



FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS



RECEIVED

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TOWN OF HAYDEN, COLORADO

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TOWN OF HAYDEN, COLORADO

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Independent Auditors' Report

The Honorable Mayor and Town Council
Town of Hayden, Colorado

Report on the Financial Statements

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, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hayden, Colorado, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hayden, Colorado's basic financial statements. The combining nonmajor fund financial statements, the nonmajor fund and enterprise fund budgetary comparison schedules and the loan requirement disclosures are presented for additional analysis and are not a required part of the basic financial statements. The Local Highway Finance Report is presented for additional analysis as required by the State of Colorado and is not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the nonmajor fund and enterprise fund budgetary comparison schedules, the loan requirement disclosures and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the nonmajor fund and enterprise fund budgetary comparison schedules, the loan requirement disclosures and the Local Highway Finance Report are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the Town of Hayden, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hayden, Colorado's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
June 20, 2017

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TOWN OF HAYDEN, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

As management of the Town of Hayden (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2016. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Governmental net position decreased from \$12.81 million to \$12.68 million during 2016.
- Business-type net position decreased by \$3,741 to \$7.48 million during 2016.
- The combined net investment in capital assets is \$17.69 million.
- The unrestricted net position for both governmental and business-type activities that may be used to meet the Town's future capital and operating expenses is \$2.37 million.
- Total revenues in the General fund decreased from \$2.24 million to \$2.21 million.
 - Property tax revenues increased from 2015 to 2016 increasing from \$475,167 in 2015 to \$479,202 in 2016.
 - Local sales tax collections of \$997,656 increased by 9.78% or \$88,899 from the previous fiscal year.
 - Car rental tax collections of \$140,072 increased by 17.24% or \$20,598 from the previous fiscal year.
- The general fund unassigned fund balance at the end of 2016 was \$1,062,478 which is 53.73% of total General fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position. Net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, parks and recreation, economic development and interest on long-term debt. Sales taxes, property taxes, franchise taxes, vehicle rental taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to water, sewer and trash customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, i.e. water, sanitary sewer and trash, these services are generally reported in proprietary (aka. enterprise) funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities and deferred inflows by \$20.1 million as of December 31, 2016 as shown in the following condensed statement of net position. Of this amount, \$2.37 million is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the investment in capital assets (net of related debt) of \$17.69 million (87.73% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to account for its water, sewer and refuse operations in a single enterprise fund which is shown as Business Activities.

The following table summarizes the Town's governmental and business-type net assets as of December 31, 2016 and 2015:

TOWN OF HAYDEN, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current and other assets	\$ 2,215,838	\$ 2,016,792	\$ 1,121,827	\$ 1,710,846	\$ 3,337,665	\$ 3,727,638
Capital assets	12,162,282	12,491,870	7,955,475	8,049,654	20,117,757	20,541,524
Total assets	14,378,120	14,508,662	9,077,302	9,760,500	23,455,422	24,269,162
Long-term liabilities outstanding	1,002,723	1,062,737	1,483,104	2,011,478	2,485,827	3,074,215
Other liabilities	210,877	152,257	113,764	264,847	324,641	417,104
Total liabilities	1,213,600	1,214,994	1,596,868	2,276,325	2,810,468	3,491,319
Deferred inflows of resources	482,657	475,720	-	-	482,657	475,720
Net position:						
Net investment in capital assets	11,204,282	11,478,521	6,483,585	7,153,209	17,687,867	18,631,730
Restricted	103,594	156,914	-	-	103,594	156,914
Unrestricted	1,373,987	1,182,513	996,849	330,966	2,370,836	1,513,479
Total net position	\$ 12,681,863	\$ 12,817,948	\$ 7,480,434	\$ 7,484,175	\$ 20,162,297	\$ 20,302,123

An additional portion of net position, \$103,594 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,370,836 (11.76% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$2,328,338. As shown in the Changes in Net Position statement below. \$101,861 of this cost was paid for by those who directly benefited from the programs. \$121,164 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$223,025. General taxes and investment earnings totaled \$2,012,298.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Parks & Recreation, and Economic Development. Each program's revenues and expenses are presented below.

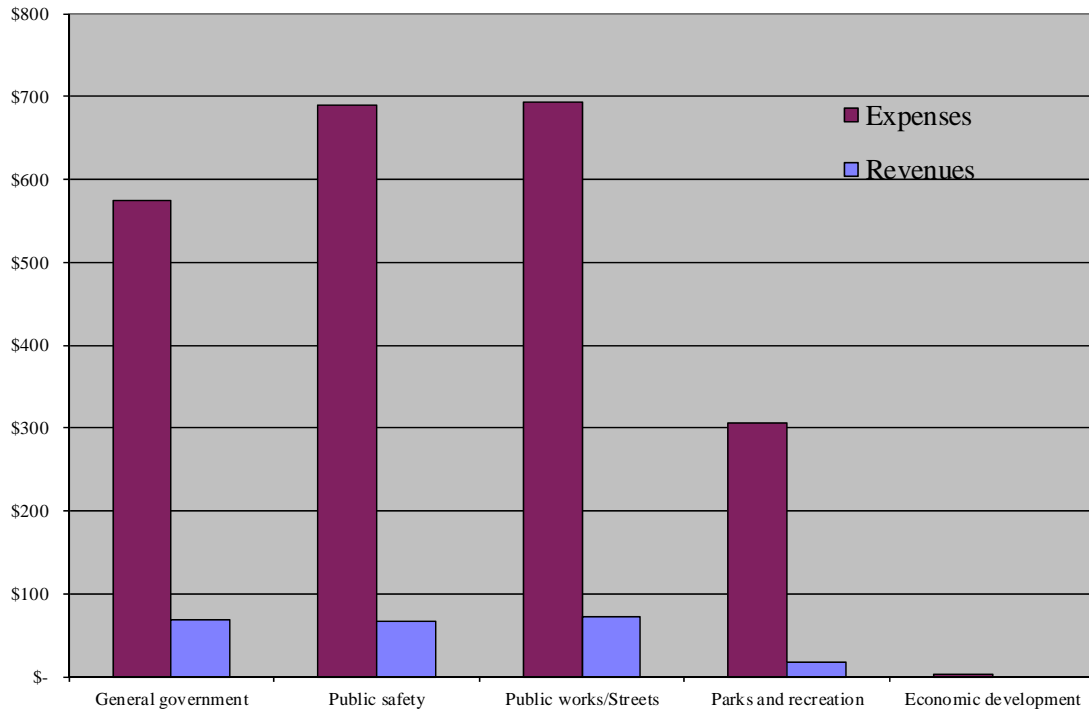
TOWN OF HAYDEN, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Revenues:						
Program revenues:						
Charges for services	\$ 101,861	\$ 67,299	\$ 1,207,627	\$ 1,178,049	\$ 1,309,488	\$ 1,245,348
Operating grants and contributions	121,164	140,640	-	-	121,164	140,640
Capital grants and contributions	-	-	95,837	274,990	95,837	274,990
General revenues:						
Taxes	1,972,952	2,016,742	-	-	1,972,952	2,016,742
Investment earnings	6,070	6,091	-	-	6,070	6,091
Other revenue	33,276	28,268	-	-	33,276	28,268
Total revenues	<u>2,235,323</u>	<u>2,259,040</u>	<u>1,303,464</u>	<u>1,453,039</u>	<u>3,538,787</u>	<u>3,712,079</u>
Expenses:						
General government	574,888	489,570	-	-	574,888	489,570
Public safety	688,879	707,324	-	-	688,879	707,324
Public works/Streets	693,026	767,934	-	-	693,026	767,934
Parks and recreation	306,535	288,610	-	-	306,535	288,610
Economic development	3,052	-	-	-	-	-
Interest on long-term debt	61,958	63,232	-	-	61,958	63,232
Water	-	-	809,600	828,765	809,600	828,765
Sewer	-	-	398,770	405,715	-	-
Refuse	-	-	141,905	138,889	141,905	138,889
Total expenses	<u>2,328,338</u>	<u>2,316,670</u>	<u>1,350,275</u>	<u>1,373,369</u>	<u>3,276,791</u>	<u>3,284,324</u>
Increase (Decrease) in net assets before transfers	(93,015)	(57,630)	(46,811)	79,670	(139,826)	22,040
Transfers	(43,070)	(141,382)	43,070	141,382	-	-
Net position, beginning	<u>12,817,948</u>	<u>13,016,960</u>	<u>7,484,175</u>	<u>7,263,123</u>	<u>20,302,123</u>	<u>20,280,083</u>
Net position, ending	<u>\$ 12,681,863</u>	<u>\$ 12,817,948</u>	<u>\$ 7,480,434</u>	<u>\$ 7,484,175</u>	<u>\$ 20,162,297</u>	<u>\$ 20,302,123</u>

