

# AGENDA

TOWN OF HUDSON – TOWN COUNCIL  
REGULAR MEETING  
July 20, 2016 - 6:00 P.M.

PLEDGE OF ALLEGIANCE

CALL TO ORDER AND ROLL CALL

ADDITIONS TO AGENDA

CITIZEN'S COMMENTS

1) CONSENT AGENDA

(Consent Agenda Items are considered to be routine and will be enacted by one motion and vote. There will be no separate discussion of Consent Agenda Items unless a Board member or Citizen so requests, in which case the item may be removed from the Consent Agenda and considered at the end of the Regular Agenda.)

- a. Town Council Meeting Minutes – July 6, 2016
- b. Payment of Bills

2) GENERAL BUSINESS

- a. Presentation of 2015 Audit, Wendy Swanhorst, Swanhorst & Company
- b. Engagement Letter for Bond Counsel services, Butler Snow, LLP
- c. Resolution No. 16-17, Fees for VIN Check and Finger Printing
- d. Discussion, Proposed Sale of Town-owned Property
- e. Contract Addendum 1, Clear Water Solutions – Water Supply Plan
- f. Agreement for consulting services, Mark Kiefer, Sanderson Stewart
- g. Discussion, Possible November ballot questions
- h. Discussion, Town Hall Groundbreaking
- i. Discussion, Town Council Retreat

3) STAFF REPORTS

4) ADJOURNMENT

MINUTES  
TOWN OF HUDSON TOWN COUNCIL  
REGULAR MEETING  
July 6, 2016 - 6:00 P.M.

PLEDGE OF ALLEGIANCE

CALL TO ORDER AND ROLL CALL

Mayor Patch called the meeting to order at 6:00 p.m.

ROLL CALL

Mayor, Raymond Patch - Present  
Mayor Pro-Tem, Laura Hargis – Present  
Councilmember, Matt Cole – Present  
Councilmember, Christine Hamilton – Present  
Councilmember, Julia Stell – Present  
Councilmember, Joe Hammock – Present  
Councilmember, Maria Chavez - Present

Town Clerk Pro-Tem, Becky Utecht took roll call, and a quorum of (6) Councilmembers were present.

Town Staff Present:

Town Manager – Joe Racine  
Town Attorney – Corey Hoffmann  
Town Clerk Pro-Tem – Becky Utecht  
Economic Development Director – Dan Hamsmith  
Utility and Public Works Director – Hunter Fobare  
Town Marshal – Brent Flot  
Recreation Director – Billie Stam

ADDITIONS TO AGENDA

None

CITIZEN'S COMMENTS

None

**1) CONSENT AGENDA**

(Consent Agenda Items are considered routine and will be enacted by one motion and vote. There will be no separate discussion of Consent Agenda Items unless a Councilmember or Citizen so requests, in which case the items may be removed from the Consent Agenda and considered at the end of the Regular Agenda.)

- a. Town Council Minutes, Regular Meeting, June 15, 2016
- b. Payment of Bills

Councilmember Hargis made a motion, seconded by Councilmember Chavez to approve the Consent Agenda.

The vote was as follows:

Aye: Councilmembers Hargis, Chavez, Stell, Cole, Hamilton, Hammock and Mayor Patch

Nay - None

Mayor Patch declared the motion carried.

**2) GENERAL BUSINESS**

**a. PUBLIC HEARING – Liquor License for Ben’s Brick Oven Pizza**

Mayor Patch opened the Public Hearing for the Liquor License for Ben’s Brick Oven Pizza at 6:02 pm.

Corey Hoffmann, Town Attorney, reported that there were some important factors to consider when reviewing a liquor license application. The applicant must be qualified meeting the following criteria: upstanding citizen with good moral character, no felonies or misdemeanors involving theft, must be 18 years of age and cannot be a peace officer. Another factor to consider is if the neighborhood needs are being met by this request and if this creates any conflict with any other businesses in Town.

Mark Skoglund, Owner of Ben’s Brick Oven Pizza, reported that the restaurant was just pursuing a beer and wine liquor license. The nature of the business of selling beer and wine would be suitable with their current business model.

Mayor Patch closed the Public Hearing for the Liquor License for Ben’s Brick Oven Pizza at 6:09 pm.

Councilmember Chavez made a motion, seconded by Councilmember Hargis to approve the Liquor License for Ben’s Brick Oven Pizza.

The vote was as follows:

Aye: Councilmembers Chavez, Hargis, Hammock, Cole, Stell, Hamilton and Mayor Patch

Nay - None

Mayor Patch declared the motion carried.

**b. Resolution 16-16, A Resolution in Support of the Oil and Gas Industry**

Greg Brophy, Director of the Energy Council of Eastern Weld County, reported that this resolution was an effort to show support for the oil and gas industry. The industry creates revenue and jobs.

Councilmember Stell made a motion, seconded by Councilmember Cole to approve Resolution 16-16, A Resolution in Support of the Oil and Gas Industry

The vote was as follows:

Aye: Councilmembers Stell, Cole, Hammock, Hargis, Chavez, and Mayor Patch

Nay – Hamilton

Mayor Patch declared the motion carried.

**c. Agreement for Bond services, Butler Snow, LLP**

Joe Racine, Town Manager, reported that he had not received the agreement from Butler Snow, LLP for bond counsel services. He asked the Council to table this discussion until the next meeting.

d. Discussion: Eastridge Drainage Issues

Joe Racine, Town Manager, reported staff has continued to research the background on the Eastridge Subdivision drainage issues. The Town's files do not contain any record of why the drainage improvements were not built according to the drainage plan as prepared by Acklam Associates. Staff is trying to search for information from other sources in order to reconstruct the history of the development. Larry Andrews, a developer of this property, is looking through his records. Acklam Associates went out of business in 2002. Weld County does not have any recorded documents except plat and the annexation agreement. The subdivision agreement was never recorded. There had to be one because of the letter of credit involved. Valley Bank will be contacted to see if they have any record of this.

Cheri Fulton, 320 Holly Street, spoke claiming that both the Town and the developer dropped the ball. The Town told the developer twice to complete the drainage improvements and they did not. The drainage has gotten worse the last few years because of the large amount of rain that has fallen.

Ricky Stell, 360 Holly Street, asked if there had been money appropriated to the Town for the drainage improvements. This is a very serious problem.

Joe Racine, Town Manager, reported that there had not been any money appropriated by the Town. The Town will continue to attempt to reconstruct the historical records in search of what happened.

e. Discussion: Disposition of wastewater lagoon property

Joe Racine, Town Manager, reported that it is timely that we move ahead with the marketing of the Town's ten acre parcel that is the site of the former wastewater lagoons. The property was cleaned up and reclaimed in 2012 after the new lift station was constructed. There are many activities occurring in the same area which provides a prime opportunity to market this site. The lagoon site is zoned C-1, Commercial, and could accommodate a small cluster of commercial buildings.

Ray Patch, Mayor, reported that now is a good time to start marketing this site.

**3) STAFF REPORTS**

Joe Racine, Town Manager, reported that the street-naming ordinance would apply the Bison Highway name to the east end of Town, the street is currently named Main Street. This would be a good time to perpetuate the brand with the buffalo logo. There has been an internal committee organized to meet on Wednesday's at 10 am to plan for the upcoming Town Hall groundbreaking to occur on August 6, 2016 from 10 am - 1 pm. The program is being designed to involve and engage the community with a photograph to go in the new Town Hall, a food vendor, and games. Council is welcome to attend these meetings.

Brent Flot, Town Marshal, reported that the department had 180 calls last month. Major incidents that have recently occurred include theft and burglary. There was a recent arson and vandalism incident at the Methodist Church. There have been numerous dirt bike calls at Hudson Hills. There were several traffic accidents in the past month and Love's Travel Stop calls them frequently for various issues. There have been suspicious events occurring on Date Street and they are watching that. Drag racing has been occurring at the Industrial Park and that is being monitored. He is currently working on a fee schedule for VIN inspections and fingerprinting. The siren was installed on the police car and all vehicles and equipment are functioning well.

Billie Stam, Recreation Director, reported that she had given the Councilmembers a flyer on the upcoming "Fairy Garden" class. She needs a minimum of six individuals to participate or the class will be canceled. She reported that the yoga class, Buddy Boot Camp, and canvass painting class were all canceled because of lack of participation. The staff is organizing a going away party for Linnette Barker at the Pepper Pod on Wednesday, August 24, 2016 at 6 pm and would like the Council to attend. The Town Hall Groundbreaking proposed budget of \$3,500.00 will include free stuff for residents including, key chains, magnets, t-shirts and possibly a keepsake of some type. This cost will also cover the sand pile and toys for the kids and a band. The library will be sponsoring a balloon artist, face painters and a comedy act. This cost will also include a coffee and smoothie cart. United Power, Anadarko and Halliburton are sponsoring the food. There will be a ballot box on site that will allow residents to "Name the Buffalo" mascot.

Hunter Fobare, Utility and Public Works Director, reported that the staff is working on sprinkler repairs at the park. He is getting several bid proposals for numerous projects. The shallow well should be complete by this Friday.

Dan Hamsmith, Economic Development Director, reported that he is preparing for a major emergency management conference this fall. The Northeast Development Corridor will be hosting a large event on September 22, 2016 from 9 am to 1 pm at the Wild Animal Sanctuary's new convention center. He is moving forward and putting together the language for the ballot question on broadband. He has not sent any RFP's yet for trash service. The current contract expires in December 2016. He is speaking with the president of Northern Colorado Crime Stoppers about press releases, tip lines and rewards for tips in the Town of Hudson.

Ray Patch, Mayor, asked that we receive quotes for curbside recycling for residents.

Joe Racine, Town Manager, reported that there was vandalism at the Veteran's Memorial and six new floodlights were broken. Public works will be installing solar lights on the top of the two flagpoles.

Joe Hammock, Councilmember, asked what could be done to prevent this from happening again.

Maria Chavez, Councilmember, reported that she enjoyed the CML Conference.

**ADJOURNMENT**

The meeting adjourned at approximately 6:57 p.m.

TOWN OF HUDSON, COLORADO

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Mayor

ATTEST

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Town Clerk Pro-Tem

## Report Criteria:

Report type: GL detail

Check.Type = {&lt;&gt;} "Adjustment"

Check Issue Date	Check Number	Vendor Number	Payee	Invoice Number	Description	Invoice GL Account	Check Amount
07/15/2016	51911	1079	4Rivers Equipment	126497	Hydraulic Oil for Mack	10-68-6710	791.05
Total 51911:							791.05
07/15/2016	51912	1303	Airgas USA, LLC	9937458501	Tank Rental	70-68-6710	26.01
Total 51912:							26.01
07/15/2016	51913	1330	American Disposal Services of Co	5381277	WW Trash	75-68-6633	100.00
Total 51913:							100.00
07/15/2016	51914	886	At Your Service Electric	16192	Pump Repair	75-68-6710	343.90
Total 51914:							343.90
07/15/2016	51915	45	AT&T	0202674225	Telephone Service	10-64-6410	41.91
07/15/2016	51915	45	AT&T	0202674225	Telephone Service	10-68-6410	15.94
07/15/2016	51915	45	AT&T	0202674225	Telephone Service	70-64-6410	15.93
07/15/2016	51915	45	AT&T	0202674225	Telephone Service	70-68-6410	15.93
Total 51915:							89.71
07/15/2016	51916	683	Bratton's Office Equipment Inc.	018329	Canon Contract / Meter Charge	10-64-6633	899.02
07/15/2016	51916	683	Bratton's Office Equipment Inc.	18124	Printer Supplies - Shipping	10-64-6720	11.40
Total 51916:							910.42
07/15/2016	51917	1041	Caselle Inc.	74350	Contract Support and Maintenance	10-64-6633	175.00
07/15/2016	51917	1041	Caselle Inc.	74350	Contract Support and Maintenance	70-64-6633	175.00
07/15/2016	51917	1041	Caselle Inc.	74350	Contract Support and Maintenance	75-64-6633	175.00
Total 51917:							525.00
07/15/2016	51918	1284	Clear Water Solutions	4909	Project 15-180 - Water Engineering Services	70-64-6640	1,398.33
Total 51918:							1,398.33
07/15/2016	51919	36	Colorado Analytical Laboratories I	160628046	Wastewater Samples	75-68-6633	113.40
07/15/2016	51919	36	Colorado Analytical Laboratories I	160705055	Water Labs	70-68-6633	39.40
Total 51919:							152.80
07/15/2016	51920	890	CPS Distributors Inc.	2320512-00	Irrigation Parts	10-69-6710	414.14
07/15/2016	51920	890	CPS Distributors Inc.	2320607-00	Irrigation Parts	10-69-6710	6.69
07/15/2016	51920	890	CPS Distributors Inc.	2322256-00	Park Irrigation	10-69-6710	108.46
07/15/2016	51920	890	CPS Distributors Inc.	2323453-00	Park Irrigation	10-69-6710	49.19
Total 51920:							578.48
07/15/2016	51921	1313	Culligan	1530979148	WW Drinking Water	75-68-6710	94.95

Check Issue Date	Check Number	Vendor Number	Payee	Invoice Number	Description	Invoice GL Account	Check Amount
Total 51921:							94.95
07/15/2016	51922	578	Cummins Rocky Mountain	001-60840	Gen Set Maintenance	70-68-6633	736.86
Total 51922:							736.86
07/15/2016	51923	33	DPC Industries Inc.	737002683-1	Chemicals - Sodium Hypo	75-68-6710	366.48
07/15/2016	51923	33	DPC Industries Inc.	737002684-1	Chemicals - Sodium Bisulfite	75-68-6710	475.80
Total 51923:							842.28
07/15/2016	51924	53	Farm & Home Lumber	34854	Park Supplies	10-69-6710	3.67
07/15/2016	51924	53	Farm & Home Lumber	35021	chemical tubing	75-68-6710	56.05
07/15/2016	51924	53	Farm & Home Lumber	35031	Shop supplies	10-68-6710	6.54
07/15/2016	51924	53	Farm & Home Lumber	35271	trigger spray	70-68-6710	4.90
07/15/2016	51924	53	Farm & Home Lumber	35300	mower tire repair	10-69-6710	18.10
07/15/2016	51924	53	Farm & Home Lumber	35317	R&M Town Hall sink	10-69-6710	4.95
07/15/2016	51924	53	Farm & Home Lumber	35334	ipad charger	70-64-6720	9.99
07/15/2016	51924	53	Farm & Home Lumber	35538	trimmer line	10-69-6710	15.55
07/15/2016	51924	53	Farm & Home Lumber	35663	filters	70-68-6710	54.30
07/15/2016	51924	53	Farm & Home Lumber	35882	marking spray	10-68-6710	54.90
07/15/2016	51924	53	Farm & Home Lumber	35992	screen for vents	70-68-6710	.50
07/15/2016	51924	53	Farm & Home Lumber	36083	irrigation repair supplies	10-69-6710	50.01
07/15/2016	51924	53	Farm & Home Lumber	36108	paint supplies	75-68-6710	6.00
07/15/2016	51924	53	Farm & Home Lumber	36153	supplies	70-68-6710	31.64
07/15/2016	51924	53	Farm & Home Lumber	36178	park supplies	10-69-6710	15.55
07/15/2016	51924	53	Farm & Home Lumber	36240	Ready Mix Concrete	10-69-6710	27.90
07/15/2016	51924	53	Farm & Home Lumber	36556	meter reading batteries	70-68-6710	8.59
07/15/2016	51924	53	Farm & Home Lumber	36588	mower parts	10-69-6710	3.79
07/15/2016	51924	53	Farm & Home Lumber	36654	shop supplies	10-68-6710	3.98
07/15/2016	51924	53	Farm & Home Lumber	36654	shop fan	10-68-6735	307.85
07/15/2016	51924	53	Farm & Home Lumber	36745	meter supplies	70-68-6710	11.34
07/15/2016	51924	53	Farm & Home Lumber	36753	Return	70-68-6710	11.34-
07/15/2016	51924	53	Farm & Home Lumber	36864	supplies	10-68-6710	95.36
07/15/2016	51924	53	Farm & Home Lumber	36881	vault repair	70-68-6710	27.90
07/15/2016	51924	53	Farm & Home Lumber	36893	vault repair	70-68-6710	27.90
07/15/2016	51924	53	Farm & Home Lumber	36942	tire repair	70-68-6710	8.84
07/15/2016	51924	53	Farm & Home Lumber	36988	supplies	10-68-6710	32.99
07/15/2016	51924	53	Farm & Home Lumber	37130	shop supplies	10-68-6710	26.67
07/15/2016	51924	53	Farm & Home Lumber	37233	irrigation repair	10-69-6710	13.73
07/15/2016	51924	53	Farm & Home Lumber	37280	irrigation tubing	10-69-6710	10.39
07/15/2016	51924	53	Farm & Home Lumber	37307	irrigation repair	10-69-6710	25.00
07/15/2016	51924	53	Farm & Home Lumber	37364	supplies	70-68-6710	10.58
07/15/2016	51924	53	Farm & Home Lumber	37370	supplies	70-68-6710	1.29-
07/15/2016	51924	53	Farm & Home Lumber	37397	supplies	10-68-6710	22.57
07/15/2016	51924	53	Farm & Home Lumber	37419	paint	10-69-6710	45.98
07/15/2016	51924	53	Farm & Home Lumber	37419	paint	70-68-6710	22.99
07/15/2016	51924	53	Farm & Home Lumber	37423	locates	70-68-6710	22.25
07/15/2016	51924	53	Farm & Home Lumber	37433	supplies	10-68-6710	13.58
07/15/2016	51924	53	Farm & Home Lumber	37445	supplies	10-68-6710	6.84
07/15/2016	51924	53	Farm & Home Lumber	37460	gloves	10-68-6710	15.49
07/15/2016	51924	53	Farm & Home Lumber	37466	batteries	70-68-6710	33.30
07/15/2016	51924	53	Farm & Home Lumber	37507	tools	10-68-6735	26.19

