

HAWTHORN METROPOLITAN DISTRICT NO. 2

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2022

**HAWTHORN METROPOLITAN DISTRICT NO. 2
SUMMARY
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/11/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ 257,811	\$ 490,180	\$ 671,564
REVENUES			
Interest Income	1,666	330	750
Operations Fees	93,132	93,132	-
Other Revenue	4,195	-	-
Penalties & Late Fees	407	-	-
Property Taxes	683,441	683,438	793,777
Specific Ownership Taxes	51,079	42,210	55,564
Transfer Fees	6,200	-	-
Total revenues	<u>840,120</u>	<u>819,110</u>	<u>850,091</u>
TRANSFERS IN	<u>27,959</u>	<u>66,774</u>	<u>-</u>
Total funds available	<u>1,125,890</u>	<u>1,376,064</u>	<u>1,521,655</u>
EXPENDITURES			
General Fund	93,428	98,541	335,000
Operations Fund	131,893	159,906	-
Debt Service Fund	382,430	379,279	500,000
Total expenditures	<u>607,751</u>	<u>637,726</u>	<u>835,000</u>
TRANSFERS OUT	<u>27,959</u>	<u>66,774</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>635,710</u>	<u>704,500</u>	<u>835,000</u>
ENDING FUND BALANCES	<u>\$ 490,180</u>	<u>\$ 671,564</u>	<u>\$ 686,655</u>
Emergency Reserve	\$ 9,100	\$ 5,900	\$ 7,800
Available for Operations	91,642	124,050	45,630
Special Revenue Reserve	-	-	-
Surplus Fund	389,438	541,614	621,000
TOTAL RESERVE	<u>\$ 490,180</u>	<u>\$ 671,564</u>	<u>\$ 674,430</u>

No assurance provided. See summary of significant assumptions.

HAWTHORN METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/11/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
ASSESSED VALUATION			
Residential	\$ 8,987,083	\$ 8,987,083	\$ 9,922,007
Vacant land	203	203	203
Personal property	30	-	-
Certified Assessed Value	<u>\$ 8,987,316</u>	<u>\$ 8,987,286</u>	<u>\$ 9,922,210</u>
MILL LEVY			
General	20.382	20.382	24.337
Debt Service	55.663	55.663	55.663
Total mill levy	<u>76.045</u>	<u>76.045</u>	<u>80.000</u>
PROPERTY TAXES			
General	\$ 183,179	\$ 183,179	\$ 241,477
Debt Service	500,261	500,259	552,300
Levied property taxes	683,440	683,438	793,777
Adjustments to actual/rounding	1	-	-
Budgeted property taxes	<u>\$ 683,441</u>	<u>\$ 683,438</u>	<u>\$ 793,777</u>
BUDGETED PROPERTY TAXES			
General	\$ 183,179	\$ 183,179	\$ 241,477
Debt Service	500,262	500,259	552,300
	<u>\$ 683,441</u>	<u>\$ 683,438</u>	<u>\$ 793,777</u>

No assurance provided. See summary of significant assumptions.

HAWTHORN METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/11/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ 25,231	\$ 100,742	\$ 129,950
REVENUES			
Interest Income	29	30	100
Property Taxes	183,179	183,179	241,477
Specific Ownership Taxes	13,690	11,314	16,903
Total revenues	<u>196,898</u>	<u>194,523</u>	<u>258,480</u>
Total funds available	<u>222,129</u>	<u>295,265</u>	<u>388,430</u>
EXPENDITURES			
General and administrative			
Accounting	26,412	26,000	28,600
Audit	4,700	5,000	5,500
County Treasurer's Fee	2,748	2,748	3,622
Covenant Enforcement	-	-	15,000
Design Review	-	-	5,000
Directors' Fees	1,900	1,600	2,000
District Management	-	-	18,000
Dues	668	542	750
Elections	1,728	-	4,000
Engineering - Underdrain	-	-	5,000
Insurance	10,890	11,151	12,300
Legal	43,982	50,000	40,000
Miscellaneous	400	1,500	2,003
Postage & Copies	-	-	500
Operations and Maintenance			
Electricity	-	-	250
Grounds Cleanup	-	-	3,500
Irrigation Repairs	-	-	3,000
Landscape Improvements	-	-	75,000
Landscape Maintenance Contract	-	-	25,000
North Table Mtn IGA	-	-	16,275
Snow Removal	-	-	15,000
Social Activities	-	-	3,000
Trash Removal	-	-	46,200
Water	-	-	5,000
Website	-	-	500
Total expenditures	<u>93,428</u>	<u>98,541</u>	<u>335,000</u>
TRANSFERS OUT			
Transfer to other fund	<u>27,959</u>	<u>66,774</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>121,387</u>	<u>165,315</u>	<u>335,000</u>
ENDING FUND BALANCE	<u>\$ 100,742</u>	<u>\$ 129,950</u>	<u>\$ 53,430</u>
Emergency Reserve	\$ 9,100	\$ 5,900	\$ 7,800
Available for Operations	91,642	124,050	45,630
TOTAL RESERVE	<u>\$ 100,742</u>	<u>\$ 129,950</u>	<u>\$ 53,430</u>

