HUDSON HILLS METROPOLITAN DISTRICT
WELD COUNTY, COLORADO

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

HUDSON HILLS METROPOLITAN DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020

WIPFLI

14143 Denver W Parkway #450
Lakewood, CO 80401

303 988 1900
wipfli.com

Independent Auditor's Report

Board of Directors
Hudson Hills Metropolitan District
Weld County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hudson Hills Metropolitan District (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hudson Hills Metropolitan District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles general accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

The other information, as listed in the table of contents, has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sincerely,

Wipfli LLP

Wipfli LLP
May 18, 2021

BASIC FINANCIAL STATEMENTS

HUDSON HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	$ 1,875
Cash and Investments - Restricted	148,417
Prepaid Expense	2,516
Receivable - County Treasurer	350
Property Taxes Receivable	112,456
Total Assets	265,614
LIABILITIES	
Accounts Payable	7,115
Accrued Interest Payable	4,677
Noncurrent Liabilities:	
Due Within One Year	10,000
Due in More Than One Year	1,778,297
Total Liabilities	1,800,089
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	112,456
Total Deferred Inflows of Resources	112,456
NET POSITION	
Restricted for:	
Emergency Reserves	600
Debt Service	148,109
Unrestricted	(1,795,640)
Total Net Position	$ (1,646,931)

See accompanying Notes to Basic Financial Statements.

HUDSON HILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 37,605	$ -	$ -	$ -	$ (37,605)
Interest and Related Costs on Long-Term Debt	90,240	-	-	-	(90,240)
Total Governmental Activities	$ 127,845	$ -	$ -	$ -	(127,845)
	GENERAL REVENUES				
	Property Taxes				96,223
	Specific Ownership Taxes				4,567
	Interest Income				562
	Total General Revenues				101,352
	CHANGE IN NET POSITION				(26,493)
	Net Position - Beginning of Year				(1,620,438)
	NET POSITION - END OF YEAR				$ (1,646,931)

See accompanying Notes to Basic Financial Statements.

HUDSON HILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	$ 1,875	$ -	$ -	$ 1,875
Cash and Investments - Restricted	600	147,817	-	148,417
Prepaid Expense	2,516	-	-	2,516
Receivable - County Treasurer	58	292	-	350
Property Taxes Receivable	18,741	93,715	-	112,456
Total Assets	$ 23,790	$ 241,824	$ -	$ 265,614
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 7,115	$ -	$ -	$ 7,115
Total Liabilities	7,115	-	-	7,115
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	18,741	93,715	-	112,456
Total Deferred Inflows of Resources	18,741	93,715	-	112,456
FUND BALANCES				
Nonspendable				
Prepaid Expenses	2,516	-	-	2,516
Restricted				
Emergency Reserve	600	-	-	600
Debt Service	-	148,109	-	148,109
Assigned				
Designated for Subsequent Year's Expenditures	322	-	-	322
Unassigned	(5,504)	-	-	(5,504)
Total Fund Balances	(2,066)	148,109	-	146,043
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 23,790	$ 241,824	$ -	

Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not in the funds.	
Bonds Payable	(1,303,000)
Developer Advance Payable	(123,910)
Interest Payable on Developer Advance	(329,635)
Interest Payable on Bonds	(36,429)
Net Position of Governmental Activities	$ (1,646,931)

See accompanying Notes to Basic Financial Statements.