Check Issue Date	Check Number	Vendor Number	Payee	Invoice Number	Description	Invoice GL Account	Check Amount
Total 51924:							1,172.02
07/15/2016	51925	1332	First Southern Baptist Church	061716	Easement Agreement	10-69-6710	7.00
Total 51925:							7.00
07/15/2016	51926	503	Flowmation Inc.	3593	Radio Repair	70-68-6652	600.00
Total 51926:							600.00
07/15/2016	51927	57	Front Range Internet	1427041	Website Hosting & Maintenance	10-64-6633	597.90
Total 51927:							597.90
07/15/2016	51928	1333	G&G Equipment	53516	Mower Supplies	10-69-6710	165.56
Total 51928:							165.56
07/15/2016	51929	457	Greeley Tribune	4700634	Publishing - Ordinance	10-64-6620	25.98
07/15/2016	51929	457	Greeley Tribune	4700635	Publishing - Ordinance	10-64-6620	25.08
Total 51929:							51.06
07/15/2016	51930	22	Hoffmann Parker Wilson & Carber	408009M 06	Legal Services	10-64-6630	6,138.00
07/15/2016	51930	22	Hoffmann Parker Wilson & Carber	408009M 06	Legal Services	10-62-6630	1,324.05
07/15/2016	51930	22	Hoffmann Parker Wilson & Carber	408009M 06	Legal Services	25-64-6630	595.25
07/15/2016	51930	22	Hoffmann Parker Wilson & Carber	408009M 06	Legal Services	10-64-6630	595.25
Total 51930:							8,652.55
07/15/2016	51931	1250	Humphries Poli Architects	35026.00-7	New Town Hall Project	10-64-6640	57,110.72
Total 51931:							57,110.72
07/15/2016	51932	117	J&S Contractors Supply Co.	0058464-IN	Blades for Grader	10-68-6710	230.40
Total 51932:							230.40
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - State Highway 52	10-68-6640	359.50
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - Town	10-64-6640	232.50
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - Sewer	75-64-6640	93.00
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - Water	70-64-6640	23.25
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - Hudson Hill	10-64-6640	23.25
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - Eastridge	10-64-6640	348.75
07/15/2016	51933	840	Ketterling Butherus & Norton Engi	1131-001/000	Engineering - WCR 49	10-64-6640	232.50
Total 51933:							1,312.75
07/15/2016	51934	1140	Laura Hargis	061316	Water for Meetings	10-64-6212	12.00
Total 51934:							12.00
07/15/2016	51935	492	Linnette Barker	071416	Cell Phone	10-64-6410	25.00
07/15/2016	51935	492	Linnette Barker	071416	Mileage - Bank and Clerk & Recorder	10-64-6213	43.20

Check Issue Date	Check Number	Vendor Number	Payee	Invoice Number	Description	Invoice GL Account	Check Amount
Total 51935:							68.20
07/15/2016	51936	1204	Longmont Ford	6088833/1	Service Impala	10-66-6740	134.73
Total 51936:							134.73
07/15/2016	51937	853	Love's Travel Stops & County Stor	6000008904	Fuel - PW Department	10-68-6416	694.76
07/15/2016	51937	853	Love's Travel Stops & County Stor	6000008904	Fuel - Marshal	10-66-6416	620.00
07/15/2016	51937	853	Love's Travel Stops & County Stor	6000008904	Fuel - Parks Department	10-69-6416	189.93
07/15/2016	51937	853	Love's Travel Stops & County Stor	6000008904	Fuel - Water Department	70-68-6416	250.14
07/15/2016	51937	853	Love's Travel Stops & County Stor	6000008904	Fuel - WW Department	75-68-6416	354.16
Total 51937:							2,108.99
07/15/2016	51938	950	Lowe's	9900735213	Shop supplies	10-68-6710	330.48
07/15/2016	51938	950	Lowe's	9900735213	Fidge for Samples	75-68-7734	113.05
07/15/2016	51938	950	Lowe's	9900735213	Irrigation Supplies	10-69-6710	51.62
07/15/2016	51938	950	Lowe's	9900735213	Tools	10-68-6735	113.90
Total 51938:							609.05
07/15/2016	51939	122	Newman Traffic Signs	TI-0299643	Parking Signs	10-68-6710	66.02
Total 51939:							66.02
07/15/2016	51940	1307	Northwest Parkway	6344278	Toll Road	10-66-6710	8.85
Total 51940:							8.85
07/15/2016	51941	6	Office Depot	1949558356	Office Supplies	10-66-6720	284.21
Total 51941:							284.21
07/15/2016	51942	466	Professional Management Solutio	84053	Financial Consulting and Audit Preparation	75-64-6633	980.84
07/15/2016	51942	466	Professional Management Solutio	84053	Financial Consulting and Audit Preparation	10-64-6633	980.84
07/15/2016	51942	466	Professional Management Solutio	84053	Financial Consulting and Audit Preparation	70-64-6633	980.84
07/15/2016	51942	466	Professional Management Solutio	84053	Financial Consulting and Audit Preparation	70-64-6633	.02-
Total 51942:							2,942.50
07/15/2016	51943	509	Quill Corporation	7238293	Office Supplies	10-64-6720	324.48
07/15/2016	51943	509	Quill Corporation	7238293	Paper Towels	10-64-6710	34.74
Total 51943:							359.22
07/15/2016	51944	1146	Rebecca Utecht	071316	Mileage - Bank Deposits	10-64-6213	9.72
07/15/2016	51944	1146	Rebecca Utecht	071316	Cell Phone - Junel 2016	10-64-6411	50.00
Total 51944:							59.72
07/15/2016	51945	1234	Redman Pothole Service LLC	070216T	Water Pothole	70-68-6710	1,000.00

Check Issue Date	Check Number	Vendor Number	Payee	Invoice Number	Description	Invoice GL Account	Check Amount
Total 51945:							1,000.00
07/15/2016	51946	1151	RH Water & Wastewater LLC	269	Wastewater Contract Ops	75-68-6633	125.00
07/15/2016	51946	1151	RH Water & Wastewater LLC	269	Water Contract Ops	70-68-6633	125.00
Total 51946:							250.00
07/15/2016	51947	1200	Roggen Telephone Cooperative C	237 070116	Internet Service	10-69-6730	58.80
Total 51947:							58.80
07/15/2016	51948	49	SAFEbuilt Inc	0025587-IN	Building Permits and Plan Review Services	10-65-6642	5,581.68
Total 51948:							5,581.68
07/15/2016	51949	1317	Sevy's Star Market	250 06/2016	Supplies	10-64-6710	2.56
07/15/2016	51949	1317	Sevy's Star Market	250 06/2016	Supplies	70-68-6710	14.98
07/15/2016	51949	1317	Sevy's Star Market	250 06/2016	Supplies	70-64-6720	10.72
07/15/2016	51949	1317	Sevy's Star Market	250 06/2016	Supplies	75-68-6710	18.46
Total 51949:							46.72
07/15/2016	51950	1335	Sinfully Delicious	2262	Town Hall Groundbreaking - Coffee/Smoothie Cart	10-69-6730	450.00
Total 51950:							450.00
07/15/2016	51951	1334	Stewart, Matthew	070116	Reimb. Supplies	10-66-6415	21.37
Total 51951:							21.37
07/15/2016	51952	285	Town of Hudson	1006501 062	Water & Sewer - 509 Cherry Street	10-68-6418	42.20
07/15/2016	51952	285	Town of Hudson	2018601 062	Water & Sewer - 557 Ash Street	10-64-6418	72.00
07/15/2016	51952	285	Town of Hudson	3043102 062	Water & Sewer - 258 5th Avenue	10-68-6418	63.37
07/15/2016	51952	285	Town of Hudson	4061001 062	Water & Sewer - 1175 6th Avenue	70-68-6418	5,780.26
07/15/2016	51952	285	Town of Hudson	4062001 062	Water- 650 Cherry Street	10-69-6418	2,308.18
07/15/2016	51952	285	Town of Hudson	4066001 062	Water - Cementary	10-68-6418	15.16
Total 51952:							8,281.17
07/15/2016	51953	5	United Power	1553401 070	Electric - Town Hall	10-64-6413	142.98
07/15/2016	51953	5	United Power	1553401 070	Electric - Town Hall	70-64-6413	142.98
07/15/2016	51953	5	United Power	16344400 06	Electric - 8249 WCR 47.5	75-68-6413	3,845.86
07/15/2016	51953	5	United Power	18254300 06	Electric - 258 5th Shop	10-68-6413	171.73
Total 51953:							4,303.55
07/15/2016	51954	99	USA BlueBook	990468	locate supplies	70-68-6710	118.64
Total 51954:							118.64
07/15/2016	51955	18	Utility Notification Center of Color	21606435	Locates	75-68-6633	64.35
07/15/2016	51955	18	Utility Notification Center of Color	21606435	Locates	70-68-6633	64.35

Check Issue Date	Check Number	Vendor Number	Payee	Invoice Number	Description	Invoice GL Account	Check Amount
Total 51955:							128.70
07/15/2016	51956	1278	Wireless Advanced Communicatio	I-2214662	Radio Maintenance	10-66-7734	864.00
Total 51956:							864.00
07/15/2016	51957	1122	Zamar Screen Printing Inc.	15782	Uniform Shirts	10-66-6710	581.40
Total 51957:							581.40
Grand Totals:							104,829.27

## Report Criteria:

Report type: GL detail

Check.Type = {&lt;-&gt;} "Adjustment"

**MEMORANDUM**

**2.a.**

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** 2015 Audit

**Attachments**

Attached are the 2015 Audit and Management Letter from Swanhorst & Company. Wendy Swanhorst will be on hand to present the audit and to answer questions.

Included in this year's audit is a *Management's Discussion and Analysis* that was prepared by Lorraine Trotter as a supplement to the audit in support of our efforts to refinance the street paving bonds. The report is an introduction to the Town's financial statements and contains an overview of the sources and uses of the Town's revenue. Lorraine will also be at the meeting to answer questions.



June 30, 2016

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

We have audited the financial statements of the Town of Hudson (the "Town") as of and for the year ended December 31, 2015, and have issued our report thereon dated June 30, 2016. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements due to error or fraud may exist and not be detected by us, even though the audit is properly planned and performed. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

As part of our audit, we considered the Town's internal control over financial reporting and compliance as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control or on compliance.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

With respect to the supplementary information accompanying the financial statements, we performed procedures to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing the information has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions the Town entered into during the year for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements as a whole.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A listing of uncorrected misstatements was provided to management, and management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

We identified misstatements as a result of our audit procedures which were corrected by management. The most significant misstatements resulted from new capital leases and the related activities. In our opinion, none of the misstatements detected as a result of our audit procedures indicate a material weakness in the Town's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties dealing with management during the audit process. We have requested certain representations from management that are included in the management representation letter.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Audit Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

## **Other Information**

### Debt Compliance

As we have mentioned previously, the Town has debt agreements that contain certain covenants. The Water and Wastewater Funds are not generating revenues sufficient to comply with the pledged revenue coverages in the agreements. We recommend that the Town continue to monitor compliance with the debt covenants, and determine the actions necessary to comply in the future.

### Segregation of Duties

Town employees continue to perform certain accounting functions without the involvement of a second person, including payables and payroll, which increases the risk of errors and fraud. Although complete segregation of duties may not be practical for the Town because of limited staff, the Town should continue to evaluate and strengthen its internal controls, including second person reviews, where possible.

### Fund Structure

The Town maintains separate funds for three impact fees with minimal activity. To simplify the accounting, we recommend that the Town consider combining these funds, or merging them into an existing fund.

### Capital Assets

The Town previously lost its capital asset records, resulting in incomplete records in some cases. Specifically, it appears that the Town may own land that has not been listed on the capital asset records. We recommend that Town continue to improve the capital asset records as new information is obtained. In addition, the Town should attempt to identify the land it owns to safeguard and more accurately report its capital assets.

## **Conclusion**

We would like to thank Joe Racine, Linnette Barker, Lorraine Trotter, and the Town staff for their assistance during the audit process.

This report is intended solely for the information and use of the Board of Trustees and management of the Town of Hudson, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Swanhorst & Company LLC

**TOWN OF HUDSON, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2015**

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## **FINANCIAL SECTION**



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

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hudson as of and for the year ended December 31, 2015, 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. 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, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters (Required Supplementary Information)***

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

***Other Matters (Other Information)***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, 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.



June 30, 2016

## 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, 2015. Please read it in conjunction with the financial statements.

### FINANCIAL HIGHLIGHTS

- The Net Position of the Town increased by \$3,811,773 (21.4%) during 2015.
- At December 31, 2015, the Town's governmental funds reported combined ending fund balances of \$6,347,470. This marked an increase of \$1,075,305 (20.4%) from the prior year's ending governmental fund balances. Oil and gas operations in the area contributed greatly to these gains.
- The Town's water and wastewater funds net position declined by \$252,284 (2.8%) during 2015 primarily due to depreciation of the water and wastewater capital assets.
- The Town's Library completed the construction of its new building, contributing toward an increase of governmental capital assets of \$3,075,285 during 2015.

### 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 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, 2015, all funds had budgeted expenditures/expenses except the Sales Tax Capital Improvement Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hudson, assets exceeded liabilities and deferred property taxes by \$21,637,358 at the close of 2015. As shown below, the Town's financial position improved by \$3,811,773 (21.4%) during 2015.

Town of Hudson's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,397,866	\$ 7,063,543	\$ 858,490	\$ 792,311	\$ 9,256,356	\$ 7,855,854
Capital assets, net	9,982,625	6,974,510	12,975,356	13,236,102	22,957,981	20,210,612
Total assets	\$18,380,491	\$14,038,053	\$13,833,846	\$14,028,413	\$32,214,337	\$28,066,466
Current liabilities	152,982	183,867	132,055	122,065	285,034	305,932
Noncurrent Liabilities	3,313,949	3,229,969	4,826,241	4,778,511	8,140,190	8,008,480
Total liabilities	\$ 3,466,931	\$ 3,413,836	\$ 4,958,296	\$ 4,900,576	\$ 8,425,224	\$ 8,314,412
Deferred inflow s of resources	\$ 2,151,755	\$ 1,926,469	\$ -	\$ -	\$ 2,151,755	\$ 1,926,469
Net position:						
Net investment in capital assets	\$ 6,446,746	\$ 3,457,230	\$ 8,159,939	\$ 8,467,500	\$ 14,606,685	\$ 11,924,730
Restricted	1,673,802	1,659,307	55,801	47,825	1,729,603	1,707,132
Unrestricted	4,641,257	3,581,211	659,813	612,512	5,301,070	4,193,723
Total net position	\$12,761,805	\$ 8,697,748	\$ 8,875,553	\$ 9,127,837	\$ 21,637,358	\$ 17,825,585

Approximately two-thirds (67.5%) of the Town's total net position at December 31, 2015 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 8.0% (\$1,729,603) of the Town's total net position at the end of 2015 represents resources that are subject to external restrictions on how they may be used. They are primarily fund balance reserves of sales taxes collected for paving and maintenance of streets (\$623,229), debt service reserves required for the Town's 2009 Limited General Obligation Bonds and 2009 Sales Tax Revenue Bonds (\$426,251) and wastewater obligations (\$55,801), and fund balance reserves of sales taxes collected for capital improvements (\$374,076). An additional \$54,246 is restricted for parks and \$196,000 for emergencies.

The remaining amount of the Town's total net position at the end of 2015 (\$5,301,070) represents 24.5% 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