No assurance provided. See summary of significant assumptions.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
OPERATIONS FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/11/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Operations Fees	93,132	93,132	-
Penalties & Late Fees	407	-	-
Transfer Fees	6,200	-	-
Other Revenue	4,195	-	-
Total revenues	<u>103,934</u>	<u>93,132</u>	<u>-</u>
TRANSFERS IN			
Transfers from Other Fund	<u>27,959</u>	<u>66,774</u>	<u>-</u>
Total funds available	<u>131,893</u>	<u>159,906</u>	<u>-</u>
EXPENDITURES			
General and Administrative			
Covenant Enforcement	10,300	14,000	-
Design Review	240	-	-
District Management	10,871	15,000	-
Engineering - Underdrain	-	-	-
Miscellaneous	747	-	-
Postage & Copies	-	250	-
Operations and Maintenance			
Electricity	164	250	-
Grounds Cleanup	2,015	1,500	-
Irrigation Repairs	1,428	-	-
Landscape Improvements	17,087	25,000	-
Landscape Maintenance Contract	18,612	26,000	-
North Table Mtn IGA	15,186	15,406	-
Snow Removal	8,725	15,000	-
Social Activities	-	-	-
Trash Removal	42,942	44,000	-
Water	3,576	3,000	-
Website	-	500	-
Total expenditures	<u>131,893</u>	<u>159,906</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>131,893</u>	<u>159,906</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Special Revenue Reserve	\$ -	\$ -	\$ -
Available for Operations	-	-	-
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/11/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ 232,580	\$ 389,438	\$ 541,614
REVENUES			
Interest income	1,637	300	650
Property Taxes	500,262	500,259	552,300
Specific Ownership Taxes	37,389	30,896	38,661
Total revenues	<u>539,288</u>	<u>531,455</u>	<u>591,611</u>
Total funds available	<u>771,868</u>	<u>920,893</u>	<u>1,133,225</u>
EXPENDITURES			
Bond Interest - Series 2017A	296,925	293,775	290,625
Bond Interest - Series 2017B	-	-	100,000
Bond Principal - Series 2017A	70,000	70,000	85,000
Contingency	-	-	8,090
County Treasurer's Fee	7,505	7,504	8,285
Paying Agent Fees	8,000	8,000	8,000
Total expenditures	<u>382,430</u>	<u>379,279</u>	<u>500,000</u>
Total expenditures and transfers out requiring appropriation	<u>382,430</u>	<u>379,279</u>	<u>500,000</u>
ENDING FUND BALANCE	<u>\$ 389,438</u>	<u>\$ 541,614</u>	<u>\$ 633,225</u>
Surplus Fund	<u>\$ 389,438</u>	<u>\$ 541,614</u>	<u>\$ 621,000</u>
TOTAL RESERVE	<u>\$ 389,438</u>	<u>\$ 541,614</u>	<u>\$ 621,000</u>

No assurance provided. See summary of significant assumptions.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
2022 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 is now dissolved.

The District is 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, as adjusted. The maximum mill levy is 55.663 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 and in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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 the Property Tax Summary Information page of the budget using the adopted mill levy imposed by the District.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Specific Ownership Taxes

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 budget assumes that the District's share will be equal to approximately 7% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.10%.

Expenditures

County Treasurer's Fees

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

Administrative Expenditures

Administration expenses include the services necessary to maintain the District's administrative viability such as legal, accounting, insurance, dues and membership, and other administrative expenses.

Operations and Maintenance Expenditures

Anticipated operations and maintenance expenditures, such as landscaping, trash removal and snow removal, are shown on the General Fund page of the budget.

Debt and Leases

On December 14, 2017, the District issued its \$6,210,000 General Obligation Refunding Bonds, Series 2017A (2017A Bonds), its \$820,000 Subordinate Limited Tax General Obligation Refunding and Improvement Bonds, Series 2017B (2017B Bonds) and its \$928,000 Limited Tax Junior Lien Subordinate General Obligation Bonds (2017C Bonds). The proceeds from the sale of the 2017A Bonds were applied to refunding the 2014 and 2015 Bonds of the District, reimbursing Developer advances related to public improvements for the District, paying the costs of issuing the 2017 Bonds. The proceeds from the sale of the 2017B Bonds were applied to reimbursing Developer advances related to public improvements for the District and paying the costs of issuing the 2017B Bonds.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

The proceeds from the sale of the 2017C Bonds were used to reimburse Developer advances related to public improvements for the District and paying certain costs of issuing the 2017C Bonds.