HUDSON HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	$ 16,036	$ 80,187	$ -	$ 96,223
Specific Ownership Taxes	761	3,806	-	4,567
Interest Income	-	560	2	562
Total Revenues	16,797	84,553	2	101,352
EXPENDITURES				
Accounting	21,366	-	-	21,366
Audit	4,300	-	-	4,300
Bond Interest	-	56,119	-	56,119
County Treasurer's Fees	241	1,203	-	1,444
Dues and Licenses	341	-	-	341
Electricity	821	-	-	821
Insurance and Bonds	2,510	-	-	2,510
Legal	7,876	-	-	7,876
Miscellaneous	150	-	-	150
Paying Agent Fees	-	7,000	-	7,000
Total Expenditures	37,605	64,322	-	101,927
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,808)	20,231	2	(575)
OTHER FINANCING SOURCES (USES)				
Transfers (to)/from Other Funds	-	1,035	(1,035)	-
Total Other Financing Sources (Uses)	-	1,035	(1,035)	-
NET CHANGE IN FUND BALANCES	(20,808)	21,266	(1,033)	(575)
Fund Balances - Beginning of Year	18,742	126,843	1,033	146,618
FUND BALANCES - END OF YEAR	$ (2,066)	$ 148,109	$ -	$ 146,043

See accompanying Notes to Basic Financial Statements.

HUDSON HILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balance - Total Governmental Funds	$	(575)
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Accrued Interest on Subordinate Bonds - Change in Liability		(17,244)
Accrued Interest on Developer Advance - Change in Liability		(8,674)
Change in Net Position of Governmental Activities	$	(26,493)

See accompanying Notes to Basic Financial Statements.

HUDSON HILLS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 16,036	$ 16,036	$ -
Specific Ownership Taxes	1,123	761	(362)
Interest Income	94	-	(94)
Total Revenues	17,253	16,797	(456)
EXPENDITURES			
Accounting	20,000	21,366	(1,366)
Audit	5,000	4,300	700
Contingency	8,159	-	8,159
County Treasurer's Fees	241	241	-
Dues and Licenses	400	341	59
Election Expense	2,000	-	2,000
Electricity	1,500	821	679
Insurance and Bonds	2,700	2,510	190
Legal	20,000	7,876	12,124
Miscellaneous	-	150	(150)
Total Expenditures	60,000	37,605	22,395
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(42,747)	(20,808)	21,939
OTHER FINANCING SOURCES (USES)			
Developer Advances	35,500	-	(35,500)
Total Other Financing Sources (Uses)	35,500	-	(35,500)
NET CHANGE IN FUND BALANCE	(7,247)	(20,808)	(13,561)
Fund Balance - Beginning of Year	7,791	18,742	10,951
FUND BALANCE - END OF YEAR	$ 544	$ (2,066)	$ (2,610)

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Hudson Hills Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County on May 14, 2004 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Hudson on March 5, 2004. The District's service area is located entirely within the Town of Hudson, Weld County, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements, including streets and safety controls, water, storm and sanitary sewer, and park and recreation facilities, primarily for single family residential development within the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a 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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue,* is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

The District has a deficit in fund balance for the General Fund. This deficit amount will be eliminated with the receipt of Developer advances in 2021.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	$	1,875
Cash and Investments - Restricted		148,417
Total Cash and Investments	$	150,292

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	$	2,801
Investments		147,491
Total Cash and Investments	$	150,292

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance and carrying balance of $2,801.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

. Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation
. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

As of December 31, 2020, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	$ 147,491

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance - December 31, 2019	Additions	Retirements	Balance - December 31, 2020	Due Within One Year
Bond Payable					
Limited G.O. Refunding Bonds, Series 2019A	$ 1,095,000	$ -	$ -	$ 1,095,000	$ 10,000
Limited G.O. Refunding Bonds, Series 2019B	208,000	-	-	208,000	-
Accrued Interest - Series 2019B	14,508	17,244	-	31,752	-
Subtotal of Bonds Payable	1,317,508	17,244	-	1,334,752	10,000
Other Debts					
Developer Advances	123,910	-	-	123,910	-
Accrued Interest on:					
Developer Advances	320,961	8,674	-	329,635	-
Subtotal of Other Debts	444,871	8,674	-	453,545	-
Total Long-Term Obligations	$ 1,762,379	$ 25,918	$ -	$ 1,788,297	$ 10,000

The details of the District's general obligation bonds outstanding are as follows:

General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A (the 2019A Senior Bonds) and **Subordinate General Obligation Limited Tax Bonds, Series 2019B** (the 2019B Subordinate Bonds, and, with the 2019A Senior Bonds, the 2019 Bonds)

2019 Bonds Detail

The District issued the 2019 Bonds on February 7, 2019, in the par amounts of $1,095,000 for the 2019A Senior Bonds and $208,000 for the 2019B Subordinate Bonds. Proceeds from the sale of the 2019 Bonds were used to fund and reimburse a portion of the costs of designing, constructing, and installing certain public improvements and paying other costs in connection with the 2019 Bonds, and with respect to proceeds of the 2019A Senior Bonds only, to fund the Senior Reserve Fund and fund capitalized interest on the 2019A Senior Bonds.

The 2019A Senior Bonds were issued as a term bond that bears interest at 5.125% per annum and is payable semi-annually on June 1 and December 1, beginning on June 1, 2019. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. To the extent principal of any 2019A Senior Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the 2019A Senior Bond. To the extent interest on any 2019A Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the 2019A Senior Bond. The 2019A Senior Bonds mature on December 1, 2048.

NOTE 4 LONG TERM OBLIGATIONS (CONTINUED)

2019 Bonds Detail (Continued)

The 2019B Subordinate Bonds were issued as a term bond that bears interest at 7.75% per annum and is payable annually on December 15, beginning December 15, 2019 from, and to the extent of, Subordinate Pledged Revenue available, if any, and matures on December 15, 2048. The 2019B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2019B Subordinate Bonds compounds annually on each December 15. All of the 2019B Subordinate Bonds and interest thereon are to be deemed to be paid and discharged on December 16, 2058, regardless of the amount of principal and interest paid prior to that date.

Optional Redemption

The 2019A Senior Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2023, to November 30, 2024	3.00%
December 1, 2024, to November 30, 2025	2.00
December 1, 2025, to November 30, 2026	1.00
December 1, 2026, and thereafter	0.00

The 2019B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 15, 2023, to December 14, 2024	3.00%
December 15, 2024, to December 14, 2025	2.00
December 15, 2025, to December 14, 2026	1.00
December 15, 2026, and thereafter	0.00

Pledged Revenue

The 2019A Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, net of any costs of collection, which includes: (a) the Senior Required Mill Levy; (b) the Capital Fees, if any; (c) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and,(d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

NOTE 4 LONG TERM OBLIGATIONS (CONTINUED)

Pledged Revenue (Continued)

The 2019B Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of any costs of collection, which includes: (a) the Subordinate Required Mill Levy; (b) the Subordinate Capital Fee Revenue, if any; (c) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (d) the amounts, if any, in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture; (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

The 2019A Senior Bonds are also secured by amounts on deposit in the Senior Reserve Fund. The Senior Reserve Fund was funded in the amount of $87,300 from proceeds of the 2019A Senior Bonds. The balance in the Senior Reserve Fund at December 31, 2020 is $87,306.

The 2019A Senior Bonds are further secured by the Senior Surplus Fund. Prior to the Conversion Date as defined, Senior Pledged Revenue that is not needed to pay debt service on the 2019A Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount of $109,500. The Senior Surplus Fund is to be maintained until the Conversion Date, after which time the Senior Surplus Fund shall be terminated and any moneys therein remitted to the District for application to any lawful purpose of the District. Under the Subordinate Indenture, amounts released from the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture are pledged to the payment of the 2019B Subordinate Bonds. The balance in the Senior Surplus Fund at December 31, 2020 is $-0-.

Senior Required Mill Levy

Prior to the Conversion Date, the District has covenanted to impose a Senior Required Mill Levy each year in an amount sufficient to pay the 2019A Senior Bonds when due, and if necessary, an amount sufficient to replenish the Senior Reserve Fund to the amount of the Senior Required Reserve, but (i) not in excess of 50 mills (subject to adjustment), and (ii) for so long as the Senior Surplus Fund is less than the Maximum Surplus Amount, not less than 50 mills (subject to adjustment), or such lesser mill levy that will pay the 2019A Senior Bonds when due, will replenish the Senior Reserve Fund to the amount of the Senior Required Reserve, and will fund the Senior Surplus Fund up to the Maximum Surplus Amount.

