

**TOWN OF HUDSON, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2016**



**RECEIVED**

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## **FINANCIAL SECTION**



Honorable Mayor and Board of Trustees  
Town of Hudson  
Hudson, Colorado

## INDEPENDENT AUDITORS' REPORT

### **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 Hudson as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Hudson, 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.

### ***Auditors' 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 auditors' 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 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 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 Hudson as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, 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 required supplementary information listed in the table of contents 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 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 Matters (Other Information)***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hudson's basic financial statements. The supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 July 14, 2017, on our consideration of the Town of Hudson'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 Hudson's internal control over financial reporting and compliance.



July 14, 2017

## Management's Discussion and Analysis

This discussion and analysis of the financial performance of the Town of Hudson, Colorado (Town) provides an overview of the Town's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the financial statements.

### FINANCIAL HIGHLIGHTS

- The Net Position of the Town increased by \$4,624,400 (21.4%) during 2016.
- At December 31, 2016, the Town's governmental funds reported combined ending fund balances of \$9,681,041. This marked an increase of \$3,333,571 (52.5%) from the prior year's ending governmental fund balances. Oil and gas operations in the area contributed greatly to these gains, particularly in the Library fund.
- The Town's water and wastewater funds' net position declined by \$229,951 (2.6%) during 2016 primarily due to depreciation of the water and wastewater capital assets.
- The Town began construction of a new Town Hall during 2016. The Town received State of Colorado grant funds of \$616,820, and expended \$1,854,303 toward construction of the new building.
- During October, 2016, the Town refinanced its 2009 Sales Tax Revenue Bonds and 2009 Limited Tax General Obligation Bonds by issuing 2016 Limited Property and Sales Tax Refunding Bonds. The refunding reduced future debt service payments by \$1,042,902.

### USING THIS ANNUAL REPORT

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

#### Government-wide financial statements

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

The *Statement of Net Position* presents information on all of the Town's assets and liabilities and deferred inflows and outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town of Hudson that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety (police), public works, parks and recreation, and library. The business-type activities of the Town include water and wastewater operations.

#### Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hudson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: Governmental Funds and Proprietary Funds.

**Governmental Funds** -- Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The unrestricted balances left at year-end are available for spending in future years. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide detailed short-term views of cash, operations, and basic services provided. Governmental fund statements show the reader whether there are more or fewer financial resources available at the end of a fiscal year that can be spent in the near future to finance government programs and objectives.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities* provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The Town of Hudson maintains ten individual governmental funds. Information for these funds is presented by fund name in the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for four of the ten governmental funds that meet the criteria to be designated as major funds (General Fund, Property Tax Special Revenue Fund, Paving Sales Tax Fund, and Hudson Public Library Fund). The other governmental funds (Sales Tax Capital Improvement Fund, Capital Reserve Fund, Conservation Trust Fund, Park Impact Fee Fund, Facilities Impact Fee Fund, and Street Impact Fee Fund) are shown in a column titled "Other Nonmajor Governmental Funds." Individual fund data for these nonmajor governmental funds are provided in the back of this report following the "Notes to Financial Statements."

**Proprietary Funds** -- The Town's utility services are reported in proprietary funds; they focus on overall economic position rather than year-end fund balances. Enterprise funds are the type of proprietary funds used to account for the Town's Water Fund and Wastewater Fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements, only in a bit more detail.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

### **Other information**

Budgetary comparison statements or schedules for all funds with budgeted expenditures/expenses are included following the "Notes to Financial Statements" to demonstrate each fund's compliance with adopted budgets and appropriations. For the year ended December 31, 2016, all funds had budgeted expenditures/expenses except the Park Impact Fee Fund and the Facilities Impact Fee Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hudson, assets and deferred outflows of resources exceeded liabilities and deferred property taxes by \$26,261,758 at the close of 2016. As shown below, the Town's financial position improved by \$4,624,400 (21.4%) during 2016.

### Town of Hudson's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$11,379,676	\$ 8,632,976	\$ 912,624	\$ 858,490	\$12,292,300	\$ 9,491,466
Capital assets, net	11,437,359	9,747,515	12,568,161	12,975,356	24,005,520	22,722,871
Total assets	\$22,817,035	\$18,380,491	\$13,480,785	\$ 13,833,846	\$36,297,820	\$32,214,337
Deferred outflows of resources	\$ 266,673	\$ -	\$ -	\$ -	\$ 266,673	\$ -
Current liabilities	604,124	152,982	137,768	132,052	741,892	285,034
Noncurrent Liabilities	3,760,109	3,313,949	4,697,415	4,826,241	8,457,524	8,140,190
Total liabilities	\$ 4,364,233	\$ 3,466,931	\$ 4,835,183	\$ 4,958,293	\$ 9,199,416	\$ 8,425,224
Deferred inflows of resources	\$ 1,103,319	\$ 2,151,755	\$ -	\$ -	\$ 1,103,319	\$ 2,151,755
Net position:						
Net investment in capital assets	\$ 7,688,405	\$ 6,446,746	\$ 7,875,061	\$ 8,159,939	\$15,563,466	\$14,606,685
Restricted	1,767,941	1,673,802	55,813	55,801	1,823,754	1,729,603
Unrestricted	8,159,810	4,641,257	714,728	659,813	8,874,538	5,301,070
Total net position	\$17,616,156	\$12,761,805	\$ 8,645,602	\$ 8,875,553	\$26,261,758	\$21,637,358

A significant portion (59.3%) of the Town's total net position at December 31, 2016 is represented by its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The Town uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending.

Approximately 7.0% (\$1,823,754) of the Town's total net position at the end of 2016 represents resources that are subject to external restrictions on how they may be used. They are primarily fund balance restrictions of sales taxes collected for paving and maintenance of streets (\$801,678), debt service reserves required for the Town's 2016 Limited Property and Sales Tax Refunding Bonds (\$245,300) and wastewater obligations (\$55,813), and fund balance restrictions of sales taxes collected for capital improvements (\$428,926). An additional \$72,037 is restricted for parks and \$220,000 for emergencies.

The remaining amount of the Town's total net position at the end of 2016 (\$8,874,538) represents 33.8% of total net position and may be used to meet the Town's other ongoing obligations to residents and creditors. The Town utilizes a working policy to maintain a minimum of approximately one year's operating expenses in the General Fund balance.

The following chart displays the changes in net position experienced by the Town over the last two fiscal years. An analysis of these changes follows for both its Governmental and Business-type Activities.

### Town of Hudson's Changes in Net Position

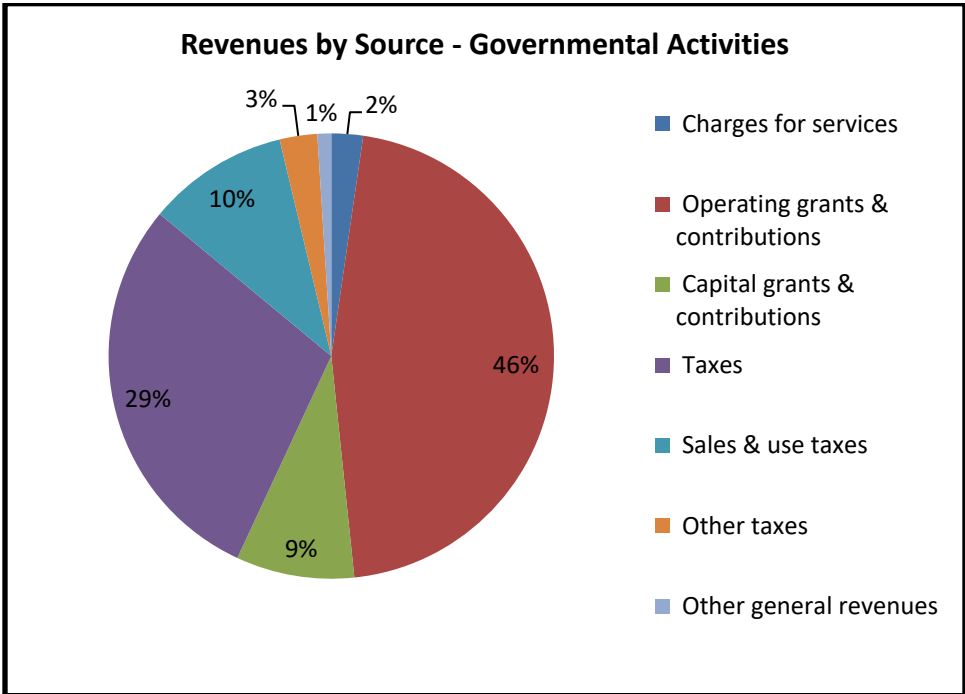
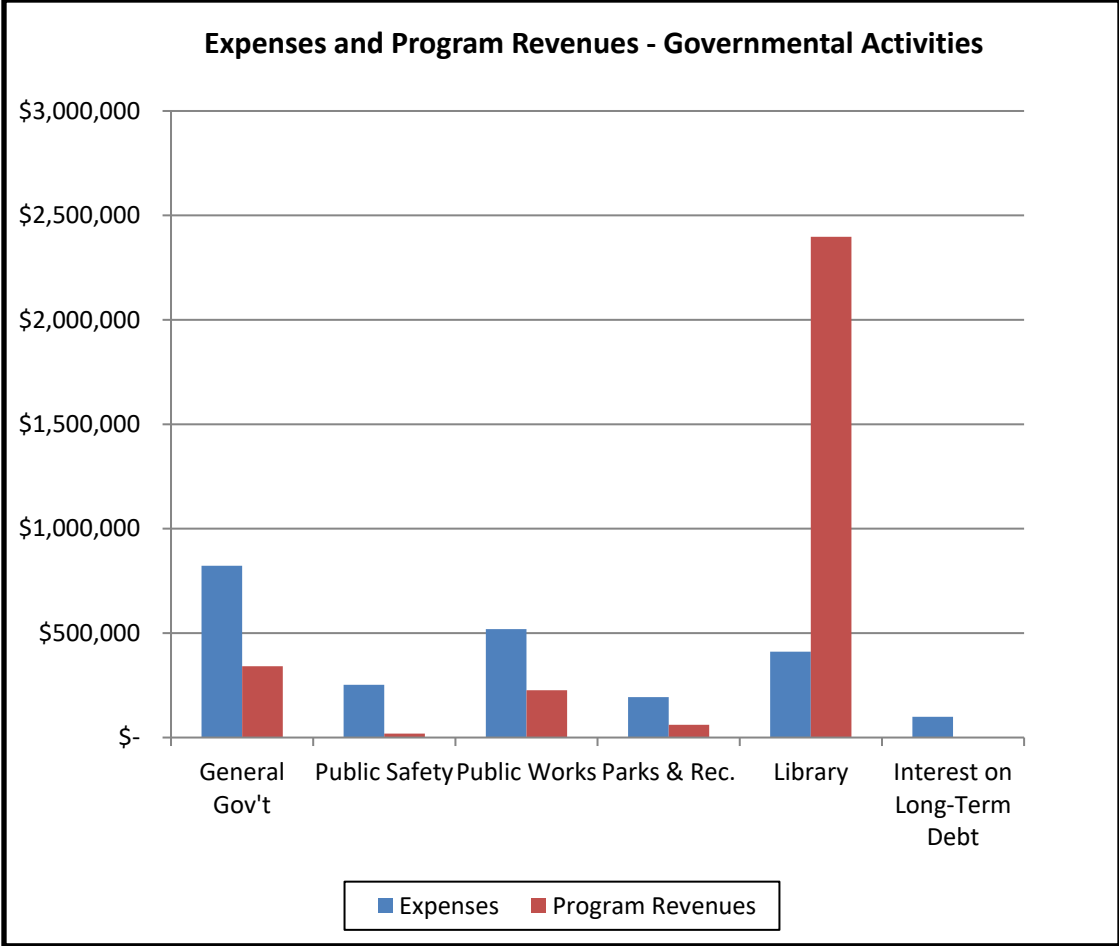
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Program revenues:</b>						
Charges for services	\$ 167,661	\$ 124,751	\$ 1,111,184	\$ 843,690	\$ 1,278,845	\$ 968,441
Operating grants & contributions	3,364,942	2,885,179	-	-	3,364,942	2,885,179
Capital grants & contributions	627,276	36,000	-	-	627,276	36,000
<b>General revenues:</b>						
Property taxes	2,124,514	1,927,926	-	-	2,124,514	1,927,926
Sales & use taxes	823,012	1,195,535	-	-	823,012	1,195,535
Other taxes	199,378	192,848	-	-	199,378	192,848
Gain on sale of capital assets	-	53,592	-	249,234	-	302,826
Other general revenues	32,654	13,203	2,124	25,330	34,778	38,533
<b>Total revenues</b>	<b>\$ 7,339,437</b>	<b>\$ 6,429,034</b>	<b>\$ 1,113,308</b>	<b>\$ 1,118,254</b>	<b>\$ 8,452,745</b>	<b>\$ 7,547,288</b>
<b>Program expenses:</b>						
General government	\$ 822,403	\$ 646,077	\$ -	\$ -	\$ 822,403	\$ 646,077
Public safety	252,357	250,401	-	-	252,357	250,401
Public works	518,876	716,813	-	-	518,876	716,813
Parks and Recreation	193,797	152,135	-	-	193,797	152,135
Library	411,208	312,543	-	-	411,208	312,543
Water utility	-	-	755,971	736,140	755,971	736,140
Wastewater utility	-	-	676,621	718,722	676,621	718,722
Debt issuance costs	97,622	-	-	-	97,622	-
Interest on long-term debt	99,490	202,684	-	-	99,490	202,684
<b>Total expenses</b>	<b>\$ 2,395,753</b>	<b>\$ 2,280,653</b>	<b>\$ 1,432,592</b>	<b>\$ 1,454,862</b>	<b>\$ 3,828,345</b>	<b>\$ 3,735,515</b>
Transfers In/(Out)	\$ (89,333)	\$ (84,324)	\$ 89,333	\$ 84,324	\$ -	\$ -
Increase/(decrease)in net position	\$ 4,854,351	\$ 4,064,057	\$ (229,951)	\$ (252,284)	\$ 4,624,400	\$ 3,811,773
Net Position, Beginning	12,761,805	8,697,748	8,875,553	9,127,837	21,637,358	17,825,585
<b>Net Position, Ending</b>	<b>\$ 17,616,156</b>	<b>\$ 12,761,805</b>	<b>\$ 8,645,602</b>	<b>\$ 8,875,553</b>	<b>\$ 26,261,758</b>	<b>\$ 21,637,358</b>