Total resources available during the year to finance governmental operations were \$15,053,271 consisting of Net position at January 1, 2016 of \$12,817,948, program revenues of \$223,025 and General Revenues of \$2,012,298. Total Governmental Activity expenses, including depreciation of \$446,914 were \$2,328,338; thus Governmental Net Position was decreased by \$136,085 to \$12,681,863.

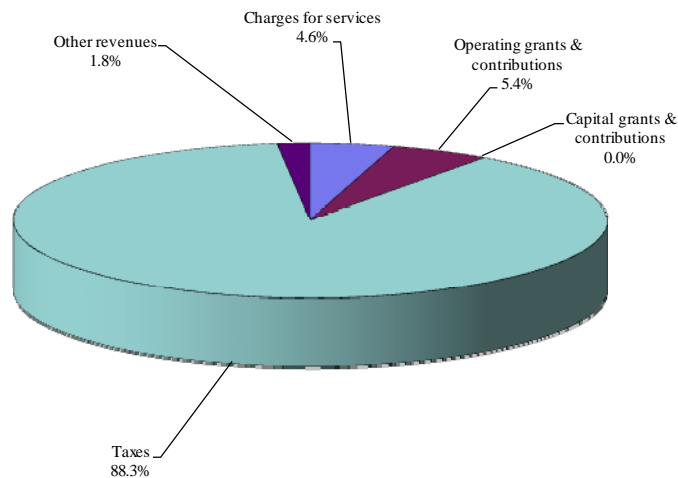
The following graph compares program expenses to program revenues (charges for services and grants):

Expenses and Program Revenues - Governmental Activities
(in Thousands)



Revenues reported above include charges for services and grant revenues directly related to the respective programs. As noted in the chart below, these revenues make up 4.6% and 5.4% of the Town's total governmental revenues for the current year. Shortfalls are made up by taxes and other revenues.

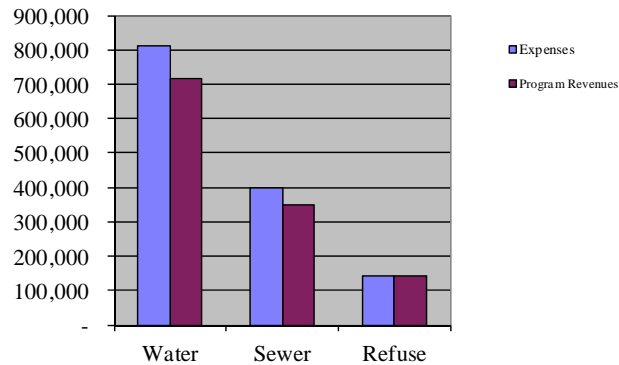
Revenue By Source - Governmental Activities



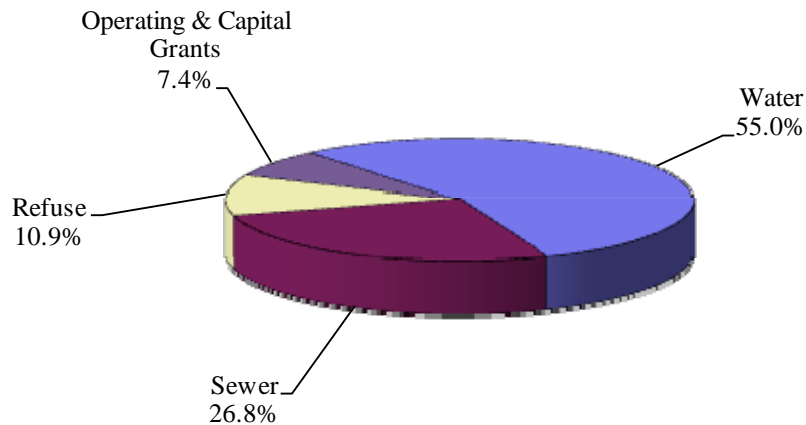
Business Type Activities

Net position of the Business Type activities at December 31, 2016, as reflected in the Statement of Net Position was \$7,480,434. The cost of providing all Proprietary (Business Type) activities this year was \$1,350,275. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,207,627 and there was \$95,837 subsidized by capital grants and contributions. There were no investment earnings and other revenues. The Net Position decreased by \$3,741.

Expenses and Program Revenues - Business-type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,530,739 an increase of \$133,359 in comparison with the prior year. Unassigned fund balance of \$1,062,479, which is available for spending at the government's discretion is approximately 69.41% of the total fund balance. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to pay for parks and recreation services and capital investment \$9,769, and emergency reserves (TABOR) \$93,825, and committed to provide for library services \$246,664 and development fees \$118,003.

The Town has one major governmental fund, the General Fund, which is the primary operating fund for the Town. At December 31, 2016, unassigned fund balance in the General fund was \$1,062,478. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 53.73% and total fund balance represents 58.47% of total General fund expenditures. The fund balance of the Town's General fund increased by \$188,076 for the year ended December 31, 2016. General fund revenues decreased by \$32,881 compared to the prior year. The decrease was mainly due to a decrease in severance tax of \$197,956, which was offset by an increase in sales tax of \$88,899, an increase in car rental tax of \$20,598, and an increase of other taxes of \$52,495.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2016 and 2015 for the Town's enterprise fund (Water-Sewer-Refuse) are as follows:

	2016	2015
Unrestricted net position	\$ 996,849	\$ 330,966
Total net position	7,480,434	7,484,175
Change in net position	(3,741)	221,052

The main reasons for the decrease in net income/loss were due to the fact that there was \$141,382 of transfers in during 2015 and only \$43,070 transfers in during 2016. In addition, capital contributions in 2015 were \$259,064 and only \$22,637 during 2016.

Budgetary Highlights

General fund revenues of \$2,208,733 were more than budgeted revenues of \$1,979,366 by \$229,367. The most significant factors contributing to this difference is related to sales tax of \$65,129, car rental tax of \$22,536, and other tax of 57,803. Actual expenditures were \$347,678 less than budgeted expenditures mainly due to the Streets department not spending all that was budgeted for street cleaning and maintenance and not spending as much as budgeted for capital projects.