In the event the method of calculating assessed valuation is changed after January 1, 2004, the minimum and maximum mill levies shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

NOTE 4 LONG TERM OBLIGATIONS (CONTINUED)

Senior Required Mill Levy (Continued)

The Conversion Date means the first date on which all of the following conditions are met: a) the Debt to Assessed Ratio is 50% or less; b) no principal or interest on the 2019A Senior Bonds is due but unpaid; and, c) the amount of the Senior Reserve Fund is not less than the Senior Required Reserve.

On and after the Conversion Date, the District has covenanted to impose a Senior Required Mill Levy in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds when due and to maintain the Senior Reserve Fund in the amount of the Senior Required Reserve, without limitation of rate and in amounts sufficient to make such payments when due. On and after the Conversion Date, the definition of Senior Required Mill Levy shall be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio. As long as the amount of the Senior Surplus Fund is less than the Maximum Surplus Amount, the minimum mill levy as calculated and adjusted above shall continue to apply.

Subordinate Required Mill Levy

The District has covenanted to impose a Subordinate Required Mill Levy in the amount of 50 mills (subject to adjustment) less the Senior Bond Mill Levy, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the 2019B Subordinate Bonds in full. The Senior Bond Mill Levy is the mill levy required to be used in connection with any Senior Bonds. The Subordinate Required Mill Levy will equal zero at any time that the payment of the 2019A Senior Bonds (and any other Senior Parity Bonds) requires the imposition of at least 50 mills, as adjusted, in any year.

2019A Senior Bonds Debt Service

The outstanding principal and interest of the 2019A Senior Bonds are due as follows:

	Principal	Interest	Total
2021	$ 10,000	$ 56,119	$ 66,119
2022	10,000	55,606	65,606
2023	10,000	55,094	65,094
2024	15,000	54,581	69,581
2025	15,000	53,813	68,813
2026-2030	95,000	256,762	351,762
2031-2035	140,000	227,295	367,295
2036-2040	205,000	185,268	390,268
2041-2045	285,000	125,051	410,051
2046-2048	310,000	36,644	346,644
Total	$ 1,095,000	$ 1,106,233	$ 2,201,233

The annual debt service requirements on the 2019B Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

NOTE 4 LONG TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 7, 2017, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $93,100,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 7, 2017	Authorization Used for 2019 Bonds	Authorized But Unissued
Street Improvements	$ 11,180,000	$ 331,080	$ 10,848,920
Parks and Recreation	10,840,000	321,012	10,518,988
Water Supply	10,940,000	323,973	10,616,027
Sanitary Sewer	11,040,000	326,935	10,713,065
Public Transportation	6,500,000	-	6,500,000
Safety Protection	6,500,000	-	6,500,000
Security	6,500,000	-	6,500,000
Operation and Maintenance	10,600,000	-	10,600,000
Debt Refunding	12,500,000	-	12,500,000
Intergovernmental Agreeements	6,500,000	-	6,500,000
Total	$ 93,100,000	$ 1,303,000	$ 91,797,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $2,000,000.

NOTE 5 AGREEMENTS

Developer Advances

The District has entered into Funding and Reimbursement Agreement(s) with the Developer as follows:

Funding and Reimbursement Agreement

On June 23, 2004, the District entered into a Funding and Reimbursement Agreement to repay advances made by the Developer for operations and maintenance (O&M) and capital infrastructure costs. The District agreed to repay the Developer for such O&M and capital advances plus accrued interest at the rate of 7%. As of December 31, 2020, outstanding capital advances under the agreement totaled $0 and accrued interest totaled $285,203 and outstanding O&M advances totaled $123,910 and accrued interest totaled $44,432.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020, of $148,709.

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities.