#### Governmental Activities

The Town's Governmental Activities increased in net position by \$4,854,351 (38.0%) in 2016. Key elements of this increase are as follows:

- Property taxes continue to outpace historical norms due to increased assessed valuations led by oil and gas production.
- Uncharacteristically high shared revenues from the High Plains Library District of \$3,158,645 outpaced Library expenditures by \$2,807,467 in 2016. These revenues were also tied to assessed valuation associated with fairly recent growth in oil and gas production and other growth within the district.

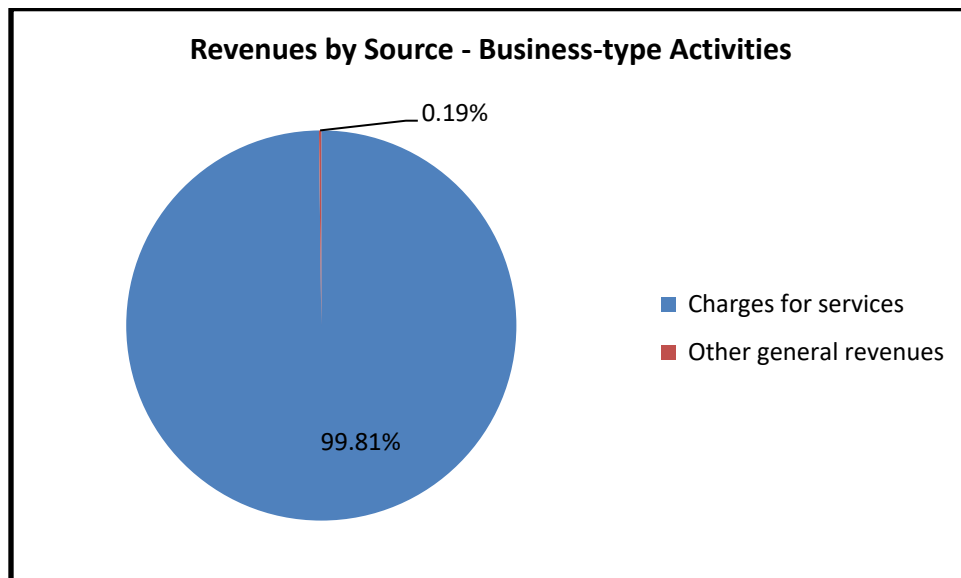
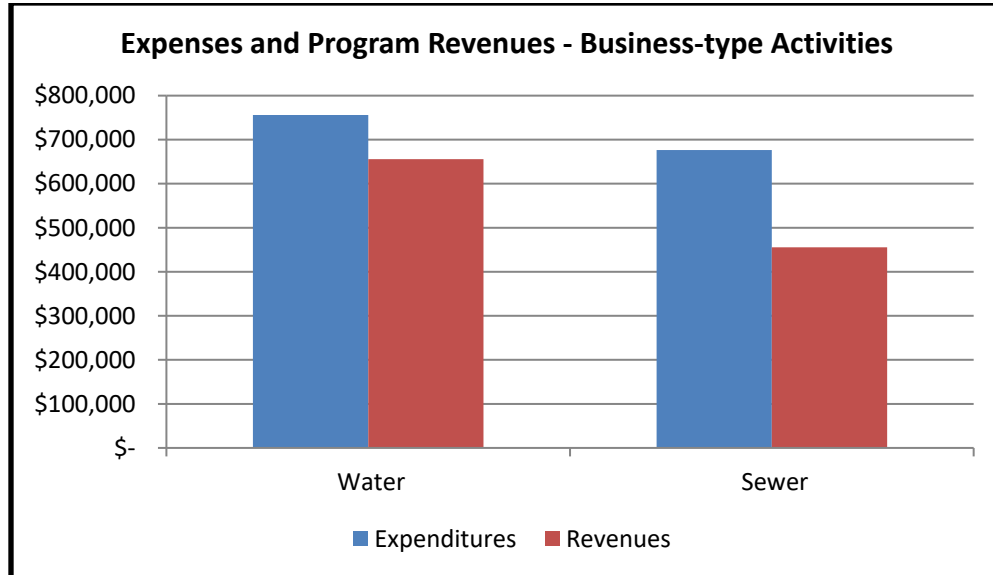
The following two charts illustrate the Governmental Activities revenues and expenses. As in most municipalities, the expenses of governmental activities are not fully supported through program revenues but are largely financed through taxes.



### Business-type Activities

Business-type Activities reduced the Town of Hudson's net position by 229,951 (-2.6%) during 2016. This was a slight improvement over 2015 when these activities reduced the Town's total net position \$252,284. Operational expenses including depreciation exceeded operating revenues by \$57,904 and \$113,170 in the Water and Wastewater Funds respectively. These operating losses were less than those experienced in 2015 (\$-257,465 in the Water Fund and \$-176,868 in the Wastewater Fund), due to the rate increases enacted during 2016. Management anticipates future rate increases as well as slow growth in customer bases will address future revenue needs in these funds. In addition, the sale of the decommissioned lagoon property will improve the net position of the Wastewater Fund.

The following two charts illustrate the Business-type Activities revenues and expenses for 2016.