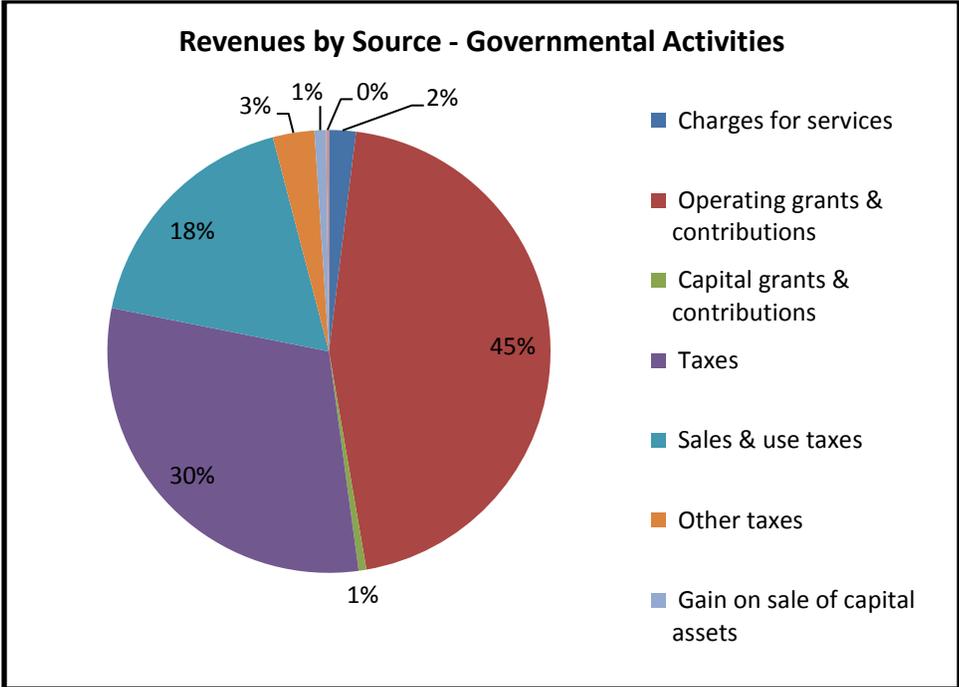
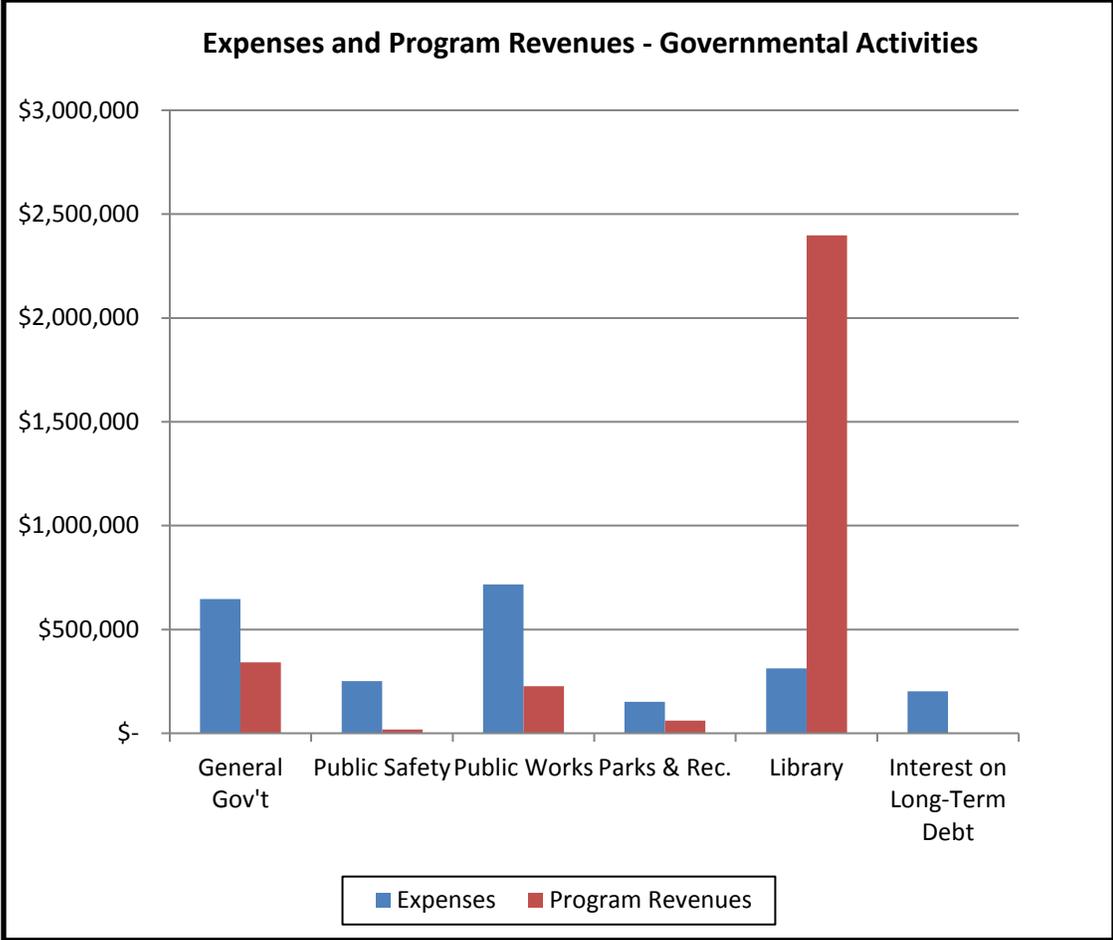
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Program revenues:</b>						
Charges for services	\$ 124,751	\$ 69,406	\$ 843,690	\$ 773,282	\$ 968,441	\$ 842,688
Operating grants & contributions	2,885,179	1,310,094	-	-	2,885,179	1,310,094
Capital grants & contributions	36,000	582,304	-	-	36,000	582,304
<b>General revenues:</b>						
Property taxes	1,927,926	952,070	-	-	1,927,926	952,070
Sales & use taxes	1,195,535	660,549	-	-	1,195,535	660,549
Other taxes	192,848	164,634	-	-	192,848	164,634
Gain on sale of capital assets	53,592	-	249,234	-	302,826	-
Other general revenues	13,203	16,427	25,330	94,851	38,533	111,278
<b>Total revenues</b>	<b>\$ 6,429,034</b>	<b>\$ 3,755,484</b>	<b>\$ 1,118,254</b>	<b>\$ 868,133</b>	<b>\$ 7,547,288</b>	<b>\$ 4,623,617</b>
<b>Program expenses:</b>						
General government	\$ 646,077	\$ 615,478	\$ -	\$ -	\$ 646,077	\$ 615,478
Public safety	250,401	140,424	-	-	250,401	140,424
Public works	716,813	498,242	-	-	716,813	498,242
Parks and Recreation	152,135	140,075	-	-	152,135	140,075
Library	312,543	204,306	-	-	312,543	204,306
Water utility	-	-	736,140	671,047	736,140	671,047
Wastewater utility	-	-	718,722	800,704	718,722	800,704
Interest on long-term debt	202,684	202,148	-	-	202,684	202,148
<b>Total expenses</b>	<b>\$ 2,280,653</b>	<b>\$ 1,800,673</b>	<b>\$ 1,454,862</b>	<b>\$ 1,471,751</b>	<b>\$ 3,735,515</b>	<b>\$ 3,272,424</b>
Transfers In/(Out)	\$ (84,324)	\$ (104,324)	\$ 84,324	\$ 104,324	\$ -	\$ -
Increase/(decrease) in net position	\$ 4,064,057	\$ 1,850,487	\$ (252,284)	\$ (499,294)	\$ 3,811,773	\$ 1,351,193
Net Position, Beginning	8,697,748	6,847,261	9,127,837	9,627,131	17,825,585	16,474,392
<b>Net Position, Ending</b>	<b>\$ 12,761,805</b>	<b>\$ 8,697,748</b>	<b>\$ 8,875,553</b>	<b>\$ 9,127,837</b>	<b>\$ 21,637,358</b>	<b>\$ 17,825,585</b>

#### **Governmental Activities**

The Town's Governmental Activities increased in net position by \$4,064,057 (46.7%) in 2015. Key elements of this increase are as follows:

- Property taxes increased by \$975,856 (102.5%) due to increases in assessed valuation led by oil and gas production.
- Sales and use taxes increased by \$534,986 (81.0%) in 2015 due primarily to fracking sand sales occurring at Hudson Terminal Railroad.
- Shared revenues from the High Plains Library District increased by \$1,310,533 (120.5%) due to increases in assessed valuation associated with oil and gas production and growth within the district.

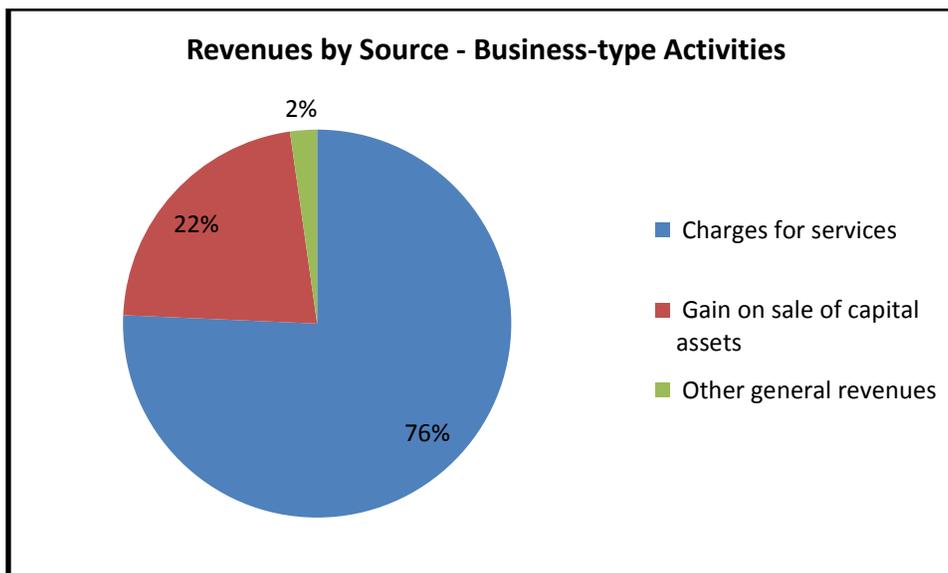
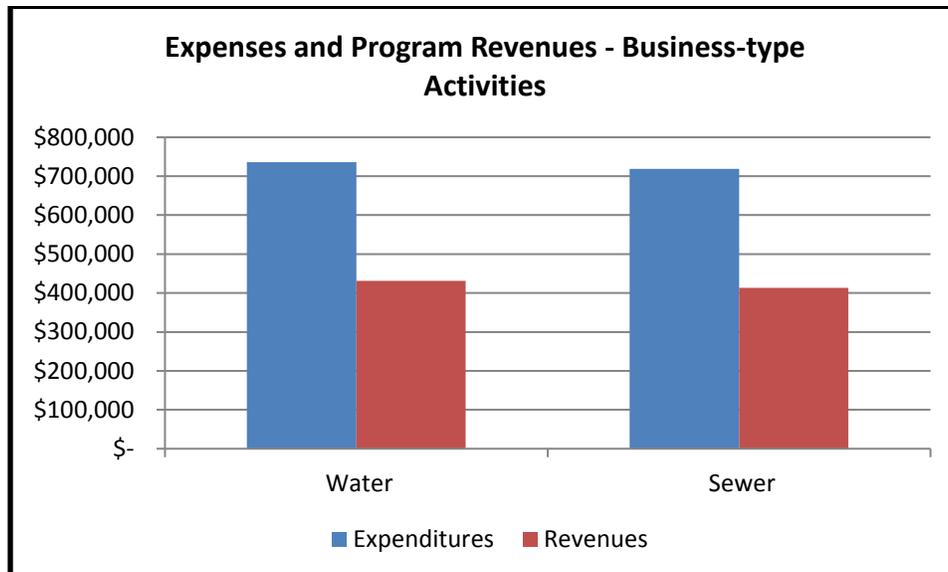
The following two charts illustrate the Governmental Activities revenues and expenses. As in most municipalities, the expenses of governmental activities are not fully supported through program revenues but are largely financed through taxes.



### Business-type Activities

Business-type Activities reduced the Town of Hudson's net position by 252,284 (-2.8%) during 2015. This was an improvement over 2014 when these activities reduced the Town's total net position \$499,294, but most of that improvement is due to the gain on sale of a capital asset (land) during the year. Operational expenses including depreciation exceeded charges for services by \$262,801 and \$196,263 in the Water and Wastewater Funds respectively. Management anticipates future rate increases as well as slow growth in customer bases to address future revenue needs in these funds. In addition, the sale of the decommissioned lagoon property will improve the net position of the Wastewater Fund.

The following two charts illustrate the Business-type Activities revenues and expenses for 2015.

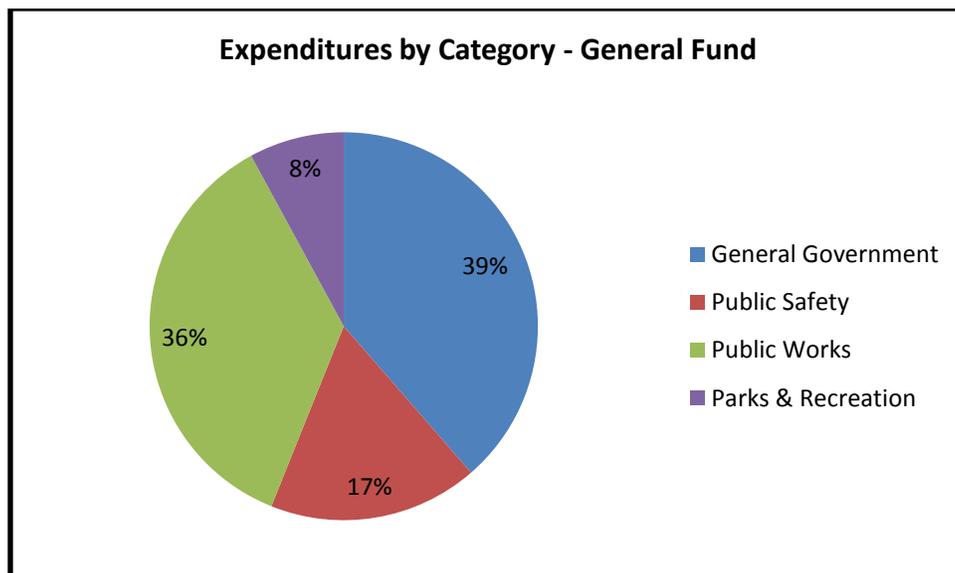
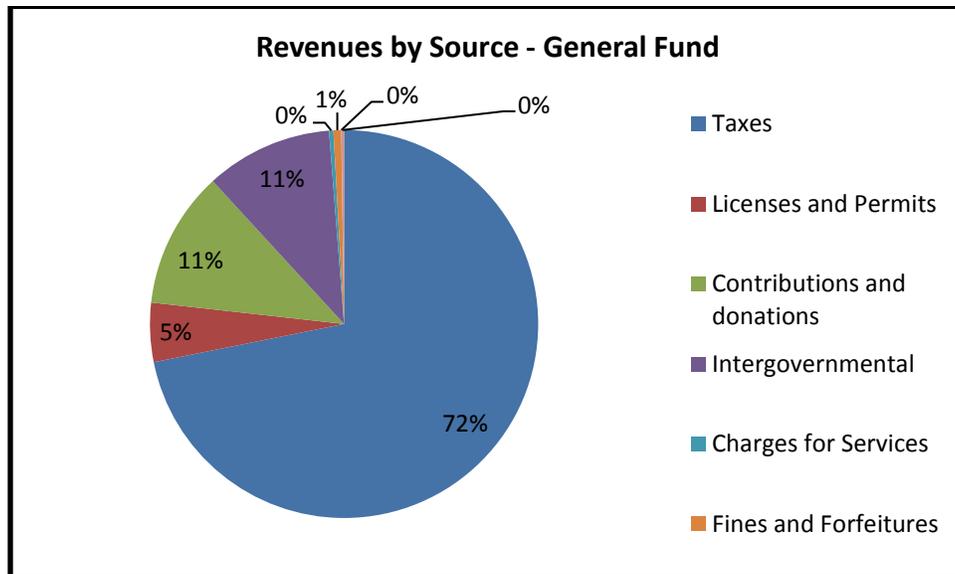


### THE TOWN'S FUNDS

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, 2015 the Town's four major Governmental funds reported combined unrestricted fund balances of \$4,528,294. These funds are discussed below.

*General Fund.* The General Fund is the chief operating fund of the Town of Hudson. It accounts for all of the general services provided by the Town. At the end of 2015, the fund balance of the General Fund totaled \$1,602,159. This was a \$743,677 (86.6%) increase over 2014, due primarily to the increases in property taxes and sales and use taxes discussed above. These revenues allowed the Town to achieve its goal of maintaining approximately one year of General Fund operating expenses in its fund balance. Management is aware of the volatility of revenues connected to the oil and gas industry, and budgets accordingly. The following two tables illustrate General Fund revenues and expenditures during 2015.

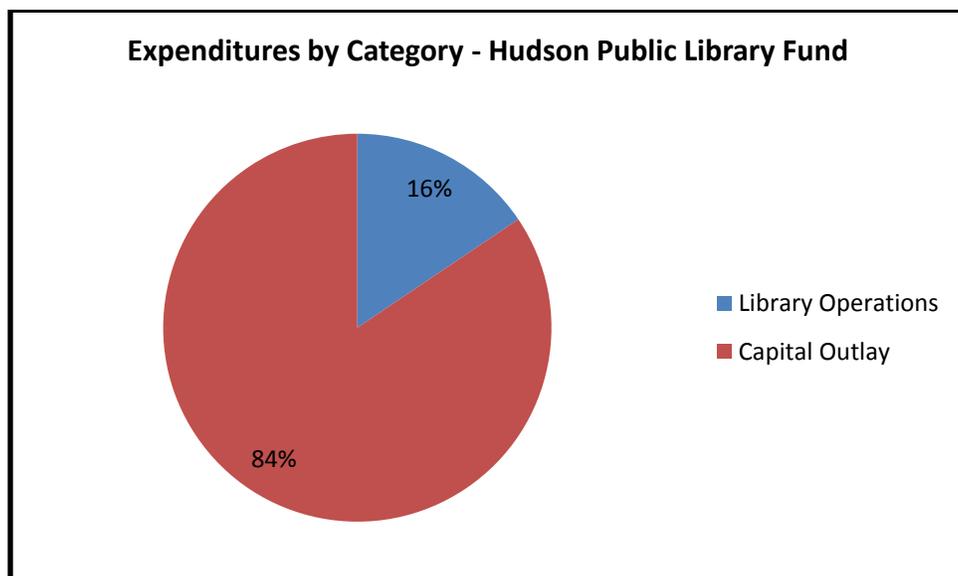
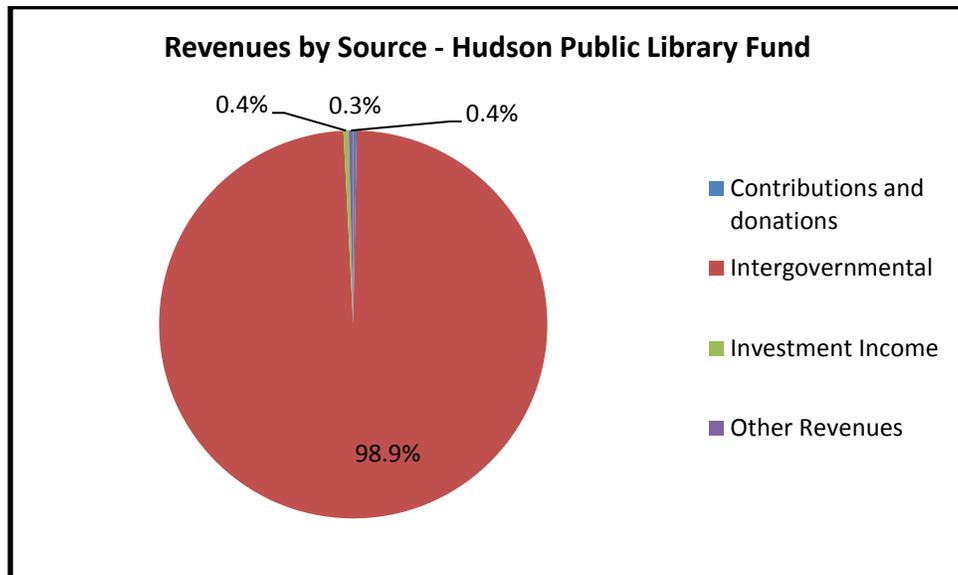


*Property Tax Special Revenue Fund.* This fund is utilized to account for the capital acquisition and/or construction of capital projects and related debt service. Property taxes from a 15.966 mill levy are the primary revenues for the fund. During 2015, expenditures included improvements to the Town's public

works facility and debt service on its 2009 Limited General Obligation Bonds. Fund revenues exceeded fund expenditures and a transfer to the Water Fund (for debt service) by \$420,904.

*Paving Sales Tax Fund.* The Paving Sales Tax Fund is utilized to account for the paving and maintenance of town streets, including curbs and gutters. Sales and use taxes are the primary revenues of the fund. During 2015, expenditures included street overlay and other street improvement projects and debt service on the Town's 2009 Sales Tax Revenue Bonds for street paving projects. Fund expenditures drew down prior year fund balances by \$215,076 to \$623,229 at the end of 2015.

*Hudson Public Library Fund.* This fund accounts for the operations of the Hudson Public Library. Virtually all the revenues of this fund are shared revenues from property taxes received through an Intergovernmental Agreement with the High Plains Library District. As discussed above, these revenues increased significantly during 2015, mostly due to oil and gas development in the region. Expenditures included \$276,148 for library operations and \$2,490,271 for completion of the new Hudson Library building. The following two charts illustrate Hudson Public Library Fund revenues and expenditures during 2015.



*Water Fund.* At December 31, 2015 the net position of the Water Fund was \$3,304,403. This was a decrease of \$215,177 (6.1%) from 2014. Although most of the decrease was caused by depreciation of capital assets (\$171,973), management recognizes that fund shortfalls will need to be corrected by rate increases and customer growth. The planned opening of a motel and restaurant in 2016 will add important customers for the utility.

*Wastewater Fund.* At December 31, 2015 the net position of the Wastewater Fund was \$5,571,150. This was a decrease of \$37,107 (0.7%) from 2014. Most of the decrease was caused by depreciation of capital assets (\$231,649), but proceeds from the sale of land (\$249,234) improved the net position to compensate for much of the operating loss. Management recognizes that operating losses will need to be corrected by rate increases and customer growth. The planned opening of a motel and restaurant in 2016 will add important customers for the utilities. In addition, the planned sale of the decommissioned lagoon property to a local business will improve the net position of the fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets.* At December 31, 2015 the Town had invested in a range of capital assets including land, buildings and improvements, vehicles, office equipment, and park equipment. Note 4 of the financial statements provides a summary of changes in capital assets during the year. During 2015, the Town made improvements to its streets, fishing pond, and water meter system; purchased four vehicles and a street sweeper; completed construction of a new public works facility and new library building; and continued development of a new Town Hall.

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

*Debt Administration.* The Town's long-term debt primarily consists of bonds, loans, and capital leases. During 2015, the Town entered into capital lease agreements to finance the purchases of a street sweeper and water meters. In governmental activities at December 31, 2015, the Town had a \$1,725,000 balance remaining on its 2009 Limited Tax G.O. Bonds, and a \$1,435,000 balance on its 2009 Sales Tax Revenue Bonds. These bond issues were for street improvements. \$140,769 remained outstanding on a capital lease for the street sweeper. Compensated absences are also recorded. See Note 5 on page 16 for more detailed information.

In business-type activities at December 31, 2015, the Town had a \$3,359,430 balance on its 2011 Revenue Bonds, an \$820,061 balance on its 1996 water loan, and a \$496,000 balance on its 1995 general obligation bonds. These debts were incurred for water rights acquisition and water and wastewater system facilities and upgrades. \$139,926 remained outstanding on a capital lease for the water meter system. Compensated absences are also recorded. See Note 5 on page 18 for more detailed information.

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

While traditionally the Town of Hudson's economy has been primarily driven by agriculture, the last few years have been buoyed by the construction of a privately-owned and operated prison and the oil and gas industry. The prison was built in 2009 and operated for approximately four years, precipitating and enabling the construction of the Town's wastewater treatment plant in 2009-2010. Due to fluctuating economic needs, the prison ceased operations in 2013. When operating, the prison adds significant property taxes and water and wastewater fees to the Town's revenues without burdening the general governmental services provided by the Town. Management has not budgeted for any prison operations in 2016.

The extent of oil and gas industry operations in the region fluctuates quickly and significantly with the national economy. When active drilling takes place in the region, the Town benefits from increases in sales

taxes, property taxes, and state shared excise taxes. Management is optimistic that these revenues will continue to benefit the Town to some extent, but is very conservative in its revenue estimates.

Some measurable growth in the residential and commercial sectors of Hudson's economy is occurring. The construction of a four-story motel and restaurant are expected to enhance sales and use taxes as well as water and wastewater revenues beginning in 2016. Three small home builders have purchased land and begun construction of some new houses.

Management carefully monitors the economic factors affecting the Town, and the 2016 Budget anticipates these items. It also includes the establishment of a two-person Town Marshal's Office to replace its contract with Weld County for public safety services.

### **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, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>ASSETS</b>			
Cash and Investments	\$ 5,667,892	\$ 708,835	\$ 6,376,727
Restricted Cash and Investments	426,251	55,801	482,052
Accounts Receivable	146,122	93,854	239,976
Taxes Receivable	2,157,601	-	2,157,601
Land Held for Resale	235,110	-	235,110
Capital Assets, Not Being Depreciated	173,677	962,266	1,135,943
Capital Assets, Net of Accumulated Depreciation	<u>9,573,838</u>	<u>12,013,090</u>	<u>21,586,928</u>
<b>TOTAL ASSETS</b>	<u>18,380,491</u>	<u>13,833,846</u>	<u>32,214,337</u>
<b>LIABILITIES</b>			
Accounts Payable	108,030	40,242	148,272
Accrued Liabilities	25,721	10,344	36,065
Deposits	-	3,343	3,343
Accrued Interest Payable	19,231	78,123	97,354
Noncurrent Liabilities			
Due Within One Year	105,710	125,913	231,623
Due in More Than One Year	<u>3,208,239</u>	<u>4,700,328</u>	<u>7,908,567</u>
<b>TOTAL LIABILITIES</b>	<u>3,466,931</u>	<u>4,958,293</u>	<u>8,425,224</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	<u>2,151,755</u>	<u>-</u>	<u>2,151,755</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,446,746	8,159,939	14,606,685
Restricted for Street Paving and Maintenance	623,229	-	623,229
Restricted for Debt Service	426,251	55,801	482,052
Restricted for Capital Improvements	374,076	-	374,076
Restricted for Parks	54,246	-	54,246
Restricted for Emergencies	196,000	-	196,000
Unrestricted	<u>4,641,257</u>	<u>659,813</u>	<u>5,301,070</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,761,805</u>	<u>\$ 8,875,553</u>	<u>\$ 21,637,358</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 646,077	\$ 19,318	\$ 322,002	\$ -
Public Safety	250,401	18,798	-	-
Public Works	716,813	86,260	140,447	-
Parks and Recreation	152,135	375	24,795	36,000
Library	312,543	-	2,397,935	-
Interest on Long-Term Debt	202,684	-	-	-
Total Governmental Activities	2,280,653	124,751	2,885,179	36,000
<b>Business-Type Activities</b>				
Water Utility	736,140	430,811	-	-
Wastewater Utility	718,722	412,879	-	-
Total Business-Type Activities	1,454,862	843,690	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,735,515</b>	<b>\$ 968,441</b>	<b>\$ 2,885,179</b>	<b>\$ 36,000</b>

GENERAL REVENUES

Property Taxes  
 Specific Ownership Taxes  
 Sales and Use Taxes  
 Franchise Taxes  
 Investment Income  
 Gain on Sale of Capital Assets  
 Other

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (304,757)	\$ -	\$ (304,757)
(231,603)	-	(231,603)
(490,106)	-	(490,106)
(90,965)	-	(90,965)
2,085,392	-	2,085,392
<u>(202,684)</u>	<u>-</u>	<u>(202,684)</u>
<u>765,277</u>	<u>-</u>	<u>765,277</u>
-	(305,329)	(305,329)
<u>-</u>	<u>(305,843)</u>	<u>(305,843)</u>
-	(611,172)	(611,172)
<u>765,277</u>	<u>(611,172)</u>	<u>154,105</u>
1,927,926	-	1,927,926
128,523	-	128,523
1,195,535	-	1,195,535
64,325	-	64,325
3,055	599	3,654
53,592	249,234	302,826
10,148	24,731	34,879
<u>(84,324)</u>	<u>84,324</u>	<u>-</u>
<u>3,298,780</u>	<u>358,888</u>	<u>3,657,668</u>
4,064,057	(252,284)	3,811,773
<u>8,697,748</u>	<u>9,127,837</u>	<u>17,825,585</u>
\$ <u>12,761,805</u>	\$ <u>8,875,553</u>	\$ <u>21,637,358</u>

TOWN OF HUDSON, COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015

	GENERAL	PROPERTY TAX SPECIAL REVENUE	PAVING SALES TAX
<b>ASSETS</b>			
Cash and Investments	\$ 1,416,029	\$ 508,998	\$ 565,599
Restricted Cash and Investments	-	-	-
Accounts Receivable	74,085	-	57,630
Taxes Receivables	1,025,378	1,132,223	-
Land Held for Resale	235,110	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,750,602</b>	<b>\$ 1,641,221</b>	<b>\$ 623,229</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 106,941	\$ -	\$ -
Accrued Liabilities	21,966	-	-
<b>TOTAL LIABILITIES</b>	<b>128,907</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	1,019,536	1,132,219	-
<b>FUND BALANCES</b>			
Restricted for Street Paving and Maintenance	-	-	623,229
Restricted for Debt Service	-	-	-
Restricted for Capital Improvements	-	-	-
Restricted for Parks	-	-	-
Restricted for Emergencies	196,000	-	-
Committed to Debt Service	-	509,002	-
Committed to Capital Improvements	-	-	-
Committed to Public Library Activities	-	-	-
Unrestricted, Unassigned	1,406,159	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,602,159</b>	<b>509,002</b>	<b>623,229</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,750,602</b>	<b>\$ 1,641,221</b>	<b>\$ 623,229</b>

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

**Total Fund Balances of Governmental Funds**

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

Long-term liabilities and related items, including bonds payable (\$3,160,000), capital lease payable (\$140,769), accrued compensated absences (\$13,180), and accrued interest payable (\$19,231), are not due and payable in the current year and, therefore, are not reported in governmental funds.

**Total Net Position of Governmental Activities**

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

HUDSON PUBLIC LIBRARY	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
\$ 2,617,977	\$ 559,289	\$ 5,667,892
-	426,251	426,251
-	14,407	146,122
-	-	2,157,601
-	-	235,110
<u>\$ 2,617,977</u>	<u>\$ 999,947</u>	<u>\$ 8,632,976</u>
\$ 1,089	\$ -	\$ 108,030
3,755	-	25,721
<u>4,844</u>	<u>-</u>	<u>133,751</u>
-	-	2,151,755
-	-	623,229
-	426,251	426,251
-	374,076	374,076
-	54,246	54,246
-	-	196,000
-	-	509,002
-	145,374	145,374
2,613,133	-	2,613,133
-	-	1,406,159
<u>2,613,133</u>	<u>999,947</u>	<u>6,347,470</u>
<u>\$ 2,617,977</u>	<u>\$ 999,947</u>	<u>\$ 8,632,976</u>
		\$ 6,347,470
		9,747,515
		<u>(3,333,180)</u>
		<u>\$ 12,761,805</u>

TOWN OF HUDSON, COLORADO

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
 Year Ended December 31, 2015

	<u>GENERAL</u>	<u>PROPERTY TAX SPECIAL REVENUE</u>	<u>PAVING SALES TAX</u>
REVENUES			
Taxes	\$ 1,510,954	\$ 1,014,475	\$ 538,234
Licenses and Permits	103,598	-	-
Contributions and Donations	239,901	-	-
Intergovernmental	222,548	-	-
Charges for Services	7,605	-	-
Fines and Forfeitures	13,548	-	-
Investment Income	417	137	316
Other	4,485	-	-
	<u>2,103,056</u>	<u>1,014,612</u>	<u>538,550</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General Government	592,498	10,145	-
Public Safety	268,044	-	-
Public Works	550,848	-	629,095
Parks and Recreation	121,489	-	-
Library	-	-	-
Capital Outlay	-	368,639	-
Debt Service			
Principal	-	25,000	30,000
Interest and Fiscal Charges	-	105,600	94,531
	<u>1,532,879</u>	<u>509,384</u>	<u>753,626</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>570,177</u>	<u>505,228</u>	<u>(215,076)</u>
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	173,500	-	-
Proceeds from Sale of Capital Assets	-	-	-
Transfers Out	-	(84,324)	-
	<u>173,500</u>	<u>(84,324)</u>	<u>-</u>
TOTAL OTHER FINANCIAL SOURCES (USES)			
NET CHANGE IN FUND BALANCES	743,677	420,904	(215,076)
FUND BALANCES, Beginning	<u>858,482</u>	<u>88,098</u>	<u>838,305</u>
FUND BALANCES, Ending	<u>\$ 1,602,159</u>	<u>\$ 509,002</u>	<u>\$ 623,229</u>

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

HUDSON PUBLIC LIBRARY	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ 252,646	\$ 3,316,309
-	-	103,598
-	-	239,901
2,397,935	60,795	2,681,278
-	-	7,605
-	-	13,548
1,536	649	3,055
5,663	-	10,148
<u>2,405,134</u>	<u>314,090</u>	<u>6,375,442</u>
-	-	602,643
-	-	268,044
-	9,104	1,189,047
-	173	121,662
276,148	-	276,148
2,490,271	84,808	2,943,718
-	-	55,000
-	-	200,131
<u>2,766,419</u>	<u>94,085</u>	<u>5,656,393</u>
<u>(361,285)</u>	<u>220,005</u>	<u>719,049</u>
-	-	173,500
267,080	-	267,080
-	-	(84,324)
<u>267,080</u>	<u>-</u>	<u>356,256</u>
(94,205)	220,005	1,075,305
<u>2,707,338</u>	<u>779,942</u>	<u>5,272,165</u>
<u>\$ 2,613,133</u>	<u>\$ 999,947</u>	<u>\$ 6,347,470</u>

TOWN OF HUDSON, COLORADO

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

Year Ended December 31, 2015

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

Net Change in Fund Balances of Governmental Funds	\$ 1,075,305
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$3,534,280 exceeded depreciation expense (\$245,507) and loss on disposal (\$213,488) in the current year.	3,075,285
Repayments of long-term debt are reported as expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	87,731
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 represents lease proceeds in the current year.	(173,500)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in accrued compensated absences \$1,789 and accrued interest payable (\$2,553).	<u>(764)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,064,057</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
 December 31, 2015

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTALS</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 168,053	\$ 540,782	\$ 708,835
Restricted Cash and Investments	-	55,801	55,801
Accounts Receivable	39,368	54,486	93,854
<b>TOTAL CURRENT ASSETS</b>	<u>207,421</u>	<u>651,069</u>	<u>858,490</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets, Not Being Depreciated	962,266	-	962,266
Capital Assets, Net of Accumulated Depreciation	3,656,485	8,356,605	12,013,090
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,618,751</u>	<u>8,356,605</u>	<u>12,975,356</u>
<b>TOTAL ASSETS</b>	<u>4,826,172</u>	<u>9,007,674</u>	<u>13,833,846</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	27,289	12,953	40,242
Accrued Liabilities	5,752	4,592	10,344
Deposits	3,343	-	3,343
Accrued Interest Payable	23,532	54,591	78,123
Compensated Absences Payable - Current Portion	1,891	1,705	3,596
Lease Payable - Current Portion	26,224	-	26,224
Bonds and Loans Payable - Current Portion	45,840	50,253	96,093
<b>TOTAL CURRENT LIABILITIES</b>	<u>133,871</u>	<u>124,094</u>	<u>257,965</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated Absences Payable	3,975	3,253	7,228
Lease Payable	113,702	-	113,702
Bonds and Loans Payable	1,270,221	3,309,177	4,579,398
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,387,898</u>	<u>3,312,430</u>	<u>4,700,328</u>
<b>TOTAL LIABILITIES</b>	<u>1,521,769</u>	<u>3,436,524</u>	<u>4,958,293</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,162,764	4,997,175	8,159,939
Restricted for Debt Service	-	55,801	55,801
Unrestricted	141,639	518,174	659,813
<b>TOTAL NET POSITION</b>	<u>\$ 3,304,403</u>	<u>\$ 5,571,150</u>	<u>\$ 8,875,553</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
 Year Ended December 31, 2015

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTALS</u>
OPERATING REVENUES			
Charges for Services	\$ 430,811	\$ 412,879	\$ 843,690
Other	<u>5,336</u>	<u>19,395</u>	<u>24,731</u>
TOTAL OPERATING REVENUES	<u>436,147</u>	<u>432,274</u>	<u>868,421</u>
OPERATING EXPENSES			
Operations and Maintenance	436,041	309,210	745,251
Administration	85,598	68,283	153,881
Depreciation	<u>171,973</u>	<u>231,649</u>	<u>403,622</u>
TOTAL OPERATING EXPENSES	<u>693,612</u>	<u>609,142</u>	<u>1,302,754</u>
NET OPERATING INCOME (LOSS)	<u>(257,465)</u>	<u>(176,868)</u>	<u>(434,333)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	492	107	599
Gain on Sale of Capital Assets	-	249,234	249,234
Interest and Fiscal Charges	<u>(42,528)</u>	<u>(109,580)</u>	<u>(152,108)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(42,036)</u>	<u>139,761</u>	<u>97,725</u>
NET LOSS BEFORE TRANSFERS	(299,501)	(37,107)	(336,608)
TRANSFERS			
Transfers In	<u>84,324</u>	<u>-</u>	<u>84,324</u>
CHANGE IN NET POSITION	(215,177)	(37,107)	(252,284)
NET POSITION, Beginning	<u>3,519,580</u>	<u>5,608,257</u>	<u>9,127,837</u>
NET POSITION, Ending	<u>\$ 3,304,403</u>	<u>\$ 5,571,150</u>	<u>\$ 8,875,553</u>

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

TOWN OF HUDSON, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2015

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTALS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 427,528	\$ 408,892	\$ 836,420
Cash Received from Others	5,336	19,395	24,731
Cash Payments to Employees	(141,004)	(117,934)	(258,938)
Cash Payments to Vendors and Suppliers	<u>(373,714)</u>	<u>(255,219)</u>	<u>(628,933)</u>
Net Cash Provided (Used) by Operating Activities	<u>(81,854)</u>	<u>55,134</u>	<u>(26,720)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets	(2,950)	-	(2,950)
Cash Received from Sale of Land	-	249,234	249,234
Payments From Other Funds	84,324	200,000	284,324
Proceeds from Treatment Plant Settlement	-	92,500	92,500
Debt Principal Payments	(44,451)	(48,660)	(93,111)
Debt Interest and Fiscal Charges Paid	<u>(39,819)</u>	<u>(110,370)</u>	<u>(150,189)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,896)</u>	<u>382,704</u>	<u>379,808</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	<u>492</u>	<u>107</u>	<u>599</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(84,258)</b>	<b>437,945</b>	<b>353,687</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b><u>252,311</u></b>	<b><u>158,638</u></b>	<b><u>410,949</u></b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 168,053</u></b>	<b><u>\$ 596,583</u></b>	<b><u>\$ 764,636</u></b>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Net Operating Income (Loss)	\$ (257,465)	\$ (176,868)	\$ (434,333)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	171,973	231,649	403,622
Changes in Assets and Liabilities			
Accounts Receivable	(3,495)	(3,987)	(7,482)
Prepaid Expenses	1,357	1,133	2,490
Accounts Payable	3,417	1,455	4,872
Accrued Liabilities	1,727	1,257	2,984
Deposits	212	-	212
Compensated Absences Payable	<u>420</u>	<u>495</u>	<u>915</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (81,854)</u>	<u>\$ 55,134</u>	<u>\$ (26,720)</u>
<b>NONCASH CAPITAL AND RELATED ACTIVITIES</b>			
Capital Assets Purchased with Capital Lease	<u>\$ 139,926</u>	<u>\$ -</u>	<u>\$ 139,926</u>

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

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**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, 2015

**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, 2015

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

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

Additionally, the Town reports the following major proprietary funds:

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

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

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

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

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

*Land Held for Resale* - Land held for resale is carried at the lower of cost or market 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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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, 2015

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

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

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

*Long-Term Obligations* - In the government-wide financial statements, and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts 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, 2015

**NOTE 2: CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2015, follows:

Petty Cash	\$	300
Cash Deposits		6,073,376
Investments		<u>785,103</u>
Total	\$	<u><b>6,858,779</b></u>

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

Cash and Investments	\$	6,376,727
Restricted Cash and Investments		<u>482,052</u>
Total	\$	<u><b>6,858,779</b></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, 2015, the Town and the Library had bank deposits of \$5,208,095 collateralized with securities held by the financial institutions' agents but not in their name.

**Investments**

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

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

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

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

**Investments (Continued)**

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

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

*Local Government Investment Pool* - At December 31, 2015, the Town had \$785,103 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

At December 31, 2015, the Capital Reserve Fund reported debt reserves of \$291,787 and \$134,464 required by the 2009 Sales Tax Revenue Bond and the 2009 Limited Tax General Obligation Bond agreements, respectively. In addition, as required by the USDA debt agreement, debt reserves of \$55,801 are held in a separate account on behalf of the Wastewater Fund.

**NOTE 3: INTERFUND BALANCES AND TRANSACTIONS**

During the year ended December 31, 2013, the General Fund purchased land from the Wastewater Fund for \$600,000. During the year ended December 31, 2015, the General Fund paid the remaining installment of \$200,000 to the Wastewater Fund.

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, 2015, the Property Tax Special Revenue Fund transferred \$84,324 to the Water Fund to service debt.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, is summarized below.

	Balances 12/31/14	Additions	Deletions	Balances 12/31/15
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 140,396	\$ -	\$ -	\$ 140,396
Construction in Progress	<u>1,220,516</u>	<u>20,977</u>	<u>1,208,212</u>	<u>33,281</u>
Total Capital Assets, Not Being Depreciated	<u>1,360,912</u>	<u>20,977</u>	<u>1,208,212</u>	<u>173,677</u>
Capital Assets, Being Depreciated				
Land Improvements	585,427	48,075	-	633,502
Infrastructure	4,772,671	407,629	-	5,180,300
Buildings	511,881	4,060,341	257,802	4,314,420
Equipment	<u>505,594</u>	<u>205,470</u>	<u>-</u>	<u>711,064</u>
Total Capital Assets, Being Depreciated	<u>6,375,573</u>	<u>4,721,515</u>	<u>257,802</u>	<u>10,839,286</u>
Less Accumulated Depreciation				
Land Improvements	(53,359)	(30,473)	-	(83,832)
Infrastructure	(533,870)	(124,412)	-	(658,282)
Buildings	(192,679)	(48,817)	(44,314)	(197,182)
Equipment	<u>(284,347)</u>	<u>(41,805)</u>	<u>-</u>	<u>(326,152)</u>
Total Accumulated Depreciation	<u>(1,064,255)</u>	<u>(245,507)</u>	<u>(44,314)</u>	<u>(1,265,448)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,311,318</u>	<u>4,476,008</u>	<u>213,488</u>	<u>9,573,838</u>
Governmental Activities Capital Assets, Net	<u><b>\$ 6,672,230</b></u>	<u><b>\$ 4,496,985</b></u>	<u><b>\$ 1,421,700</b></u>	<u><b>\$ 9,747,515</b></u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land and Water Rights	<u>\$ 962,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 962,266</u>
Capital Assets, Being Depreciated				
Collection and Distribution Systems	16,292,807	-	-	16,292,807
Equipment	<u>130,636</u>	<u>142,876</u>	<u>-</u>	<u>273,512</u>
Total Capital Assets, Being Depreciated	<u>16,423,443</u>	<u>142,876</u>	<u>-</u>	<u>16,566,319</u>
Less Accumulated Depreciation				
Collection and Distribution Systems	(4,065,234)	(393,783)	-	(4,459,017)
Equipment	<u>(84,373)</u>	<u>(9,839)</u>	<u>-</u>	<u>(94,212)</u>
Total Accumulated Depreciation	<u>(4,149,607)</u>	<u>(403,622)</u>	<u>-</u>	<u>(4,553,229)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,273,836</u>	<u>(260,746)</u>	<u>-</u>	<u>12,013,090</u>
Business-Type Activities Capital Assets, Net	<u><b>\$ 13,236,102</b></u>	<u><b>\$ (260,746)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 12,975,356</b></u>

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 4: CAPITAL ASSETS (Continued)**

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

Governmental Activities	
General Government	\$ 45,223
Public Safety	1,357
Public Works	132,059
Parks and Recreation	30,473
Library	<u>36,395</u>
 Total	 <u><u>\$ 245,507</u></u>

**NOTE 5: LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2015:

	Balance <u>12/31/14</u>	Additions	Payments	Balance <u>12/31/15</u>	Due Within <u>One Year</u>
2009 Sales Tax Revenue Bonds	\$ 1,465,000	\$ -	\$ 30,000	\$ 1,435,000	\$ 35,000
2009 Limited Tax GO Bonds	1,750,000	-	25,000	1,725,000	30,000
2015 Street Sweeper Capital Lease	-	173,500	32,731	140,769	33,687
Compensated Absences	<u>14,969</u>	<u>-</u>	<u>1,789</u>	<u>13,180</u>	<u>7,023</u>
 Total	 <u><u>\$ 3,229,969</u></u>	 <u><u>\$ 173,500</u></u>	 <u><u>\$ 89,520</u></u>	 <u><u>\$ 3,313,949</u></u>	 <u><u>\$ 105,710</u></u>

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

During 2009, the Town issued \$1,555,000 Sales Tax Revenue Bonds to finance street improvements. Interest accrues on the bonds at rates ranging from 5% to 6.75% per annum. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2036. These bonds are payable solely from the Town's 2% street paving sales taxes reported in the Paving Sales Tax Fund. During the year ended December 31, 2015, revenues of \$522,135 were available to pay annual debt service of \$124,531. Remaining debt service at December 31, 2015, was \$2,715,402.

During 2009, the Town issued \$1,805,000 Limited Tax General Obligation Bonds to finance street improvements. Interest accrues on the bonds at rates ranging from 4.75% to 6.25% per annum. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2036. The bonds are payable from a 15.966 mill levy reported in the Property Tax Special Revenue Fund. For the year ended December 31, 2015, revenues of \$1,014,612 were available to pay annual debt service of \$130,600. Remaining debt service at December 31, 2015, was \$3,163,136.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 5: LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 65,000	\$ 197,444	\$ 262,444
2017	70,000	194,226	264,226
2018	75,000	190,638	265,638
2019	85,000	186,794	271,794
2020	90,000	182,188	272,188
2021 - 2025	580,000	823,814	1,403,814
2026 - 2030	805,000	612,340	1,417,340
2031 - 2035	1,120,000	313,602	1,433,602
2036	<u>270,000</u>	<u>17,492</u>	<u>287,492</u>
Total	<b><u>\$ 3,160,000</u></b>	<b><u>\$ 2,718,538</u></b>	<b><u>\$ 5,878,538</u></b>

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

Capital lease payments to maturity are as follows.

<u>Year Ended December 31,</u>	
2016	\$ 37,392
2017	37,392
2018	37,392
2019	<u>37,392</u>
Total Minimum Lease Payments	149,568
Less: Interest Portion	<u>(8,799)</u>
Present Value of Future Minimum Lease Payments	<b><u>\$ 140,769</u></b>

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 5: LONG-TERM DEBT (Continued)**

**Business-Type Activities**

Following are the changes in long-term debt of the business-type activities for the year ended December 31, 2015:

	Balance <u>12/31/14</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/15</u>	Due Within <u>One Year</u>
1995 GO Bonds	\$ 511,000	\$ -	\$ 15,000	\$ 496,000	\$ 15,800
1996 CWCB Loan	849,512	-	29,451	820,061	30,040
2011 Revenue Bonds	3,408,090	-	48,660	3,359,430	50,253
2015 Water Meters Capital Lease	-	139,926	-	139,926	26,224
Compensated Absences	<u>9,909</u>	<u>915</u>	<u>-</u>	<u>10,824</u>	<u>3,596</u>
Total	<u>\$ 4,778,511</u>	<u>\$ 140,841</u>	<u>\$ 93,111</u>	<u>\$ 4,826,241</u>	<u>\$ 125,913</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.

For the year ended December 31, 2015, the Water Fund had net revenues of (\$85,000). Interfund transfers of \$84,324 were utilized to pay total debt service of \$84,270. Remaining debt service of the Water Fund at December 31, 2015, was \$1,778,975.

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, 2015, the Wastewater Fund had net revenues of \$54,888 and debt service was \$159,030. Interfund payments of \$200,000 were utilized to pay the required debt service as scheduled. Remaining debt service at December 31, 2015, was \$5,722,677.

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 5: LONG-TERM DEBT (Continued)**

**Business-Type Activities (Continued)**

Annual debt service requirements for the outstanding bonds and loan at December 31, 2015, were as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 96,093	\$ 147,323	\$ 243,416
2017	98,941	144,357	243,298
2018	102,054	141,298	243,352
2019	105,235	138,134	243,369
2020	108,487	134,862	243,349
2021 - 2025	595,509	621,299	1,216,808
2026 - 2030	695,407	521,361	1,216,768
2031 - 2035	813,115	403,218	1,216,333
2036 - 2040	601,395	286,637	888,032
2041 - 2045	600,646	194,504	795,150
2046 - 2050	705,706	89,444	795,150
2051	<u>152,903</u>	<u>3,724</u>	<u>156,627</u>
Total	<u>\$ 4,675,491</u>	<u>\$ 2,826,161</u>	<u>\$ 7,501,652</u>

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

Capital lease payments to maturity are as follows.

<u>Year Ended December 31,</u>	
2016	\$ 30,772
2017	30,772
2018	30,772
2019	30,772
2020	<u>30,772</u>
Total Minimum Lease Payments	153,860
Less: Interest Portion	<u>(13,934)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 139,926</u>

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 6: RISK MANAGEMENT**

**Public Entity Risk Pool**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes, and the Colorado Constitution, Article XIV, Section 18(2).

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

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA.

**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, 2015, the Town contributed \$28,669 to the Plan, equal to the required contributions. All Plan assets are held by the Plan administrator, Great-West Financial.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

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

TOWN OF HUDSON, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

**Tabor Amendment** (Continued)

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

The Town has established an emergency reserve representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2015, the emergency reserve of \$196,000 was reported as restricted fund balance in the General Fund.

**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, 2015, significant amounts of grant expenditures have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the Town.

**Litigation**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Taxes			
Property Taxes	\$ 912,792	\$ 913,451	\$ 659
Specific Ownership Taxes	75,000	128,523	53,523
Sales and Use Taxes	194,720	404,655	209,935
Franchise Taxes	75,000	64,325	(10,675)
Total Taxes	<u>1,257,512</u>	<u>1,510,954</u>	<u>253,442</u>
Licenses and Permits			
Building Permits	57,000	86,260	29,260
Transportation Permits	2,500	14,790	12,290
Other Permits and Licenses	2,400	2,548	148
Total Licenses and Permits	<u>61,900</u>	<u>103,598</u>	<u>41,698</u>
Contributions and Donations	<u>-</u>	<u>239,901</u>	<u>239,901</u>
Intergovernmental			
Auto Registration Fees	2,700	2,352	(348)
Highway Users Taxes	72,612	79,716	7,104
Severance Taxes	60,000	62,112	2,112
Road and Bridge Fees	21,000	58,379	37,379
Cigarette Taxes	2,000	2,384	384
Mineral Lease	14,000	17,605	3,605
Total Intergovernmental	<u>172,312</u>	<u>222,548</u>	<u>50,236</u>
Charges for Services			
Development Review Fees	500	5,250	4,750
Other Charges for Services	2,820	2,355	(465)
Total Charges for Services	<u>3,320</u>	<u>7,605</u>	<u>4,285</u>
Court Fines and Forfeitures	<u>6,150</u>	<u>13,548</u>	<u>7,398</u>
Investment Income	<u>300</u>	<u>417</u>	<u>117</u>
Other	<u>578,000</u>	<u>4,485</u>	<u>(573,515)</u>
TOTAL REVENUES	<u>\$ 2,079,494</u>	<u>\$ 2,103,056</u>	<u>\$ 23,562</u>

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2015

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
EXPENDITURES			
Current			
General Government	\$ 653,997	\$ 592,498	\$ 61,499
Public Safety	257,146	268,044	(10,898)
Public Works	516,824	550,848	(34,024)
Parks and Recreation	182,273	121,489	60,784
Contingency	<u>25,000</u>	<u>-</u>	<u>25,000</u>
TOTAL EXPENDITURES	<u>1,635,240</u>	<u>1,532,879</u>	<u>102,361</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	444,254	570,177	125,923
OTHER FINANCING SOURCES			
Lease Proceeds	<u>-</u>	<u>173,500</u>	<u>173,500</u>
NET CHANGE IN FUND BALANCE	444,254	743,677	299,423
FUND BALANCE, Beginning	<u>424,220</u>	<u>858,482</u>	<u>434,262</u>
FUND BALANCE, Ending	<u>\$ 868,474</u>	<u>\$ 1,602,159</u>	<u>\$ 733,685</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE  
HUDSON PUBLIC LIBRARY FUND  
 Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 2,335,619	\$ 2,335,619	\$ 2,397,935	\$ 62,316
Investment Income	3,113	3,113	1,536	(1,577)
Other	2,550	2,550	5,663	3,113
<b>TOTAL REVENUES</b>	<u>2,341,282</u>	<u>2,341,282</u>	<u>2,405,134</u>	<u>63,852</u>
<b>EXPENDITURES</b>				
Library	573,066	573,066	276,148	296,918
Capital Outlay	1,691,475	2,391,475	2,490,271	(98,796)
<b>TOTAL EXPENDITURES</b>	<u>2,264,541</u>	<u>2,964,541</u>	<u>2,766,419</u>	<u>198,122</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	76,741	(623,259)	(361,285)	261,974
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	-	-	267,080	267,080
<b>NET CHANGE IN FUND BALANCE</b>	76,741	(623,259)	(94,205)	529,054
<b>FUND BALANCE, Beginning</b>	<u>1,879,553</u>	<u>1,879,553</u>	<u>2,707,338</u>	<u>827,785</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,956,294</u>	<u>\$ 1,256,294</u>	<u>\$ 2,613,133</u>	<u>\$ 1,356,839</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

**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. For the year ended December 31, 2015, a budget was not adopted for the Sales Tax Capital Improvement Fund because the fund had no expenditures.

The Town adheres to the following procedures in establishing 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, 2015

	SALES TAX CAPITAL IMPROVEMENT	CAPITAL RESERVE	CONSERVATION TRUST	PARK IMPACT FEE
ASSETS				
Cash and Investments	\$ 359,669	\$ 113,685	\$ 54,246	\$ -
Restricted Cash and Investments	-	426,251	-	-
Accounts Receivable	14,407	-	-	-
 TOTAL ASSETS	 \$ <u>374,076</u>	 \$ <u>539,936</u>	 \$ <u>54,246</u>	 \$ <u>-</u>
FUND BALANCES				
Restricted for Debt Service	\$ -	\$ 426,251	\$ -	\$ -
Restricted for Capital Improvements	374,076	-	-	-
Restricted for Parks	-	-	54,246	-
Committed to Capital Improvements	-	113,685	-	-
 TOTAL FUND BALANCES	 \$ <u>374,076</u>	 \$ <u>539,936</u>	 \$ <u>54,246</u>	 \$ <u>-</u>

See the accompanying Independent Auditors' Report.

<u>FACILITIES IMPACT FEE</u>	<u>STREET IMPACT FEE</u>	<u>TOTALS</u>
\$ 2,649	\$ 29,040	\$ 559,289
-	-	426,251
-	-	<u>14,407</u>
<u>\$ 2,649</u>	<u>\$ 29,040</u>	<u>\$ 999,947</u>
\$ -	\$ -	\$ 426,251
-	-	374,076
-	-	54,246
<u>2,649</u>	<u>29,040</u>	<u>145,374</u>
<u>\$ 2,649</u>	<u>\$ 29,040</u>	<u>\$ 999,947</u>

TOWN OF HUDSON, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended December 31, 2015

	<u>SALES TAX CAPITAL IMPROVEMENT</u>	<u>CAPITAL RESERVE</u>	<u>CONSERVATION TRUST</u>	<u>PARK IMPACT FEE</u>
REVENUES				
Taxes	\$ 130,455	\$ 122,191	\$ -	\$ -
Intergovernmental	-	36,000	24,795	-
Investment Income	97	464	84	-
	<u>130,552</u>	<u>158,655</u>	<u>24,879</u>	<u>-</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public Works	-	2,400	-	-
Parks and Recreation	-	-	-	173
Capital Outlay	-	75,730	9,078	-
	<u>-</u>	<u>78,130</u>	<u>9,078</u>	<u>173</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCES	130,552	80,525	15,801	(173)
FUND BALANCES, Beginning	<u>243,524</u>	<u>459,411</u>	<u>38,445</u>	<u>173</u>
FUND BALANCES, Ending	<u>\$ 374,076</u>	<u>\$ 539,936</u>	<u>\$ 54,246</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

<u>FACILITIES IMPACT FEE</u>	<u>STREET IMPACT FEE</u>	<u>TOTALS</u>
\$ -	\$ -	\$ 252,646
-	-	60,795
<u>2</u>	<u>2</u>	<u>649</u>
<u>2</u>	<u>2</u>	<u>314,090</u>
729	5,975	9,104
-	-	173
<u>-</u>	<u>-</u>	<u>84,808</u>
<u>729</u>	<u>5,975</u>	<u>94,085</u>
(727)	(5,973)	220,005
<u>3,376</u>	<u>35,013</u>	<u>779,942</u>
\$ <u><u>2,649</u></u>	\$ <u><u>29,040</u></u>	\$ <u><u>999,947</u></u>

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE  
PROPERTY TAX SPECIAL REVENUE FUND  
 Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Property Taxes	\$ 1,014,177	\$ 1,014,475	\$ 298
Investment Income	150	137	(13)
TOTAL REVENUES	<u>1,014,327</u>	<u>1,014,612</u>	<u>285</u>
EXPENDITURES			
General Government	10,200	10,145	55
Capital Outlay	692,800	368,639	324,161
Debt Service			
Principal	25,000	25,000	-
Interest and Fiscal Charges	105,600	105,600	-
TOTAL EXPENDITURES	<u>833,600</u>	<u>509,384</u>	<u>324,216</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	180,727	505,228	324,501
OTHER FINANCING SOURCES (USES)			
Transfers Out	(104,270)	(84,324)	19,946
NET CHANGE IN FUND BALANCE	76,457	420,904	344,447
FUND BALANCE, Beginning	<u>87,809</u>	<u>88,098</u>	<u>289</u>
FUND BALANCE, Ending	<u>\$ 164,266</u>	<u>\$ 509,002</u>	<u>\$ 344,736</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

PAVING SALES TAX FUND

Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Sales and Use Taxes	\$ 250,000	\$ 250,000	\$ 538,234	\$ 288,234
Investment Income	200	200	316	116
 TOTAL REVENUES	 <u>250,200</u>	 <u>250,200</u>	 <u>538,550</u>	 <u>288,350</u>
EXPENDITURES				
Public Works	455,200	680,200	629,095	51,105
Debt Service				
Principal	30,000	30,000	30,000	-
Interest and Fiscal Charges	94,531	94,531	94,531	-
 TOTAL EXPENDITURES	 <u>579,731</u>	 <u>804,731</u>	 <u>753,626</u>	 <u>51,105</u>
 NET CHANGE IN FUND BALANCE	 (329,531)	 (554,531)	 (215,076)	 339,455
 FUND BALANCE, Beginning	 <u>810,204</u>	 <u>810,204</u>	 <u>838,305</u>	 <u>28,101</u>
 FUND BALANCE, Ending	 <u>\$ 480,673</u>	 <u>\$ 255,673</u>	 <u>\$ 623,229</u>	 <u>\$ 367,556</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

CAPITAL RESERVE FUND

Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Use Taxes	\$ 125,000	\$ 122,191	\$ (2,809)
Intergovernmental	36,000	36,000	-
Investment Income	500	464	(36)
 TOTAL REVENUES	 <u>161,500</u>	 <u>158,655</u>	 <u>(2,845)</u>
EXPENDITURES			
Public Works	12,600	2,400	10,200
Capital Outlay	141,200	75,730	65,470
 TOTAL EXPENDITURES	 <u>153,800</u>	 <u>78,130</u>	 <u>75,670</u>
 NET CHANGE IN FUND BALANCE	 7,700	 80,525	 72,825
FUND BALANCES, Beginning	<u>454,425</u>	<u>459,411</u>	<u>4,986</u>
FUND BALANCES, Ending	<u>\$ 462,125</u>	<u>\$ 539,936</u>	<u>\$ 77,811</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

CONSERVATION TRUST FUND

Year Ended December 31, 2015

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 17,900	\$ 24,795	\$ 6,895
Investment Income	20	84	64
TOTAL REVENUES	<u>17,920</u>	<u>24,879</u>	<u>6,959</u>
EXPENDITURES			
Capital Outlay	<u>28,078</u>	<u>9,078</u>	<u>19,000</u>
TOTAL EXPENDITURES	<u>28,078</u>	<u>9,078</u>	<u>19,000</u>
NET CHANGE IN FUND BALANCE	(10,158)	15,801	25,959
FUND BALANCE, Beginning	<u>37,668</u>	<u>38,445</u>	<u>777</u>
FUND BALANCE, Ending	<u>\$ 27,510</u>	<u>\$ 54,246</u>	<u>\$ 26,736</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

PARK IMPACT FEE FUND

Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
EXPENDITURES				
Parks and Recreation	\$ -	\$ 173	\$ 173	\$ -
TOTAL EXPENDITURES	<u>-</u>	<u>173</u>	<u>173</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(173)	(173)	-
FUND BALANCE, Beginning	<u>173</u>	<u>173</u>	<u>173</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

FACILITIES IMPACT FEE FUND

Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Impact Fees	\$ 3,259	\$ 3,259	\$ -	\$ (3,259)
Investment Income	<u>3</u>	<u>3</u>	<u>2</u>	<u>(1)</u>
TOTAL REVENUES	<u>3,262</u>	<u>3,262</u>	<u>2</u>	<u>(3,260)</u>
EXPENDITURES				
Public Works	<u>-</u>	<u>730</u>	<u>729</u>	<u>1</u>
TOTAL EXPENDITURES	<u>-</u>	<u>730</u>	<u>729</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	3,262	2,532	(727)	(3,259)
FUND BALANCE, Beginning	<u>3,376</u>	<u>3,376</u>	<u>3,376</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 6,638</u>	<u>\$ 5,908</u>	<u>\$ 2,649</u>	<u>\$ (3,259)</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

STREET IMPACT FEE FUND

Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Impact Fees	\$ 75,325	\$ 75,325	\$ -	\$ (75,325)
Investment Income	<u>50</u>	<u>50</u>	<u>2</u>	<u>(48)</u>
TOTAL REVENUES	<u>75,375</u>	<u>75,375</u>	<u>2</u>	<u>(75,373)</u>
EXPENDITURES				
Public Works	<u>-</u>	<u>5,975</u>	<u>5,975</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>5,975</u>	<u>5,975</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	75,375	69,400	(5,973)	(75,373)
FUND BALANCE, Beginning	<u>35,013</u>	<u>35,013</u>	<u>35,013</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 110,388</u>	<u>\$ 104,413</u>	<u>\$ 29,040</u>	<u>\$ (75,373)</u>

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

WATER FUND

Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 920,075	\$ 430,811	\$ (489,264)
Investment Income	450	492	42
Other	2,200	5,336	3,136
Transfers In	<u>84,270</u>	<u>84,324</u>	<u>54</u>
<b>TOTAL REVENUES</b>	<u>1,006,995</u>	<u>520,963</u>	<u>(486,032)</u>
<b>EXPENDITURES</b>			
Operations and Maintenance	429,217	436,041	(6,824)
Administration	130,045	85,598	44,447
Water Acquisition	6,000	-	6,000
Capital Outlay	223,000	2,950	220,050
Debt Principal	44,452	44,451	1
Debt Interest and Fiscal Charges	39,818	42,528	(2,710)
Contingency	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>TOTAL EXPENDITURES</b>	<u>897,532</u>	<u>611,568</u>	<u>285,964</u>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<u>\$ 109,463</u>	(90,605)	<u>\$ (200,068)</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>			
Depreciation		(171,973)	
Capital Outlay		2,950	
Debt Principal		<u>44,451</u>	
<b>CHANGE IN NET POSITION, GAAP Basis</b>		<u>\$ (215,177)</u>	

See the accompanying Independent Auditors' Report.

TOWN OF HUDSON, COLORADO

BUDGETARY COMPARISON SCHEDULE

WASTEWATER FUND

Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 476,675	\$ 412,879	\$ (63,796)
Investment Income	330	107	(223)
Other	36,100	19,395	(16,705)
Transfers In	20,000	-	(20,000)
<b>TOTAL REVENUES</b>	<u>533,105</u>	<u>432,381</u>	<u>(100,724)</u>
<b>EXPENDITURES</b>			
Operations and Maintenance	329,835	309,210	(309,210)
Administration	87,581	68,283	(68,283)
Capital Outlay	65,850	-	-
Debt Principal	48,659	48,660	(48,660)
Debt Interest and Fiscal Charges	110,371	109,580	(109,580)
Contingency	25,000	-	-
<b>TOTAL EXPENDITURES</b>	<u>667,296</u>	<u>535,733</u>	<u>131,563</u>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<u>\$ (134,191)</u>	(103,352)	<u>\$ 30,839</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>			
Depreciation		(231,649)	
Gain on Sale of Capital Assets		249,234	
Debt Principal		48,660	
<b>CHANGE IN NET POSITION, GAAP Basis</b>		<u>\$ (37,107)</u>	

See the accompanying Independent Auditors' Report.

## **COMPLIANCE SECTION**



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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hudson as of and for the year ended December 31, 2015, 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 June 30, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the Town of Hudson's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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



June 30, 2016

## **STATE COMPLIANCE**

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: Town of Hudson
		YEAR ENDING : December 2015
This Information From The Records Of Town of Hudson:	Prepared By: Phone:	Linnette Barker 303-536-9311

**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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	629,095
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	330,760
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	4,889
2. General fund appropriations	245,772	b. Snow and ice removal	
3. Other local imposts (from page 2)	1,012,749	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	4,889
5. Transfers from toll facilities		4. General administration & miscellaneous	29,590
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	99,385
a. Bonds - Original Issues		6. Total (1 through 5)	1,093,719
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	200,131
7. Total (1 through 6)	1,258,521	b. Redemption	55,000
<b>B. Private Contributions</b>		c. Total (a. + b.)	255,131
<b>C. Receipts from State government</b> (from page 2)	90,329	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	1,348,850	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	255,131
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	1,348,850

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>	3,215,000		55,000	3,160,000
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,348,850	1,348,850		(0)

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2015

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	130,600	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	753,626	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	128,523	g. Other Misc. Receipts	
6. Total (1. through 5.)	882,149	h. Other	
c. Total (a. + b.)	1,012,749	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	79,716	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	10,613	d. Federal Transit Admin	
d. Other (Specify)	0	e. U.S. Corps of Engineers	
e. Other (Specify)	0	f. Other Federal	
f. Total (a. through e.)	10,613	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	90,329	3. Total (1. + 2.g)	
			(Carry forward to page 1)

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

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		13,636	13,636
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		407,629	
(3). System Preservation		207,830	207,830
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	615,459	615,459
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	629,095	629,095
			(Carry forward to page 1)

Notes and Comments:

**MEMORANDUM**

**2.b.**

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** Engagement letter, bond counsel services, Butler Snow, LLP

**Attachment**

Dee Wisor has been the Town's bond counsel, including service to the Town on the initial street paving bonds. Mr. Wisor's firm, Butler Snow, LLP, is working on the proposed bond refinance. This would provide for an engagement letter agreement for those services. The cost of the services would be rolled into the new bond issue.

MEMORANDUM

2.c.

**To:** Hudson Town Council  
**From:** Brent Flot, Town Marshal  
**Date:** July 15, 2016  
**Subject:** Discussion: Implementation of fees for new services

The Hudson Marshal's Office is available to perform several services to the public. The Office is capable of doing Vehicle Identification Number inspections, Certified Vehicle Identification Number inspections, and fingerprinting.

Research shows various fees for the regular VIN inspection. I found charges ranging from free to \$20.00.

The fee for a CVIN is dictated by State Statute (42-5-204) at \$20.00.

The fees collected shall be credited to a special fund in the office of the treasurer. The fund shall be separate and apart from the general fund and shall be made available for use by the law enforcement agency for the administration and enforcement of VIN/CVIN inspection, training and certification of inspectors. This applies unless the local government, acting by resolution or ordinance, may order that the inspection fees be paid into the general fund (C.R.S. 42-5-204(2)(b)).

The standard fee for fingerprinting is \$10.00.

I would suggest the fee's for individuals living outside of Hudson city limits be charged an increased fee.

My recommendations for the fee rates are:

Fingerprinting:

In town limits – \$15.00

Outside town limits – \$20.00

Regular VIN inspections:

In town limits – \$15.00

Outside town limits – \$20.00

Certified VIN inspections:

In town limits – \$20.00

Outside town limits – \$30.00

I will be at the meeting to answer any questions you may have.

RESOLUTION NO.

16-17

**TITLE: RESOLUTION ESTABLISHING FEES FOR VEHICLE IDENTIFICATION INSPECTIONS AND FINGERPRINTING**

WHEREAS, the Town Marshal's Office for the Town of Hudson is performing services to the public; and

WHEREAS, of Hudson Town Council has adopted a Fee Schedule as part of the 2016 Budget.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Hudson, Colorado, that fees for a vehicle identification inspection and fingerprinting be as follows:

Individuals living inside incorporated Town of Hudson:

Regular Vehicle Identification Inspection:	\$15.00
Certified Vehicle Identification Inspection:	\$20.00
Fingerprinting:	\$15.00

Individuals living outside incorporated Town of Hudson:

Regular Vehicle Identification Inspection:	\$20.00
Certified Vehicle Identification Inspection:	\$30.00
Fingerprinting:	\$20.00

INTRODUCED, READ AND ADOPTED THIS 20<sup>th</sup> day July, 2016.

TOWN OF HUDSON, COLORADO

\_\_\_\_\_  
Raymond Patch, Mayor

SEAL

ATTEST

\_\_\_\_\_  
Linnette Barker, Town Clerk

**MEMORANDUM**

**2.d.**

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** Proposed sale of Town-owned property

**Attachment**

The Town has been approached by a developer regarding the desire to purchase a parcel of Town-owned property for commercial development. The 0.491 acre site is located on the south side of the BNSF railroad, and on the west side of the platted Beech Street. It was acquired by the Town in 2009. Adjacent to the Town park, the Town has considered use of the site over the years for the maintenance shop, expansion of the park, or some other purpose. There has been no decision regarding the use of the property.

Access to the site is via the old Beech Street right-of-way that has a gravel surface. There are no utilities to the site.

The investor proposes to build a retail store on this lot and the two lots to the south, providing a frontage on Hwy 52 and access via the Beech Street ROW. At the time of writing this memo we anticipate that a representative from the investor will be at the meeting to answer questions.

The purpose of this item is to advise the Council of the proposed deal and to see if there is interest in selling this Town-owned parcel. With the Council's direction staff will proceed with negotiations on the sale of the site.





**WELD COUNTY** Property Report  
PROPERTY PORTAL Technical Support: (970) 304-6432

**Account: R1024296**

**July 15, 2016**

Type	Code	Description	Actual Value	Assessed Value	Acres	Land SqFt
Land	9149	EXEMPT-POLITICAL NON RESIDENTIAL LAND	70,000	20,300	0.491	21,375
<b>Totals</b>	-	-	<b>70,000</b>	<b>20,300</b>	<b>0.491</b>	<b>21,375</b>

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**MEMORANDUM**

**2.e.**

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** Clear Water Solutions, Addendum #1, Water Supply Plan

**Attachment**

Clear Water Solutions is the Town's water resources engineering consultant. One of the tasks for them that is anticipated in the 2016 budget is completion of the Town's raw water supply plan. The Plan will examine alternative sources of raw water for the Town, and recommend a strategy by which the Town can assemble a portfolio of diverse, ample, secure and high quality water resources to meet future needs.

The attached agreement is an addendum to Clear Water's base contract for services. It provides for a long term supply plan to be produced for a not to exceed fee of \$35,611. This fee is within the amount budgeted for the project.

## **ADDENDUM NUMBER 1 TO AGREEMENT FOR PROFESSIONAL SERVICES**

THIS ADDENDUM TO AGREEMENT FOR PROFESSIONAL SERVICES is made and entered into this 20th day of July, 2016, by and between the TOWN OF HUDSON, State of Colorado, (hereinafter referred to as the "Town") and CLEAR WATER SOLUTIONS, INC., (hereinafter referred to as "Engineer").

### **RECITALS:**

A. On November 4, 2015, the Town and Engineer entered into an Agreement for Professional Services for water resources engineering services (the "Agreement").

B. The parties desire to amend and supplement the Agreement with this Addendum to allow for a scope of services to provide engineering services related to preparation of a water supply master plan, such services described in **Exhibit A**, attached hereto and incorporated herein by this reference.

C. Compensation to Engineer for the services described in Exhibit A shall be in accordance with the Agreement.

### **AGREEMENT**

NOW, THEREFORE, it is hereby agreed that for the consideration hereinafter set forth, that Engineer shall provide to the Town, professional engineering services as needed in the manner provided in the Addendum.

1. This Agreement is supplemented to include the Proposal attached hereto as **Exhibit A**, and incorporated herein by this reference.

2. Compensation for the Services described in the Proposal attached hereto as **Exhibit A** shall not exceed \$35,611.00 without the written approval of the Town.

3. Except as modified herein, the original Agreement is in full force and effect and is hereby ratified by the Town and the Engineer.

IN WITNESS WHEREOF, the parties hereto each herewith subscribe to the same in duplicate.

**TOWN OF HUDSON, COLORADO**

By: \_\_\_\_\_  
Raymond Patch, Mayor

ATTEST:

\_\_\_\_\_  
Linnette Barker, Town Clerk

**ENGINEER**

By: \_\_\_\_\_  
Sh. J. J., PRES  
CLEAR WATER SOLUTIONS, INC

ATTEST:

\_\_\_\_\_  
Merris E. Palumbo  
Office mgr. 7/13/16  
Title Date

**EXHIBIT A**  
**PROFESSIONAL SERVICES AGREEMENT – ADDENDUM NO. 1**  
**WATER SUPPLY MASTER PLAN**  
**Clear Water Solutions Proposal Dated June 16, 2016**



**clearWATER**solutions  
water rights • planning • engineering

June 16, 2016

Mr. Joe Racine  
557 Ash Street  
P.O. Box 351  
Hudson, CO 80642

**RE: Proposal for Town of Hudson Potable Water Master Plan**

Dear Mr. Racine:

Clear Water Solutions is submitting this scope of services for completion of a Potable Water Master Plan for the Town. This was part of your original RFP when soliciting a new water rights engineering firm. We have delayed the start of this plan on purpose as we wanted to get up to speed on the Town's system and water rights prior to completing this plan. We believe knowing your system better will help make completion of this Potable Water Master Plan more efficient.

Because the Town does not have a Comp Plan as it relates to its water supplies and policy, it is difficult to provide guidance to staff and the Town Board as opportunities arise. When it comes to water acquisition and policy, decisions should not be made in isolation of a bigger picture. The Town recognizes the need for this broader perspective in order for staff and the Town Board to make sound decisions for its future. This Potable Water Master Plan will help to answer the following questions:

1. Is the use of CBT and alluvial groundwater the best source of potable water for the Town?
2. What alternative water supplies could be used to bolster the Town's current system?
3. Is augmenting with the Town's LFH wells through the WWTP the best method to adhere to its decree?
4. Are previous ideas to use injection wells for recharge a wise use of infrastructure?
5. How do potential water customers like Sparboe fit into the bigger picture?
6. Does pursuing Lost Creek water make sense as an alternative water supply?

Due to fact that water is becoming less available and more expensive, there is continued pressure for municipalities to evaluate and develop future water supplies. We commend the Town for being proactive and addressing its water supply concerns. This Potable Water Master Plan not only will give the Town a jump on obtaining necessary water supplies that may not be available in the future, but also safeguard the Town from any lack-of-planning surprises. The project will be challenging and take much cooperation from both staff and the Board.

### **Scope of Services**

In order to successfully complete the Potable Water Master Plan, we have identified the following services that will need to be completed:

#### **1. Quantify Current and Future Water Demands**

- We anticipate working closely with Town staff to determine current and future water demands for Hudson. We will use existing plans where appropriate to maintain consistency across planning documents related to population growth and water demand.

#### **2. Evaluate Current Water Supplies**

- We will evaluate the Town's current water supplies and how adequately they are meeting the Town's current demands. This evaluation will include discussion with the Town Engineer and Public Works department to understand if there are any capacity or operational issues with the current system.

#### **3. Identify Shortages in Water Supplies**

- We will use the information obtained in Step 1 and Step 2 to determine the anticipated shortages in water supplies for the Town.

#### **4. Evaluate Potential Water Sources to Meet Shortages**

- Under this step, we will identify a diversified portfolio of water sources for the Town to consider acquiring in the future to fulfill identified shortages. All pertinent information concerning the acquisition and adequacy of these sources will be identified and presented in a concise manner. For example the database may include, but may not be limited to the following information: firm yield, season of availability, cost of acquisition, priority of sources (if applicable), water quality, and costs to transport/deliver water to place of use. It may also be necessary to evaluate the storage of the various water sources identified so that such water can be used at times of need within the Town's water system.

**5. Provide Recommendation on Target Water Portfolio**

- A target water portfolio will be identified for staff and the Board.

**6. Evaluate Water Storage**

- We will evaluate if water storage makes sense for the Town and where.

**7. Evaluate Recharge**

- We will evaluate if an injection well makes sense for augmentation or if other alternatives would be better.

Project management and quality control will be included in our process to insure the best results are presented for you. In addition, administrative services will be provided to prepare correspondence when required. The Project Manager for this project will be me.

**Desired Outcome**

The goal of the Potable Water Master Plan will be to provide Hudson with an overarching document that will provide education and guidance for its water supply needs into the future. The plan will focus the Town on key issues related to its water resources and how those resources will be used to meet future growth. Our objective will be to reduce the complicated issues related to the Town's water supplies and needs down to simple, easily understandable concepts for the Town's decision makers. It is critical for the staff and Town Board to have a good understanding of the issues, the alternatives, and the recommendations so sound decisions can be made for Hudson's future.

**Hudson's Responsibilities**

It will be important that both the Town staff and Board assist Clear Water Solutions to obtain needed information throughout the project to avoid unnecessary delays in timeline and for the project's overall success. Some of the information needed will be:

- Water use information from the billing system.
- Population projections
- Well usage
- Information on the Town's current raw water dedication policy.
- Attend necessary meetings to relay information. Sufficient involvement by the key players is vital to the success of this plan.

*Mr. Joe Racine  
Scope of Services for Potable Water Master Plan  
June 16, 2016  
Page 4 of 5*

### **Professional Fees**

- The total cost for the project is \$35,611. This fee includes all professional fees and reimbursable expenses for this scope of services.
- We propose to invoice the Town of Hudson on a monthly basis. Invoices will include a memo with a detailed list of the tasks accomplished for that billing period.
- If additional services are added that are outside the scope of this proposal, we will provide you with a fee estimate for the additional services and receive authorization from you prior to proceeding.

### **Deliverables**

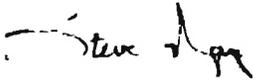
We will provide one electronic copy and 3 hardcopies of the Potable Water Master Plan to the Town.

Thank you for your interest on this project. We strive to deliver the services promised and are dedicated to the Town's success. I hope you have been satisfied with the value we have provided thus far.

If you have any questions or need further information, please do not hesitate to call me at (970) 223-3706. Please direct all correspondence to:

Clear Water Solutions, Inc.  
Attn: Steve Nguyen, P.E.  
8010 S. County Road 5, Suite 105  
Windsor, CO 80528

Cordially,  
Clear Water Solutions, Inc.



Steve Nguyen, P.E.  
*President*

**MEMORANDUM**

**2.f.**

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** Agreement for professional services, Mark Kieffer, Sanderson-Stewart

**Attachment**

Mark Kieffer, a planning consultant with the firm of Sanderson Stewart, has proposed to join the team of consultants that will be analyzing the proposed annexation of the Pioneer property. Mark has experience in working with growth communities, including Parker, Black Hawk and Williston, North Dakota. With approval of this agreement we will have a full team to begin work on a report that will provide the Council with information necessary to make a decision as to whether or not to continue with the annexation process of this large tract.

The Town has an agreement with the land owner, providing for the owner to pay up to \$50,000 for consulting services. We have received the required \$25,000 deposit. The engagement letter was not available at the time of this memo, but should be in hand prior to the Council meeting.

## MEMORANDUM

2.g.

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** Discussion, possible November ballot questions

### Attachments

Staff has received a request to pass on to the Council ideas for three possible ballot questions for this November's coordinated election:

- Exemption from the prohibitions in Senate Bill 05-152 that restrict local government's involvement in providing broadband internet services.
- Establishment of a lodging tax.
- Designation of a portion of the Town's existing sales tax for capital facilities at Hudson's elementary school.

The only one of the three ideas that the staff has worked on is the SB152 matter. In preparation for the discussion, the Town Attorney's office prepared the attached memorandum, explaining the current state law, describing what some other communities have done about it, and explaining the process of getting the matter on this November's ballot.

Also attached is a PowerPoint slide presentation, prepared by Ken Fellman, that describes the history and impacts of the law, the problems it creates for communities, and the technology.

Exempting the Town from the provisions of SB152 does not commit the Town to getting into the broadband business. It does, however, enable the Town to be more active in providing the service in the event that the private sector does not meet the needs of the community. Staff plans on including questions on broadband service in the upcoming Citizen Survey.

In a related matter, Weld County has asked that the Town submit a letter of support for CenturyLink's application to the State for funding through the Colorado Broadband Infrastructure Grant program. The Town recently submitted a similar letter of support for Roggen Telephone's application. With the consent of Council, the Mayor would like to sign and send in this letter.

The second possible ballot question would involve imposition of a room tax on hotel/motel rooms in Hudson. The only facility that would initially be subject to the tax is the new Best Western Plus motel. The motel is anticipated to open for business in mid-October.

An election is required for imposition of any new tax in Colorado, including a lodging tax. The ballot question would provide for a tax and set a rate. It would be in addition to the

MEMORANDUM

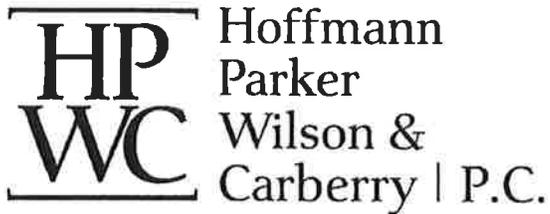
July 20, 2016

Page 2 of 2

Town's established 4% sales tax. If a tax were to be considered, I recommend that the proceeds be earmarked for infrastructure and/or programs that would be related to and benefitting the motel's business. This might be for road improvements, tourism promotion programs, etc. I don't believe that it would be appropriate to collect a tax and use the proceeds for some unrelated program or project.

The third idea has been discussed casually in the past, and is related to the powers assumed by the Town through the home rule process. The question for the voters would be to earmark a portion of the Town's existing sales tax to support capital facilities at the Hudson elementary school. Currently, the Town's 4% sales tax is allocated by an earlier ballot question as follows: 1.5% to the general fund; 2.0% to street construction and maintenance; 0.5% to general capital facilities.

This Council meeting is the last meeting before we must advise the County Clerk of our intent to participate in the November election. We do not have to submit specific ballot language at this time. The purpose of the meeting is to discuss and to receive direction from Council on the three issues and whether the Council would like to include any or all questions on the upcoming ballot. If one or more of the topics are determined to be warranted and timely by the Council, staff will advise the County Clerk accordingly and will be preparing the required resolution(s) and other materials in preparation for the election. The deadline for the Town to advise the Clerk of our intent to participate in the election is July 29<sup>th</sup>.



Corey Y. Hoffmann  
Kendra L. Carberry  
Jefferson H. Parker  
M. Patrick Wilson

Of Counsel  
J. Matthew Mire  
Hilary M. Graham

**Denver Office**  
511 16<sup>th</sup> Street, Suite 610  
Denver, CO 80202-4260  
(303) 825-6444

**Vail Office**  
P.O. Box 2616  
Vail, CO 81658  
(970) 390-4941

Ryan S. Malarky  
Kathryn M. Sellars  
Ashley N. Pollock  
M. Keith Martin

**TOWN OF HUDSON**  
**MEMORANDUM**

**TO: MAYOR AND TOWN COUNCIL  
JOE RACINE, TOWN ADMINISTRATOR  
DAN HAMSMITH, DIRECTOR OF ECONOMIC DEVELOPMENT**

**FROM: COREY Y. HOFFMANN, TOWN ATTORNEY  
HILARY M. GRAHAM, ESQ.** *HMG*

**DATE: JULY 14, 2016**

**RE: MUNICIPAL BROADBAND**

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This memorandum responds to your request for information on the issues surrounding municipal broadband initiatives in Colorado. It provides an analysis of the State legislation passed in 2005 restricting a local government's involvement in the provision of telecommunications and related services to residents and businesses, explains the process for exemption by election, and includes a survey of Colorado municipalities that have successfully passed such ballot measures.

**Colorado Senate Bill 05-152**

In 2005, the Colorado Legislature enacted Senate Bill 05-152 ("SB 152") (codified at C.R.S. § 29-27-101, *et seq.*). SB 152 prevents municipal competition against the private sector in the delivery of telecommunications services. Specifically, SB 152 provides:

- (1) Except as provided in this article, a local government shall not:
  - (a) Provide to one or more subscribers cable television service, telecommunications service, or advanced service; or

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(b) Purchase, lease, construct, maintain, or operate any facility for the purpose of providing cable television service, telecommunications service, or advanced service to one or more subscribers.

C.R.S. § 29-27-103(1).

For purposes of SB 152, a local government may "provide" cable television service, telecommunications service, or advanced service either directly or indirectly. By way of example, indirect provision of service can include a partnership or joint venture with a private provider, a sale and leaseback arrangement, or a contract whereby the local government leases, sells capacity in, or grants other similar rights to a private provider to use local governmental facilities designed or constructed to provide cable television service, telecommunications service, or advanced service. *See* C.R.S. § 29-27-103(2)(a)-(d).

SB 152 allows local governments to exempt themselves from SB 152 through an election. The relevant language is as follows:

(1) Before a local government may engage in or offer to engage in providing cable television service, telecommunications service, or advanced service, an election shall be called on whether or not the local government shall provide the proposed cable television service, telecommunications service, or advanced service.

(2) The ballot at an election conducted pursuant to this section shall pose the question as a single subject and shall include a description of the nature of the proposed service, the role that the local government will have in provision of the service, and the intended subscribers of such service. The ballot proposition shall not take effect until submitted to the electors and approved by the majority of those voting on the ballot.

C.R.S. § 29-27-201. Thus, SB 152 prohibits a municipality, including the Town, from providing or even offering to provide telecommunications and related services, directly or in partnership with the private sector, *unless* voter approval is obtained.

SB 152 applies to a local government's authority to provide directly or indirectly "cable television service," "telecommunications service" or "advanced service."

*Advanced Service (High-Speed Internet)*

Under SB 152, "advanced service" means "high-speed internet access capability in excess of two hundred fifty-six kilobits per second both upstream and downstream." C.R.S. § 29-27-

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102(1). For context, a 2013 CBS News report<sup>1</sup> stated that the average American home received about five megabits per second of internet speed, or 20 times faster than the speed defined as "high-speed" in SB 152. The current capability of service provided over a fiber optic network (1 gigabit per second) is roughly 200 times that of the average internet speed, or over 4,000 times the speed defined as "high-speed" in SB 152.

### Telecommunications Service

For purposes of SB 152, "telecommunications" is defined as "the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received." C.R.S. § 29-27-102(6). In turn, "telecommunications service" means "the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used." *Id.* This definition is very broad, and includes all digital communication, including everything from daily use of the internet, WiFi access points at libraries, or broadband services provided by private businesses.

### Cable Television Service

SB 152 defines "cable television services" as "the one-way transmission to subscribers of video programming or other programming service, as well as subscriber interaction, if any, that is required for the selection or use of the video programming or other programming service." C.R.S. § 29-27-102(2). While a municipality may have no present intent or desire to provide what may be traditionally defined as cable television services, the restriction on providing "cable television service" in SB 152 could have unintended consequences. For example, SB 152 does not describe the method by which video programming is consumed. If a subscriber of a private internet provider wishes to watch Netflix or a similar video streaming service on a private network developed in partnership with a local government, this could be restricted by SB 152. Therefore, including "cable television service" in a ballot question to exempt a municipality from SB152 would be important.

### Exemptions

Since the enactment of SB 152, several Colorado municipalities have submitted ballot measures to their electors to exempt themselves from its restrictions, even in advance of any particular plan to provide the services restricted by SB 152. For example, the City of Boulder discussed its November 2014 ballot measure as follows:

Though this proposed ballot measure is not offered in anticipation of a specific city-sponsored telecommunications initiative or interest in a specific public-

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<sup>1</sup> Available at: <http://www.cbsnews.com/news/fastest-internet-service-in-us-found-in-an-unlikely-city/>.

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private partnership, the background and justification provided during the Google Fiber Initiative underscores Boulder's continued opportunity to apply its unique assets in defining its digital future.

City of Boulder Staff Report re: Agenda Item 3E, p 3.<sup>2</sup> Similarly, the City of Centennial considered the following in submitting its November 2013 ballot measure to voters:

Future technological advancements and related opportunities for the City are unclear. The restrictions placed on the City by SB[ ] 152 may prevent the City from acting quickly enough to take advantage of future opportunities, including potential economic development. Restoring the City's ability to leverage the infrastructure in which the City has already invested for public connectivity purposes may help to improve Centennial's competitive position and stimulate economic growth.

City of Centennial Staff Report re: Resolution 2013-R-61, August 19, 2013, Attachment A, p 3.

Close to 50 municipalities in the state have exempted themselves from SB 152 including Akron, Yuma, Wray, Brighton, Loveland, Longmont, Boulder, Thornton, Fort Morgan, Platteville, and Estes Park. More opt-out ballot questions are expected in this year's November general election. The ballot measures passed in these jurisdictions all contained similar language, but also reflected the particular needs and desires of each community. By way of example, the ballot language for Longmont (passed in 2011), Centennial (passed in 2013), Montrose (passed in 2014) and Boulder (passed in 2014) were as follows:

**Longmont**

WITHOUT INCREASING TAXES, SHALL THE CITIZENS OF THE CITY OF LONGMONT COLORADO RE-ESTABLISH THEIR CITY'S RIGHT TO PROVIDE ALL SERVICES RESTRICTED SINCE 2005 BY TITLE 29, ARTICLE 27 OF THE COLORADO REVISED STATUTES, DESCRIBED AS "ADVANCED SERVICES," "TELECOMMUNICATIONS SERVICES" AND "CABLE TELEVISION SERVICES," INCLUDING ANY NEW AND IMPROVED HIGH BANDWIDTH SERVICES BASED ON FUTURE TECHNOLOGIES, UTILIZING COMMUNITY OWNED INFRASTRUCTURE INCLUDING BUT NOT LIMITED TO THE EXISTING FIBER OPTIC NETWORK, EITHER DIRECTLY OR INDIRECTLY WITH PUBLIC OR PRIVATE SECTOR PARTNERS, TO POTENTIAL SUBSCRIBERS THAT MAY

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<sup>2</sup> The reference to the "Google Fiber Initiative" refers to a competitive selection process conducted by Google in 2010 to provide broadband internet and television through Google's fiber-to-the premises service to certain select communities across the county. It is surmised that Boulder was not chosen to be a "Google Fiber City" because of SB 152.

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INCLUDE TELECOMMUNICATIONS SERVICE PROVIDERS, RESIDENTIAL OR COMMERCIAL USERS WITHIN THE CITY AND THE SERVICE AREA OF THE CITY'S ELECTRIC UTILITY ENTERPRISE?

**Boulder**

SHALL THE CITY OF BOULDER BE AUTHORIZED TO PROVIDE HIGH-SPEED INTERNET SERVICES (ADVANCED SERVICES), TELECOMMUNICATIONS SERVICES, AND/OR CABLE TELEVISION SERVICES TO RESIDENTS, BUSINESSES, SCHOOLS, LIBRARIES, NONPROFIT ENTITIES AND OTHER USERS OF SUCH SERVICES, EITHER DIRECTLY OR INDIRECTLY WITH PUBLIC OR PRIVATE SECTOR PARTNERS, AS EXPRESSLY PERMITTED BY §§ 29-27-101 TO 304, "COMPETITION IN UTILITY AND ENTERTAINMENT SERVICES," OF THE COLORADO REVISED STATUTES, WITHOUT LIMITING ITS HOME RULE AUTHORITY?

Longmont and Boulder sought voter approval to provide services either directly or indirectly. Centennial's voters approved only the provision of services indirectly through third-party contracts using the language below:

**Centennial**

SHALL THE CITY OF CENTENNIAL, WITHOUT INCREASING TAXES, AND TO RESTORE LOCAL AUTHORITY THAT WAS DENIED TO ALL LOCAL GOVERNMENTS BY THE STATE LEGISLATURE, AND TO FOSTER A MORE COMPETITIVE MARKETPLACE, BE AUTHORIZED TO INDIRECTLY PROVIDE HIGH-SPEED INTERNET (ADVANCED SERVICES), TELECOMMUNICATIONS SERVICES, AND/OR CABLE TELEVISION SERVICES TO RESIDENTS, BUSINESSES, SCHOOLS, LIBRARIES NON-PROFIT ENTITIES AND OTHER USERS OF SUCH SERVICES, THROUGH COMPETITIVE AND NON-EXCLUSIVE PARTNERSHIPS WITH PRIVATE BUSINESSES, AS EXPRESSLY PERMITTED BY ARTICLE 29, TITLE 27 OF THE COLORADO REVISED STATUTES?

All of the measures specifically included cable television service, telecommunications service, and advanced service as contemplated by SB 152.

In contemplating these ballot measures, municipalities consider existing municipal-owned fiber optic and telecommunications infrastructure and assets in their jurisdictions and how these resources might be used, developed and leveraged. For instance, at the time of Centennial's ballot measure, the city stated it had a network of more than 40 miles of fiber and associated infrastructure located within major arterial roads used in connection with traffic signals, weather stations and public facilities. Similarly, Boulder has been developing, installing

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and investing in a citywide network of fiber and telecommunications conduit for approximately 20 years, and it is now over 100 miles long. Longmont was operating a substantial municipal-owned fiber optic broadband network as early as 1997 in connection with city facilities and services, and Montrose had extensive existing resources in place.

### **Next Steps**

Voter approval for exemption from the restrictions of SB 152 is likely only the first step for a municipality to involve itself in providing telecommunications or related services. Once the exemption is approved and particular projects or programs are developed, the municipality may need to go back to voters for funding approval. For example, Longmont voters first passed the measure to exempt the city from SB 152 in 2011, then voters approved funding to complete expansion of Longmont's fiber optic broadband network to provide service to individual homes and businesses in 2013, and finally bonds were issued in 2014.

Should the Town wish to consider voter approval to remove the restrictions of SB 152 to allow the Town the option of involving itself in the provision of telecommunications and related services, it could do so as soon as a ballot question on this November's ballot.

We have prepared below an early draft of potential ballot language. As drafted, the question would allow the Town to provide services either directly or indirectly. The question could be amended, similar to Centennial's approach, to only authorize indirect service through third-party contracts.

WITHOUT INCREASING TAXES AND WITHOUT LIMITING ITS HOME RULE AUTHORITY, SHALL THE TOWN OF HUDSON BE AUTHORIZED TO PROVIDE HIGH-SPEED INTERNET (ADVANCED SERVICES), TELECOMMUNICATIONS SERVICES, AND/OR CABLE TELEVISION SERVICES TO RESIDENTS, BUSINESSES, SCHOOLS, LIBRARIES, NONPROFIT ENTITIES AND OTHER USERS OF SUCH SERVICES, EITHER DIRECTLY OR INDIRECTLY WITH PUBLIC OR PRIVATE SECTOR PARTNERS, AS EXPRESSLY PERMITTED BY §§ 29-27-101 TO 304, "COMPETITION IN UTILITY AND ENTERTAINMENT SERVICES," OF THE COLORADO REVISED STATUTES?

The ballot language would need to be separately finalized and approved by a Town Council resolution. Deadlines for this November 8, 2016, election are quickly approaching. The Town must notify the County by July 29 of the Town's plans to participate in a coordinated election; must sign an IGA with the County for the County to conduct the election by August 30; and must finalize ballot content by September 9.

As always, please let us know if you have any questions or concerns.

## The Local Government Role in Broadband Deployment

Virgil Turner  
Director of Innovation  
and Citizen Engagement  
Montrose, Colorado

Todd Barnes  
Communications Director  
Thornton, Colorado  
President, CCUA  
Colorado Communications  
and Utility Alliance

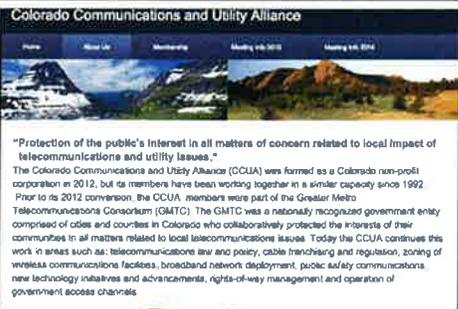
Ken Fellman, Esq.  
Kissinger & Fellman, P.C.  
Denver, Colorado  
[www.kandf.com](http://www.kandf.com)



## Colorado Communications and Utility Alliance



[www.coloradocua.org](http://www.coloradocua.org)



## Impact of State Law on Broadband Deployment

- 20 states have "barriers" or outright prohibitions to local government involvement in broadband: AL, AR, CA, CO, FL, LA, MI, MN, MO, NC, NE, NV, PA, SC, TN, TX, UT, VA, WA, WI
- Caveat: In February, FCC preempted state law barriers in NC and TN
- Both decisions appealed to federal court



## Impact of State Law on Broadband Deployment

- Between 2005 – 2015, most new attempts to impose state barriers were defeated (not in Colorado)
- Issue has become less of a private sector vs. government issue and more of a government and some in the private sector vs. service provider issue
- Barriers that protect incumbents affect competition, availability and affordability of high speed access



## A Little Recent History

- In 2010 FCC revised definition of broadband to 4 Mbps upstream/1Mbps downstream, and found for the first time that not all Americans were getting broadband
- In 2014 FCC revised broadband definition again, this time to 25 Mbps upstream/3 Mbps downstream
- How do we define broadband in Colorado?
  - It depends which section of our state statutes we are talking about



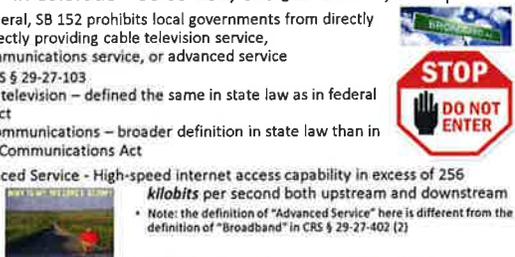
### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- Any local government that provides or is considering providing communications services in government facilities or to end user customers must consider how Colorado Senate Bill 152 will affect the offering of these services
- Legislative intent: Predictability, uniformity, and fairness in the cable television, telecommunications, and high-speed Internet access industries, especially where affected by municipal actions
  - CRS §§ 29-27-101(1), (2)(a), (2)(c)



### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- In general, SB 152 prohibits local governments from directly or indirectly providing cable television service, telecommunications service, or advanced service
  - CRS § 29-27-103
- Cable television – defined the same in state law as in federal Cable Act
- Telecommunications – broader definition in state law than in federal Communications Act
- Advanced Service - High-speed internet access capability in excess of 256 kilobits per second both upstream and downstream
  - Note: the definition of "Advanced Service" here is different from the definition of "Broadband" in CRS § 29-27-402 (2)



### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- HB 1237 in 2014 amended some statutory telecom definitions
- Ties state definition of broadband to federal definition
- But did not make any similar change to the SB 152 definition of "Advanced Service," so that "Broadband," for most state law purposes tracks with federal law, but for local government involvement in "Advanced Service," we're still talking about 256 Kilobits per second



### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- Analysis of the statute: "Providing Service"
- The relevant portion of the legislation states that a local government "provides" cable, telecommunications or advanced service if the service is provided "directly" to one or more subscribers
  - CRS § 29-27-103(2)



### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- Analysis of the statute: "Subscriber"
- Does providing service to "subscribers" entail someone signing up and paying for the service?
  - NO
- The statute defines "subscriber" as "a person that lawfully receives cable television service, telecommunications service, or advanced service."
- In other words, if a person is using the service with permission, he or she is a "subscriber" under state law
  - CRS § 29-27-102(5)



### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- Exceptions:
  - The locality can provide a limited category of services that are not otherwise covered by the statute
    - CRS § 29-27-102(5)
  - The local government can provide those services that private providers choose not to provide within the government's jurisdictional boundaries
    - CRS § 29-27-202(1)(a)
  - The local government may sell or lease to private entities excess capacity on its own network, if that excess capacity is "insubstantial" in comparison to the governmental uses of the network
    - CRS § 29-27-302(3)



### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- **Exceptions:**
- Provision of services allowed after voter approval
  - CRS § 29-27-201(1)
- The ballot question in such an election must “pose the question as a single subject” and “include a description of the nature of the proposed service, the role that the local government will have in provision of the service, and the intended subscribers of such service.”
  - CRS § 29-27-201(2)





### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- **Voter Approval Exceptions:**
- Multiple jurisdictions of all sizes in all parts of the state have sought and received voter approval to restore authority for local action that existing pre-2005
- Other than Longmont, most have not been challenged
- Will that pattern continue? No one knows
- Is an election requirement a barrier to broadband deployment? It depends who you ask!
- So what do you do if your community is thinking about being involved in promoting broadband deployment, competition, availability and affordability?





### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- **Before you jump in the pool:**
- Study what kind of broadband availability you have today
- Talk to your providers – find out about their plans and learn how the locality might encourage more investment
- Determine what kind of public – private partnership opportunities might exist ... there are many
- Retain a consultant with expertise in working with public networks and public – private partnerships at the right time
- Educate and seek feedback from your public
- If you decide a vote is necessary to move forward with your options, jump in





### Statutory Barriers to Municipal Broadband in Colorado – SB 05-152, CRS §29-27-101, et seq.

- **Legislative Changes – should SB 152 be amended:**
- to promote public-private partnerships, enabling governments with excess network capacity to make that infrastructure available to private entities without a vote?
- to eliminate the language that makes government broadband in public buildings illegal?
- to eliminate the vote requirement when a provider offers service that does not meet the federal broadband definition?
- to restore complete local control to the entity most concerned and directly responsible for their broadband futures?





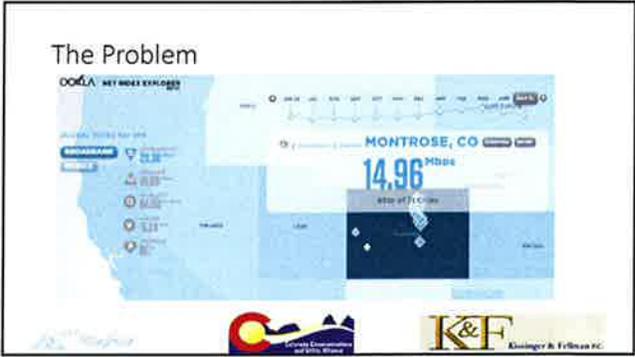
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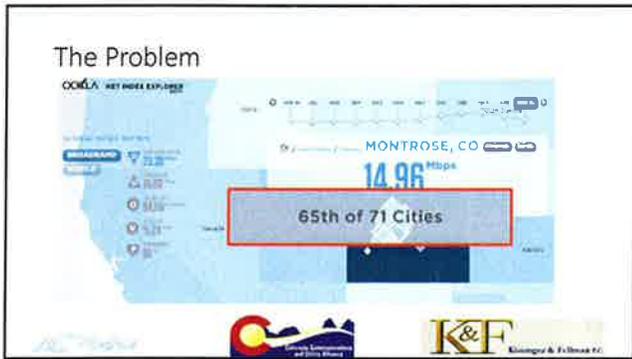
- **Legislative Changes – should SB 152 be amended:**
- Efforts were made last session to address the first two bullet points in the last slide ...
- ... and were crushed in the Senate before a bill could even be introduced









### The Why

- Largely Copper Infrastructure

K&F Kiewit & Fellman PC

### The Why

- Largely Copper Infrastructure
- Lack of Competition

K&F Kiewit & Fellman PC

### The Why

- Largely Copper Infrastructure
- Lack of Competition
- Lack of Investment

K&F Kiewit & Fellman PC

### The Why

- Largely Copper Infrastructure
- Lack of Competition
- Lack of Investment
- Perceived Scarcity

K&F Kiewit & Fellman PC

### The Why

- Largely Copper Infrastructure
- Lack of Competition
- Lack of Investment
- Perceived Scarcity
- One Line/One Service Provider

K&F Kiewit & Fellman PC

### The Solution

- **Municipal Owned Fiber-Optic Network**




### The Solution

- Municipal Owned Fiber-Optic Network
- **Open Access**




### The Solution

- Municipal Owned Fiber-Optic Network
- Open Access
- **Multiple Providers Serving Each Premise**




### The Solution

- Municipal Owned Fiber-Optic Network
- Open Access
- Multiple Providers Serving Each Premise
- **Wide Range of Services Offered**




### The Success Stories

- 10 Gbps municipal network serving commercial and anchor institutions
- delivering a 67% cost reduction over other broadband services
- has attracted tech startups, incubators, venture capital firms, and industry leaders to put down stakes in Santa Monica




### The Success Stories

- 1 Gigabit speeds for 69.99/month
- "Gig infrastructure changed the way we see ourselves in Chattanooga"
- "We are now ahead of the curve, with other cities looking to us as a leader in the Innovation Century."



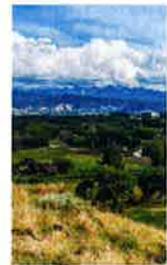

### The Success Stories

- The first market to host Google’s ultra-high speed fiber network, Google Fiber
- “The project is also a lightning rod for startup entrepreneurs from across the country”
- “High-speed internet is no longer a luxury, it is a utility”



### What’s Ahead for Montrose

- Business Planning
- Network Engineering
- Extend Fiber-Optic Network to Anchor Institutions
- Drive Redevelopment Through Network
- Use Demand Aggregation to Direct FTTx Deployment



### For More Information:

**Virgil Turner**  
[vturner@ci.montrose.co.us](mailto:vturner@ci.montrose.co.us)  
[www.cityofmontrose.org/broadband](http://www.cityofmontrose.org/broadband)

**Todd Barnes**  
[todd.barnes@cityofthornton.net](mailto:todd.barnes@cityofthornton.net)  
[www.coloradocua.org](http://www.coloradocua.org)

**Ken Fellman**  
[kfellman@kandf.com](mailto:kfellman@kandf.com)  
[www.kandf.com](http://www.kandf.com)





## TOWN OF HUDSON

557 ASH STREET, P.O. BOX 351, HUDSON, CO 80642-0351  
Phone: (303) 536-9311 FAX: (303) 536-4753  
[www.hudsoncolorado.org](http://www.hudsoncolorado.org)

July 20, 2016

RE: CenturyLink – Colorado Broadband Fund Grant, Letter of Support

To whom it may concern:

On behalf of the Town of Hudson, our business community and residents, I am writing in support of the grant application by CenturyLink for funding through the Colorado Broadband Infrastructure Grant program.

For the first time in many years, Hudson (population 1,600) is beginning to experience a new wave of economic growth within our residential housing market and business community. One of the many questions we receive from developers concerns the level of broadband service available in our area. Unfortunately, we are an “unserved / underserved” town when it comes to that issue as demonstrated by various “download / upload” speed tests.

It is clear to me that investing in our rural community’s broadband infrastructure is a critical and necessary component to increasing our economic viability and creating a more competitive economic development environment that will allow us to successfully accomplish the following goals:

- sustaining our current level of development activity
- attracting new businesses within the primary and secondary employer sectors
- diversifying our local economy
- creating “living-wage” employment opportunities for our residents
- providing greater technological capacity for existing and future location-neutral business entrepreneurs
- enhancing our residents access to educational, healthcare, safety and security related resources

It is for these reasons that the Hudson Town Council and I support CenturyLink’s broadband infrastructure initiative and believe that this investment will provide long-term, positive benefits to our business community and our residents overall quality of life.

Sincerely,

Raymond Patch  
Mayor

## MEMORANDUM

2.h-i.

**To:** Town Council  
**From:** Joe Racine, Town Manager  
**Date:** July 20, 2016  
**Subject:** Discussion, Town Hall groundbreaking and Council Retreat

This discussion item will be an opportunity for Council and staff to discuss agendas for two upcoming events: the August 6<sup>th</sup> groundbreaking for the new town hall; and the annual Council retreat on September 10<sup>th</sup>.

Staff has prepared a preliminary agenda for the “community” groundbreaking and will present it at the meeting for comment. The idea is to make the groundbreaking an event for the whole town, with the centerpiece being a portrait photo of everyone at the event doing the groundbreaking. The photo will be framed and displayed in the Town Hall lobby.

Kathie Novak is scheduled to facilitate the annual Council retreat. This meeting will be an opportunity for Council to discuss the topics that will be covered in the retreat discussions. We will also use this meeting as an opportunity to collect ideas from Council for questions to pose to the community in the upcoming Citizen Survey. The input received in the survey will be of benefit in the retreat discussions.