

Town of Hudson, Colorado

Financial Statements
with Independent Auditors' Report

December 31, 2019



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Town of Hudson, Colorado

Table of Contents

December 31, 2019

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Governmental Funds</i>	
Balance Sheet	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Governmental Funds Balances to the Statement of Activities	9
<i>Proprietary Funds</i>	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows.....	12
<i>Notes to Financial Statements</i>	13
Required Supplementary Information	
<i>Budgetary Comparison Schedules</i>	
General Fund.....	27
Property Tax Special Revenue Fund.....	29
Paving Sales Tax Fund.....	30
Hudson Public Library Fund	31
<i>Notes to Required Supplementary Information</i>	32
Supplementary Information	
<i>Combining Statements</i>	
Combining Balance Sheet - Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Funds Balances - Nonmajor Governmental Funds.....	34
<i>Budgetary Comparison Schedules</i>	
Sales Tax Capital Improvement Fund	35
Capital Reserve Fund	36
Conservation Trust Fund	37

Town of Hudson, Colorado

Table of Contents December 31, 2019 (Continued)

Supplementary Information (Continued)

Budgetary Comparison Schedules (Continued)

Park Impact Fee Fund	38
Facilities Impact Fee Fund.....	39
Street Impact Fee Fund	40
Water Fund	41
Wastewater Fund.....	42

Compliance Section

Report Required by *Government Auditing Standards*

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 <i>Government Auditing Standards</i>	43
---	----

State Compliance

Local Highway Finance Report	45
------------------------------------	----



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hudson as of and for the year ended December 31, 2019, 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, 2019, 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 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 September 1, 2020, 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.

Hick & Company, PC

Greenwood Village, Colorado
September 1, 2020



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, 2019. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Net Position of the Town increased by \$2,508,568 (8.2%) during 2019.
- At December 31, 2019, the Town's governmental funds reported combined ending fund balances of \$13,824,204. This marked an increase of \$1,351,974 (10.8%) from the prior year's ending governmental fund balances due primarily to increases in the Hudson Public Library Fund.
- The Town's General Fund decreased its Fund Balance by \$595,590 (-110.3%) during 2019 primarily due to enhanced community development and public safety expenditures.
- The Town's water and wastewater funds' net positions increased by \$850,752 (9.6%) during 2019 primarily due to increased water revenues and property tax transfers to pay debt service on bonds/loans utilized to finance capital assets.

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, 2019, all funds had budgeted expenditures/expenses.

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 inflows of resources by \$33,160,678 at the close of 2019. As shown below, the Town's financial position improved by \$2,508,568 (8.2%) during 2019.

Town of Hudson's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$17,092,846	\$13,757,135	\$ 2,746,929	\$ 1,641,511	\$19,839,775	\$15,398,646
Capital assets, net	12,818,650	12,719,281	11,431,163	11,753,771	24,249,813	24,473,052
Total assets	\$29,911,496	\$26,476,416	\$14,178,092	\$13,395,282	\$44,089,588	\$39,871,698
Deferred outflows of resources	\$ 226,673	\$ 240,005	\$ -	\$ -	\$ 226,673	\$ 240,005
Current liabilities	\$ 258,430	\$ 233,060	\$ 204,985	\$ 138,993	\$ 463,415	\$ 372,053
Noncurrent Liabilities	3,365,114	3,587,234	4,306,306	4,440,240	7,671,420	8,027,474
Total liabilities	\$ 3,623,544	\$ 3,820,294	\$ 4,511,291	\$ 4,579,233	\$ 8,134,835	\$ 8,399,527
Deferred inflows of resources	\$ 3,020,748	\$ 1,060,066	\$ -	\$ -	\$ 3,020,748	\$ 1,060,066
Net position:						
Net investment in capital assets	\$ 9,468,868	\$ 9,149,722	\$ 7,128,193	\$ 7,316,700	\$16,597,061	\$16,466,422
Restricted	2,663,294	2,052,772	108,056	107,565	2,771,350	2,160,337
Unrestricted	11,361,715	10,633,567	2,430,552	1,391,784	13,792,267	12,025,351
Total net position	\$23,493,877	\$21,836,061	\$ 9,666,801	\$ 8,816,049	\$33,160,678	\$30,652,110

Approximately half (50.0%) of the Town's total net position at December 31, 2019 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 8.4% (\$2,771,350) of the Town's total net position at the end of 2019 represents resources that are subject to external restrictions on how they may be used. They are fund balance restrictions of sales taxes collected for paving and maintenance of streets (\$1,328,190), debt service reserves required for the Town's 2016 Limited Property and Sales Tax Refunding Bonds (\$245,300) and wastewater obligations (\$108,056), and fund balance restrictions of sales taxes collected for capital improvements (\$756,591). An additional \$118,213 is restricted for parks and \$215,000 for emergencies.

The remaining amount of the Town's total net position at the end of 2019 (\$13,792,267) represents 41.6% 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