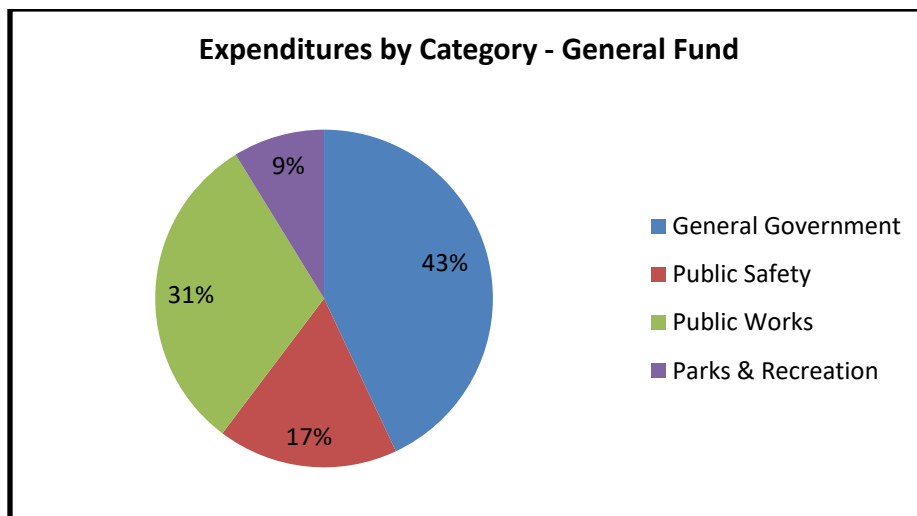
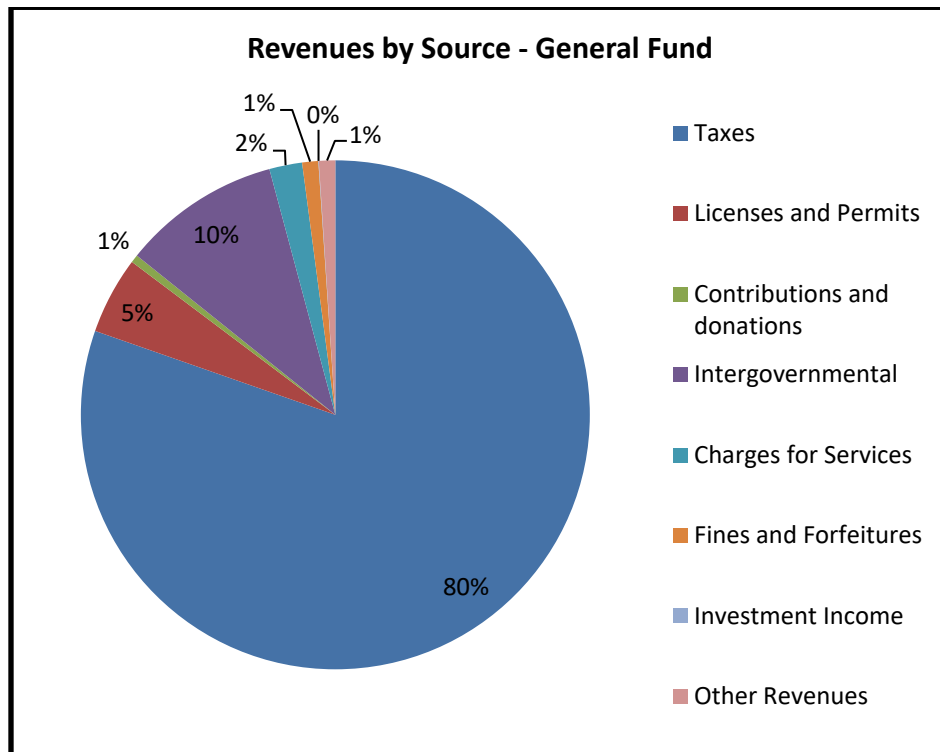


### THE TOWN'S FUNDS

As noted earlier, the Town of Hudson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Governmental Funds utilize the modified accrual basis of accounting, and the balances of the spendable resources (unrestricted fund balance) in each fund are

shown at year end. At December 31, 2016 the Town's four major Governmental funds reported combined unrestricted fund balances of \$7,278,281. These funds are discussed below.

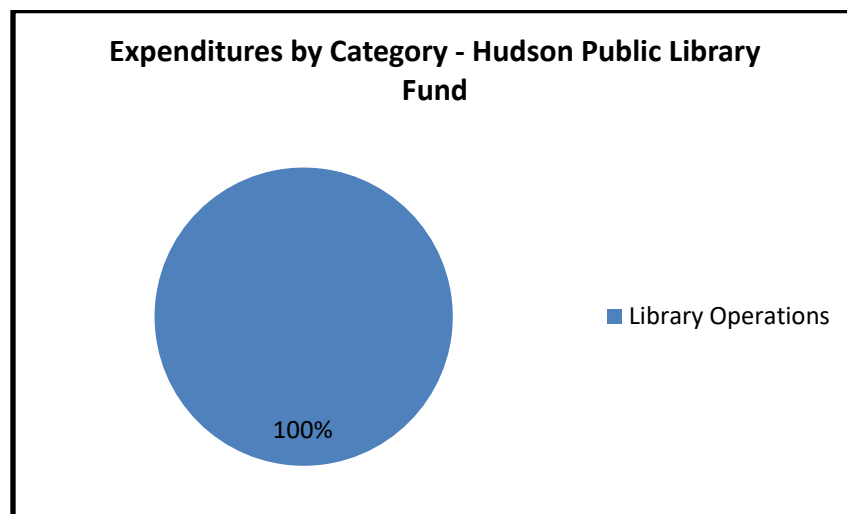
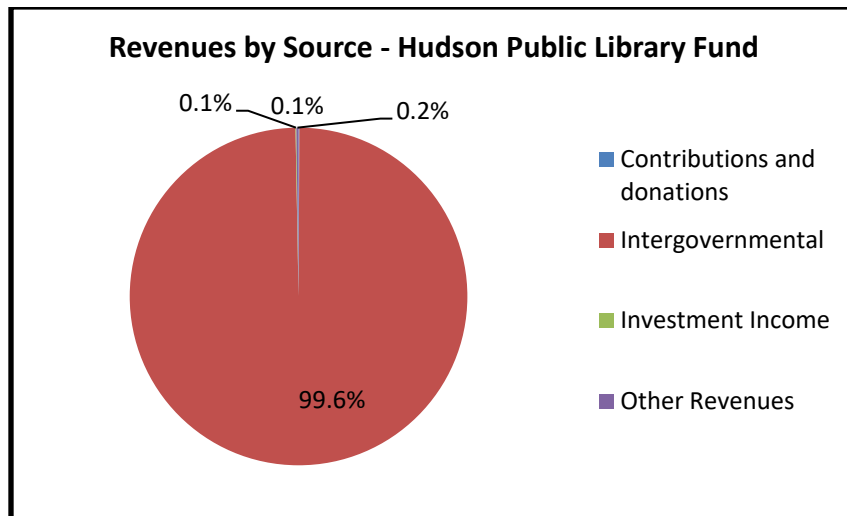
*General Fund.* The General Fund is the chief operating fund of the Town of Hudson. It accounts for all of the general services provided by the Town. At the end of 2016, the fund balance of the General Fund totaled \$1,508,057. Because of strong tax revenues, this was only a \$94,102 (5.9%) decrease from 2015, despite significant expenditures for engineering expenses for the new Town Hall (\$188,902), vehicle/equipment purchases (\$97,425), and increases in Town police department staff and expenses (\$51,331). Net of the equipment purchases, the Town continued to achieve its goal of maintaining approximately one year of General Fund operating expenses in its fund balance. Management is aware of the volatility of revenues connected to the oil and gas industry, and budgets accordingly. The following two tables illustrate General Fund revenues and expenditures during 2016.



*Property Tax Special Revenue Fund.* This fund is utilized to account for the capital acquisition and/or construction of capital projects and related debt service. Property taxes from a 15.966 mill levy are the primary revenues for the fund. During 2016, the fund's activity also included a portion of the proceeds from the 2016 Limited Property and Sales Tax Refunding Bonds. Expenditures included construction of the new Town Hall and debt service on the 2009 Limited General Obligation Bonds. Fund revenues exceeded fund expenditures by \$48,956.

*Paving Sales Tax Fund.* The Paving Sales Tax Fund is utilized to account for the paving and maintenance of town streets, including curbs and gutters. Sales and use taxes are the primary revenues of the fund. During 2016, the fund's activity also included a portion of the proceeds from the 2016 Limited Property and Sales Tax Refunding Bonds. Expenditures included debt service on the 2009 Sales Tax Revenue Bonds for street paving projects. Fund revenues exceeded fund expenditures by \$423,749.

*Hudson Public Library Fund.* This fund accounts for the operations of the Hudson Public Library. Virtually all the revenues of this fund are shared revenues from property taxes received through an Intergovernmental Agreement with the High Plains Library District. As discussed above, these revenues continued to exceed historical norms in 2016, mostly due to oil and gas development in the region. Expenditures included \$351,178 for library operations and building fixtures. The following two charts illustrate Hudson Public Library Fund revenues and expenditures during 2016.



*Water Fund.* At December 31, 2016 the net position of the Water Fund was \$3,205,999. This was a decrease of \$98,404 (3.0%) from 2015. Although most of the decrease was caused by depreciation of capital assets (\$175,547), management has addressed fund shortfalls through rate increases and will continue to monitor customer growth. A motel and restaurant opened in 2016 that have added customers for the utility.

*Wastewater Fund.* At December 31, 2016 the net position of the Wastewater Fund was \$5,439,603. This was a decrease of \$131,547 (2.4%) from 2015. As in the Water Fund, most of the decrease was caused by depreciation of capital assets (\$231,648), and management has addressed shortfalls through rate increases while continuing to monitor customer growth. The new motel and restaurant also provided customers for the wastewater utility. In addition, the sale of the decommissioned lagoon property to a local business will improve the net position of the fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets.* At December 31, 2016 the Town had invested in a range of capital assets including land, buildings and improvements, vehicles, office equipment, and park equipment. Note 3 of the financial statements provides a summary of changes in capital assets during the year. During 2016, the Town made improvements to its public works facility grounds; purchased two vehicles and a skid steer; added some furnishings and office equipment; and continued development of a new Town Hall.

The Town has specified certain property tax and sales tax revenue streams to fund capital improvements. One-half of one cent of the Town's four cent sales tax is restricted for general governmental capital improvements. Two cents of the Town's four cent sales tax is restricted for street maintenance and construction. Property taxes collected from a 15.966 mill levy are restricted for capital improvements and associated debt.

*Debt Administration.* The Town's long-term debt primarily consists of bonds, loans, and capital leases. As mentioned earlier, the Town issued \$3,485,000 Limited Property and Sales Tax Refunding Bonds in October, 2016. These bonds refinanced and defeased the Town's 2009 Limited Tax G.O. Bonds, and 2009 Sales Tax Revenue Bonds that had been issued for street improvements. At the end of 2016, the 2016 bonds were fully outstanding, and \$107,082 remained outstanding on a capital lease for a street sweeper. Compensated absences are also recorded. See Note 4 on page 16 for more detailed information.

In business-type activities at December 31, 2016, the Town had a \$3,309,177 balance on its 2011 Revenue Bonds, an \$790,021 balance on its 1996 water loan, and a \$480,200 balance on its 1995 general obligation bonds. These debts were incurred for water rights acquisition and water and wastewater system facilities and upgrades. \$113,702 remained outstanding on a capital lease for the water meter system. Compensated absences are also recorded. See Note 4 on page 18 for more detailed information.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

While traditionally the Town of Hudson's economy has been primarily driven by agriculture, the last few years have been buoyed by the construction of a privately-owned and operated prison and the oil and gas industry. The prison was built in 2009 and operated for approximately four years, precipitating and enabling the construction of the Town's wastewater treatment plant in 2009-2010. Due to fluctuating economic needs, the prison ceased operations in 2013. When operating, the prison adds significant property taxes and water and wastewater fees to the Town's revenues without burdening the general governmental services provided by the Town. Management has not budgeted for any prison operations in 2017.