The proprietary fund unrestricted balance at December 31, 2016 equals 76.63% of the annual operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2016, net capital assets of the government activities totaled \$12.16 million and the net capital assets of the business-type activities totaled \$7.96 million. The most significant governmental capital addition was road improvements of \$45,525. The most significant business-type capital addition was Sewer Outfall Project construction-in-progress of \$177,359. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$1,002,722 in governmental type debt, and \$1,483,104 in proprietary debt. During 2016, the Town's total debt decreased by \$588,102 as a result of regularly scheduled debt service payments and paying off more debt for the proprietary debt. Debt per capita based on an estimated population of 1,801 is \$1,380.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town budget for fiscal year 2017, the Town Council and management are planning on receiving approximately \$2.23 million in loans for street improvements. Town official's primary goals in 2017 included employee retention, building cash reserves, finding ways to fund identified water system capital improvements, conducting an engineering analysis to repair certain local streets and keeping costs affordable for local taxpayers. Overall in 2017 the Town's operating expenditures were budgeted to maintain the 2016 level of service without increasing taxes or fees.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

TOWN OF HAYDEN, COLORADO
Statement of Net Position
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,491,089	\$ 637,219	\$ 2,128,308
Receivables (net of allowance)	724,749	109,204	833,953
Temporarily restricted assets:			
Cash and cash equivalents	-	375,404	375,404
Capital assets (net of accumulated depreciation):			
Land	2,100,992	340,273	2,441,265
Construction in progress	73,213	1,747,829	1,821,042
Buildings	2,278,122	-	2,278,122
System improvements	-	5,824,409	5,824,409
Furniture, equipment & vehicles	443,971	42,964	486,935
Infrastructure/Roads	7,265,984	-	7,265,984
Total assets	<u>14,378,120</u>	<u>9,077,302</u>	<u>23,455,422</u>
Liabilities			
Accounts payable and other current liabilities	185,434	106,555	291,989
Interest payable	8,435	7,209	15,644
Unearned revenue	17,008	-	17,008
Noncurrent liabilities:			
Due within one year	99,722	162,591	262,313
Due in more than one year	903,001	1,320,513	2,223,514
Total liabilities	<u>1,213,600</u>	<u>1,596,868</u>	<u>2,810,468</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	<u>482,657</u>	<u>-</u>	<u>482,657</u>
Net Position			
Net investment in capital assets	11,204,282	6,483,585	17,687,867
Restricted for:			
Emergencies	93,825	-	93,825
Parks and recreation	9,769	-	9,769
Unrestricted	<u>1,373,987</u>	<u>996,849</u>	<u>2,370,836</u>
Total Net Position	<u>\$ 12,681,863</u>	<u>\$ 7,480,434</u>	<u>\$ 20,162,297</u>

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

TOWN OF HAYDEN, COLORADO
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 574,888	\$ 67,588	\$ -	\$ -	\$ (507,300)	\$ -	\$ (507,300)
Public safety	688,879	17,083	49,389	-	(622,407)	-	(622,407)
Public works/Streets	693,026	-	71,475	-	(621,551)	-	(621,551)
Parks and recreation	306,535	17,190	300	-	(289,045)	-	(289,045)
Economic development	3,052	-	-	-	(3,052)	-	(3,052)
Interest on long-term debt	61,958	-	-	-	(61,958)	-	(61,958)
Total governmental activities	2,328,338	101,861	121,164	-	(2,105,313)	-	(2,105,313)
Business-type activities:							
Water	809,600	716,415	-	63,937	-	(29,248)	(29,248)
Sewer	398,770	349,307	-	31,900	-	(17,563)	(17,563)
Refuse	141,905	141,905	-	-	-	-	-
Total business-type activities	1,350,275	1,207,627	-	95,837	-	(46,811)	(46,811)
Total Primary Government	3,678,613	1,309,488	121,164	95,837	(2,105,313)	(46,811)	(2,152,124)
General Revenues:							
Taxes:							
Property tax					479,203	-	479,203
Sales tax					997,656	-	997,656
Other taxes					439,720	-	439,720
Franchise tax					56,373	-	56,373
Unrestricted investment earnings					6,070	-	6,070
Miscellaneous					33,276	-	33,276
Transfers					(43,070)	43,070	-
Total general revenues & transfers					1,969,228	43,070	2,012,298
Change in net position					(136,085)	(3,741)	(139,826)
Net position - beginning					12,817,948	7,484,175	20,302,123
Net position - ending					\$ 12,681,863	\$ 7,480,434	\$ 20,162,297

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

TOWN OF HAYDEN, COLORADO
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,116,653	\$ 374,436	\$ 1,491,089
Receivables, net:			
Property taxes receivable	486,248	-	486,248
Accounts receivable	26,237	-	26,237
Intergovernmental	212,264	-	212,264
Total assets	<u>\$ 1,841,402</u>	<u>\$ 374,436</u>	<u>\$ 2,215,838</u>
Liabilities			
Accounts payable	\$ 50,568	\$ -	\$ 50,568
Accrued wages	34,545	-	34,545
Accrued liabilities	100,321	-	100,321
Unearned revenue	17,008	-	17,008
Total liabilities	<u>202,442</u>	<u>-</u>	<u>202,442</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	482,657	-	482,657
Total deferred inflows of resources	<u>482,657</u>	<u>-</u>	<u>482,657</u>
Fund Balances			
Restricted for:			
Parks and recreation	-	9,769	9,769
Emergencies	93,825	-	93,825
Committed to:			
General government (library)	-	246,664	246,664
Economic development	-	118,003	118,003
Unassigned	1,062,478	-	1,062,478
Total fund balances	<u>1,156,303</u>	<u>374,436</u>	<u>1,530,739</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,841,402</u>	<u>\$ 374,436</u>	<u>\$ 2,215,838</u>

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

TOWN OF HAYDEN, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2016

Total fund balances - governmental funds \$ 1,530,739

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 in the funds.

Governmental capital assets	18,366,071	
Accumulated depreciation	(6,203,790)	
		12,162,281

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.

Capital leases	(958,000)	
Interest payable	(8,435)	
Compensated absences	(44,722)	
		(1,011,157)

Total net position - governmental activities	\$ 12,681,863
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The accompanying notes are an integral part of the financial statements.

TOWN OF HAYDEN, COLORADO
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2016

REVENUES	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Taxes	\$ 1,745,701	\$ -	\$ 1,745,700
Licenses and permits	59,683	-	59,683
Intergovernmental	327,555	20,560	348,115
Fines and forfeitures	17,083	-	17,083
Interest revenue	5,264	673	5,937
Other revenues	53,447	5,357	58,804
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>2,208,733</u>	<u>26,590</u>	<u>2,235,322</u>
EXPENDITURES			
Current:			
General government	545,045	3,682	548,727
Public safety	624,141	-	624,141
Public works/streets	385,396	-	385,396
Parks and recreation	237,638	-	237,638
Economic development	3,052	-	3,052
Capital outlay	64,590	77,624	142,214
Debt Service:			
Principal	55,349	-	55,349
Interest and fiscal charges	62,376	-	62,376
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>1,977,587</u>	<u>81,306</u>	<u>2,058,893</u>
Excess of Revenues			
Over (Under) Expenditures	231,146	(54,716)	176,429
Other Financing Sources (Uses):			
Transfers out	(43,070)	-	(43,070)
Total Other Financing	<u> </u>	<u> </u>	<u> </u>
Sources (Uses)	<u>(43,070)</u>	<u>-</u>	<u>(43,070)</u>
Net change in fund balances	188,076	(54,716)	133,359
Fund balances, beginning of year	973,254	424,125	1,397,379
Prior period adjustment	(5,027)	5,027	-
	<u> </u>	<u> </u>	<u> </u>
Fund balances, end of year	<u>\$ 1,156,303</u>	<u>\$ 374,436</u>	<u>\$ 1,530,738</u>

The accompanying notes are an integral part of the 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, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 133,359
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlays in the current period.</p>		
Capital outlay		117,327
Depreciation expense		(446,914)
		(329,587)
<p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		55,349
<p>Accrued Interest for Long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		418
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		4,376
Change in net position of governmental activities		\$ (136,085)

