	

TOWN OF HAYDEN, COLORADO
Combining Balance Sheet
Non-major Governmental Funds
December 31, 2008
(with summarized financial information as of December 31, 2007)

	Conservation Trust Fund	Hayden Public Library	Hayden Heritage Center	Development Fees	Total	2007
Assets:						
Cash and cash equivalents	$ 84,101	$ 143,341	$ 42,952	$ 112,742	$ 383,136	$ 421,049
Total assets	84,101	143,341	42,952	112,742	383,136	421,049
Fund balance:						
Unreserved	84,101	143,341	42,952	112,742	383,136	421,049
Total fund balance	$ 84,101	$ 143,341	$ 42,952	$ 112,742	$ 383,136	$ 421,049

TOWN OF HAYDEN, COLORADO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended December 31, 2008
(with summarized financial information for the year ended December 31, 2007)

	Conservation Trust Fund	Hayden Public Library	Hayden Heritage Center	Development Fees	Total	2007
Revenues:						
Intergovernmental	$ 18,484	$ -	$ 28,063	$ -	$ 46,547	$ 39,702
Interest	6,891	4,941	593	5,854	18,279	16,525
Other	-	13,624	7,127	250,000	270,751	32,620
Total revenues	25,375	18,565	35,783	255,854	335,577	88,847
Expenditures:						
General government	-	4,434	29,512	250,000	283,946	36,882
Capital expenditures	89,544	-	-	-	89,544	60,456
Total expenditures	89,544	4,434	29,512	250,000	373,490	97,338
Net change in fund balance	(64,169)	14,131	6,271	5,854	(37,913)	(8,491)
Fund balance, beginning of year	148,270	129,210	36,681	106,888	421,049	429,540
Fund balance, end of year	$ 84,101	$ 143,341	$ 42,952	$ 112,742	$ 383,136	$ 421,049

TOWN OF HAYDEN, COLORADO
Conservation Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	$ 20,000	$ 18,484	$ (1,516)
Interest	3,500	6,891	3,391
Total revenues	23,500	25,375	1,875
Expenditures:			
Capital expenditures	105,544	89,544	16,000
Total expenditures	105,544	89,544	16,000
Net change in fund balance	$ (82,044)	(64,169)	$ 17,875
Fund balance, beginning of year		148,270	
Fund balance, end of year		$ 84,101	

TOWN OF HAYDEN, COLORADO
Hayden Public Library
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	$ 4,000	$ 4,941	$ 941
Other	7,000	13,624	6,624
Total revenues	11,000	18,565	7,565
Expenditures:			
Professional fees	1,000	465	535
General and administrative	10,000	3,969	6,031
Total expenditures	11,000	4,434	6,566
Net change in fund balance	$ -	14,131	$ 14,131
Fund balance, beginning of year		129,210	
Fund balance, end of year		$ 143,341	

TOWN OF HAYDEN, COLORADO
Hayden Heritage Center
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	$ 27,700	$ 28,063	$ 363
Interest	600	593	(7)
Other	8,000	7,127	(873)
Total revenues	36,300	35,783	(517)
Expenditures:			
Personnel services	21,500	20,405	1,095
Other	10,120	9,107	1,013
Total expenditures	31,620	29,512	2,108
Net change in fund balance	$ 4,680	6,271	$ 1,591
Fund balance, beginning of year		36,681	
Fund balance, end of year		$ 42,952	

TOWN OF HAYDEN, COLORADO
Development Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Development fees	$ 253,000	$ 250,000	$ (3,000)
Interest	1,000	5,854	4,854
Total revenues	254,000	255,854	1,854
Expenditures:			
Traffic impact	240,000	250,000	(10,000)
Total expenditures	240,000	250,000	(10,000)
Net change in fund balance	$ 14,000	5,854	$ (8,146)
Fund balance, beginning of year		106,888	
Fund balance, end of year		$ 112,742	

TOWN OF HAYDEN, COLORADO
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Net Assets
Budget (Non-US GAAP Basis) and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services:				
Water	$ 419,600	$ 419,600	$ 430,762	$ 11,162
Sewer	180,000	180,000	182,024	2,024
Refuse	118,000	118,000	122,429	4,429
Plant investment fees:				-
Water	171,000	171,000	69,084	(101,916)
Sewer	85,500	85,500	34,542	(50,958)
Grants	-	-	40,200	40,200
Interest	2,000	2,000	5,369	3,369
Other	10,000	10,000	30,715	20,715
Total revenues	986,100	986,100	915,125	(70,975)
Expenditures:				
Water:				
Operations	189,450	189,450	201,183	(11,733)
Water treatment plant	62,700	62,700	65,834	(3,134)
Golden meadows department	21,800	21,800	11,970	9,830
Hospital hill department	19,830	19,830	9,022	10,808
Meters department	15,350	15,350	18,098	(2,748)
Water rights department	28,800	28,800	14,905	13,895
Water distribution	2,500	2,500	32,951	(30,451)
Administration	41,445	41,445	39,673	1,772
Sewer:				
Operations	130,370	130,370	170,298	(39,928)
Sewer treatment plant	63,600	63,600	77,377	(13,777)
Washington street	2,600	2,600	5,128	(2,528)
Sewer collection system	10,000	10,000	12,064	(2,064)
Airport lift station	4,550	4,550	4,356	194
Administration	41,445	41,445	39,456	1,989
Refuse contract	118,000	118,000	122,429	(4,429)
Capital expenditures	15,000	94,000	305,736	(211,736)
Debt service:				
Principal	67,704	67,704	67,704	-
Interest	48,853	48,853	48,097	756
Contingency	25,000	25,000	-	25,000
Total expenditures	908,997	987,997	1,246,281	(258,284)
Excess (deficiency) of revenues over expenditures	77,103	(1,897)	(331,156)	(408,259)
Other financing sources (uses):				
Capital assets contributed by developers	-	-	1,726,999	1,726,999
Net capital assets transferred in	-	-	720	720
Transfers in	100,000	179,000	-	(179,000)
Transfers out	(172,000)	(172,000)	(22,000)	150,000
Total other financing sources	(72,000)	7,000	1,705,719	1,777,719
Excess of revenues and other financing sources over expenditures	$ 5,103	$ 5,103	1,374,563	$ 1,369,460
Reconciliation to US GAAP basis:				
Capitalized expenditures			305,736	
Debt principal payments			67,704	
Depreciation			(385,480)	
Net income - US GAAP basis			1,362,523	
Net assets, beginning of year			4,743,536	
Net assets, end of year			$ 6,106,059	