



CliftonLarsonAllen

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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, Debt Service Fund, and Capital Projects Fund for the year ending December 31, 2015, including the forecasted estimate of comparative information for the year ending December 31, 2014, 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 2013 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, 2013.

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.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 25, 2014

**HAWTHORN METROPOLITAN DISTRICT NO. 2
SUMMARY**

**FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,**

11/25/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,071,370
REVENUES			
1 Property taxes	9,548	9,232	77,437
2 Specific ownership taxes	509	497	6,040
3 Developer advance	-	6,000,000	-
4 Other income	-	32	-
5 Bond issuance	-	4,130,000	-
Total revenues	10,057	10,139,761	83,477
TRANSFERS IN			
Total funds available	10,057	11,281,147	1,154,847
EXPENDITURES			
6 General and administration			
7 County Treasurer's fees	143	139	186
8 Transfers to Hawthorn #1	9,914	9,622	16,385
9 Debt service			
10 Bond interest	-	68,016	263,288
11 Contingency	-	-	2,783
12 County Treasurer's fees	-	-	929
13 Paying agent fees	-	2,000	2,000
14 Capital projects			
15 Bond issue costs	-	252,600	-
16 Capital outlay	-	6,000,000	-
17 Repay developer advance	-	2,736,014	-
Total expenditures	10,057	9,068,391	285,571
TRANSFERS OUT			
Total expenditures and transfers out requiring appropriation	10,057	10,209,777	285,571
ENDING FUND BALANCES	\$ -	\$ 1,071,370	\$ 869,276
EMERGENCY RESERVE	\$ -	\$ -	\$ -
RESERVE FUND	-	375,025	375,025
TOTAL RESERVE	\$ -	\$ 375,025	\$ 375,025

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
For the Years Ended and Ending December 31,

11/25/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
ASSESSED VALUATION -			
Residential	\$ 190,962	\$ 153,863	\$ -
Vacant Land	-	-	1,238,995
Certified Assessed Value	<u>\$ 190,962</u>	<u>\$ 153,863</u>	<u>\$ 1,238,995</u>
MILL LEVY			
GENERAL FUND	50.000	60.000	12.500
DEBT SERVICE FUND	-	-	50.000
Total Mill Levy	<u>50.000</u>	<u>60.000</u>	<u>62.500</u>
PROPERTY TAXES			
GENERAL FUND	\$ 9,548	\$ 9,232	\$ 15,487
DEBT SERVICE FUND	-	-	61,950
Budgeted Property Taxes	<u>\$ 9,548</u>	<u>\$ 9,232</u>	<u>\$ 77,437</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 9,548	\$ 9,232	\$ 15,487
DEBT SERVICE FUND	-	-	61,950
	<u>\$ 9,548</u>	<u>\$ 9,232</u>	<u>\$ 77,437</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
GENERAL FUND**

**FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED**

For the Years Ended and Ending December 31,

11/25/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	9,548	9,232	15,487
2 Specific ownership taxes	509	497	1,084
3 Other income	-	32	-
Total revenues	10,057	9,761	16,571
Total funds available	10,057	9,761	16,571
EXPENDITURES			
General and administration			
4 County Treasurer's fees	143	139	186
5 Transfers to Hawthorn #1	9,914	9,622	16,385
Total expenditures	10,057	9,761	16,571
Total expenditures and transfers out requiring appropriation	10,057	9,761	16,571
ENDING FUND BALANCES	\$ -	\$ -	\$ -
EMERGENCY RESERVE	\$ -	\$ -	\$ -
TOTAL RESERVE	\$ -	\$ -	\$ -