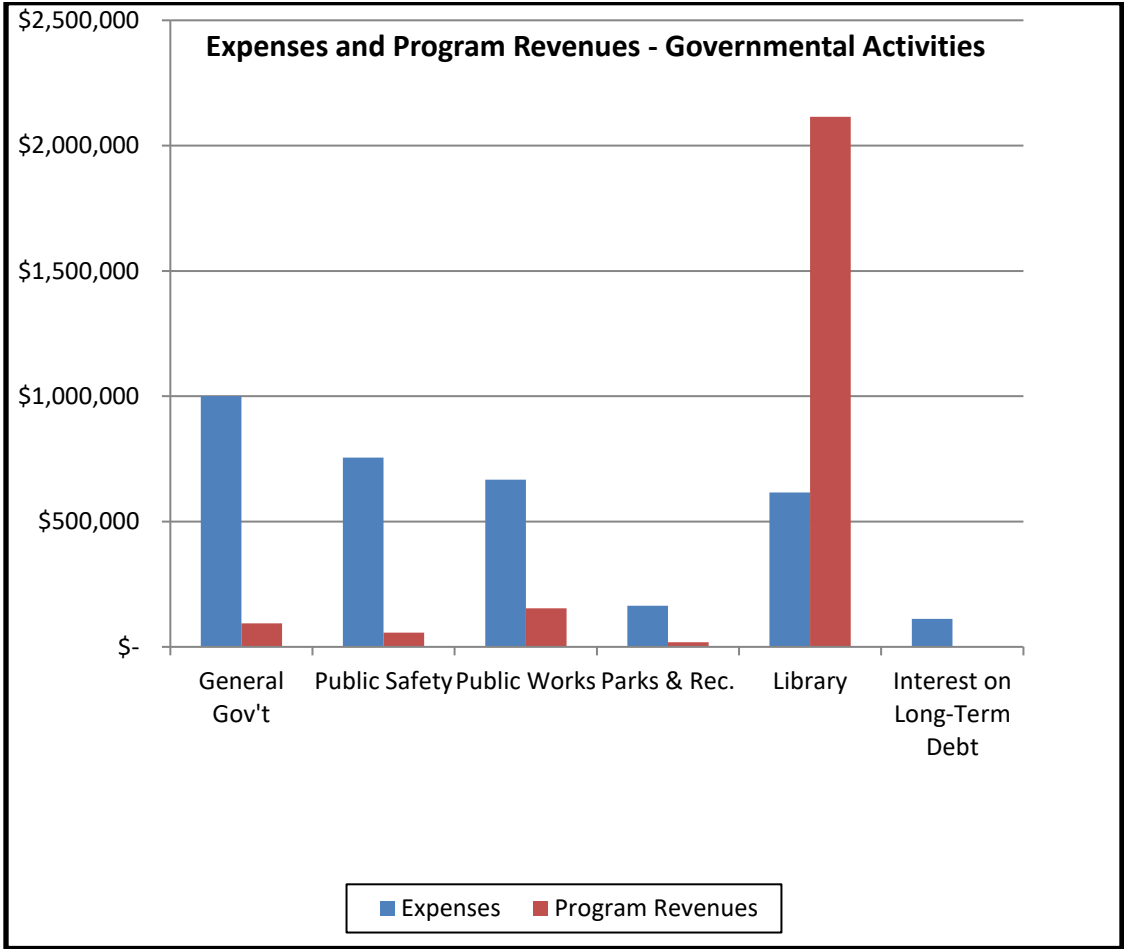
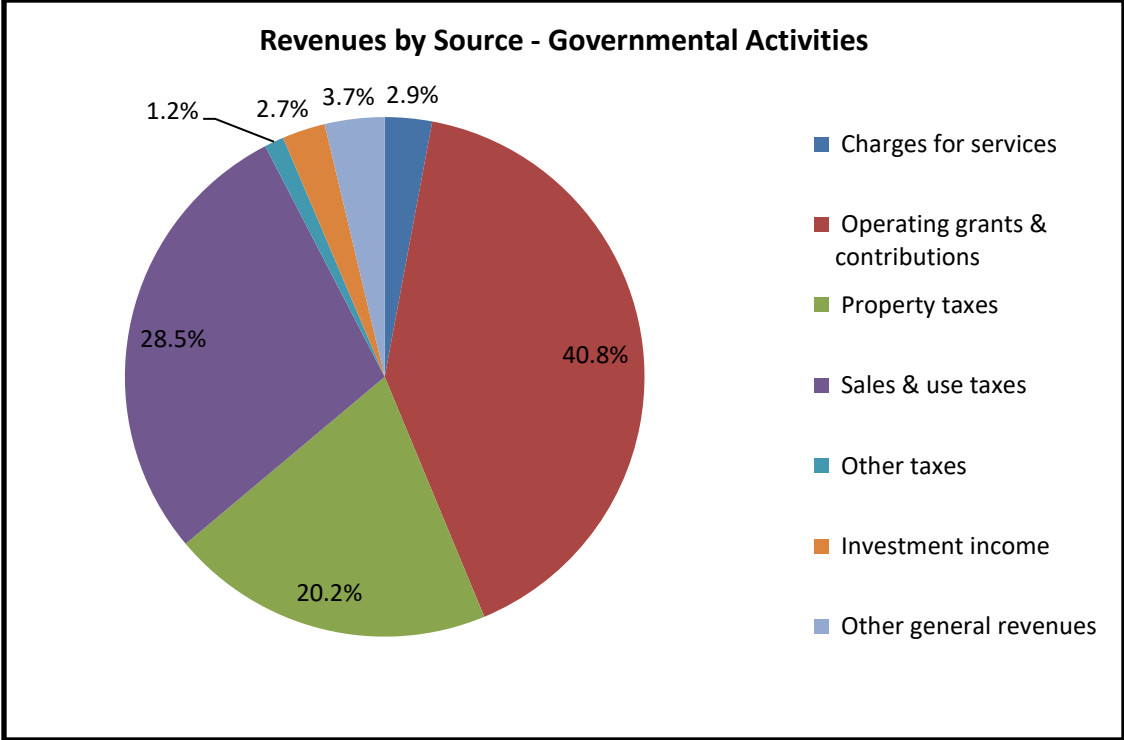
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	\$ 163,496	\$ 250,632	\$ 1,690,337	\$ 1,298,098	\$ 1,853,833	\$ 1,548,730
Operating grants & contributions	2,274,129	2,050,249	-	-	2,274,129	2,050,249
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	1,122,597	1,113,739	-	-	1,122,597	1,113,739
Sales & use taxes	1,588,607	1,219,961	-	-	1,588,607	1,219,961
Other taxes	67,408	64,543	-	-	67,408	64,543
Investment income	149,402	38,041	36,046	6,714	185,448	44,755
Gain on sale of capital assets	41,545	1,651	-	-	41,545	1,651
Other general revenues	165,597	50,344	-	-	165,597	50,344
Total revenues	\$ 5,572,781	\$ 4,789,160	\$ 1,726,383	\$ 1,304,812	\$ 7,299,164	\$ 6,093,972
Program expenses:						
General government	\$ 1,000,026	\$ 856,661	\$ -	\$ -	\$ 1,000,026	\$ 856,661
Public safety	755,486	616,249	-	-	755,486	616,249
Public works	667,247	624,495	-	-	667,247	624,495
Parks and Recreation	164,626	223,361	-	-	164,626	223,361
Library	616,089	535,203	-	-	616,089	535,203
Water utility	-	-	766,022	784,960	766,022	784,960
Wastewater utility	-	-	708,931	685,852	708,931	685,852
Debt issuance costs	-	-	-	-	-	-
Interest on long-term debt	112,169	103,635	-	-	112,169	103,635
Total expenses	\$ 3,315,643	\$ 2,959,604	\$ 1,474,953	\$ 1,470,812	\$ 4,790,596	\$ 4,430,416
Transfers In/(Out)	\$ (599,322)	\$ (534,322)	\$ 599,322	\$ 534,322	\$ -	\$ -
Increase/(decrease) in net position	\$ 1,657,816	\$ 1,295,234	\$ 850,752	\$ 368,322	\$ 2,508,568	\$ 1,663,556
Net Position, Beginning	21,836,061	20,540,827	8,816,049	8,447,727	30,652,110	28,988,554
Net Position, Ending	\$ 23,493,877	\$ 21,836,061	\$ 9,666,801	\$ 8,816,049	\$ 33,160,678	\$ 30,652,110

Governmental Activities

The Town's Governmental Activities increased in net position by \$1,657,816 (7.6%) in 2019. Key elements of this increase are as follows:

- Shared revenues from the High Plains Library District of \$2,114,785 outpaced Library expenses by \$1,498,696 in 2019. These revenues are tied to assessed property valuations which have increased in recent years due to growth in oil and gas production and other development within the district.
- Transfers of property taxes to the Business-type Activities for debt service payments decreased Governmental Activities net position by \$599,322.
- The additional general revenues, charges for services, and operating grants and contributions exceeded expenses for governmental activities by \$758,442.

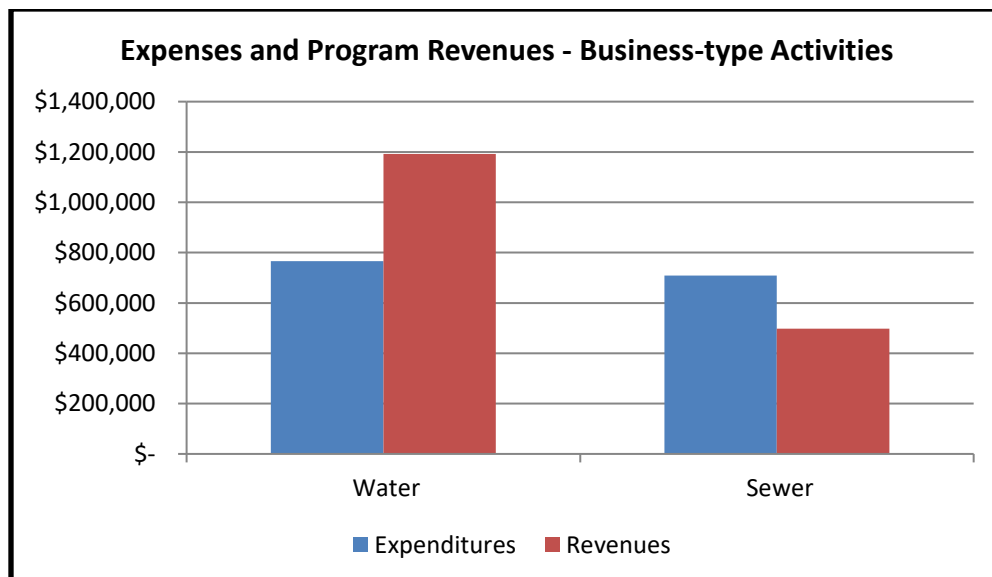
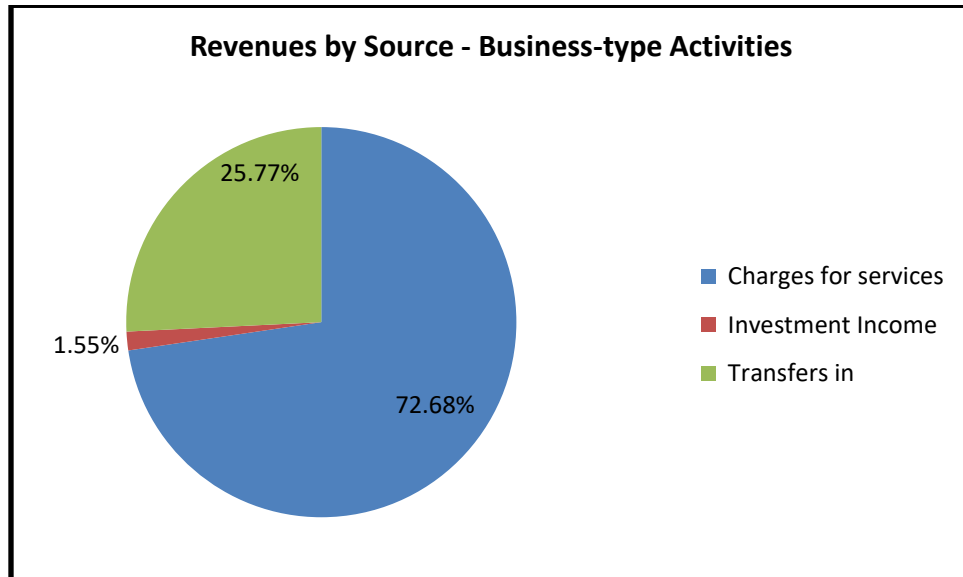
The following two charts illustrate the Governmental Activities revenues and expenses. As in most municipalities, the expenses of governmental activities are not fully supported through program revenues but are largely financed through taxes.