The extent of oil and gas industry operations in the region fluctuates quickly and significantly with the national economy. When active drilling takes place in the region, the Town benefits from increases in sales taxes, property taxes, and state shared excise taxes. Management is optimistic that these revenues will continue to benefit the Town to some extent, but is very conservative in its revenue estimates.

Some measurable growth in the residential and commercial sectors of Hudson's economy is occurring. Three small home builders have purchased land and begun construction of some new houses.

Management carefully monitors the economic factors affecting the Town, and the 2017 Budget anticipates these items.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide the Town of Hudson's residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds it receives and assets it maintains. If you have questions about this report, or should you desire additional financial information, contact the Town's management at Town of Hudson, 557 Ash Street, P.O. Box 351, Hudson, CO 80642-0351 or call Town Hall at (303) 536-9311.

## **BASIC FINANCIAL STATEMENTS**

TOWN OF HUDSON, COLORADO

STATEMENT OF NET POSITION

December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>ASSETS</b>			
Cash and Investments	\$ 9,093,457	\$ 753,274	\$ 9,846,731
Restricted Cash and Investments	245,300	55,813	301,113
Accounts Receivable	143,427	97,933	241,360
Taxes Receivable	1,103,319	-	1,103,319
Grants Receivable	544,867	-	544,867
Prepaid Expenses	14,196	5,604	19,800
Land Held for Resale	235,110	-	235,110
Capital Assets, Not Being Depreciated	2,027,980	962,266	2,990,246
Capital Assets, Net of Accumulated Depreciation	<u>9,409,379</u>	<u>11,605,895</u>	<u>21,015,274</u>
<b>TOTAL ASSETS</b>	<u>22,817,035</u>	<u>13,480,785</u>	<u>36,297,820</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Debt Refunding, Net of Accumulated Amortization	<u>266,673</u>	<u>-</u>	<u>266,673</u>
<b>LIABILITIES</b>			
Accounts Payable	558,605	42,969	601,574
Accrued Liabilities	36,711	14,885	51,596
Deposits	-	3,327	3,327
Accrued Interest Payable	8,808	76,587	85,395
Noncurrent Liabilities			
Due Within One Year	150,786	126,450	277,236
Due in More Than One Year	<u>3,609,323</u>	<u>4,570,965</u>	<u>8,180,288</u>
<b>TOTAL LIABILITIES</b>	<u>4,364,233</u>	<u>4,835,183</u>	<u>9,199,416</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	<u>1,103,319</u>	<u>-</u>	<u>1,103,319</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,688,405	7,875,061	15,563,466
Restricted for Street Paving and Maintenance	801,678	-	801,678
Restricted for Debt Service	245,300	55,813	301,113
Restricted for Capital Improvements	428,926	-	428,926
Restricted for Parks	72,037	-	72,037
Restricted for Emergencies	220,000	-	220,000
Unrestricted	<u>8,159,810</u>	<u>714,728</u>	<u>8,874,538</u>
<b>TOTAL NET POSITION</b>	<u>\$ 17,616,156</u>	<u>\$ 8,645,602</u>	<u>\$ 26,261,758</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 822,403	\$ 29,343	\$ 49,607	\$ 627,276
Public Safety	252,357	45,456	-	-
Public Works	518,876	92,737	136,676	-
Parks and Recreation	193,797	125	17,504	-
Library	411,208	-	3,161,155	-
Debt Issuance Costs	97,622	-	-	-
Interest on Long-Term Debt	99,490	-	-	-
Total Governmental Activities	<u>2,395,753</u>	<u>167,661</u>	<u>3,364,942</u>	<u>627,276</u>
<b>Business-Type Activities</b>				
Water Utility	755,971	655,693	-	-
Wastewater Utility	<u>676,621</u>	<u>455,491</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>1,432,592</u>	<u>1,111,184</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 3,828,345</u>	<u>\$ 1,278,845</u>	<u>\$ 3,364,942</u>	<u>\$ 627,276</u>

GENERAL REVENUES

Property Taxes  
 Specific Ownership Taxes  
 Sales and Use Taxes  
 Franchise Taxes  
 Investment Income  
 Other

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTALS</u>
\$ (116,177)	\$ -	\$ (116,177)
(206,901)	-	(206,901)
(289,463)	-	(289,463)
(176,168)	-	(176,168)
2,749,947	-	2,749,947
(97,622)	-	(97,622)
(99,490)	-	(99,490)
<u>1,764,126</u>	<u>-</u>	<u>1,764,126</u>
-	(100,278)	(100,278)
<u>-</u>	<u>(221,130)</u>	<u>(221,130)</u>
-	(321,408)	(321,408)
<u>1,764,126</u>	<u>(321,408)</u>	<u>1,442,718</u>
2,124,514	-	2,124,514
135,503	-	135,503
823,012	-	823,012
63,875	-	63,875
6,797	2,124	8,921
25,857	-	25,857
(89,333)	89,333	-
<u>3,090,225</u>	<u>91,457</u>	<u>3,181,682</u>
4,854,351	(229,951)	4,624,400
<u>12,761,805</u>	<u>8,875,553</u>	<u>21,637,358</u>
\$ <u>17,616,156</u>	\$ <u>8,645,602</u>	\$ <u>26,261,758</u>

TOWN OF HUDSON, COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

	GENERAL	PROPERTY TAX SPECIAL REVENUE	PAVING SALES TAX
<b>ASSETS</b>			
Cash and Investments	\$ 1,250,651	\$ 515,787	\$ 747,600
Restricted Cash and Investments	-	-	245,300
Accounts Receivable	75,829	-	54,078
Taxes Receivables	522,770	580,549	-
Grants Receivable	-	544,867	-
Prepaid Expenditures	10,896	-	-
Land Held for Resale	235,110	-	-
	<u>\$ 2,095,256</u>	<u>\$ 1,641,203</u>	<u>\$ 1,046,978</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 33,317	\$ 502,696	\$ -
Accrued Liabilities	31,112	-	-
	<u>64,429</u>	<u>502,696</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	522,770	580,549	-
	<u>522,770</u>	<u>580,549</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for Street Paving and Maintenance	-	-	801,678
Restricted for Debt Service	-	-	245,300
Restricted for Capital Improvements	-	-	-
Restricted for Parks	-	-	-
Restricted for Emergencies	220,000	-	-
Committed to Debt Service	-	557,958	-
Committed to Capital Improvements	-	-	-
Committed to Public Library Activities	-	-	-
Unrestricted, Unassigned	1,288,057	-	-
	<u>1,508,057</u>	<u>557,958</u>	<u>1,046,978</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 2,095,256</u>	<u>\$ 1,641,203</u>	<u>\$ 1,046,978</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.

Long-term liabilities and related items, including bonds payable (\$3,485,000), bond premium (\$156,872), capital lease payable (\$107,082), accrued compensated absences (\$11,155), accrued interest payable (\$8,808), and loss on debt refunding \$266,673 are not due and payable in the current year and, therefore, are not reported in governmental funds.

Total Net Position of Governmental Activities

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

HUDSON PUBLIC LIBRARY	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
\$ 5,439,867	\$ 1,139,552	\$ 9,093,457
-	-	245,300
-	13,520	143,427
-	-	1,103,319
-	-	544,867
3,300	-	14,196
-	-	235,110
<u>\$ 5,443,167</u>	<u>\$ 1,153,072</u>	<u>\$ 11,379,676</u>
\$ 5,302	\$ 17,290	\$ 558,605
<u>5,599</u>	<u>-</u>	<u>36,711</u>
<u>10,901</u>	<u>17,290</u>	<u>595,316</u>
<u>-</u>	<u>-</u>	<u>1,103,319</u>
-	-	801,678
-	-	245,300
-	428,926	428,926
-	72,037	72,037
-	-	220,000
-	-	557,958
-	634,819	634,819
5,432,266	-	5,432,266
<u>-</u>	<u>-</u>	<u>1,288,057</u>
<u>5,432,266</u>	<u>1,135,782</u>	<u>9,681,041</u>
<u>\$ 5,443,167</u>	<u>\$ 1,153,072</u>	<u>\$ 11,379,676</u>
		\$ 9,681,041
		11,437,359
		<u>(3,502,244)</u>
		<u>\$ 17,616,156</u>

TOWN OF HUDSON, COLORADO

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2016

	<u>GENERAL</u>	<u>PROPERTY TAX SPECIAL REVENUE</u>	<u>PAVING SALES TAX</u>
REVENUES			
Taxes	\$ 1,495,983	\$ 1,117,919	\$ 369,722
Licenses and Permits	91,454	-	-
Contributions and Donations	9,350	-	-
Intergovernmental	187,389	616,820	-
Charges for Services	38,810	-	-
Fines and Forfeitures	19,006	-	-
Investment Income	571	292	743
Other	19,334	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,861,897	1,735,031	370,465
EXPENDITURES			
Current			
General Government	813,298	11,887	700
Public Safety	319,375	-	-
Public Works	571,871	-	-
Parks and Recreation	162,122	-	-
Library	-	-	-
Capital Outlay	-	1,627,868	-
Debt Service			
Interest and Fiscal Charges	-	46,516	62,482
Debt Issuance Costs	-	-	97,622
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,866,666	1,686,271	160,804
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<hr/> (4,769) <hr/>	<hr/> 48,760 <hr/>	<hr/> 209,661 <hr/>
OTHER FINANCING SOURCES (USES)			
Debt Issued	-	1,786,380	1,698,620
Debt Premium	-	81,066	77,113
Payment to Escrow Agent	-	(1,867,250)	(1,561,645)
Transfers Out	(89,333)	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCIAL SOURCES (USES)	(89,333)	196	214,088
NET CHANGE IN FUND BALANCES	(94,102)	48,956	423,749
FUND BALANCES, Beginning	1,602,159	509,002	623,229
	<hr/>	<hr/>	<hr/>
FUND BALANCES, Ending	\$ <u>1,508,057</u>	\$ <u>557,958</u>	\$ <u>1,046,978</u>

