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Accountant's Compilation Report

Board of Directors
Hawthorn Metropolitan District #2
Jefferson County, Colorado

We have compiled the accompanying forecasted budget of revenues, expenditures and fund balances of the Hawthorn Metropolitan District #2 for the General Fund for the year ending December 31, 2014, including the forecasted estimate of comparative information for the year ending December 31, 2013, in accordance with attestation standards established by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not audited or reviewed the forecast and, accordingly, do not express an opinion or any other form of assurance about whether the accompanying budget of revenues, expenditures and fund balances or assumptions are in accordance with attestation standards generally accepted in the United States of America. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management is responsible for the preparation and fair presentation of the forecast in accordance with attestation standards generally accepted in the United States of America, and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the forecast.

The Actual historical information for the year 2012 is presented for comparative purposes only. Such information is taken from the Application for Exemption from Audit of the District for the year ended December 31, 2012.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the District's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to Hawthorn Metropolitan District #2.

Greenwood Village, Colorado
November 18, 2013

HAWTHORN METROPOLITAN DISTRICT NO. 2
GENERAL FUND
FORECASTED 2014 AS PROPOSED
WITH 2012 ACTUAL AND 2013 ESTIMATED
For the Years Ended and Ending December 31,

11/18/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	-	9,548	9,232
2 Specific ownership taxes	-	550	650
Total revenues	<u>-</u>	<u>10,098</u>	<u>9,882</u>
Total funds available	<u>-</u>	<u>10,098</u>	<u>9,882</u>
EXPENDITURES			
General and administration			
3 County Treasurer's fees	-	143	138
4 Transfers to Hawthorn #1	-	9,955	9,744
Total expenditures	<u>-</u>	<u>10,098</u>	<u>9,882</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>10,098</u>	<u>9,882</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

HAWTHORN METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
FORECASTED 2014 BUDGET AS PROPOSED
WITH 2012 ACTUAL AND 2013 ESTIMATED
For the Years Ended and Ending December 31,

11/18/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
ASSESSED VALUATION - JEFFERSON			
Residential	\$ -	\$ 190,962	\$ 153,863
Certified Assessed Value	<u>\$ -</u>	<u>\$ 190,962</u>	<u>\$ 153,863</u>
MILL LEVY			
GENERAL FUND	-	50.000	60.000
Total Mill Levy	<u>-</u>	<u>50.000</u>	<u>60.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ -	\$ 9,548	\$ 9,232
Budgeted Property Taxes	<u>\$ -</u>	<u>\$ 9,548</u>	<u>\$ 9,232</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ -	\$ 9,548	\$ 9,232
	<u>\$ -</u>	<u>\$ 9,548</u>	<u>\$ 9,232</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

HAWTHORN METROPOLITAN DISTRICT NO. 2
2014 Budget
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by court order and decree of the District Court for the County of Jefferson on December 5, 2012, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation/storm sewer, streets, park and recreation, transportation, mosquito control, safety protection, fire protection, television relay and translation, and security. The District was organized in conjunction with Hawthorn Metropolitan District No. 1 which serves as the Operating District.

The Districts are not authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided as part of an intergovernmental agreement with the County.

On November 6, 2012, the District's voters authorized total indebtedness of \$300,000,000 for the above listed facilities and \$30,000,000 for operations and maintenance, \$30,000,000 for both intergovernmental and private agreements, and \$30,000,000 for refunding. The election also approved an annual increase in property taxes of \$5,000,000 without limitation of rate, to pay the District's operation and maintenance costs. Per the District's service plan, the maximum debt mill levy is 50.000 mills. Additionally the service plan limits the total amount of debt issued between both Districts to \$10,000,000.

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

The District prepares its budget on the modified accrual basis of accounting.

Revenues

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.

The Calculation of the taxes levied is displayed on page 3 at the adopted mill levy of 60.000 mills for operations.

Specific Ownership

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The forecast assumes that the District's share will be equal to approximately 7% of the property taxes collected.

HAWTHORN METROPOLITAN DISTRICT NO. 2
2014 Budget
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Expenditures

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Intergovernmental expenditure—Hawthorn Metropolitan District No. 1

Property taxes generated from the 60.000 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to District No. 1, the Operating District, which pays all administrative expenditures.

Debt and Leases

The District has no outstanding debt nor any capital or operating leases.

Reserve Funds

Emergency Reserve

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all Districts' operations and maintenance costs, an emergency reserve is not reflected in the District's 2014 Budget.

This information is an integral part of the forecasted budget.