Business-type Activities

Business-type Activities increased in net position by \$850,752 (9.6%) during 2019. This was a continued improvement over 2018 when net position increased by \$368,322 (4.4%), and over previous years when these activities reduced the Town’s total net position. Charges for Services exceeded expenses in the Water Fund by \$425,947. In the Wastewater Fund, expenses exceeded Charges for Services by \$210,563. Management anticipates that recent rate increases as well as gradual growth in customer bases will address future revenue needs in these funds. In addition, the future 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 2019.

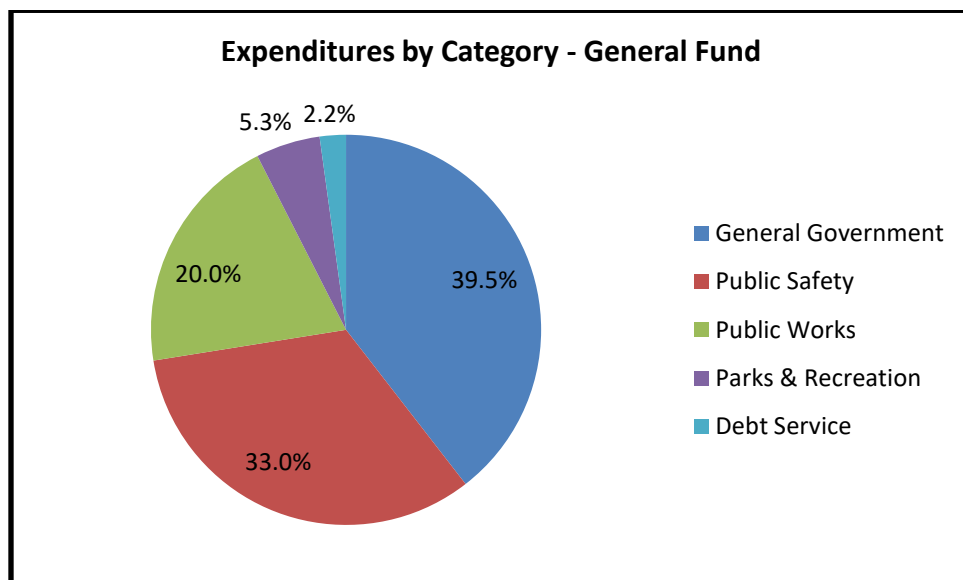
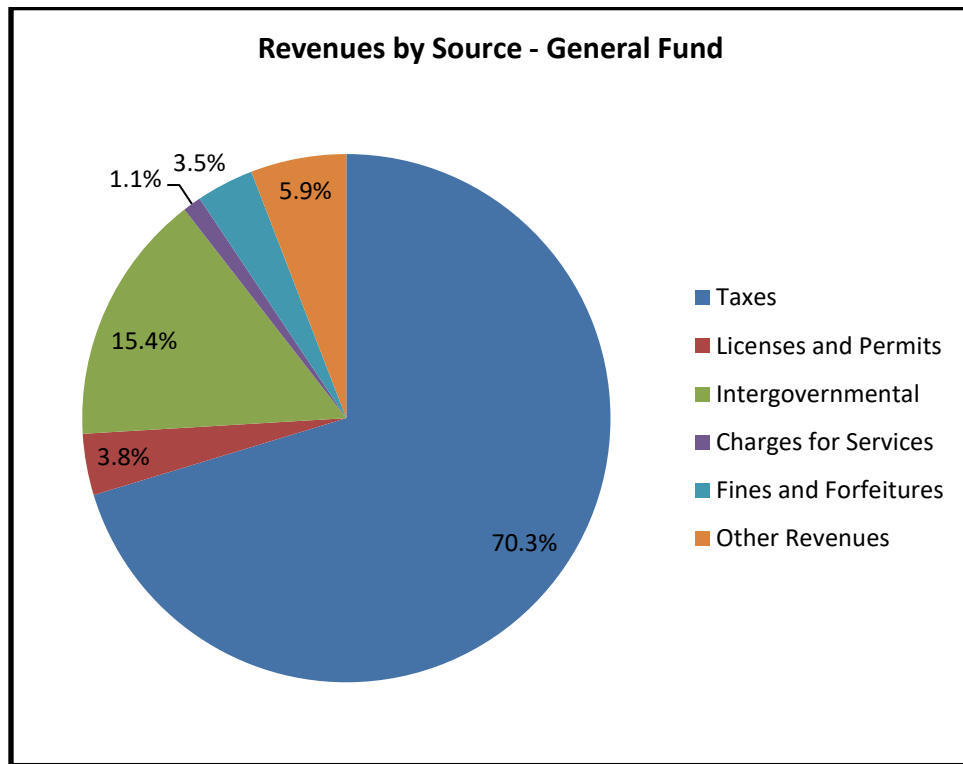


THE TOWN'S FUNDS

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, 2019 the Town's four major Governmental funds reported combined ending fund balances of \$11,828,241. These funds are discussed below.

General Fund. The General Fund is the chief operating fund of the Town of Hudson. It accounts for all the general services provided by the Town. At the end of 2019, the fund balance of the General Fund totaled \$-55,423. This was a \$595,590 (-110.3%) decrease from 2018 due to the provision of needed governmental services in advance of substantial compensating revenue increases from annexations beginning in 2020. Expenditures in 2019 totaled \$2,316,620. The following two tables illustrate General Fund revenues and expenditures during 2019.

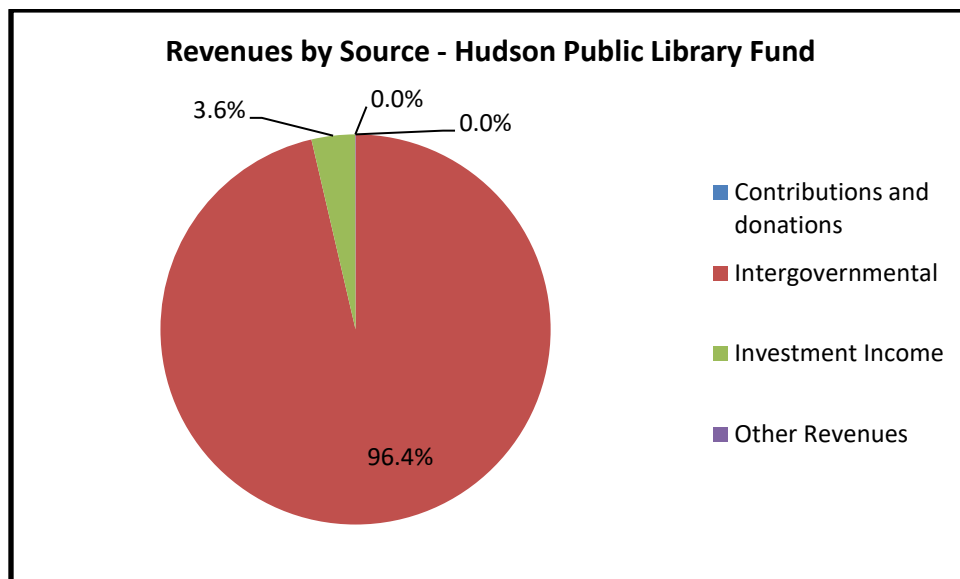


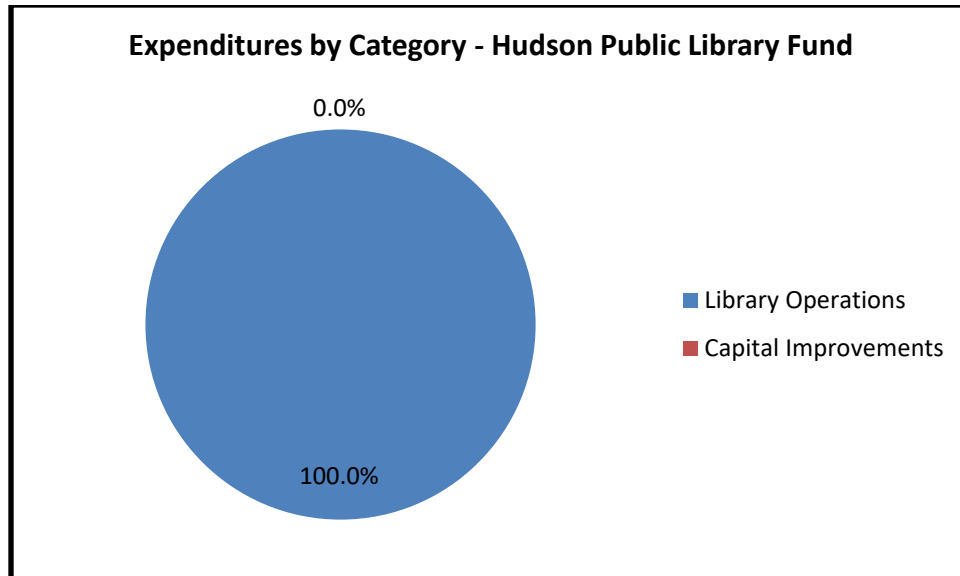
Property Tax Special Revenue Fund. This fund is utilized to account for the capital acquisition and/or construction of capital projects and related debt service. Property taxes from a 15.966 mill levy are the primary revenues for the fund. As mentioned above, property tax revenues are subject to fluctuations in assessed property values from varying levels of oil and natural gas production. During 2019, transfers of \$534,322 and \$65,000 were made to the Water Fund and Wastewater Fund respectively for debt service payments on bonds and loans. Fund revenues exceeded fund expenditures by \$558,367 before transfers in 2019.