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
DEBT SERVICE FUND**

**FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED**

For the Years Ended and Ending December 31,

11/25/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,071,370
REVENUES			
1 Property taxes	-	-	61,950
2 Specific ownership taxes	-	-	4,956
Total revenues	-	-	66,906
TRANSFERS IN			
CAPITAL PROJECTS FUND	-	1,141,386	-
Total transfers in	-	1,141,386	-
Total funds available	-	1,141,386	1,138,276
EXPENDITURES			
Debt service			
3 Bond interest	-	68,016	263,288
4 Contingency	-	-	2,783
5 County Treasurer's fees	-	-	929
6 Paying agent fees	-	2,000	2,000
Total expenditures	-	70,016	269,000
Total expenditures and transfers out requiring appropriation	-	70,016	269,000
ENDING FUND BALANCES	\$ -	\$ 1,071,370	\$ 869,276
RESERVE FUND	\$ -	\$ 375,025	\$ 375,025
TOTAL RESERVE	\$ -	\$ 375,025	\$ 375,025

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
CAPITAL PROJECTS FUND
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

11/25/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Developer advance	-	6,000,000	-
2 Bond issuance	-	4,130,000	-
Total revenues	-	10,130,000	-
Total funds available	-	10,130,000	-
EXPENDITURES			
Capital projects			
3 Bond issue costs	-	252,600	-
4 Capital outlay	-	6,000,000	-
5 Repay developer advance	-	2,736,014	-
Total expenditures	-	8,988,614	-
TRANSFERS OUT			
DEBT SERVICE FUND	-	1,141,386	-
Total transfers out	-	1,141,386	-
Total expenditures and transfers out requiring appropriation	-	10,130,000	-
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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
2015 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, safely 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 62.500 mills, of which 12.500 mills is for operations and 50.000 mills for debt service.

HAWTHORN METROPOLITAN DISTRICT NO. 2
2015 Budget
SUMMARY OF SIGNIFICANT ASSUMPTIONS

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 for General Fund and 8% for Debt Service Fund.

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 12.500 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

On August 28, 2014, the District issued a General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds in the amount of \$4,130,000. The Bonds bears interest at a rate of 6.375% per annum, with interest payable on June 1 and December 1, and principal payable on December 1. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2019, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds are also subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2019 and each December 1 thereafter.

The bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due/payable. The District must levy 50.000 mills so long as the amount on deposit in the Surplus Fund is less than the Required Surplus Fund amount of \$413,000. The District currently has less than the Required Surplus Fund amount.

A debt service schedule is attached.

HAWTHORN METROPOLITAN DISTRICT NO. 2
2015 Budget
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Reserve Funds

Debt Service Reserve

The Debt Service Reserve Requirement on the 2014 Bond is \$375,025, and was fully funded at closing.

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 2015 Budget.

This information is an integral part of the forecasted budget.

HAWTHORN METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014

\$4,130,000 General Obligation Bonds (Limited Tax Convertible to Unlimited Tax)
Series 2014
Dated August 28, 2014
Principal due December 1
6.375% Term Bonds Due December 1, 2044
Interest Due June 1 and December 1

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt</u> <u>Service</u>
2015	\$ -	\$ 263,288	\$ 263,288
2016	-	263,288	263,288
2017	-	263,288	263,288
2018	-	263,288	263,288
2019	25,000	263,288	288,288
2020	40,000	261,694	301,694
2021	40,000	259,144	299,144
2022	50,000	256,594	306,594
2023	50,000	253,406	303,406
2024	60,000	250,219	310,219
2025	65,000	246,394	311,394
2026	75,000	242,250	317,250
2027	80,000	237,469	317,469
2028	90,000	232,369	322,369
2029	100,000	226,631	326,631
2030	110,000	220,256	330,256
2031	115,000	213,244	328,244
2032	130,000	205,913	335,913
2033	140,000	197,625	337,625
2034	155,000	188,700	343,700
2035	165,000	178,819	343,819
2036	180,000	168,300	348,300
2037	195,000	156,825	351,825
2038	215,000	144,394	359,394
2039	225,000	130,688	355,688
2040	250,000	116,344	366,344
2041	265,000	100,406	365,406
2042	290,000	83,513	373,513
2043	310,000	65,025	375,025
2044	710,000	45,263	755,263
	<u>\$ 4,130,000</u>	<u>\$ 5,997,919</u>	<u>\$ 10,127,919</u>