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

HUDSON PUBLIC LIBRARY	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ 163,280	\$ 3,146,904
-	-	91,454
2,510	-	11,860
3,158,645	17,504	3,980,358
-	18,391	57,201
-	-	19,006
2,633	2,558	6,797
6,523	-	25,857
<u>3,170,311</u>	<u>201,733</u>	<u>7,339,437</u>
-	-	825,885
-	-	319,375
-	1,000	572,871
-	-	162,122
351,178	-	351,178
-	64,898	1,692,766
-	-	108,998
-	-	97,622
<u>351,178</u>	<u>65,898</u>	<u>4,130,817</u>
<u>2,819,133</u>	<u>135,835</u>	<u>3,208,620</u>
-	-	3,485,000
-	-	158,179
-	-	(3,428,895)
-	-	(89,333)
<u>-</u>	<u>-</u>	<u>124,951</u>
2,819,133	135,835	3,333,571
<u>2,613,133</u>	<u>999,947</u>	<u>6,347,470</u>
\$ <u><u>5,432,266</u></u>	\$ <u><u>1,135,782</u></u>	\$ <u><u>9,681,041</u></u>

TOWN OF HUDSON, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$	3,333,571
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$1,992,103 exceeded depreciation expense (\$302,259) in the current year.</p>		
		1,689,844
<p>Repayments of long-term debt are reported as expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p>		
		33,687
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: debt issued (\$3,485,000), debt premium (\$158,179), payment to escrow agent \$3,428,895, amortization of bond premium \$1,307, and amortization of loss on debt refunding (\$2,222).</p>		
		(215,199)
<p>Some 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. This includes the change in accrued compensated absences \$2,025 and accrued interest payable \$10,423.</p>		
		<u>12,448</u>
Change in Net Position of Governmental Activities	\$	<u><u>4,854,351</u></u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
 December 31, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTALS</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 159,504	\$ 593,770	\$ 753,274
Restricted Cash and Investments	-	55,813	55,813
Accounts Receivable	49,860	48,073	97,933
Prepaid Expenses	3,253	2,351	5,604
<b>TOTAL CURRENT ASSETS</b>	<u>212,617</u>	<u>700,007</u>	<u>912,624</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets, Not Being Depreciated	962,266	-	962,266
Capital Assets, Net of Accumulated Depreciation	3,480,938	8,124,957	11,605,895
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,443,204</u>	<u>8,124,957</u>	<u>12,568,161</u>
<b>TOTAL ASSETS</b>	<u>4,655,821</u>	<u>8,824,964</u>	<u>13,480,785</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	28,477	14,492	42,969
Accrued Liabilities	8,832	6,053	14,885
Deposits	3,327	-	3,327
Accrued Interest Payable	22,813	53,774	76,587
Compensated Absences Payable - Current Portion	245	187	432
Lease Payable - Current Portion	27,077	-	27,077
Bonds and Loans Payable - Current Portion	47,041	51,900	98,941
<b>TOTAL CURRENT LIABILITIES</b>	<u>137,812</u>	<u>126,406</u>	<u>264,218</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated Absences Payable	2,205	1,678	3,883
Lease Payable	86,625	-	86,625
Bonds and Loans Payable	1,223,180	3,257,277	4,480,457
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,312,010</u>	<u>3,258,955</u>	<u>4,570,965</u>
<b>TOTAL LIABILITIES</b>	<u>1,449,822</u>	<u>3,385,361</u>	<u>4,835,183</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,059,281	4,815,780	7,875,061
Restricted for Debt Service	-	55,813	55,813
Unrestricted	146,718	568,010	714,728
<b>TOTAL NET POSITION</b>	<u>\$ 3,205,999</u>	<u>\$ 5,439,603</u>	<u>\$ 8,645,602</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS

Year Ended December 31, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTALS</u>
OPERATING REVENUES			
Charges for Services	\$ 653,210	\$ 442,913	\$ 1,096,123
Other	<u>2,483</u>	<u>12,578</u>	<u>15,061</u>
TOTAL OPERATING REVENUES	<u>655,693</u>	<u>455,491</u>	<u>1,111,184</u>
OPERATING EXPENSES			
Operations and Maintenance	423,048	284,485	707,533
Administration	91,552	52,528	144,080
Water Acquisition	23,450	-	23,450
Depreciation	<u>175,547</u>	<u>231,648</u>	<u>407,195</u>
TOTAL OPERATING EXPENSES	<u>713,597</u>	<u>568,661</u>	<u>1,282,258</u>
NET OPERATING INCOME (LOSS)	<u>(57,904)</u>	<u>(113,170)</u>	<u>(171,074)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	1,874	250	2,124
Interest and Fiscal Charges	<u>(42,374)</u>	<u>(107,960)</u>	<u>(150,334)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(40,500)</u>	<u>(107,710)</u>	<u>(148,210)</u>
NET LOSS BEFORE TRANSFERS	(98,404)	(220,880)	(319,284)
TRANSFERS			
Transfers In	<u>-</u>	<u>89,333</u>	<u>89,333</u>
CHANGE IN NET POSITION	(98,404)	(131,547)	(229,951)
NET POSITION, Beginning	<u>3,304,403</u>	<u>5,571,150</u>	<u>8,875,553</u>
NET POSITION, Ending	<u>\$ 3,205,999</u>	<u>\$ 5,439,603</u>	<u>\$ 8,645,602</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTALS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 642,702	\$ 449,326	\$ 1,092,028
Cash Received from Others	2,483	12,578	15,061
Cash Payments to Employees	(125,249)	(102,149)	(227,398)
Cash Payments to Vendors and Suppliers	<u>(415,202)</u>	<u>(237,308)</u>	<u>(652,510)</u>
Net Cash Provided (Used) by Operating Activities	<u>104,734</u>	<u>122,447</u>	<u>227,181</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments From Other Funds	-	89,333	89,333
Debt Principal Payments	(72,064)	(50,253)	(122,317)
Debt Interest and Fiscal Charges Paid	<u>(43,093)</u>	<u>(108,777)</u>	<u>(151,870)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(115,157)</u>	<u>(69,697)</u>	<u>(184,854)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	<u>1,874</u>	<u>250</u>	<u>2,124</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(8,549)	53,000	44,451
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>168,053</u>	<u>596,583</u>	<u>764,636</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 159,504</u>	<u>\$ 649,583</u>	<u>\$ 809,087</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Net Operating Income (Loss)	\$ (57,904)	\$ (113,170)	\$ (171,074)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	175,547	231,648	407,195
Changes in Assets and Liabilities			
Accounts Receivable	(10,492)	6,413	(4,079)
Prepaid Expenses	(3,253)	(2,351)	(5,604)
Accounts Payable	1,188	1,539	2,727
Accrued Liabilities	3,080	1,461	4,541
Deposits	(16)	-	(16)
Compensated Absences Payable	<u>(3,416)</u>	<u>(3,093)</u>	<u>(6,509)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 104,734</u>	<u>\$ 122,447</u>	<u>\$ 227,181</u>

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

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Hudson (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

**Reporting Entity**

The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Town. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Town. Legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Town.

Based on the application of these criteria, the Town includes the Hudson Public Library (the “Library”) in its reporting entity. The Library provides services to the citizens of the Town through an intergovernmental agreement between the Town and the High Plains Library District. The Town’s Board of Trustees appoints the governing board of the Library and management of the Town has operational responsibility for the Library. Therefore, the financial activities of the Library are blended into the Town’s financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Town. 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, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses 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.

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

In the fund financial statements, the Town reports the following major governmental funds:

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

The *Property Tax Special Revenue Fund* accounts for the collection of property taxes established for capital improvements and the related debt.

The *Paving Sales Tax Fund* accounts for a 2% sales tax that is restricted by election for paving, curb and gutter, and maintenance of streets within the Town.

The *Hudson Public Library Fund* accounts for the operations of the library utilizing two-thirds of the property tax proceeds collected by the High Plains Library District from within the library's service area.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

Additionally, the Town reports the following major proprietary funds:

The *Water Fund* accounts for the financial activities associated with the provision of water services.

The *Wastewater Fund* accounts for the financial activities associated with the provision of sewer services.

**Assets, Liabilities and Net Position/Fund Balances**

*Cash and Investments* - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less. The Town considers all pooled cash and investments to be cash equivalents.

*Receivables* - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future accounting periods, and are reported as prepaid expenses using the consumption method.

*Land Held for Resale* - Land held for resale is carried at cost, which approximates fair value.

*Capital Assets* - Capital assets, which include land, buildings, utility systems, streets constructed since January 1, 2004, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

Land Improvements	20 years
Streets	10 - 50 years
Buildings and Improvements	10 - 50 years
Water and Sewer Plants and Lines	40 years
Machinery and Equipment	3 - 30 years

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position/Fund Balances (Continued)**

*Compensated Absences* - Employees of the Town are allowed to accumulate unused vacation and compensatory time depending on length of employment. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay up to 40 hours and 8 hours, respectively. Accumulated, unpaid vacation and compensatory time is accrued when earned in the government-wide financial statements and the proprietary fund financial statements. An expenditure is recorded in the governmental fund financial statements only when payment is due.

*Long-Term Obligations* - In the government-wide financial statements, and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums, discounts, and refunding losses are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Deferred Inflows of Resources* - Deferred inflows of resources include property taxes earned but levied for a subsequent year.

*Net Position/Fund Balances* - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Trustees approves an ordinance or a contractual agreement with a third party that places constraints on the use of resources for a specific purpose. Assigned fund balances arise from an informal action of the Board of Trustees.

The Town has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Town uses restricted fund balances first, followed by committed, assigned, and unassigned balances.

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Town on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, receivables and corresponding deferred inflows of resources are reported at year end.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2: CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2016, follows:

Petty Cash	\$	300
Cash Deposits		9,246,819
Investments		<u>900,725</u>
Total		<b><u>\$ 10,147,844</u></b>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$	9,846,731
Restricted Cash and Investments		<u>301,113</u>
Total		<b><u>\$ 10,147,844</u></b>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the Town and the Library had bank deposits of \$8,381,085 collateralized with securities held by the financial institutions' agents but not in their name.

**Investments**

The Town is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which the Town may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts (GICs)

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments** (Continued)

*Fair Value Measurements* - The Town reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2016, the Town's investment in Colotrust was reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2 inputs).

*Interest Rate Risk* - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* - State statutes do not limit the amount the Town may invest in one issuer, except for corporate securities.

*Local Government Investment Pool* - At December 31, 2016, the Town had \$900,725 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

At December 31, 2016, the Paving Sales Tax Fund reported debt reserves of \$245,300 as required by the Limited Property and Sales Tax Refunding Bonds, Series 2016, agreement. In addition, as required by the USDA debt agreement, debt reserves of \$55,813 are held in a separate account on behalf of the Wastewater Fund.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, is summarized below.