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

TOWN OF HAYDEN, COLORADO
Statement of Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	<u>Water-Sewer- Refuse</u>
Assets	
Current Assets:	
Cash	\$ 637,219
Receivables (net of allowance)	107,740
Due from other governments	1,464
Total current assets	<u>746,423</u>
Noncurrent assets:	
Restricted cash and investments	375,404
Land	340,273
Construction in progress	1,747,829
Utility systems and improvements	14,716,490
Machinery, equipment and vehicles	374,830
Accumulated depreciation	(9,223,947)
Total noncurrent assets	<u>8,330,879</u>
Total Assets	<u><u>\$ 9,077,302</u></u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 30,881
Customer deposits	75,674
Interest payable	7,209
Loans payable - current	151,377
Compensated absences - current	11,214
Total current liabilities	<u>276,355</u>
Noncurrent liabilities:	
Long-term debt (net of current portion):	
Loans payable	<u>1,320,513</u>
Total noncurrent liabilities	<u>1,320,513</u>
Total liabilities	<u>1,596,868</u>
Net Position	
Net investment in capital assets	6,483,585
Unrestricted	996,849
Total net position	<u><u>\$ 7,480,434</u></u>

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

TOWN OF HAYDEN, COLORADO
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Water-Sewer- Refuse
Operating Revenues	
Charges for services:	
Water	\$ 696,338
Sewer	339,814
Refuse	141,905
Other revenues	29,569
Total operating revenues	1,207,626
Operating Expenses	
Water	512,735
Sewer	309,441
Refuse	141,905
Depreciation	336,837
Total operating expenses	1,300,918
Operating income (loss)	(93,292)
Non-Operating Revenues (Expenses)	
Interest expense and fiscal charges	(49,355)
Connection and tap fees	73,200
Total non-operating revenue (expense)	23,845
Income (loss) before contributions and transfers	(69,447)
Contributions and Transfers:	
Capital contributions and grants	22,636
Transfers in	43,070
Change in net position	(3,741)
Net position, beginning of year	7,484,175
Net position, end of year	\$ 7,480,434

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

TOWN OF HAYDEN, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Water-Sewer- Refuse
Cash Flows From Operating Activities:	
Cash received from customers, service fees	\$ 1,184,554
Cash received from customers, other	29,569
Cash paid to suppliers	(921,656)
Cash paid to employees	(212,137)
Net cash flows from operating activities	80,330
Cash Flows From Noncapital Financing Activities:	
Transfers from/(to) other funds	43,070
Net cash flows from noncapital financing activities	43,070
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(242,658)
Principal paid on long-term debt	(509,747)
Interest paid	(49,355)
Capital grants	63,341
Connection and tap fees	73,200
Net cash flows from capital and related financing activities	(665,219)
Cash Flows From Investing Activities:	
Interest on investments	-
Net change in cash and cash equivalents	(541,819)
Cash and cash equivalents, beginning of year	1,554,440
Cash and Cash Equivalents, End of Year	\$ 1,012,621
Reconciliation of operating income to net cash provided	
by operating activities:	
Net operating income/(loss)	\$ (93,292)
Adjustments to reconcile net income/(loss) to net	
cash provided by operating activities:	
Depreciation/amortization	336,837
Changes in operating assets and liabilities:	
(Increase)/decrease in receivables	6,497
Increase/(decrease) in payables	(104,812)
Increase/(decrease) in accrued liabilities & deposits	(64,900)
Net cash flows from operating activities	\$ 80,330

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

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The Town of Hayden, Colorado (the Town) was incorporated in March 1906 in Routt County. On July 21, 2009, the citizens voted to become a Home Rule Municipality in accordance with Article XX of the Colorado Constitution and the Municipal Home Rule Act of 1971. The Town is governed by a Town Council consisting of six council members and one mayor elected at-large.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The following is a brief review of the component units included in defining the Town's reporting entity. There are no discretely presented component units and two blended component units.

Blended component units included within the reporting entity and reported as special revenue funds with the governmental fund financial statements:

The **Hayden Public Library** accounts for donations and other revenues committed for library services and is governed by a board of directors that are appointed by the Town Council.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

The **Water-Sewer-Refuse Fund** accounts for the activities related to the Town's water wells, treatment facilities and distribution operations, sewer collection and treatment operations and refuse collection services.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, other taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents

The Town pools cash resources of its various funds in order to facilitate the management of cash. The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. All trade accounts receivable in the enterprise funds are normally shown net of an allowance for uncollectible accounts. However, due to the nature of the accounts receivable in both the enterprise funds and governmental funds, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for business type activities consist of various parts and supplies and are valued at cost using the first-in/first-out (FIFO) method. However, the total cost of inventory on hand is deemed immaterial and has not been recorded in the financial statements.

Capital Assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$2,500 and an estimated useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	15 to 40 years
Utility systems and improvements	10 to 40 years
Furniture, equipment and vehicles	3 to 10 years
Infrastructure - Streets and sidewalks	10 to 50 years

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy. The Town Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as unavailable revenue in the governmental funds. Property taxes for the current year are levied by the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

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.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

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 proprietary fund's principal ongoing operations. The principal operating revenues of the water-sewer-refuse fund are charges to customers for sales and services. Operating expenses for enterprise funds 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and the net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 18.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 20.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

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.

The Town confirms 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 Town Council a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies, and anticipated net surplus or deficit for the ensuing fiscal year.
- A public hearing on the proposed budget is held by the Council 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 budgeted expenditures must be approved by the Town Council. At any time during the fiscal year the Finance Director may transfer part of all of any unencumbered appropriation balance within a department.
- Budgetary appropriations lapse at the end of each year.

Budget amounts included in the financial statements report both the original and final amended budget. The Town did not adopt any supplemental appropriations during the year and there were no revisions made to the original budget during the year.

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Council. The Council by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents are reported on pages 46 to 49 and 53 to 57. There were two non-major funds which incurred an excess of expenditures/expenses over appropriations for the year ended December 31, 2016.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 3. Stewardship, Compliance, and Accountability, Continued

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.” The TABOR Amendment requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mil 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.

Future 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. 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.

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Town has reserved \$93,825 of the December 31, 2016 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 restriction of TABOR.

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

Debt Covenants

See supplementary information on page 58 for compliance with debt covenants.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 4. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	\$ 200
Cash in bank	2,356,852
Colorado Trust	8,550
Certificates of deposit	<u>138,110</u>
Total cash and investments	<u><u>\$ 2,503,712</u></u>
Cash and cash equivalents	\$ 2,128,308
Restricted cash	<u>375,404</u>
	<u><u>\$ 2,503,712</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (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. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to or exceed 102% of the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2016 cash on hand was \$200 and the carrying amount of the Town's deposits was \$2,356,852. As of December 31, 2016 the bank balance of the Town's deposits was \$2,393,735 of which \$250,000 was insured by federal depository insurance and \$2,143,735 was uninsured but collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town's investment policy follows Colorado statutes. At December 31, 2016 the Town's investments included certificates of deposit and funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 4. Deposits and Investments, Continued

The COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST 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 COLOTRUST. These pools are not required to and are not registered with the SEC.

As of December 31, 2016 the Town had \$8,550 invested in the COLOTRUST with a fair market value of \$8,550 and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

Fair value measurements

As noted above, the Town holds investments that are measured at fair value on a recurring basis. The Town categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The COLOTRUST, as listed above, is valued using significant other observable inputs (Level 2 inputs).

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 5. Restricted Assets

A summary of temporarily restricted assets of the Town at December 31, 2016 is as follows:

Loan reserves	\$ 299,730
Customer deposits	<u>75,674</u>
	<u>\$ 375,404</u>

Loan reserves:

The Town has set aside funds for the Operation and Maintenance Reserve Fund as required by the Colorado Water Resources and Power Development Authority Loan Agreement. The reserve at year-end is equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the Town's annual budget.