The fund's property taxes are pledged to pay the debt service on the 2016 Limited Property and Sales Tax Refunding Bonds if needed. They were not needed during 2019 as sales taxes pledged in the Paving Sales Tax Fund were sufficient to make the debt service payments.

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. They are pledged to pay the debt service on the 2016 Limited Property and Sales Tax Refunding Bonds as needed. During 2019, fund revenues exceeded expenditures by \$181,345 (29.8%) and were sufficient to pay the debt service on the bonds and the final payment on the 2015 lease/purchase agreement for a street sweeper.

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 mentioned above, property tax revenues are subject to fluctuations in assessed property values from varying levels of oil and natural gas production. During 2019 fund revenues totaled \$2,194,556 and exceeded expenditures for operating costs (\$541,379) by \$1,653,177 (305.4%). The following two charts illustrate Hudson Public Library Fund revenues and expenditures during 2019.





Water Fund. At December 31, 2019 the net position of the Water Fund was \$4,690,702. This was an increase of \$985,639 (26.6%) over 2018. Over half of the increase (54.2%) was attributable to the transfer of \$534,322 from the Property Tax Special Revenue Fund for debt service payments, and the other 45.8% of the increase was from operations and investments. Recent rate increases enabled the Water Fund to record Net Operating Income of \$460,855 during 2019.

Wastewater Fund. At December 31, 2019 the net position of the Wastewater Fund was \$4,976,099. This was a decrease of \$134,887 (-2.6%) from 2018. The decrease was primarily caused by depreciation of capital assets totaling \$231,648.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At December 31, 2019 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 2019, the Town added to its municipal parks, completed Hudson Drive, and began certain water pump station and sewer lift station improvements.

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. At the end of 2019, the governmental activities had a balance of \$3,120,000 owed on the 2016 limited tax refunding bonds for street improvements, and \$96,441 remained outstanding on a capital lease for four police vehicles. Compensated absences are also recorded. See Note 4 on page 20 for more detailed information.

In business-type activities at December 31, 2019, the Town had a balance of \$3,148,320 owed on its 2011 Revenue Bonds, a \$696,247 balance on its 1996 water loan, and a \$428,600 balance on its 1995 general obligation bonds. These debts were incurred for water rights acquisition and water and wastewater system facilities and upgrades. \$29,803 remained outstanding on a capital lease for the water meter system. Compensated absences are also recorded. See Note 4 on page 22 for more detailed information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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 aware that these revenues will continue to benefit the Town to some extent. Some declines are forecast in 2020 as the Town seeks to be conservative in its revenue estimates.

Measurable growth in the residential and commercial sectors of Hudson's economy is occurring. In addition, annexations of adjacent land and industrial properties have significantly increased the taxable assessed property value of the Town. The 2020 Budget anticipates a substantial improvement in the General Fund balance due to the growth and annexations.

Beginning in March 2020, the State of Colorado imposed lengthy restrictions on businesses, recreation, and places of worship with the stated purpose of slowing the spread of the Coronavirus so that hospital facilities would not be overwhelmed with patients. The City has been economically impacted by these restrictions, and the full economic impact has yet to be determined. Management will continue to monitor the economic factors affecting the Town, to budget conservatively, and to amend adopted budgets if necessary.

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, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 13,149,601	\$ 2,492,489	\$ 15,642,090
Restricted Cash and Investments	258,828	108,056	366,884
Accounts Receivable	332,583	146,384	478,967
Taxes Receivable	3,020,748	-	3,020,748
Note Receivable	49,000	-	49,000
Deposits	54,542	-	54,542
Land Held for Resale	227,544	-	227,544
Capital Assets, <i>Not Being Depreciated</i>	317,180	1,046,855	1,364,035
Capital Assets, <i>Net of Accumulated Depreciation</i>	12,501,470	10,384,308	22,885,778
Total Assets	29,911,496	14,178,092	44,089,588
Deferred Outflows of Resources			
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	226,673	-	226,673
Liabilities			
Accounts Payable	182,559	122,870	305,429
Accrued Liabilities	65,335	10,216	75,551
Deposits Payable	-	3,015	3,015
Accrued Interest Payable	10,536	68,884	79,420
Noncurrent Liabilities			
Due Within One Year	183,720	138,623	322,343
Due in More Than One Year	3,181,394	4,167,683	7,349,077
Total Liabilities	3,623,544	4,511,291	8,134,835
Deferred Inflows of Resources			
Property Taxes	3,020,748	-	3,020,748
Net Position			
Net Investment in Capital Assets	9,468,868	7,128,193	16,597,061
Restricted for:			
Street Paving and Maintenance	1,328,190	-	1,328,190
Debt Service	245,300	108,056	353,356
Capital Improvements	756,591	-	756,591
Parks	118,213	-	118,213
Emergencies	215,000	-	215,000
Unrestricted	11,361,715	2,430,552	13,792,267
Total Net Position	\$ 23,493,877	\$ 9,666,801	\$ 33,160,678

Town of Hudson, Colorado
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
General Government	\$ 1,000,026	\$ 93,572	\$ -	\$ (906,454)	\$ -	\$ (906,454)
Public Safety	755,486	50,835	5,527	(699,124)	-	(699,124)
Public Works	667,247	18,461	135,207	(513,579)	-	(513,579)
Parks and Recreation	164,626	485	18,610	(145,531)	-	(145,531)
Library	616,089	143	2,114,785	1,498,839	-	1,498,839
Interest on Long-Term Debt	112,169	-	-	(112,169)	-	(112,169)
Total Governmental Activities	3,315,643	163,496	2,274,129	(878,018)	-	(878,018)
<i>Business-Type Activities</i>						
Water Utility	766,022	1,191,969	-	-	425,947	425,947
Wastewater Utility	708,931	498,368	-	-	(210,563)	(210,563)
Total Business-Type Activities	1,474,953	1,690,337	-	-	215,384	215,384
Total Primary Government	\$ 4,790,596	\$ 1,853,833	\$ 2,274,129	(878,018)	215,384	\$ (662,634)
General Revenues						
Property Taxes				1,051,102	-	1,051,102
Specific Ownership Taxes				71,495	-	71,495
Sales and Use Taxes				1,588,607	-	1,588,607
Franchise Taxes				67,408	-	67,408
Contributions Not Restricted to Specific Programs				114,751	-	114,751
Investment Income				149,402	36,046	185,448
Gain on Sale of Assets				41,545	-	41,545
Other				50,846	-	50,846
Transfers				(599,322)	599,322	-
Total General Revenues and Transfers				2,535,834	635,368	3,171,202
Change in Net Position				1,657,816	850,752	2,508,568
Net Position, Beginning of year, as restated				21,836,061	8,816,049	30,652,110
Net Position, End of year				\$ 23,493,877	\$ 9,666,801	\$ 33,160,678

Town of Hudson, Colorado
Balance Sheet
Governmental Funds
December 31, 2019

	General	Property Tax Special Revenue	Paving Sales Tax	Hudson Public Library	Nonmajor Governmental Funds	Total
Assets						
Cash and Investments	\$ (344,893)	\$ 441,821	\$ 1,168,016	\$ 9,926,322	\$ 1,958,335	\$ 13,149,601
Restricted Cash and Investments	-	-	258,828	-	-	258,828
Accounts Receivable	144,442	-	150,513	-	37,628	332,583
Taxes Receivable	1,431,279	1,589,469	-	-	-	3,020,748
Deposits Receivable	54,542	-	-	-	-	54,542
Note Receivable	49,000	-	-	-	-	49,000
Land Held for Resale	227,544	-	-	-	-	227,544
Total Assets	\$ 1,561,914	\$ 2,031,290	\$ 1,577,357	\$ 9,926,322	\$ 1,995,963	\$ 17,092,846
Liabilities						
Accounts Payable	\$ 131,571	\$ -	\$ 3,867	\$ 47,121	\$ -	\$ 182,559
Accrued Liabilities	54,487	-	-	10,848	-	65,335
Total Liabilities	186,058	-	3,867	57,969	-	247,894
Deferred Inflows of Resources						
Property Taxes	1,431,279	1,589,469	-	-	-	3,020,748
Fund Balances						
Nonspendable:						
Note Receivable	49,000	-	-	-	-	49,000
Land Held for Resale	227,544	-	-	-	-	227,544
Restricted for:						
Street Paving and Maintenance	-	-	1,328,190	-	-	1,328,190
Debt Service	-	-	245,300	-	-	245,300
Capital Improvements	-	-	-	-	756,591	756,591
Parks	-	-	-	-	118,213	118,213
Emergencies	215,000	-	-	-	-	215,000
Committed to:						
Debt Service	-	441,821	-	-	-	441,821
Capital Improvements	-	-	-	-	1,121,159	1,121,159
Public Library Activities	-	-	-	9,868,353	-	9,868,353
Unrestricted, Unassigned	(546,967)	-	-	-	-	(546,967)
Total Fund Balances	(55,423)	441,821	1,573,490	9,868,353	1,995,963	13,824,204
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,561,914	\$ 2,031,290	\$ 1,577,357	\$ 9,926,322	\$ 1,995,963	\$ 17,092,846

Town of Hudson, Colorado
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 Governmental Funds
 December 31, 2019

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

Total Fund Balances of Governmental Funds	\$ 13,824,204
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.	12,818,650
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Bonds payable	(3,120,000)
Bond premium	(133,341)
Lease payable	(96,441)
Accrued compensated absences	(15,332)
Accrued interest payable	(10,536)
Loss on debt refunding	<u>226,673</u>
Total Net Position of Governmental Activities	<u>\$ 23,493,877</u>

Town of Hudson, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Property Tax Special Revenue	Paving Sales Tax	Hudson Public Library	Nonmajor Governmental Funds	Total
Revenues						
Taxes	\$ 1,209,969	\$ 553,090	\$ 762,952	\$ -	\$ 252,601	\$ 2,778,612
Licenses and Permits	64,521	-	-	-	-	64,521
Contributions and Donations	5,907	-	-	-	-	5,907
Intergovernmental	265,712	-	-	2,114,785	18,330	2,398,827
Charges for Services	19,404	-	-	-	3,000	22,404
Fines and Forfeitures	60,574	-	-	143	-	60,717
Investment Income	(2,574)	11,208	26,134	78,953	35,681	149,402
Other	50,171	-	-	675	-	50,846
Total Revenues	<u>1,673,684</u>	<u>564,298</u>	<u>789,086</u>	<u>2,194,556</u>	<u>309,612</u>	<u>5,531,236</u>
Expenditures						
Current						
General Government	915,097	5,931	-	-	-	921,028
Public Safety	723,210	-	-	-	-	723,210
Public Works	463,670	-	11,541	-	5,090	480,301
Parks and Recreation	123,637	-	-	-	7,383	131,020
Library	-	-	-	541,379	-	541,379
Capital Outlay	40,750	-	330,157	-	143,142	514,049
Debt Service						
Principal	45,207	-	166,727	-	-	211,934
Interest and Fiscal Charges	5,049	-	99,316	-	-	104,365
Total Expenditures	<u>2,316,620</u>	<u>5,931</u>	<u>607,741</u>	<u>541,379</u>	<u>155,615</u>	<u>3,627,286</u>
Excess of Revenues Over (Under) Expenditures	<u>(642,936)</u>	<u>558,367</u>	<u>181,345</u>	<u>1,653,177</u>	<u>153,997</u>	<u>1,903,950</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	47,346	-	-	-	-	47,346
Transfers Out	-	(599,322)	-	-	-	(599,322)
Total Other Financing Sources (Uses)	<u>47,346</u>	<u>(599,322)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(551,976)</u>
Net Change in Fund Balances	(595,590)	(40,955)	181,345	1,653,177	153,997	1,351,974
Fund Balances, Beginning of year, as restated	<u>540,167</u>	<u>482,776</u>	<u>1,392,145</u>	<u>8,215,176</u>	<u>1,841,966</u>	<u>12,472,230</u>
Fund Balances, End of year	<u>\$ (55,423)</u>	<u>\$ 441,821</u>	<u>\$ 1,573,490</u>	<u>\$ 9,868,353</u>	<u>\$ 1,995,963</u>	<u>\$ 13,824,204</u>

Town of Hudson, Colorado
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Governmental Funds Balances to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2019

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

Net Change in Fund Balances of Governmental Funds	\$ 1,351,974
<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.</p>	
Capital outlay	514,049
Depreciation expense	(408,880)
Disposal of capital assets	(5,801)
<p>Repayments of long-term debt principal 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>	
Bond payments	130,000
Lease payments	81,934
<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:</p>	
Amortization of loss on debt refunding	(13,332)
Amortization of premium	7,843
<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:</p>	
Accrued compensated absences	2,343
Accrued interest payable	(2,314)
Change in Net Position of Governmental Activities	\$ 1,657,816

Town of Hudson, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2019

	Water	Wastewater	Total
Assets			
<i>Current Assets</i>			
Cash and Investments	\$ 1,881,101	\$ 611,388	\$ 2,492,489
Restricted Cash and Investments	-	108,056	108,056
Accounts Receivable	85,918	60,466	146,384
Total Current Assets	<u>1,967,019</u>	<u>779,910</u>	<u>2,746,929</u>
<i>Noncurrent Assets</i>			
Capital Assets, <i>Not Being Depreciated</i>	1,009,542	37,313	1,046,855
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>2,954,295</u>	<u>7,430,013</u>	<u>10,384,308</u>
Total Noncurrent Assets	<u>3,963,837</u>	<u>7,467,326</u>	<u>11,431,163</u>
Total Assets	<u>5,930,856</u>	<u>8,247,236</u>	<u>14,178,092</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	57,989	64,881	122,870
Accrued Liabilities	5,108	5,108	10,216
Deposits Payable	3,015	-	3,015
Accrued Interest Payable	17,724	51,160	68,884
Compensated Absences Payable, <i>Current Portion</i>	167	167	334
Lease Payable, <i>Current Portion</i>	29,803	-	29,803
Bonds and Loans Payable, <i>Current Portion</i>	<u>51,316</u>	<u>57,170</u>	<u>108,486</u>
Total Current Liabilities	<u>165,122</u>	<u>178,486</u>	<u>343,608</u>
<i>Noncurrent Liabilities</i>			
Compensated Absences Payable	1,501	1,501	3,002
Bonds and Loans Payable	<u>1,073,531</u>	<u>3,091,150</u>	<u>4,164,681</u>
Total Noncurrent Liabilities	<u>1,075,032</u>	<u>3,092,651</u>	<u>4,167,683</u>
Total Liabilities	<u>1,240,154</u>	<u>3,271,137</u>	<u>4,511,291</u>
Net Position			
Net Investment in Capital Assets	2,809,187	4,319,006	7,128,193
Restricted for Debt Service	-	108,056	108,056
Unrestricted	<u>1,881,515</u>	<u>549,037</u>	<u>2,430,552</u>
Total Net Position	<u>\$ 4,690,702</u>	<u>\$ 4,976,099</u>	<u>\$ 9,666,801</u>

Town of Hudson, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Water	Wastewater	Total
Operating Revenues			
Charges for Services	\$ 1,188,003	\$ 498,368	\$ 1,686,371
Other	3,966	-	3,966
	1,191,969	498,368	1,690,337
Operating Expenses			
Operations and Maintenance	434,016	320,424	754,440
Administration	90,717	54,085	144,802
Water Acquisition	30,833	-	30,833
Depreciation	175,548	231,648	407,196
	731,114	606,157	1,337,271
Net Operating Income (Loss)	460,855	(107,789)	353,066
Nonoperating Revenues (Expenses)			
Investment Income	25,370	10,676	36,046
Interest and Fiscal Charges	(34,908)	(102,774)	(137,682)
	(9,538)	(92,098)	(101,636)
Net Income (Loss) Before Transfers	451,317	(199,887)	251,430
Transfers			
Transfers In	534,322	65,000	599,322
	985,639	(134,887)	850,752
Change in Net Position			
Net Position, Beginning of year	3,705,063	5,110,986	8,816,049
Net Position, End of year	\$ 4,690,702	\$ 4,976,099	\$ 9,666,801

Town of Hudson, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Water	Wastewater	Total
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 1,172,847	\$ 491,981	\$ 1,664,828
Cash Received from Others	3,966	-	3,966
Cash Payments to Employees	(94,666)	(94,504)	(189,170)
Cash Payments to Vendors and Suppliers	(446,624)	(225,156)	(671,780)
Net Cash Provided by Operating Activities	635,523	172,321	807,844
Cash Flows From Capital and Related Financing Activities			
Purchases of Capital Assets	(47,275)	(37,313)	(84,588)
Payments From Other Funds	534,322	65,000	599,322
Debt Principal Payments	(78,744)	(55,357)	(134,101)
Debt Interest and Fiscal Charges Paid	(36,367)	(103,674)	(140,041)
Net Cash Used in Capital and Related Financing Activities	371,936	(131,344)	240,592
Cash Flows From Investing Activities			
Interest Received	25,370	10,676	36,046
Net Change in Cash and Cash Equivalents	1,032,829	51,653	1,084,482
Cash and Cash Equivalents, <i>Beginning of year</i>	848,272	667,791	1,516,063
Cash and Cash Equivalents, <i>End of year</i>	\$ 1,881,101	\$ 719,444	\$ 2,600,545
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities			
Net Operating Income (Loss)	\$ 460,855	\$ (107,789)	\$ 353,066
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities			
Depreciation	175,548	231,648	407,196
Changes in Assets and Liabilities			
Accounts Receivable	(14,549)	(6,387)	(20,936)
Accounts Payable	13,893	54,465	68,358
Accrued Liabilities	300	300	600
Deposits	(607)	-	(607)
Compensated Absences Payable	83	84	167
Net Cash Provided by Operating Activities	\$ 635,523	\$ 172,321	\$ 807,844

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

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, 2019

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, 2019

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 Equivalents - 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, 2019

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. Law enforcement employees may accumulate up to 480 hours of compensatory time at their current rate of pay. 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. 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, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events are evaluated through September 1, 2020, the date the financial statements are available to be issued.

Note 2: Cash and Investments

A summary of cash and investments December 31, 2019, follows:

Petty Cash	\$ 558
Cash Deposits	10,446,371
Investments	<u>5,562,045</u>
Total	<u>\$ 16,008,974</u>

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

Cash and Investments	\$ 15,642,090
Restricted Cash and Investments	<u>366,884</u>
Total	<u>\$ 16,008,974</u>

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, 2019, the Town and the Library had bank deposits of \$9,894,379 collateralized with securities held by the financial institution's 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.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments (Continued)

Investments (Continued)

- 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)

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years 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 established by 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 a single issuer of investment securities, except for corporate securities.

Local Government Investment Pool - At December 31, 2019, the Town had \$5,562,045 invested in the Colorado Local Government Liquid Asset Trust (Colotrust).

Colotrust - Colotrust is not a 2a7 like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using the NAV per share (or its equivalent) of the investments.

Colotrust is an investment vehicle established by state statute for local entities in Colorado to pool surplus funds for investment purposes and are registered with the State Securities Commissioner. The pools operate similarly to money market funds and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. Investments of the pools consist of US Treasury bills, notes, and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by US Treasury securities and or US Instrumentalities. Colotrust is rated AAAM by Standard and Poor's. Information regarding Colotrust's financial statements is available at their website www.colotrust.com.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments (Continued)

Restricted Cash and Investments

At December 31, 2019, 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 \$108,056 are held in a separate account on behalf of the Wastewater Fund, although the Town is only required to maintain \$71,604. The required reserve in the Wastewater Fund increases by \$7,956 per year.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2019, is summarized below:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 140,396	\$ 53,917	\$ -	\$ 194,313
Construction in Process	-	122,867	-	122,867
<i>Total Capital Assets, Not Being Depreciated</i>	<u>140,396</u>	<u>176,784</u>	<u>-</u>	<u>317,180</u>
Land Improvements	633,502	38,610	-	672,112
Infrastructure	5,180,300	330,157	-	5,510,457
Buildings	8,054,552	-	(226,392)	7,828,160
Equipment	996,956	22,415	(23,735)	995,636
<i>Total Capital Assets, Being Depreciated</i>	<u>14,865,310</u>	<u>391,182</u>	<u>(250,127)</u>	<u>15,006,365</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(178,857)	(33,606)	-	(212,463)
Infrastructure	(1,046,806)	(137,761)	-	(1,184,567)
Buildings	(571,070)	(162,165)	172,476	(560,759)
Equipment	(489,692)	(75,348)	17,934	(547,106)
<i>Total Accumulated Depreciation</i>	<u>(2,286,425)</u>	<u>(408,880)</u>	<u>190,410</u>	<u>(2,504,895)</u>
<i>Capital Assets, Being Depreciated, net</i>	<u>12,578,885</u>	<u>(17,698)</u>	<u>(59,717)</u>	<u>12,501,470</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 12,719,281</u>	<u>\$ 159,086</u>	<u>\$ (59,717)</u>	<u>\$ 12,818,650</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land and Water Rights	\$ 962,267	\$ -	\$ -	\$ 962,267
Construction in Progress	-	84,588	-	84,588
<i>Total Capital Assets, Not Being Depreciated</i>	<u>962,267</u>	<u>84,588</u>	<u>-</u>	<u>1,046,855</u>

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets (Continued)

Business-Type Activities (Continued)	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
<i>Capital Assets, Being Depreciated:</i>				
Collection and Distribution Systems	16,292,807	-	-	16,292,807
Equipment	273,512	-	-	273,512
Total Capital Assets, <i>Being Depreciated</i>	<u>16,566,319</u>	<u>-</u>	<u>-</u>	<u>16,566,319</u>
 Less Accumulated Depreciation:				
Collection and Distribution Systems	(5,640,370)	(393,785)	-	(6,034,155)
Equipment	(134,445)	(13,411)	-	(147,856)
Total Accumulated Depreciation	<u>(5,774,815)</u>	<u>(407,196)</u>	<u>-</u>	<u>(6,182,011)</u>
Capital Assets, <i>Being Depreciated, net</i>	<u>10,791,504</u>	<u>(407,196)</u>	<u>-</u>	<u>10,384,308</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 11,753,771</u>	<u>\$ (322,608)</u>	<u>\$ -</u>	<u>\$ 11,431,163</u>

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

Governmental Activities	
General Government	\$ 81,341
Public Safety	32,277
Public Works	186,946
Culture and Recreation	33,606
Library	<u>74,710</u>
Total	<u>\$ 408,880</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, 2019:

	Balance 12/31/18	Additions	Payments	Balance 12/31/19	Due Within One Year
2016 Limited Tax Refunding Bonds	\$ 3,250,000	\$ -	\$ (130,000)	\$ 3,120,000	\$ 135,000
Bond Premium	141,184	-	(7,843)	133,341	-
2015 Street Sweeper Lease	36,727	-	(36,727)	-	-
Police Vehicle Lease	141,648	-	(45,207)	96,441	47,187
Compensated Absences	<u>17,675</u>	<u>-</u>	<u>(2,343)</u>	<u>15,332</u>	<u>1,533</u>
Total	<u>\$ 3,587,234</u>	<u>\$ -</u>	<u>\$ (222,120)</u>	<u>\$ 3,365,114</u>	<u>\$ 183,720</u>

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

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Debt (Continued)

Governmental Activities (Continued)

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 2018 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, 2019, revenues of \$1,316,042 were available to pay annual debt service of \$228,650.

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>
2020	\$ 135,000	\$ 94,750	\$ 229,750
2021	135,000	90,700	225,700
2022	145,000	86,650	231,650
2023	160,000	82,300	242,300
2024	165,000	77,500	242,500
2025 - 2029	885,000	310,700	1,195,700
2030 - 2034	1,035,000	169,850	1,204,850
2035 - 2036	460,000	22,588	482,588
	<u> </u>	<u> </u>	<u> </u>
Total	\$ 3,120,000	\$ 935,038	\$ 4,055,038

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 were due quarterly, through December 1, 2019. Interest accrues at 2.89% per annum. Capital assets of \$173,500 net of accumulated depreciation of \$26,025, have been capitalized under this lease. The lease was new rod

During May 2018, the Town entered into a capital lease agreement to finance the purchase of police vehicles. Principal and interest payments of \$51,411 are due annually, through May 16, 2021. Interest accrues at 4.38% per annum. Capital assets of \$141,648 net of accumulated depreciation of \$30,353, have been capitalized under this lease.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Debt (Continued)

Governmental Activities (Continued)

Capital lease payments to maturity are as follows:

<u>Year Ended December 31,</u>	<u>Police Vehicle</u>
2020	\$ 51,411
2021	51,411
Total Minimum Lease Payments	102,822
Less: Interest Portion	(6,381)
	<u>96,441</u>
Present Value of Future Minimum Lease Payments	\$ <u>96,441</u>

Business-Type Activities

Following are the changes in long-term debt of the business-type activities for the year ended December 31, 2019:

	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
1995 GO Bonds	\$ 446,600	\$ -	\$ (18,000)	\$ 428,600	\$ 18,800
1996 CWCB Loan	728,126	-	(31,879)	696,247	32,516
2011 Revenue Bonds	3,203,677	-	(55,357)	3,148,320	57,170
2015 Water Meters Lease	58,668	-	(28,865)	29,803	29,803
Compensated Absences	3,169	484	(317)	3,336	334
	<u>4,440,240</u>	<u>484</u>	<u>(134,418)</u>	<u>4,306,306</u>	<u>138,623</u>
Total	\$ <u>4,440,240</u>	\$ <u>484</u>	\$ <u>(134,418)</u>	\$ <u>4,306,306</u>	\$ <u>138,623</u>

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.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Debt (Continued)

Business-Type Activities (Continued)

For the year ended December 31, 2019, net revenues of \$667,236 were available to pay total debt service of the Water Fund of \$84,338. Interfund transfers of \$534,322 were made to assist the required debt service as scheduled. The remaining bond and loan debt service of the Water Fund at December 31, 2019, was \$1,441,656.

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, 2019, net revenues of \$123,859 were available to pay total debt service of \$159,030.

Interfund transfers of \$65,000 were made to assist the required debt service as scheduled. Remaining debt service at December 31, 2019, was \$5,086,557.

Annual debt service requirements for the outstanding bonds and loan at December 31, 2019, were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 108,487	\$ 134,862	\$ 243,349
2021	111,911	131,484	243,395
2022	115,308	127,990	243,298
2023	118,982	124,383	243,365
2024	122,737	120,649	243,386
2025 - 2029	674,121	542,703	1,216,824
2030 - 2034	788,387	428,463	1,216,850
2035 - 2039	665,038	306,752	971,790
2040 - 2044	581,591	213,559	795,150
2045 - 2049	683,318	111,832	795,150
2050 - 2051	303,287	12,369	315,656
Total	<u>\$ 4,273,167</u>	<u>\$ 2,255,046</u>	<u>\$ 6,528,213</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 net of accumulated depreciation of \$31,483, have been capitalized under this lease.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Debt (Continued)

Business-Type Activities (Continued)

Capital lease payments to maturity are as follows:

<u>Year Ended December 31,</u>		
2020	\$	30,772
Total Minimum Lease Payments		30,772
Less: Interest Portion		(969)
		<hr style="border-top: 1px solid black;"/>
Present Value of Future Minimum Lease Payments	\$	<u>29,803</u>

Note 5: Interfund Transactions

The Property Tax Special Revenue Fund collects and remits the property taxes established for capital improvements and the related debt service to other funds. During the year ended December 31, 2019, the Property Tax Special Revenue Fund transferred \$534,322 to the Water Fund and \$65,000 to the Wastewater Fund to service debt.

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 participates in 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 provisions 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.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

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, 2019, the Town contributed \$63,847 to the Plan, equal to the required contributions. All Plan assets are held by the Plan administrator, Great-West Financial.

Statewide Money Purchase Pension Plan

The Town contributes to the Statewide Money Purchase Plan, a multiple-employer defined contribution pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). The contribution requirements of the plan are established by State statutes. Currently, plan participants contribute 5.25% of base salary, and the Town contributes 4.00% of base salary. Participants vest immediately in their contributions. Vesting in the Town's contributions and the related investment earnings occurs at 20% per year after the first year of service, with full vesting after five years of service. During the year ended December 31, 2019, the Town contributed \$2,857 to the plan, equal to the required contributions.

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.

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, 2019, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$215,000.

Town of Hudson, Colorado
Notes to Financial Statements
December 31, 2019

Note 8: Commitments and Contingencies (Continued)

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, 2019, 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.

Note 9: Prior-Period Adjustment

The Town received late invoices in 2019 related to the 2018 audit. These liabilities were not included in the December 31, 2018 balance, resulting in an overstatement of the General Fund balance. Consequently, the table below presents the effects of the prior-period adjustment on the 2018, General Fund balance, which is restated for a correction of the error with respect to the omitted liabilities.

	General Fund Balance	Government- wide Activities
Fund Balance, December 31, 2018, <i>as Originally Stated</i>	\$ 560,874	\$ 21,856,768
Unrecorded Liabilities for Invoices Received after Year-End	(20,707)	(20,707)
Fund Balance, December 31, 2018, <i>as Restated</i>	\$ 540,167	\$ 21,836,061

Note 10: Subsequent Event

Subsequent to year-end, the United State of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The Town has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
<i>Taxes</i>			
Property Taxes	\$ 502,274	\$ 498,012	\$ (4,262)
Specific Ownership Taxes	90,000	71,495	(18,505)
Sales and Use Taxes	303,750	573,054	269,304
Franchise Taxes	72,000	67,408	(4,592)
Occupation Taxes	2,000	-	(2,000)
Total Taxes	970,024	1,209,969	239,945
<i>Licenses and Permits</i>			
Building Permits	150,000	43,445	(106,555)
Transportation Permits	12,000	4,540	(7,460)
Other Permits and Licenses	2,375	16,536	14,161
Total Licenses and Permits	164,375	64,521	(99,854)
<i>Contributions and Donations</i>			
	-	5,807	5,807
<i>Intergovernmental</i>			
Auto Registration Fees	4,000	15,854	11,854
Highway Users Taxes	88,221	106,766	18,545
Severance Taxes	13,000	51,696	38,696
Road and Bridge Fees	58,000	28,341	(29,659)
Cigarette Taxes	2,200	2,810	610
Mineral Lease	10,000	57,394	47,394
Other	9,000	2,851	(6,149)
Total Intergovernmental	184,421	265,712	81,291
<i>Charges for Services</i>			
Development Review Fees	30,000	5,422	(24,578)
Other Charges for Services	13,790	13,982	192
Total Charges for Services	43,790	19,404	(24,386)
<i>Court Fines and Forfeitures</i>			
	31,000	60,574	29,574
<i>Investment Income</i>			
	500	(2,574)	(3,074)
<i>Other</i>			
	612,000	50,171	(561,829)
Total Revenues	\$ 2,006,110	\$ 1,673,584	\$ (332,526)

(Continued)

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2019
 (Continued)

	Original and Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Current			
General Government	\$ 1,082,060	\$ 915,097	166,963
Public Safety	805,873	745,625	60,248
Public Works	425,610	513,826	(88,216)
Parks and Recreation	172,206	141,972	30,234
Total Expenditures	<u>2,485,749</u>	<u>2,316,520</u>	<u>169,229</u>
Excess of Revenues Over (Under) Expenditures	<u>(479,639)</u>	<u>(642,936)</u>	<u>(163,297)</u>
Other Financing Sources			
Proceeds from Sale of Capital Assets	-	47,346	47,346
Total Other Financing Sources	<u>-</u>	<u>47,346</u>	<u>47,346</u>
Net Change in Fund Balance	(479,639)	(595,590)	(115,951)
Fund Balance, Beginning of year, as restated	<u>583,330</u>	<u>540,167</u>	<u>(43,163)</u>
Fund Balance, End of year	<u>\$ 103,691</u>	<u>\$ (55,423)</u>	<u>(159,114)</u>

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Property Tax Special Revenue Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Property Taxes	\$ 557,887	\$ 553,090	\$ (4,797)
Investment Income	60	11,208	11,148
	557,947	564,298	6,351
Total Revenues			
Expenditures			
General Government	5,612	5,931	(319)
Capital Outlay	10,000	-	10,000
	15,612	5,931	9,681
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	542,335	558,367	16,032
Other Financing Sources (Uses)			
Transfer Out	(599,322)	(599,322)	-
	(56,987)	(40,955)	16,032
Net Change in Fund Balance			
Fund Balance, Beginning of year	(75,866)	482,776	558,642
	(132,853)	441,821	574,674
Fund Balance, End of year	\$ (132,853)	\$ 441,821	\$ 574,674

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Paving Sales Tax Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Sales and Use Taxes	\$ 350,000	\$ 762,952	\$ 412,952
Investment Income	300	26,134	25,834
	350,300	789,086	438,786
Expenditures			
General Government	31,400	-	31,400
Capital Outlay	625,000	341,698	283,302
Debt Service			
Principal	155,684	166,727	(11,043)
Interest and Fiscal Charges	103,958	99,316	4,642
	916,042	607,741	308,301
Net Change in Fund Balance	(565,742)	181,345	747,087
Fund Balance, Beginning of year	100,774	1,392,145	1,291,371
Fund Balance, End of year	\$ (464,968)	\$ 1,573,490	\$ 2,038,458

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Hudson Public Library Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Intergovernmental	\$ 1,880,109	\$ 2,114,785	\$ 234,676
Investment Income	3,279	78,953	75,674
Other	4,000	818	(3,182)
Total Revenues	1,887,388	2,194,556	307,168
Expenditures			
Library	938,507	541,379	397,128
Capital Outlay	946,800	-	946,800
Total Expenditures	1,885,307	541,379	1,343,928
Net Change in Fund Balance	2,081	1,653,177	1,651,096
Fund Balance, <i>Beginning of year</i>	2,798,961	8,215,176	5,416,215
Fund Balance, <i>End of year</i>	\$ 2,801,042	\$ 9,868,353	\$ 7,067,311

Town of Hudson, Colorado
Notes to Required Supplementary Information
December 31, 2019

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, 2019

	<u>Sales Tax Capital Improvement</u>	<u>Capital Reserve</u>	<u>Conservation Trust</u>	<u>Park Impact Fee</u>	<u>Facilities Impact Fee</u>	<u>Street Impact Fee</u>	<u>Total</u>
Assets							
Cash and Investments	\$ 718,963	\$ 926,286	\$ 118,213	\$ 4,421	\$ 36,664	\$ 153,788	\$ 1,958,335
Accounts Receivable	<u>37,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,628</u>
Total Assets	<u>\$ 756,591</u>	<u>\$ 926,286</u>	<u>\$ 118,213</u>	<u>\$ 4,421</u>	<u>\$ 36,664</u>	<u>\$ 153,788</u>	<u>\$ 1,995,963</u>
Fund Balances							
Restricted for:							
Capital Improvements	756,591	-	-	-	-	-	756,591
Parks	-	-	118,213	-	-	-	118,213
Committed to:							
Capital Improvements	<u>-</u>	<u>926,286</u>	<u>-</u>	<u>4,421</u>	<u>36,664</u>	<u>153,788</u>	<u>1,121,159</u>
Total Fund Balances	<u>\$ 756,591</u>	<u>\$ 926,286</u>	<u>\$ 118,213</u>	<u>\$ 4,421</u>	<u>\$ 36,664</u>	<u>\$ 153,788</u>	<u>\$ 1,995,963</u>

Town of Hudson, Colorado
Combining Statement of Revenues, Expenditures and Changes in Funds Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

	Sales Tax Capital Improvement	Capital Reserve	Conservation Trust	Park Impact Fee	Facilities Impact Fee	Street Impact Fee	Total
Revenues							
Taxes	\$ 190,738	\$ 61,863	\$ -	\$ -	\$ -	\$ -	\$ 252,601
Intergovernmental	-	-	18,330	-	-	-	18,330
Charges for Services	-	-	-	75	318	2,607	3,000
Investment Income	12,049	17,824	2,213	82	676	2,837	35,681
Total Revenues	202,787	79,687	20,543	157	994	5,444	309,612
Expenditures							
Public Works	-	5,090	-	-	-	-	5,090
Parks & Recreation	3,975	3,408	-	-	-	-	7,383
Capital Outlay	20,275	122,867	-	-	-	-	143,142
Total Expenditures	24,250	131,365	-	-	-	-	155,615
Net Change in Fund Balances	178,537	(51,678)	20,543	157	994	5,444	153,997
Fund Balances, Beginning of year	578,054	977,964	97,670	4,264	35,670	148,344	1,841,966
Fund Balances, End of year	\$ 756,591	\$ 926,286	\$ 118,213	\$ 4,421	\$ 36,664	\$ 153,788	\$ 1,995,963

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Sales Tax Capital Improvement Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales Taxes	\$ 87,500	\$ 190,738	\$ 103,238
Investment Income	75	12,049	11,974
	<u>87,575</u>	<u>202,787</u>	<u>115,212</u>
Total Revenues			
Expenditures			
Capital Outlay	108,000	24,250	83,750
Net Change in Fund Balance	(20,425)	178,537	198,962
Fund Balance, Beginning of year	149,040	578,054	429,014
Fund Balance, End of year	<u>\$ 128,615</u>	<u>\$ 756,591</u>	<u>\$ 627,976</u>

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Capital Reserve Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Use Taxes	\$ 195,000	\$ 61,863	\$ (133,137)
Investment Income	2,000	17,824	15,824
	197,000	79,687	(117,313)
Total Revenues			
Expenditures			
Capital Outlay	144,500	131,365	13,135
Bank Expense	2,600	-	2,600
	147,100	131,365	15,735
Total Expenditures			
Net Change in Fund Balance	49,900	(51,678)	(101,578)
Fund Balance, Beginning of year	390,238	977,964	587,726
Fund Balance, End of year	\$ 440,138	\$ 926,286	\$ 486,148

Compliance Section

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 15,000	\$ 18,330	\$ 3,330
Investment Income	300	2,213	1,913
Total Revenues	<u>15,300</u>	<u>20,543</u>	<u>5,243</u>
Expenditures			
Capital Outlay	<u>11,000</u>	-	<u>11,000</u>
Total Expenditures	<u>11,000</u>	-	<u>11,000</u>
Net Change in Fund Balance	4,300	20,543	16,243
Fund Balance, Beginning of year	<u>25,632</u>	<u>97,670</u>	<u>72,038</u>
Fund Balance, End of year	<u>\$ 29,932</u>	<u>\$ 118,213</u>	<u>\$ 88,281</u>

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Park Impact Fee Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Impact Fees	\$ 1,837	\$ 75	\$ (1,762)
Investment Income	-	82	82
	<u>1,837</u>	<u>157</u>	<u>(1,680)</u>
Total Revenues			
	1,837	157	(1,680)
Net Change in Fund Balance			
	1,837	157	(1,680)
Fund Balance, Beginning of year	<u>3,785</u>	<u>4,264</u>	<u>479</u>
Fund Balance, End of year	<u>\$ 5,622</u>	<u>\$ 4,421</u>	<u>\$ (1,201)</u>

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Facilities Impact Fee Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Impact Fees	\$ 12,493	\$ 318	\$ (12,175)
Investment Income	-	676	676
Total Revenues	<u>12,493</u>	<u>994</u>	<u>(11,499)</u>
Net Change in Fund Balance	12,493	994	(11,499)
Fund Balance, Beginning of year	<u>31,087</u>	<u>35,670</u>	<u>4,583</u>
Fund Balance, End of year	<u>\$ 43,580</u>	<u>\$ 36,664</u>	<u>\$ (6,916)</u>

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Street Impact Fee Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Impact Fees	\$ 132,356	\$ 2,607	\$ (129,749)
Investment Income	15	2,837	2,822
	132,371	5,444	(126,927)
Expenditures			
Capital Outlay	50,000	-	50,000
	50,000	-	50,000
Net Change in Fund Balance	82,371	5,444	(76,927)
Fund Balance, Beginning of year	78,363	148,344	69,981
Fund Balance, End of year	\$ 160,734	\$ 153,788	\$ (6,946)

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Water Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for Services	\$ 1,066,466	\$ 1,188,003	\$ 121,537
Investment Income	1,000	25,370	24,370
Other	-	3,966	3,966
Transfers In	534,322	534,322	-
Total Revenues	1,601,788	1,751,661	149,873
Expenditures			
Operations and Maintenance	446,854	434,016	12,838
Administration	81,640	90,717	(9,077)
Water Acquisition	77,157	30,833	46,324
Capital Outlay	133,684	47,275	86,409
Debt Principal	76,411	78,744	(2,333)
Debt Interest and Fiscal Charges	38,683	34,908	3,775
Contingency	25,000	-	25,000
Total Expenditures	879,429	716,493	162,936
Change in Net Position, Budgetary Basis	\$ 722,359	1,035,168	\$ 312,809
Adjustments to GAAP Basis			
Depreciation		(175,548)	
Capital Outlay		47,275	
Debt Principal		78,744	
Change in Net Position, GAAP Basis		\$ 985,639	

Town of Hudson, Colorado
 Budgetary Comparison Schedule
 Wastewater Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for Services	\$ 505,860	\$ 498,368	\$ (7,492)
Investment Income	550	10,676	10,126
Transfers In	65,000	65,000	-
	<u>571,410</u>	<u>574,044</u>	<u>2,634</u>
Expenditures			
Operations and Maintenance	348,856	320,424	28,432
Administration	83,950	54,085	29,865
Capital Outlay	32,850	37,313	(4,463)
Debt Principal	53,600	55,357	(1,757)
Debt Interest and Fiscal Charges	105,430	102,774	2,656
Contingency	5,000	-	5,000
	<u>629,686</u>	<u>569,953</u>	<u>59,733</u>
Change in Net Position, Budgetary Basis	<u>\$ (58,276)</u>	4,091	<u>\$ 62,367</u>
Adjustments to GAAP Basis			
Depreciation		(231,648)	
Capital Outlay		37,313	
Debt Principal		55,357	
Change in Net Position, GAAP Basis		<u>\$ (134,887)</u>	



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**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**

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

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, 2019, 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 September 1, 2020.

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 from 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.

Hick & Company, PC

Greenwood Village, Colorado
September 1, 2020



State Compliance

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Hudson
		YEAR ENDING : December 2019
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

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	341,698
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	392,286
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	23,311
2. General fund appropriations	363,435	b. Snow and ice removal	20,893
3. Other local imposts (from page 2)	837,054	c. Other	
4. Miscellaneous local receipts (from page 2)	57,311	d. Total (a. through c.)	44,204
5. Transfers from toll facilities		4. General administration & miscellaneous	13,673
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	318,352
a. Bonds - Original Issues		6. Total (1 through 5)	1,110,213
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest & Costs of Issuance	98,650
7. Total (1 through 6)	1,257,800	b. Redemption	130,000
B. Private Contributions		c. Total (a. + b.)	228,650
C. Receipts from State government (from page 2)	118,456	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	666
E. Total receipts (A.7 + B + C + D)	1,376,256	b. Redemption	36,727
		c. Total (a. + b.)	37,393
		3. Total (1.c + 2.c)	266,043
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,376,256

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	3,250,000	0	130,000	3,120,000
1. Bonds (Refunding Portion)		0	0	
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,376,256	1,376,256	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2019	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	28,970
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	762,952	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	2,607	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	71,495	g. Other Misc. Receipts Co. Rd & Bridge	28,341
6. Total (1. through 5.)	837,054	h. Other	0
c. Total (a. + b.)	837,054	i. Total (a. through h.)	57,311
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	106,766	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	11,690	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	11,690	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	118,456	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		341,698	
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		0	341,698
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	341,698
			(Carry forward to page 1)
Notes and Comments:			