The 2017A Bonds bear interest at 4.5% and 5.0%, payable semi-annually on June 1 and December 1, beginning on June 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2018. The 2017A Bonds mature on December 1, 2047.

The Senior Bonds are also secured by the amounts on deposit in the Surplus Fund. Prior to the date upon which the Debt to Assessed Ratio is equal to 50% or less, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$621,000. Pursuant to the Senior Indenture, the Surplus Fund will be terminated when the Debt to Assessed Ratio is equal to or less than 50% (if ever) and, any monies therein applied to any legal purpose of the District. Under the Subordinate Indenture, any amounts in the Surplus Fund upon termination of such funds are pledged to the payment of the Subordinate Bonds.

The 2017B Bonds bear interest at 7.25% per annum, are payable annually from Subordinate Pledged Revenue, if any, on December 15, beginning on December 15, 2018, and mature on December 15, 2047. The 2017B Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the 2017B Bonds compounds annually on each December 15. All of the 2017B Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 15, 2057, regardless of the amount of principal and interest paid on the 2017B Bonds prior to such Subordinate Termination Date.

The 2017C Bonds bear interest at the rate of 10.00% per annum, and are payable annually from Junior Subordinate Pledged Revenue, if any available, on each December 15, commencing on the first December 15 occurring after the 2017B Bonds have been paid in full or are no longer outstanding, and mature on December 15, 2057. The 2017C Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the 2017C Bonds compounds annually on each December 15. All of the 2017C Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 15, 2057, regardless of the amount of principal and interest paid on the 2017C Bonds prior to such Termination Date.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021*
Bonds Payable:				
Series 2017A	\$ 6,020,000	\$ -	\$ 70,000	\$ 5,950,000
Series 2017B	820,000	-	-	820,000
Series 2017C	928,000	-	-	928,000
Accrued Interest - 2017B	194,839	73,576	-	268,415
Accrued Interest - 2017C	312,628	124,063	-	436,691
Bond Premium	96,924	-	5,350	91,574
Other Debts:				
Developer Advances	120,000	-	-	120,000
Accrued Interest - Developer Advance	60,213	9,600	-	69,813
Total	<u>\$ 8,552,604</u>	<u>\$ 207,239</u>	<u>\$ 75,350</u>	<u>\$ 8,684,493</u>
	Balance at December 31, 2021*	Additions	Reductions	Balance at December 31, 2022*
Bonds Payable:				
Series 2017A	\$ 5,950,000	\$ -	\$ 85,000	\$ 5,865,000
Series 2017B	820,000	-	-	820,000
Series 2017C	928,000	-	-	928,000
Accrued Interest - 2017B	268,415	78,910	100,000	247,325
Accrued Interest - 2017C	436,691	136,469	-	573,160
Bond Premium	91,574	-	5,292	86,282
Other Debts:				
Developer Advances	120,000	-	-	120,000
Accrued Interest - Developer Advance	69,813	9,600	-	79,413
Total	<u>\$ 8,684,493</u>	<u>\$ 224,979</u>	<u>\$ 190,292</u>	<u>\$ 8,719,180</u>

*Estimated

The District has no operating or capital leases.

Reserve Funds

Emergency Reserve

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending.

This information is an integral part of the budget.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

Bonds and Interest Maturing in the Year Ending December 31,	\$6,210,000		
	General Obligation Refunding Bonds Series 2017A, Dated December 14, 2017 Interest Rate 4.5% to 5.0% Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest	Total
2022	\$ 85,000	\$ 290,625	\$ 375,625
2023	85,000	286,800	371,800
2024	100,000	282,975	382,975
2025	105,000	278,475	383,475
2026	115,000	273,750	388,750
2027	120,000	268,575	388,575
2028	135,000	263,175	398,175
2029	140,000	257,100	397,100
2030	155,000	250,800	405,800
2031	160,000	243,825	403,825
2032	175,000	236,625	411,625
2033	185,000	228,750	413,750
2034	200,000	219,500	419,500
2035	210,000	209,500	419,500
2036	230,000	199,000	429,000
2037	240,000	187,500	427,500
2038	265,000	175,500	440,500
2039	275,000	162,250	437,250
2040	300,000	148,500	448,500
2041	315,000	133,500	448,500
2042	340,000	117,750	457,750
2043	355,000	100,750	455,750
2044	380,000	83,000	463,000
2045	400,000	64,000	464,000
2046	430,000	44,000	474,000
2047	450,000	22,500	472,500
	\$ 5,950,000	\$ 5,028,725	\$ 10,978,725

No assurance provided. See summary of significant assumptions.