Customer deposits:

The Town collects deposits from utility customers. These deposits are temporarily restricted or unavailable for current expenditure. The amount reflected above is the amount of deposits on hand at December 31, 2016.

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TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital assets, not being depreciated:				
Land	\$ 2,100,992	\$ -	\$ -	\$ 2,100,992
Construction in progress	27,691	45,524	-	73,215
Total capital assets, not being depreciated	<u>2,128,683</u>	<u>45,524</u>	<u>-</u>	<u>2,174,207</u>
Capital assets, being depreciated:				
Buildings	3,167,163		-	3,167,163
Furniture, equipment & vehicles	1,710,798	54,977	-	1,765,775
Infrastructure	11,242,101	16,825	-	11,258,926
Total capital assets, being depreciated	<u>16,120,062</u>	<u>71,802</u>	<u>-</u>	<u>16,191,864</u>
Less accumulated depreciation for:				
Buildings	(809,862)	(79,180)	-	(889,042)
Furniture, equipment & vehicles	(1,212,996)	(108,809)	-	(1,321,805)
Infrastructure	(3,734,018)	(258,925)	-	(3,992,943)
Total accumulated depreciation	<u>(5,756,876)</u>	<u>(446,914)</u>	<u>-</u>	<u>(6,203,790)</u>
Total capital assets, being depreciated, net	<u>10,363,186</u>	<u>(375,112)</u>	<u>-</u>	<u>9,988,074</u>
Governmental activities capital assets, net	<u>\$ 12,491,869</u>	<u>\$ (329,588)</u>	<u>\$ -</u>	<u>\$ 12,162,281</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 27,498
Public safety	66,259
Public works/streets	301,599
Parks & recreation	51,558
Total depreciation expense - governmental activities	<u>\$ 446,914</u>

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 6. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital assets not being depreciated:				
Land and water rights	\$ 340,274	\$ -	\$ -	\$ 340,274
Construction in progress	1,964,016	277,378	(493,565)	1,747,829
Total capital assets, not being depreciated	<u>2,304,290</u>	<u>277,378</u>	<u>(493,565)</u>	<u>2,088,103</u>
Capital assets being depreciated:				
Utility system and improvements	14,267,646	448,845	-	14,716,491
Equipment & vehicles	364,828	10,000	-	374,828
Total capital assets, being depreciated	<u>14,632,474</u>	<u>458,845</u>	<u>-</u>	<u>15,091,319</u>
Less accumulated depreciation for:				
Utility system and improvements	(8,572,429)	(319,652)	-	(8,892,081)
Equipment & vehicles	(314,681)	(17,185)	-	(331,866)
Total accumulated depreciation	<u>(8,887,110)</u>	<u>(336,837)</u>	<u>-</u>	<u>(9,223,947)</u>
Total capital assets, being depreciated, net	<u>5,745,364</u>	<u>122,008</u>	<u>-</u>	<u>5,867,372</u>
Business-type activities capital assets, net	<u>\$ 8,049,654</u>	<u>\$ 399,386</u>	<u>\$ (493,565)</u>	<u>\$ 7,955,475</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Business-Type Activities:	
Water	\$ 258,396
Sewer	78,441
Total depreciation expense - business-type activities	<u>\$ 336,837</u>

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016	Current Portion
Governmental Activities:					
Lease Purchase-Alpine Bank	\$ 1,011,000	\$ -	\$ (53,000)	\$ 958,000	\$ 55,000
Lease Purchase-Caterpillar	2,349	-	(2,349)	-	-
Compensated absences	49,099	-	(4,377)	44,722	44,722
Total Governmental activity					
Long-term liabilities	<u>\$ 1,062,448</u>	<u>\$ -</u>	<u>\$ (59,726)</u>	<u>\$ 1,002,722</u>	<u>\$ 99,722</u>
Business-Type Activities:					
CWRPDA (2012)	\$ 555,117	\$ -	\$ (177,540)	\$ 377,577	\$ 30,500
CWRPDA (2002)	404,130	-	(51,104)	353,026	53,168
CWRPDA (2014)	911,882	-	(252,053)	659,829	38,658
State of Colorado (2002)	92,863	-	(11,406)	81,457	11,405
State of Colorado (2007)	17,646	-	(17,646)	-	17,646
Compensated absences	29,841	-	(18,627)	11,214	11,214
Total Business-type activity					
Long-term liabilities	<u>\$ 2,011,478</u>	<u>\$ -</u>	<u>\$ (528,376)</u>	<u>\$ 1,483,103</u>	<u>\$ 162,591</u>

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TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 7. Long-Term Debt, Continued

The following is a listing of Loans and Notes Payable outstanding as of December 31, 2016:

Loans and Notes Payable:

Business-Type Activities:

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 2.0%, due in semi-annual principal installments of \$18,438, maturing November 1, 2033. This loan was approved in November 2012 with a maximum principal balance of \$603,300 for wastewater improvements. \$ 377,577

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 4.0%, due in semi-annual principal installments of \$33,382, maturing November 1, 2022. This loan was approved in April 2002 with a maximum principal balance of \$1,000,000 for water treatment plant improvements. 353,026

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 2.0%, due in semi-annual principal installments of \$28,352, maturing May 1, 2035. This loan was approved in July 2014 with a maximum principal balance of \$915,000 for water treatment plant improvements. 659,829

Loan payable to the State of Colorado Department of Local Affairs, bearing interest at 5.0%, due in annual installments of \$16,049, maturing September 1, 2022. This loan was approved in August 2002 with a maximum principal balance of \$200,000 for water treatment plant improvements. 81,457

Total Loans and Notes Payable \$ 1,471,889

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 7. Long-Term Debt, Continued

Note payable debt service maturities are as follows:

Years ending June 30:	Business-Type Activities	
	Principal	Interest
2017	\$ 141,566	\$ 35,277
2018	142,530	33,861
2019	147,510	28,881
2020	152,038	24,353
2021	156,084	20,308
2022	160,923	15,469
2023	82,448	11,131
2024	84,105	9,474
2025	85,796	7,784
2026	87,520	6,059
2027	89,279	4,300
2028	71,056	2,506
2029	55,501	1,203
2030	15,534	184
	\$ 1,471,889	\$ 250,993

Obligations under Capital Leases

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 lease were used for construction of a new police station. The lease is secured by an interest in the land on which the police station was constructed.

The Town also entered into a \$129,561 lease-purchase agreement with Caterpillar Financial Services Corporation dated February 4, 2011. The lease requires 59 monthly payments of \$2,350, including interest at 3.50%, and one payment of \$1 upon maturity in January 2016. The lease was used to purchase a new wheel loader. The lease is secured by an interest in the equipment and was paid off as scheduled.

The lease payments are reported as debt service in the General fund.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 7. Long-Term Debt, Continued

The future minimum lease obligations and the present value of the minimum lease payments as of December 31, 201 are as follows:

<u>December 31,</u>	<u>Governmental Activities</u>
2017	\$ 114,031
2018	114,531
2019	114,781
2020	114,781
2021	114,531
2022-2026	573,937
2027-2029	<u>229,907</u>
Total remaining lease payments	\$ 1,376,499
Less: Amount representing interest	<u>418,499</u>
Present value of net remaining minimum lease payments	<u><u>\$ 958,000</u></u>

A summary of assets acquired through capital leases follows:

	<u>Governmental Activities</u>
Vehicles and equipment	\$ 129,561
Accumulated depreciation	(77,737)
Buildings	1,300,000
Accumulated depreciation	<u>(227,500)</u>
Net total	<u><u>\$ 1,124,324</u></u>

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 8. Interfund Receivables, Payables and Transfers

No Interfund receivable and payable balances exist in the fund financial statements for fiscal year 2016

Generally outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of the above interfund amounts are the result of short-term deficit pooled cash balances. There are no specified terms for repayment of the balances at year-end.

Interfund transfers for the year ended December 31, 2016 are shown in the following table:

	<u>Transfers In</u>	
<u>Transfers Out:</u>	Water-Sewer- Refuse	Total
General Fund	\$ 43,070	\$ 43,070
	<u>\$ 43,070</u>	<u>\$ 43,070</u>

Transfers were used to move unrestricted general fund revenues to the Water-Sewer-Refuse fund based upon the Town's adopted budgetary policies and via Town Council resolutions.

Note 9. Retirement and Pension Plans

Town employees may voluntarily contribute to a deferred compensation plan. The defined contribution plan is administered by ICMA Retirement Corporation and was created in accordance with Internal Revenue Code Section 457B. The plan, available to all full-time permanent employees of the Town at their option, permits participants 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.

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 employee's wages. The Town's contributions to the plan were \$45,052 during the year ended December 31, 2016.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 10. Risk Management

Public Entity Risk Pool

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 and natural disasters. Claims have not exceeded coverage in any of the last three fiscal years.

The Town is insured by Workers Compensation for potential worker related accidents.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1155, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage's and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

The general objectives of the Agency are to provide member municipalities defined liability and property coverage through joint self-insurance and to assists members in loss prevention measures. Any member may withdraw from the Agency by giving written notice to the Board of Directors of the prospective effective date of its withdrawal.

CIRSA is financed by annual contributions and interest earnings on the contributions. The contributions are used, in part, to establish loss funds from which member claims and associated costs are paid. Excess reinsurance coverage is also purchased. Certain surplus funds are used to the benefit of members and may include reductions in future contributions. Although none have occurred to date, additional member contributions may be required if necessary. The Town's contribution to CIRSA for insurance coverage is reported as an expenditure in the General fund. The Town is unaware of any excess losses which may have been incurred by CIRSA and there have been no settled claims which exceed insurance coverage in any of the last three years. The Town's share of surplus contributions held by CIRSA at December 31, 2012 was \$65,295. The Town's share of the surplus as of December 31, 2016 was not available.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

Health Reimbursement Arrangement Plan

In order to control increasing health care costs, effective January 1, 2011, the Town established a Health Reimbursement Arrangement (HRA) Plan that reimburses employees for group medical health insurance plan deductible and actual eligible medical expenses incurred (as defined under Internal Revenue Code Section 213(d)). The plan year is from March 1 through February 28. At the end of a plan year, any unused claim liability in an HRA Plan account is returned to the Town.

TOWN OF HAYDEN, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 11. Contingencies and Commitments

Litigation

The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that any potential cases will either be handled by the Town's insurance coverage or that they will not have a material effect on the Town's financial condition.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

Yamcolo Reservoir Storage Agreement

The Town entered into an extension and amendment agreement with the Upper Yampa Water Conservancy District (UYWCD) effective July 15, 2011 for 300 acre feet of storage water in the Yamcolo Reservoir for thirty years terminating July 15, 2041. The purchase price for the storage water was \$68.38 per acre foot in 2011 and is subject to an annual CPI increase thereafter.

Stagecoach Reservoir Water Allotment Contract

The Town entered into a water allotment contract with UYWCD in 1986 for 200 acre feet of storage water in the Stagecoach Reservoir for thirty years terminating 2018. The purchase price for the storage water was \$35.00 per acre foot due annually on July 15th.

Note 11. Prior Period Adjustment

During 2016 it was determined that the previously reported blended component unit of the Town (Heritage Center Fund) was no longer considered to be a component unit. Accordingly, the Heritage Center Fund was removed from the Town's financial statements resulting in a prior period adjustment to transfer the beginning fund balance of that fund to the General Fund.

TOWN OF HAYDEN, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUND:

General Fund – Detail Budget and Actual

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended December 31, 2016

REVENUES:	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales tax	\$ 932,527	\$ 932,527	\$ 997,656	\$ 65,129
Property tax	476,733	476,733	479,203	2,470
Car rental tax	117,536	117,536	140,072	22,536
Other taxes	14,594	14,594	72,397	57,803
Franchise tax	57,200	57,200	56,373	(827)
Total Taxes	<u>1,598,590</u>	<u>1,598,590</u>	<u>1,745,701</u>	<u>147,111</u>
Licenses, Permits and Fees:				
Licenses, permits and fees	6,300	6,300	11,468	5,168
Building permits	3,000	3,000	48,215	45,215
Total Licenses, Permits and Fees	<u>9,300</u>	<u>9,300</u>	<u>59,683</u>	<u>50,383</u>
Intergovernmental:				
Highway users tax	60,217	60,217	71,475	11,258
Severance tax	102,830	102,830	68,443	(34,387)
Other	91,311	91,311	138,248	46,937
Grant revenues	65,000	65,000	49,389	(15,611)
Total Intergovernmental	<u>319,358</u>	<u>319,358</u>	<u>327,555</u>	<u>8,197</u>
Fines and Forfeitures:				
Fines and forfeitures	12,000	12,000	17,083	5,083
Total Fines and Forfeitures	<u>12,000</u>	<u>12,000</u>	<u>17,083</u>	<u>5,083</u>
Interest:				
Interest revenue	2,058	2,058	5,264	3,206
Total Interest	<u>2,058</u>	<u>2,058</u>	<u>5,264</u>	<u>3,206</u>
Other Revenues:				
Charges for Services	7,050	7,050	8,205	1,155
Recreation programs and events	26,000	26,000	37,454	11,454
Miscellaneous revenue	5,010	5,010	7,788	2,778
Total Other Revenues	<u>38,060</u>	<u>38,060</u>	<u>53,447</u>	<u>15,387</u>
TOTAL REVENUES	<u>\$ 1,979,366</u>	<u>\$ 1,979,366</u>	<u>\$ 2,208,733</u>	<u>\$ 229,367</u>

(continued)

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual (Continued)
For the Year Ended December 31, 2016

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Administrative:				
Wages and benefits	\$ 169,050	\$ 169,050	\$ 184,598	\$ (15,548)
Insurance	8,488	8,488	10,546	(2,058)
Contributions	-	-	225	(225)
Professional services	35,873	35,873	75,088	(39,215)
General operating and supplies	13,500	13,500	11,400	2,100
Other	11,550	11,550	11,562	(12)
Total administration	238,461	238,461	293,419	(54,958)
Legislative:				
Wages and benefits	8,340	8,340	8,367	(27)
Treasurer fees	14,302	14,302	14,752	(450)
Professional services	6,825	6,825	18,049	(11,224)
Other	13,600	13,600	2,262	11,338
Total legislation	43,067	43,067	43,430	(363)
Building department:				
Utilities	6,753	6,753	5,040	1,713
Insurance	6,349	6,349	6,855	(506)
Maintenance and repairs	5,100	5,100	4,060	1,040
Other	2,400	2,400	2,400	-
Total building department	20,602	20,602	18,355	2,247
Data processing department	23,055	23,055	26,438	(3,383)
Judicial department	10,378	10,378	12,839	(2,461)
Planning department	30,500	30,500	141,130	(110,630)
Elections department	11,000	11,000	7,320	3,680
Executive department	2,235	2,235	2,114	121
Total General Government	379,298	379,298	545,045	(165,747)
Public Safety:				
Wages and benefits	562,644	562,644	517,019	45,625
Insurance	13,469	13,469	11,073	2,396
General operating and supplies	39,945	39,945	34,721	5,224
Vehicles	77,900	77,900	15,274	62,626
Utilities	16,700	16,700	17,543	(843)
Other	32,072	32,072	28,511	3,561
Total Public Safety	\$ 742,730	\$ 742,730	\$ 624,141	\$ 118,589

(continued)

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual (Continued)
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works:				
Streets department:				
Wages and benefits	\$ 289,377	\$ 289,377	\$ 230,982	\$ 58,395
Utilities	31,700	31,700	34,021	(2,321)
Street cleaning and maintenance	240,000	240,000	81,607	158,393
General operating and supplies	14,200	14,200	8,639	5,561
Vehicles	12,500	12,500	4,834	7,666
Insurance	4,717	4,717	4,746	(29)
Other	21,500	21,500	4,679	16,821
Total streets department	<u>613,994</u>	<u>613,994</u>	<u>369,508</u>	<u>244,486</u>
Mosquito control:				
Other	12,731	12,731	15,888	(3,157)
Total mosquito control	<u>12,731</u>	<u>12,731</u>	<u>15,888</u>	<u>(3,157)</u>
 Total Public Works	 <u>626,725</u>	 <u>626,725</u>	 <u>385,396</u>	 <u>241,329</u>
Parks and Recreation:				
Recreation:				
Wages and benefits	24,266	24,266	25,998	(1,732)
Programs	14,000	14,000	17,647	(3,647)
Special Events	12,000	12,000	16,697	(4,697)
Other	6,523	6,523	5,091	1,432
Total recreation	<u>56,789</u>	<u>56,789</u>	<u>65,433</u>	<u>(8,644)</u>
Parks:				
Wages and benefits	102,461	102,461	110,813	(8,352)
Utilities	15,000	15,000	21,017	(6,017)
General operating and supplies	5,500	5,500	4,234	1,266
Insurance	4,717	4,717	5,273	(556)
Repairs and maintenance	21,500	21,500	21,257	243
Other	16,000	16,000	9,611	6,389
Total Parks	<u>165,178</u>	<u>165,178</u>	<u>172,205</u>	<u>(7,027)</u>
 Total Parks & Recreation	 <u>\$ 221,967</u>	 <u>\$ 221,967</u>	 <u>\$ 237,638</u>	 <u>\$ (15,671)</u>

(continued)

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual (Continued)
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Economic Development:				
Other	\$ 500	\$ 500	\$ 3,052	\$ (2,552)
Total Economic Development	500	500	3,052	(2,552)
Capital Outlay	238,670	238,670	64,590	174,080
Debt Service:				
Principal	115,375	115,375	55,349	60,026
Interest	-	-	62,376	(62,376)
Total Debt Service	115,375	115,375	117,725	(2,350)
TOTAL EXPENDITURES	2,325,265	2,325,265	1,977,587	347,678
Excess of Revenues Over (Under) Expenditures	(345,899)	(345,899)	231,146	577,045
Other Financing Sources (Uses):				
Transfer out	-	-	(43,070)	(43,070)
Total Other Financing Sources (Uses)	-	-	(43,070)	(43,070)
Net change in fund balance	(345,899)	(345,899)	188,076	533,975
Fund balance, beginning of year	973,254	973,254	973,254	-
Prior period adjustment	-	-	(5,027)	(5,027)
Fund balance, end of year	\$ 627,355	\$ 627,355	\$ 1,156,303	\$ 528,948

TOWN OF HAYDEN, COLORADO

SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING FUNDS:

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **Conservation Trust Fund** is used to account for State of Colorado lottery funds to be used for parks and recreation services and capital improvement.
- The **Development Fees Fund** accounts for development fees committed for subdivision improvements.
- The **Hayden Public Library Fund** accounts for donations and other revenues committed for the library.

Major Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

- The **Water-Sewer-Refuse Fund** is used to account for the Town's water wells, treatment facilities and distribution system, Town's sewer collection and treatment services, and refuse collection services.

TOWN OF HAYDEN, COLORADO
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Conservation Trust Fund	Development Fees Fund	Hayden Public Library	Total
ASSETS				
Cash and cash equivalents	\$ 9,769	\$ 118,003	\$ 246,664	\$ 374,436
Total Assets	<u>\$ 9,769</u>	<u>\$ 118,003</u>	<u>\$ 246,664</u>	<u>\$ 374,436</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted for:				
Parks and recreation	9,769	-	-	9,769
Committed to:				
General government (library)	-	-	246,664	246,664
Economic development	-	118,003	-	118,003
Total fund balances (deficit)	<u>9,769</u>	<u>118,003</u>	<u>246,664</u>	<u>374,436</u>
Total Liabilities and Fund Balances	<u>\$ 9,769</u>	<u>\$ 118,003</u>	<u>\$ 246,664</u>	<u>\$ 374,436</u>

TOWN OF HAYDEN, COLORADO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

REVENUES:	Conservation Trust Fund	Development Fees Fund	Hayden Public Library	Total
Intergovernmental	\$ 20,560	\$ -	\$ -	\$ 20,560
Interest revenue	-	-	673	673
Other revenues	133	-	5,224	5,357
Total Revenues	<u>20,693</u>	<u>-</u>	<u>5,897</u>	<u>26,590</u>
EXPENDITURES:				
General government	-	-	3,682	3,682
Capital outlay	77,624	-	-	77,624
Total Expenditures	<u>77,624</u>	<u>-</u>	<u>3,682</u>	<u>81,306</u>
Excess of Revenues Over (Under) Expenditures	<u>(56,931)</u>	<u>-</u>	<u>2,215</u>	<u>(54,716)</u>
Fund balances, beginning of year	<u>66,700</u>	<u>118,003</u>	<u>244,449</u>	<u>429,152</u>
Fund balances, end of year	<u>\$ 9,769</u>	<u>\$ 118,003</u>	<u>\$ 246,664</u>	<u>\$ 374,436</u>

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
Conservation Trust Special Revenue Fund
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
State lottery	\$ 17,145	\$ 17,145	\$ 20,560	\$ 3,415
Interest income	250	250	133	(117)
Total revenue	<u>17,395</u>	<u>17,395</u>	<u>20,693</u>	<u>3,298</u>
EXPENDITURES:				
Parks and recreation:				
Capital outlay	<u>64,100</u>	<u>64,100</u>	<u>77,624</u>	<u>(13,524)</u>
Total Expenditures	<u>64,100</u>	<u>64,100</u>	<u>77,624</u>	<u>(13,524)</u>
Excess of Revenues Over (Under) Expenditures	<u>(46,705)</u>	<u>(46,705)</u>	<u>(56,931)</u>	<u>(10,226)</u>
Fund balance, beginning of year	<u>66,700</u>	<u>66,700</u>	<u>66,700</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 19,995</u></u>	<u><u>\$ 19,995</u></u>	<u><u>\$ 9,769</u></u>	<u><u>\$ (10,226)</u></u>

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
Development Fees Special Revenue Fund
Budget and Actual
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Development fees	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
EXPENDITURES:				
General government	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance, beginning of year	118,003	118,003	118,003	-
Fund balance, end of year	<u>\$ 118,003</u>	<u>\$ 118,003</u>	<u>\$ 118,003</u>	<u>\$ -</u>

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenditures and Changes in Fund Balance
Hayden Public Library Special Revenue Fund
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest income	\$ -	\$ -	\$ 673	\$ 673
Other revenues	-	-	5,224	5,224
Total Revenue	-	-	5,897	5,897
EXPENDITURES:				
Services, supplies, and other	-	-	3,682	(3,682)
Total Expenditures	-	-	3,682	(3,682)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	-	-	2,215	2,215
Fund balance, beginning of year	244,449	244,449	244,449	-
Fund balance, end of year	<u>\$ 244,449</u>	<u>\$ 244,449</u>	<u>\$ 246,664</u>	<u>\$ 2,215</u>

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenses and Changes in Net Assets
Water-Sewer-Refuse Fund
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services:				
Water	\$ 686,539	\$ 686,539	\$ 696,337	\$ 9,798
Sewer	331,407	331,407	339,814	8,407
Refuse	139,800	139,800	141,905	2,105
Other revenues	21,913	21,913	29,569	7,656
Total Revenues	<u>1,179,659</u>	<u>1,179,659</u>	<u>1,207,625</u>	<u>27,966</u>
Expenses				
Water:				
Operating water	197,017	197,017	180,182	16,835
Water treatment plant	209,010	209,010	143,058	65,952
Golden meadows	11,121	11,121	13,854	(2,733)
Hospital hill	19,651	19,651	18,574	1,077
Seneca hill	4,500	4,500	73,196	(68,696)
Meters	11,357	11,357	15,281	(3,924)
Water rights	35,440	35,440	38,048	(2,608)
Water distribution	27,000	27,000	24,342	2,658
Administration water	161,517	161,517	6,200	155,317
Sewer:				
Operating sewer	146,028	146,028	125,958	20,070
Sewer treatment plant	80,835	80,835	84,724	(3,889)
Washington street	2,448	2,448	2,084	364
Sewer collection system	17,000	17,000	17,839	(839)
Lift stations	10,253	10,253	10,183	70
Administration sewer	161,397	161,397	68,653	92,744
Refuse Collection	139,800	139,800	141,905	(2,105)
Total Expenses	<u>1,234,374</u>	<u>1,234,374</u>	<u>964,081</u>	<u>270,293</u>
Operating Income(loss) excluding depreciation	<u>(54,715)</u>	<u>(54,715)</u>	<u>243,544</u>	<u>298,259</u>
Non-operating Revenues (Expenses)				
Interest income	2,380	2,380	-	(2,380)
Connection and tap fees	13,200	13,200	73,200	60,000
Total Non-Operating Revenue (Expense)	<u>15,580</u>	<u>15,580</u>	<u>73,200</u>	<u>57,620</u>
Income(loss) before contributions, transfers and capital and related financing activities	<u>\$ (39,135)</u>	<u>\$ (39,135)</u>	<u>\$ 316,744</u>	<u>\$ 355,879</u>

(continued)

TOWN OF HAYDEN, COLORADO
Schedule of Revenues, Expenses and Changes in Net Assets
Water-Sewer-Refuse Fund (Continued)
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Contributions, Transfers and Capital and Related Financing Activities:				
Capital outlay	\$ (425,140)	\$ (425,140)	\$ (242,658)	\$ 182,482
Debt service	(194,920)	(194,920)	(559,104)	(364,184)
Capital contributions and grants	474,645	474,645	22,637	(452,008)
Transfers in	-	-	43,070	43,070
Total Contributions, transfers and capital and related financing activities	<u>(145,415)</u>	<u>(145,415)</u>	<u>(736,055)</u>	<u>(590,640)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(184,550)	(184,550)	(419,311)	(234,761)
Reconciliation to net income:				
Depreciation			(336,837)	
Capital outlay			242,658	
Debt principal payments			509,749	
US GAAP basis net income (loss)			<u>(3,741)</u>	
Net position, beginning of year			<u>7,484,175</u>	
Net position, end of year			<u><u>\$ 7,480,434</u></u>	

TOWN OF HAYDEN, COLORADO

SUPPLEMENTARY INFORMATION

**COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS**

The Colorado Water Resources and Power Development Authority Loan Agreement sets forth certain covenants and restrictions. As of December 31, 2016, the Town appears to be in compliance with all covenants and restrictions as set forth in Exhibit A and Exhibit F, Additional Covenants and Requirements. See footnote 7 for details on the loan. The following are additional disclosures required by the loan agreement.

- **Rate Covenant:** The Town shall establish and collect such rates, fees, and charges for the use or the sale of the products and services of the System as, together with other moneys available therefore, are expected to produce Gross revenue for each calendar year that will be at least sufficient for such calendar year to pay the sum of estimated operation and maintenance expenses, 110% of the debt service coming due on the bond during the calendar year and other debt service requirements. Gross revenue as defined in Para (3) of Exhibit A to the Loan Agreement is all income and revenues directly or indirectly derived by the government agency for the operation and use of the system, including investment income, but excluding, property taxes and grants received for capital improvements.

Summary of 2016 Gross Revenue Requirement

Total Gross Revenue requirement	\$ 1,034,241
Total water fund revenues, excluding capital grants	\$ 1,138,920
Excess (deficiency) of gross revenues	\$ 104,679
2016 Actual coverage ratio of CWRPDA debt service	228%

- **Operations and Maintenance Reserve Fund Covenant:** The Town has set aside sufficient funds to meet the Reserve Fund covenant. See footnote 5 for more details regarding the reserve fund amount.

SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

Section 43-2-132 of the Colorado Revised Statutes requires municipalities receiving Highway User Tax Funds to include a schedule of highway receipts and expenditures with the audit report. The said report is presented on the following two pages.

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		City or County: Town of Hayden, CO			
		YEAR ENDING : December 31, 2016			
LOCAL HIGHWAY FINANCE REPORT					
This Information From The Records Of (example - City of _ or County of _):		Prepared By: Carrie Bartow Phone: 303-779-5710			
I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE					
ITEM	A. Local	B. Local	C. Receipts from	D. Receipts from	
1. Total receipts available					
2. Minus amount used for collection expenses					
3. Minus amount used for nonhighway purposes					
4. Minus amount used for mass transit					
5. Remainder used for highway purposes					
II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES			
ITEM	AMOUNT	ITEM	AMOUNT		
A. Receipts from local sources:		A. Local highway disbursements:			
1. Local highway-user taxes		1. Capital outlay (from page 2)	0		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	371,259		
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:			
c. Total (a.+b.)		a. Traffic control operations	26,999		
2. General fund appropriations	397,715	b. Snow and ice removal	23,098		
3. Other local imposts (from page 2)	33,743	c. Other			
4. Miscellaneous local receipts (from page 2)	16,483	d. Total (a. through c.)	50,097		
5. Transfers from toll facilities		4. General administration & miscellaneous	32,951		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	73,054		
a. Bonds - Original Issues		6. Total (1 through 5)	527,361		
b. Bonds - Refunding Issues		B. Debt service on local obligations:			
c. Notes		1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest			
7. Total (1 through 6)	447,940	b. Redemption			
B. Private Contributions		c. Total (a. + b.)	0		
C. Receipts from State government (from page 2)	79,421	2. Notes:			
D. Receipts from Federal Government (from page 2)	0	a. Interest			
E. Total receipts (A.7 + B + C + D)	527,361	b. Redemption			
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	0		
		C. Payments to State for highways			
		D. Payments to toll facilities			
		E. Total disbursements (A.6 + B.3 + C + D)	527,361		
IV. LOCAL HIGHWAY DEBT STATUS					
	Opening Debt	Amount Issued	Redemptions	Closing Debt	
A. Bonds (Total)				0	
1. Bonds (Refunding Portion)					
B. Notes (Total)				0	
V. LOCAL ROAD AND STREET FUND BALANCE					
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	527,361	527,361	0	0

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 31, 2016

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local		A.4. Miscellaneous local receipts:	
a. Property Taxes and		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	16,483
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure &		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership	33,743	g. Other Misc. Receipts	
6. Total (1. through 5.)	33,743	h. Other	
c. Total (a. + b.)	33,743	i. Total (a. through h.)	16,483
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from		D. Receipts from Federal Government	
1. Highway-user taxes	71,475	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle	7,946	d. Federal Transit Admin	
d. Other (Specify) -		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	7,946	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	79,421	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL	OFF NATIONAL	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and Town Council
Town of Hayden, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Hayden, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hayden, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hayden, Colorado's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control which are described in the findings and recommendations letter dated June 20, 2017 that we consider to be significant deficiencies:

2013-001	Adjustments and Reconciliations
2013-002	Segregation of Duties
2013-003	Capital Asset Management

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
St. George, Utah
June 20, 2017