	<u>Balances</u> 12/31/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/16
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 140,396	\$ -	\$ -	\$ 140,396
Construction in Progress	<u>33,281</u>	<u>1,854,303</u>	<u>-</u>	<u>1,887,584</u>
Total Capital Assets, Not Being Depreciated	<u>173,677</u>	<u>1,854,303</u>	<u>-</u>	<u>2,027,980</u>
Capital Assets, Being Depreciated				
Land Improvements	633,502	-	-	633,502
Infrastructure	5,180,300	-	-	5,180,300
Buildings	4,314,420	18,875	-	4,333,295
Equipment	<u>711,064</u>	<u>118,925</u>	<u>-</u>	<u>829,989</u>
Total Capital Assets, Being Depreciated	<u>10,839,286</u>	<u>137,800</u>	<u>-</u>	<u>10,977,086</u>
Less Accumulated Depreciation				
Land Improvements	(83,832)	(31,675)	-	(115,507)
Infrastructure	(658,282)	(129,508)	-	(787,790)
Buildings	(197,182)	(87,031)	-	(284,213)
Equipment	<u>(326,152)</u>	<u>(54,045)</u>	<u>-</u>	<u>(380,197)</u>
Total Accumulated Depreciation	<u>(1,265,448)</u>	<u>(302,259)</u>	<u>-</u>	<u>(1,567,707)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,573,838</u>	<u>(164,459)</u>	<u>-</u>	<u>9,409,379</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,747,515</u>	<u>\$ 1,689,844</u>	<u>\$ -</u>	<u>\$ 11,437,359</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land and Water Rights	\$ 962,266	\$ -	\$ -	\$ 962,266
Capital Assets, Being Depreciated				
Collection and Distribution Systems	16,292,807	-	-	16,292,807
Equipment	<u>273,512</u>	<u>-</u>	<u>-</u>	<u>273,512</u>
Total Capital Assets, Being Depreciated	<u>16,566,319</u>	<u>-</u>	<u>-</u>	<u>16,566,319</u>
Less Accumulated Depreciation				
Collection and Distribution Systems	(4,459,017)	(393,784)	-	(4,852,801)
Equipment	<u>(94,212)</u>	<u>(13,411)</u>	<u>-</u>	<u>(107,623)</u>
Total Accumulated Depreciation	<u>(4,553,229)</u>	<u>(407,195)</u>	<u>-</u>	<u>(4,960,424)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,013,090</u>	<u>(407,195)</u>	<u>-</u>	<u>11,605,895</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,975,356</u>	<u>\$ (407,195)</u>	<u>\$ -</u>	<u>\$ 12,568,161</u>

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 3: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to programs of the Town as follows:

Governmental Activities	
General Government	\$ 6,843
Public Safety	3,232
Public Works	187,279
Parks and Recreation	31,675
Library	<u>73,230</u>
 Total	 <u><u>\$ 302,259</u></u>

**NOTE 4: LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2016:

	Balance <u>12/31/15</u>	Additions	Payments	Balance <u>12/31/16</u>	Due Within <u>One Year</u>
2016 Limited Tax Refunding Bonds	\$ -	\$ 3,485,000	\$ -	\$ 3,485,000	\$ 115,000
2009 Sales Tax Revenue Bonds	1,435,000	-	1,435,000	-	-
2009 Limited Tax GO Bonds	1,725,000	-	1,725,000	-	-
Bond Premium	-	158,179	1,307	156,872	-
2015 Street Sweeper Capital Lease	140,769	-	33,687	107,082	34,671
Compensated Absences	<u>13,180</u>	<u>-</u>	<u>2,025</u>	<u>11,155</u>	<u>1,115</u>
 Total	 <u><u>\$ 3,313,949</u></u>	 <u><u>\$ 3,643,179</u></u>	 <u><u>\$ 3,197,019</u></u>	 <u><u>\$ 3,760,109</u></u>	 <u><u>\$ 150,786</u></u>

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

On October 26, 2016, the Town issued \$3,485,000 Limited Property and Sales Tax Refunding Bonds, Series 2016, to refund the outstanding Sales Tax Revenue Bonds, Series 2009, and Limited Tax General Obligation Bonds, Series 2009, originally issued to finance street improvements. Interest accrues on the bonds at rates ranging from 3% to 3.25% per annum. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on December 1, from 2017 through 2036. These bonds are payable solely from the Town's 2% street paving sales taxes reported in the Paving Sales Tax Fund and a 15.966 mill levy reported in the Property Tax Special Revenue Fund. During the year ended December 31, 2016, revenues of \$1,487,641 were available to pay annual debt service of \$108,998 on the Series 2009 and 2016 bonds.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4: LONG-TERM DEBT** (Continued)

**Governmental Activities** (Continued)

Future debt service requirements for the outstanding bonds are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 115,000	\$ 105,700	\$ 220,700
2018	120,000	102,250	222,250
2019	130,000	98,650	228,650
2020	135,000	94,750	229,750
2021	135,000	90,700	225,700
2022 - 2026	815,000	386,450	1,201,450
2027 - 2031	935,000	257,000	1,192,000
2032 - 2036	<u>1,100,000</u>	<u>106,138</u>	<u>1,206,138</u>
Total	<b><u>\$ 3,485,000</u></b>	<b><u>\$ 1,241,638</u></b>	<b><u>\$ 4,726,638</u></b>

Proceeds of the Limited Property and Sales Tax Refunding Bonds, Series 2016, in the amount of \$3,428,895 were deposited in an irrevocable trust with an escrow agent to refund the Sales Tax Revenue Bonds, Series 2009, and the Limited Tax General Obligation Bonds, Series 2009. As a result, the refunded debt is considered defeased and the liability has been removed from the financial statements. The refunding resulted in an accounting loss of \$268,895, a decrease in aggregate debt service payments of \$1,042,902, and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$970,821. The refunded debt will be called and paid in full on December 1, 2017.

During January 2015, the Town entered into a capital lease agreement to finance the purchase of a street sweeper. Principal and interest payments of \$9,348 are due quarterly, through December 1, 2019. Interest accrues at 2.89% per annum. Capital assets of \$173,500 have been capitalized under this lease.

Capital lease payments to maturity are as follows.

<u>Year Ended December 31,</u>	
2017	\$ 37,392
2018	37,392
2019	<u>37,392</u>
Total Minimum Lease Payments	112,176
Less: Interest Portion	<u>(5,094)</u>
Present Value of Future Minimum Lease Payments	<b><u>\$ 107,082</u></b>

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4: LONG-TERM DEBT (Continued)**

**Business-Type Activities**

Following are the changes in long-term debt of the business-type activities for the year ended December 31, 2016:

	Balance 12/31/15	Additions	Payments	Balance 12/31/16	Due Within One Year
1995 GO Bonds	\$ 496,000	\$ -	\$ 15,800	\$ 480,200	\$ 16,400
1996 CWCB Loan	820,061	-	30,040	790,021	30,641
2011 Revenue Bonds	3,359,430	-	50,253	3,309,177	51,900
2015 Water Meters Capital Lease	139,926	-	26,224	113,702	27,077
Compensated Absences	10,824	-	6,509	4,315	432
<b>Total</b>	<b><u>\$ 4,826,241</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 128,826</u></b>	<b><u>\$ 4,697,415</u></b>	<b><u>\$ 126,450</u></b>

During 1995, the Town issued \$700,000 General Obligation Bonds to finance the acquisition of water rights and the construction of improvements to the water system. The bonds were purchased by the United States Department of Agriculture (USDA), allowing the Town to obtain favorable interest rates, and payments are made directly to the USDA. Interest accrues on the bonds at 4.5% per annum. Interest and principal payments are due semi-annually in May and November, through 2035.

During 1996, the Town entered into a loan agreement with the Colorado Water Conservation Board in the amount of \$1,270,420 to purchase a portion of the Southern Water Supply Project, a pipeline that carries water from Carter Lake to several Northeastern Colorado communities. The Town is a 0.3% participant in the Southern Water Supply Project. Principal and interest payments of \$46,441 are due annually on January 1, through 2037. Interest accrues at 2% per annum. The loan is payable solely from the water user charges and fees.

For the year ended December 31, 2016, net revenues of \$119,517 were available to pay total debt service of the Water Fund of \$115,157. Remaining bond and loan debt service of the Water Fund at December 31, 2016, was \$1,694,589.

During 2011, the Town issued \$3,545,000 Wastewater Revenue Bonds to finance the construction, operation, repair, and replacement of wastewater facilities and to refinance the outstanding bond anticipation loan. The bonds were purchased by the United States Department of Agriculture (USDA), allowing the Town to obtain favorable interest rates, and payments are made directly to the USDA. Interest accrues on the bonds at 3.25% per annum. Interest and principal payments of \$79,515 are due semi-annually in January and July, through 2051. The bonds are payable solely from all fees and charges for services of the Town's wastewater system after deducting the operation and maintenance expenses as defined in the agreement. For the year ended December 31, 2016, the Wastewater Fund had net revenues of \$118,728 and debt service was \$159,030. Interfund transfers of \$89,333 were utilized to pay the required debt service as scheduled. Remaining debt service at December 31, 2016, was \$5,563,647.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4: LONG-TERM DEBT (Continued)**

**Business-Type Activities (Continued)**

Annual debt service requirements for the outstanding bonds and loan at December 31, 2016, were as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 98,941	\$ 144,357	\$ 243,298
2018	102,054	141,298	243,352
2019	105,235	138,134	243,369
2020	108,487	134,862	243,349
2021	111,911	131,484	243,395
2022 - 2026	614,088	602,619	1,216,707
2027 - 2031	717,552	499,293	1,216,845
2032 - 2036	800,879	377,554	1,178,433
2037 - 2041	573,507	268,084	841,591
2042 - 2046	620,326	174,824	795,150
2047 - 2051	<u>726,418</u>	<u>66,329</u>	<u>792,747</u>
Total	<u>\$ 4,579,398</u>	<u>\$ 2,678,838</u>	<u>\$ 7,258,236</u>

During April 2015, the Town entered into a capital lease agreement to finance the purchase of water meters. Principal and interest payments of \$30,772 are due annually, through April 8, 2020. Interest accrues at 3.25% per annum. Capital assets of \$139,926 have been capitalized under this lease.

Capital lease payments to maturity are as follows.

<u>Year Ended December 31,</u>	
2017	\$ 30,772
2018	30,772
2019	30,772
2020	<u>30,772</u>
Total Minimum Lease Payments	123,088
Less: Interest Portion	<u>(9,386)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 113,702</u>

**NOTE 5: INTERFUND TRANSACTIONS**

During the year ended December 31, 2016, the General Fund transferred \$89,333 to the Wastewater Fund to service debt on the Wastewater Revenue Bonds, Series 2011.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 6: 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. For these risks of loss, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes, and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages 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 and officers.