NOTE 7 RELATED PARTY

The Developer of the property which constitutes the District is Carlson Associates. The majority of the members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 INTERFUND AND OPERATING TRANSFERS

The transfer from the Capital Projects Fund to the Debt Service Fund was the result of excess funds related to the Bond issuance that were transferred to the Debt Service Fund as required under per the terms of the Indenture.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 10 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

SUPPLEMENTARY INFORMATION

HUDSON HILLS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 80,186	$ 80,187	$ 1
Specific Ownership Taxes	5,613	3,806	(1,807)
Interest Income	1,974	560	(1,414)
Total Revenues	87,773	84,553	(3,220)
EXPENDITURES			
Bond Interest	56,119	56,119	-
County Treasurer's Fees	1,203	1,203	-
Paying Agent Fees	6,000	7,000	(1,000)
Contingency	1,678	-	1,678
Total Expenditures	65,000	64,322	678
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,773	20,231	(2,542)
OTHER FINANCING SOURCES (USES)			
Transfers (to)/from Other Funds	-	1,035	1,035
Total Other Financing Sources (Uses)	-	1,035	1,035
NET CHANGE IN FUND BALANCE	22,773	21,266	(1,507)
Fund Balance - Beginning of Year	126,908	126,843	(65)
FUND BALANCE - END OF YEAR	$ 149,681	$ 148,109	$ (1,572)

HUDSON HILLS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	$ 15	$ 2	$ (13)
Total Revenues	15	2	(13)
EXPENDITURES			
Engineering	15,000	-	15,000
Contingency	10,000	-	10,000
Total Expenditures	25,000	-	25,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,985)	2	24,987
OTHER FINANCING SOURCES (USES)			
Developer Advance	25,000	-	(25,000)
Transfers (to)/from Other Funds	-	(1,035)	(1,035)
Total Other Financing Sources (Uses)	25,000	(1,035)	(26,035)
NET CHANGE IN FUND BALANCE	15	(1,033)	(1,048)
Fund Balance - Beginning of Year	1,029	1,033	4
FUND BALANCE - END OF YEAR	$ 1,044	$ -	$ (1,044)

OTHER INFORMATION

HUDSON HILLS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	$ 159,490	45.000	0.000	$ 7,177	$ 7,177	100.00 %
2017	158,140	45.000	0.000	7,116	7,116	100.00
2018	247,590	49.750	0.000	12,318	12,318	100.00
2019	642,040	11.055	55.277	42,587	42,588	100.00
2020	1,440,570	11.132	55.663	96,222	96,223	100.00
Estimated for Year Ending December 31, 2021	$ 1,683,590	11.132	55.664	$ 112,456		

HUDSON HILLS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020

	$1,095,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A Dated February 7, 2019 Principal Due December 1 Interest Due June 1 And December 1 Interest Rate 5.125%		
Year Ending December 31,	Principal	Interest	Total
2021	$ 10,000	$ 56,119	$ 66,119
2022	10,000	55,606	65,606
2023	10,000	55,094	65,094
2024	15,000	54,581	69,581
2025	15,000	53,813	68,813
2026	15,000	53,044	68,044
2027	15,000	52,275	67,275
2028	20,000	51,506	71,506
2029	20,000	50,481	70,481
2030	25,000	49,456	74,456
2031	25,000	48,175	73,175
2032	25,000	46,894	71,894
2033	30,000	45,613	75,613
2034	30,000	44,075	74,075
2035	30,000	42,538	72,538
2036	35,000	41,000	76,000
2037	40,000	39,206	79,206
2038	40,000	37,156	77,156
2039	45,000	35,106	80,106
2040	45,000	32,800	77,800
2041	50,000	30,494	80,494
2042	55,000	27,931	82,931
2043	55,000	25,113	80,113
2044	60,000	22,294	82,294
2045	65,000	19,219	84,219
2046	70,000	15,888	85,888
2047	75,000	12,300	87,300
2048	165,000	8,456	173,456
Total	$ 1,095,000	$ 1,106,233	$ 2,201,233