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

**NOTE 7: RETIREMENT COMMITMENTS**

**Employee Pension Plan**

The Town has established a deferred compensation pension plan authorized under Internal Revenue Code Section 457(b) on behalf of all employees. The Town is required to contribute 5% of each employee's compensation to the Plan. Employees are not required to contribute to the Plan. Employees become vested in Town contributions at 20% annually after one year of employment. The contribution requirements of Plan members and the Town are established and may be amended by the Board of Trustees. During the year ended December 31, 2016, the Town contributed \$35,974 to the Plan, equal to the required contributions. All Plan assets are held by the Plan administrator, Great-West Financial.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the Colorado Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the Town believes it is in substantial compliance with the Amendment.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)**

**Tabor Amendment** (Continued)

In November of 2009, the citizens of the Town approved a ballot question which authorized the Town to collect, retain, and expend the full proceeds generated by any revenue source of the Town notwithstanding any limitation contained in Article X, Section 20, of the Colorado Constitution and without limiting in any year the amount of other revenues that may be collected and spent by the Town under Article X, Section 20.

The Town has established an emergency reserve representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$220,000.

**Claims and Judgements**

The Town participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. At December 31, 2016, significant amounts of grant expenditures have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the Town.

**Litigation**

The Town is involved in various threatened and pending litigation. The outcome of this litigation cannot be determined at this time. However, management believes the outcome of any litigation will not have a significant effect on the Town's financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Taxes			
Property Taxes	\$ 1,019,536	\$ 1,006,595	\$ (12,941)
Specific Ownership Taxes	85,000	135,503	50,503
Sales and Use Taxes	233,295	290,010	56,715
Franchise Taxes	75,000	63,875	(11,125)
Total Taxes	1,412,831	1,495,983	83,152
Licenses and Permits			
Building Permits	50,000	74,346	24,346
Transportation Permits	10,000	14,425	4,425
Other Permits and Licenses	1,700	2,683	983
Total Licenses and Permits	61,700	91,454	29,754
Contributions and Donations	-	9,350	9,350
Intergovernmental			
Grants	148,320	10,456	(137,864)
Auto Registration Fees	2,000	4,124	2,124
Highway Users Taxes	72,612	81,357	8,745
Severance Taxes	60,000	20,587	(39,413)
Road and Bridge Fees	51,674	51,195	(479)
Cigarette Taxes	2,300	2,431	131
Mineral Lease	17,200	17,239	39
Total Intergovernmental	354,106	187,389	(166,717)
Charges for Services			
Development Review Fees	28,000	26,450	(1,550)
Other Charges for Services	2,145	12,360	10,215
Total Charges for Services	30,145	38,810	8,665
Court Fines and Forfeitures	6,150	19,006	12,856
Investment Income	300	571	271
Other	687,000	19,334	(667,666)
TOTAL REVENUES	\$ 2,552,232	\$ 1,861,897	\$ (690,335)

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2016

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
EXPENDITURES			
Current			
General Government	\$ 998,533	\$ 813,298	\$ 185,235
Public Safety	281,472	319,375	(37,903)
Public Works	771,371	571,871	199,500
Parks and Recreation	228,271	162,122	66,149
Contingency	<u>25,000</u>	<u>-</u>	<u>25,000</u>
 TOTAL EXPENDITURES	 <u>2,304,647</u>	 <u>1,866,666</u>	 <u>437,981</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 247,585	 (4,769)	 (252,354)
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(218,386)</u>	<u>(89,333)</u>	<u>129,053</u>
 NET CHANGE IN FUND BALANCE	 29,199	 (94,102)	 (123,301)
FUND BALANCE, Beginning	<u>1,202,411</u>	<u>1,602,159</u>	<u>399,748</u>
FUND BALANCE, Ending	<u>\$ 1,231,610</u>	<u>\$ 1,508,057</u>	<u>\$ 276,447</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE  
HUDSON PUBLIC LIBRARY FUND  
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Contributions and Donations	\$ -	\$ 2,510	\$ 2,510
Intergovernmental	2,426,964	3,158,645	731,681
Investment Income	3,113	2,633	(480)
Other	2,550	6,523	3,973
 TOTAL REVENUES	 2,432,627	 3,170,311	 737,684
EXPENDITURES			
Library	756,032	351,178	404,854
Capital Outlay	1,693,514	-	1,693,514
 TOTAL EXPENDITURES	 2,449,546	 351,178	 2,098,368
 NET CHANGE IN FUND BALANCE	 (16,919)	 2,819,133	 2,836,052
 FUND BALANCE, Beginning	 1,975,043	 2,613,133	 638,090
 FUND BALANCE, Ending	 \$ 1,958,124	 \$ 5,432,266	 \$ 3,474,142

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

**NOTE 1: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets**

Budgets are legally adopted for all funds of the Town. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis, whereby capital outlay and debt principal are budgeted as expenditures and depreciation is not budgeted.

The Town adheres to the following procedures to establish the budgetary information reflected in the financial statements:

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

**SUPPLEMENTARY INFORMATION**

TOWN OF HUDSON, COLORADO

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

	<u>SALES TAX CAPITAL IMPROVEMENT</u>	<u>CAPITAL RESERVE</u>	<u>CONSERVATION TRUST</u>	<u>PARK IMPACT FEE</u>
<b>ASSETS</b>				
Cash and Investments	\$ 432,696	\$ 587,726	\$ 72,037	\$ 479
Accounts Receivable	<u>13,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 446,216</u>	<u>\$ 587,726</u>	<u>\$ 72,037</u>	<u>\$ 479</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ <u>17,290</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>TOTAL LIABILITIES</b>	<u>17,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for Capital Improvements	428,926	-	-	-
Restricted for Parks	-	-	72,037	-
Committed to Capital Improvements	<u>-</u>	<u>587,726</u>	<u>-</u>	<u>479</u>
<b>TOTAL FUND BALANCES</b>	<u>428,926</u>	<u>587,726</u>	<u>72,037</u>	<u>479</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 446,216</u>	<u>\$ 587,726</u>	<u>\$ 72,037</u>	<u>\$ 479</u>

See the accompanying Independent Auditors' Report.

<u>FACILITIES IMPACT FEE</u>	<u>STREET IMPACT FEE</u>	<u>TOTALS</u>
\$ 4,582	\$ 42,032	\$ 1,139,552
-	-	13,520
\$ 4,582	\$ 42,032	\$ 1,153,072
\$ -	\$ -	\$ 17,290
-	-	17,290
-	-	428,926
-	-	72,037
4,582	42,032	634,819
4,582	42,032	1,135,782
\$ 4,582	\$ 42,032	\$ 1,153,072

TOWN OF HUDSON, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended December 31, 2016

	<u>SALES TAX CAPITAL IMPROVEMENT</u>	<u>CAPITAL RESERVE</u>	<u>CONSERVATION TRUST</u>	<u>PARK IMPACT FEE</u>
REVENUES				
Taxes	\$ 92,431	\$ 70,849	\$ -	\$ -
Intergovernmental	-	-	17,504	-
Charges for Services	-	3,000		479
Investment Income	<u>130</u>	<u>2,128</u>	<u>287</u>	<u>-</u>
 TOTAL REVENUES	 <u>92,561</u>	 <u>75,977</u>	 <u>17,791</u>	 <u>479</u>
EXPENDITURES				
Current				
Public Works	-	1,000	-	-
Capital Outlay	<u>37,711</u>	<u>27,187</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>37,711</u>	 <u>28,187</u>	 <u>-</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 54,850	 47,790	 17,791	 479
 FUND BALANCES, Beginning	 <u>374,076</u>	 <u>539,936</u>	 <u>54,246</u>	 <u>-</u>
 FUND BALANCES, Ending	 <u>\$ 428,926</u>	 <u>\$ 587,726</u>	 <u>\$ 72,037</u>	 <u>\$ 479</u>

See the accompanying Independent Auditors' Report.

<u>FACILITIES IMPACT FEE</u>	<u>STREET IMPACT FEE</u>	<u>TOTALS</u>
\$ -	\$ -	\$ 163,280
-	-	17,504
1,932	12,980	18,391
<u>1</u>	<u>12</u>	<u>2,558</u>
<u>1,933</u>	<u>12,992</u>	<u>201,733</u>
-	-	1,000
<u>-</u>	<u>-</u>	<u>64,898</u>
<u>-</u>	<u>-</u>	<u>65,898</u>
1,933	12,992	135,835
<u>2,649</u>	<u>29,040</u>	<u>999,947</u>
<u>\$ 4,582</u>	<u>\$ 42,032</u>	<u>\$ 1,135,782</u>

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE  
PROPERTY TAX SPECIAL REVENUE FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 1,132,719	\$ 1,132,719	\$ 1,117,919	\$ (14,800)
Intergovernmental	1,479,400	1,479,400	616,820	(862,580)
Investment Income	150	150	292	142
<b>TOTAL REVENUES</b>	<u>2,612,269</u>	<u>2,612,269</u>	<u>1,735,031</u>	<u>(877,238)</u>
<b>EXPENDITURES</b>				
General Government	11,392	11,392	11,887	(495)
Capital Outlay	2,958,800	2,958,800	1,627,868	1,330,932
Debt Service				
Principal	30,000	-	-	-
Interest and Fiscal Charges	104,413	104,413	46,516	57,897
<b>TOTAL EXPENDITURES</b>	<u>3,104,605</u>	<u>3,074,605</u>	<u>1,686,271</u>	<u>1,388,334</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(492,336)</u>	<u>(462,336)</u>	<u>48,760</u>	<u>511,096</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issued	-	1,820,641	1,786,380	(34,261)
Debt Premium	-	-	81,066	81,066
Payment to Escrow Agent	-	(930,000)	(1,867,250)	(937,250)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>890,641</u>	<u>196</u>	<u>(890,445)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(492,336)	428,305	48,956	(379,349)
FUND BALANCE, Beginning	<u>511,111</u>	<u>511,111</u>	<u>509,002</u>	<u>(2,109)</u>
FUND BALANCE, Ending	<u>\$ 18,775</u>	<u>\$ 939,416</u>	<u>\$ 557,958</u>	<u>\$ (381,458)</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

PAVING SALES TAX FUND

Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Sales and Use Taxes	\$ 300,000	\$ 300,000	\$ 369,722	\$ 69,722
Investment Income	300	300	743	443
 TOTAL REVENUES	 <u>300,300</u>	 <u>300,300</u>	 <u>370,465</u>	 <u>70,165</u>
EXPENDITURES				
General Government	1,000	1,000	700	300
Public Works	331,500	331,500	-	331,500
Debt Service				
Principal	35,000	-	-	-
Interest and Fiscal Charges	94,420	94,420	62,482	31,938
Debt Issuance Costs	-	-	97,622	(97,622)
 TOTAL EXPENDITURES	 <u>461,920</u>	 <u>426,920</u>	 <u>160,804</u>	 <u>266,116</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(161,620)</u>	 <u>(126,620)</u>	 <u>209,661</u>	 <u>336,281</u>
OTHER FINANCING SOURCES (USES)				
Debt Issued	-	1,820,641	1,698,620	(122,021)
Debt Premium	-	-	77,113	77,113
Payment to Escrow Agent	-	(1,435,000)	(1,561,645)	(126,645)
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>-</u>	 <u>385,641</u>	 <u>214,088</u>	 <u>(171,553)</u>
 NET CHANGE IN FUND BALANCE	 (161,620)	 259,021	 423,749	 164,728
FUND BALANCE, Beginning	<u>594,982</u>	<u>594,982</u>	<u>623,229</u>	<u>28,247</u>
FUND BALANCE, Ending	<u>\$ 433,362</u>	<u>\$ 854,003</u>	<u>\$ 1,046,978</u>	<u>\$ 192,975</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE  
SALES TAX CAPITAL IMPROVEMENT FUND  
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Sales Taxes	\$ 75,000	\$ 92,431	\$ 17,431
Investment Income	-	130	130
Other	140,500	-	(140,500)
 TOTAL REVENUES	 215,500	 92,561	 (122,939)
EXPENDITURES			
Capital Outlay	285,500	37,711	247,789
 TOTAL EXPENDITURES	 285,500	 37,711	 247,789
 NET CHANGE IN FUND BALANCE	 (70,000)	 54,850	 124,850
FUND BALANCE, Beginning	372,588	374,076	1,488
FUND BALANCE, Ending	\$ 302,588	\$ 428,926	\$ 126,338

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

CAPITAL RESERVE FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Use Taxes	\$ 50,000	\$ 70,849	\$ 20,849
Impact Fees	-	3,000	3,000
Investment Income	100	2,128	2,028
 TOTAL REVENUES	 <u>50,100</u>	 <u>75,977</u>	 <u>25,877</u>
EXPENDITURES			
Public Works	2,600	1,000	1,600
Capital Outlay	88,200	27,187	61,013
 TOTAL EXPENDITURES	 <u>90,800</u>	 <u>28,187</u>	 <u>62,613</u>
 NET CHANGE IN FUND BALANCE	 (40,700)	 47,790	 88,490
FUND BALANCES, Beginning	<u>555,096</u>	<u>539,936</u>	<u>(15,160)</u>
FUND BALANCES, Ending	\$ <u><u>514,396</u></u>	\$ <u><u>587,726</u></u>	\$ <u><u>73,330</u></u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

CONSERVATION TRUST FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Intergovernmental	\$ 17,900	\$ 17,504	\$ (396)
Investment Income	20	287	267
TOTAL REVENUES	<u>17,920</u>	<u>17,791</u>	<u>(129)</u>
EXPENDITURES			
Capital Outlay	<u>50,000</u>	<u>-</u>	<u>50,000</u>
TOTAL EXPENDITURES	<u>50,000</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	(32,080)	17,791	49,871
FUND BALANCE, Beginning	<u>51,437</u>	<u>54,246</u>	<u>2,809</u>
FUND BALANCE, Ending	<u>\$ 19,357</u>	<u>\$ 72,037</u>	<u>\$ 52,680</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

PARK IMPACT FEE FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Impact Fees	\$ -	\$ 479	\$ 479
TOTAL REVENUES	<u>-</u>	<u>479</u>	<u>479</u>
NET CHANGE IN FUND BALANCE	-	479	479
FUND BALANCE, Beginning	<u>173</u>	<u>-</u>	<u>(173)</u>
FUND BALANCE, Ending	<u>\$ 173</u>	<u>\$ 479</u>	<u>\$ 306</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

FACILITIES IMPACT FEE FUND

Year Ended December 31, 2016

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Impact Fees	\$ -	\$ 1,932	\$ 1,932
Investment Income	<u>3</u>	<u>1</u>	<u>(2)</u>
TOTAL REVENUES	<u>3</u>	<u>1,933</u>	<u>1,930</u>
NET CHANGE IN FUND BALANCE	3	1,933	1,930
FUND BALANCE, Beginning	<u>3,379</u>	<u>2,649</u>	<u>(730)</u>
FUND BALANCE, Ending	<u>\$ 3,382</u>	<u>\$ 4,582</u>	<u>\$ 1,200</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

STREET IMPACT FEE FUND

Year Ended December 31, 2016

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Impact Fees	\$ 12,000	\$ 12,980	\$ 980
Investment Income	<u>50</u>	<u>12</u>	<u>(38)</u>
TOTAL REVENUES	<u>12,050</u>	<u>12,992</u>	<u>942</u>
EXPENDITURES			
Public Works	<u>20,000</u>	<u>-</u>	<u>20,000</u>
TOTAL EXPENDITURES	<u>20,000</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	(7,950)	12,992	20,942
FUND BALANCE, Beginning	<u>35,045</u>	<u>29,040</u>	<u>(6,005)</u>
FUND BALANCE, Ending	<u>\$ 27,095</u>	<u>\$ 42,032</u>	<u>\$ 14,937</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

WATER FUND

Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Charges for Services	\$ 753,850	\$ 753,850	\$ 653,210	\$ (100,640)
Investment Income	400	400	1,874	1,474
Other	2,200	2,200	2,483	283
Transfers In	<u>84,386</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>840,836</u>	<u>756,450</u>	<u>657,567</u>	<u>(98,883)</u>
<b>EXPENDITURES</b>				
Operations and Maintenance	425,717	425,717	423,048	2,669
Administration	128,509	128,509	91,552	36,957
Water Acquisition	50,000	50,000	23,450	26,550
Capital Outlay	127,272	127,272	-	127,272
Debt Principal	45,840	45,840	72,064	(26,224)
Debt Interest and Fiscal Charges	38,546	38,546	42,374	(3,828)
Contingency	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>840,884</u>	<u>815,884</u>	<u>652,488</u>	<u>163,396</u>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<u>\$ (48)</u>	<u>\$ (59,434)</u>	5,079	<u>\$ 64,513</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>				
Depreciation			(175,547)	
Debt Principal			<u>72,064</u>	
<b>CHANGE IN NET POSITION, GAAP Basis</b>			<u>\$ (98,404)</u>	

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

WASTEWATER FUND

Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Charges for Services	\$ 476,977	\$ 476,977	\$ 442,913	\$ (34,064)
Investment Income	100	100	250	150
Other	-	-	12,578	12,578
Transfers In	<u>134,000</u>	<u>134,000</u>	<u>89,333</u>	<u>(44,667)</u>
<b>TOTAL REVENUES</b>	<u>611,077</u>	<u>611,077</u>	<u>545,074</u>	<u>(66,003)</u>
<b>EXPENDITURES</b>				
Operations and Maintenance	328,501	328,501	284,485	44,016
Administration	90,607	90,607	52,528	38,079
Capital Outlay	77,850	77,850	-	77,850
Debt Principal	50,254	50,254	50,253	1
Debt Interest and Fiscal Charges	108,776	108,776	107,960	816
Contingency	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>655,988</u>	<u>680,988</u>	<u>495,226</u>	<u>185,762</u>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<u>\$ (44,911)</u>	<u>\$ (69,911)</u>	49,848	<u>\$ 119,759</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>				
Depreciation			(231,648)	
Debt Principal			<u>50,253</u>	
<b>CHANGE IN NET POSITION, GAAP Basis</b>			<u>\$ (131,547)</u>	

See the accompanying Independent Auditors' Report.

## **COMPLIANCE SECTION**



Honorable Mayor and Board of Trustees  
Town of Hudson  
Hudson, Colorado

**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***

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hudson as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Hudson, and have issued our report thereon dated July 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Hudson's internal control over financial reporting 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 Hudson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hudson's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Hudson's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 the Town of Hudson's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Hudson'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 Town of Hudson'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 Town of Hudson's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



July 14, 2017

## **STATE COMPLIANCE**

The public report burden for this information collection is estimated to average 380 hours annually.

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: <b>Town of Hudson</b>
		YEAR ENDING : December 2016
This Information From The Records Of Town of Hudson	Prepared By: Phone:	Lorraine Trotter, Prof'l Mgmt Solutions 303-910-9197

**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
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**

ITEM	AMOUNT
<b>A. Receipts from local sources:</b>	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	539,380
4. Miscellaneous local receipts (from page 2)	745
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	3,485,000
c. Notes	
d. Total (a. + b. + c.)	3,485,000
7. Total (1 through 6)	4,025,125
<b>B. Private Contributions</b>	
<b>C. Receipts from State government</b> (from page 2)	91,820
<b>D. Receipts from Federal Government</b> (from page 2)	0
<b>E. Total receipts (A.7 + B + C + D)</b>	4,116,945

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT
<b>A. Local highway disbursements:</b>	
1. Capital outlay (from page 2)	0
2. Maintenance:	351,674
3. Road and street services:	
a. Traffic control operations	19,205
b. Snow and ice removal	0
c. Other	
d. Total (a. through c.)	19,205
4. General administration & miscellaneous	10,686
5. Highway law enforcement and safety	99,865
6. Total (1 through 5)	481,430
<b>B. Debt service on local obligations:</b>	
1. Bonds:	
a. Interest & Costs of Issuance	475,515
b. Redemption	3,160,000
c. Total (a. + b.)	3,635,515
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	3,635,515
<b>C. Payments to State for highways</b>	
<b>D. Payments to toll facilities</b>	
<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	4,116,945

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>	3,160,000	3,485,000	3,160,000	3,485,000
1. Bonds (Refunding Portion)		3,485,000	3,160,000	
<b>B. Notes (Total)</b>				0

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	4,116,945	4,116,945	0	0

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 2016

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	188,765	a. Interest on investments	745
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	215,112	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	135,503	g. Other Misc. Receipts	
6. Total (1. through 5.)	350,615	h. Other	
c. Total (a. + b.)	539,380	i. Total (a. through h.)	745
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	81,357	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 Registrations	10,463	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	10,463	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	91,820	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			
(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)

Notes and Comments: