

**HAWTHORN METROPOLITAN
DISTRICT NO. 2
Jefferson County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

**HAWTHORN METROPOLITAN DISTRICT NO. 2
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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hawthorn Metropolitan District No. 2
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hawthorn Metropolitan District No. 2 as of and for the year December 31, 2018, 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 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

Opinions

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 the Hawthorn Metropolitan District No. 2, as of December 31, 2018, and the respective changes in financial position and the 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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hawthorn Metropolitan District No. 2's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the Debt Service and Capital Projects Funds (the Supplementary Information) and the Schedule of Debt Service Requirements to Maturity and the Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected 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 it.

Dussio & Associates, P.C.

July 11, 2019

BASIC FINANCIAL STATEMENTS

HAWTHORN METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,044
Cash and Investments - Restricted	136,446
Receivable From County Treasurer	4,955
Accounts Receivable	2,689
Prepaid Expenses	500
Property Taxes Receivable	593,305
Capital Assets, Net of Accumulated Depreciation	1,088,536
Total Assets	1,829,475
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	630,712
Total Deferred Outflows of Resources	630,712
LIABILITIES	
Accounts Payable	31,707
Unearned Revenue	4,591
Accrued Interest Payable	24,969
Noncurrent Liabilities:	
Due Within One Year	65,456
Due in More Than One Year	8,260,928
Total Liabilities	8,387,651
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	593,305
Total Deferred Inflows of Resources	593,305
NET POSITION	
Net Investment in Capital Assets	(11,156)
Restricted For:	
Emergency Reserves	8,000
Unrestricted	(6,517,613)
Total Net Position	\$ (6,520,769)

See accompanying Notes to Basic Financial Statements.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 274,257	\$ 96,407	\$ -	\$ -	\$ (177,850)
Interest and Related Costs on Long-Term Debt	504,505	-	-	-	(504,505)
Total Governmental Activities	\$ 778,762	\$ 96,407	\$ -	\$ -	(682,355)
GENERAL REVENUES					
Property Taxes					579,706
Specific Ownership Taxes					53,685
Interest Income					2,897
Total General Revenues					636,288
CHANGE IN NET POSITION					(46,067)
Net Position - Beginning of Year					(6,474,702)
NET POSITION - END OF YEAR					\$ (6,520,769)

See accompanying Notes to Basic Financial Statements.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 3,044	\$ -	\$ 3,044
Cash and Investments - Restricted	8,000	128,446	136,446
Receivable from County Treasurer	1,328	3,627	4,955
Accounts Receivable	2,689	-	2,689
Prepaid Expenses	500	-	500
Property Taxes Receivable	159,023	434,282	593,305
	<u>\$ 174,584</u>	<u>\$ 566,355</u>	<u>\$ 740,939</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 31,707	\$ -	\$ 31,707
Unearned Revenue	4,591	-	4,591
Total Liabilities	<u>36,298</u>	<u>-</u>	<u>36,298</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	159,023	434,282	593,305
Total Deferred Inflows of Resources	<u>159,023</u>	<u>434,282</u>	<u>593,305</u>
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepaid Expenses	500	-	500
Restricted For:			
Emergencies (TABOR)	8,000	-	8,000
Debt Service	-	132,073	132,073
Unassigned	(29,237)	-	(29,237)
Total Fund Balances	<u>(20,737)</u>	<u>132,073</u>	<u>111,336</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 174,584</u>	<u>\$ 566,355</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets are reported as assets on the statement of net position but are recorded as expenditures in the funds.			
Capital Assets, Net of Accumulated Depreciation			1,088,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds Payable			(7,898,000)
Bond Interest Payable			(184,553)
Bond Premium			(107,787)
Cost of Refunding			630,712
Developer Advances Payable			(120,000)
Accrued Interest on Developer Advances			(41,013)
Net Position of Governmental Activities			<u>\$ (6,520,769)</u>

See accompanying Notes to Basic Financial Statements.

HAWTHORN METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 155,378	\$ 424,328	\$ 579,706
Specific Ownership Taxes	14,388	39,297	53,685
Operations Fees	93,729	-	93,729
Net Investment Income	79	2,818	2,897
Penalties and Late Fees	2,678	-	2,678
Total Revenues	266,252	466,443	732,695
EXPENDITURES			
Current:			
Accounting	22,114	-	22,114
Audit	4,700	-	4,700
Billing	2,576	-	2,576
County Treasurer's Fees	2,332	6,368	8,700
Covenant Enforcement	1,400	-	1,400
Design Review	1,400	-	1,400
Directors' Fees	738	-	738
District Management	10,898	-	10,898
Dues	448	-	448
Election	749	-	749
Electricity	451	-	451
Engineering	4,299	-	4,299
Fence Repair	2,484	-	2,484
Grounds Cleanup	4,381	-	4,381
Insurance	10,800	-	10,800
Irrigation Repairs	3,605	-	3,605
Landscape Maintenance Contract	34,201	-	34,201
Legal	45,570	-	45,570
Miscellaneous	1,147	28	1,175
North Table Mountain IGA	14,282	-	14,282
Postage and Copies	448	-	448
Snow Removal	2,360	-	2,360
Social Activities	1,318	-	1,318
Trash Removal	36,922	-	36,922
Water	4,160	-	4,160
Debt Service:			
Bond Interest - Series 2017A	-	291,408	291,408
Bond Principal - Series 2017A	-	60,000	60,000
Total Expenditures	213,783	357,804	571,587
NET CHANGE IN FUND BALANCES	52,469	108,639	161,108
Fund Balances (Deficits) - Beginning of Year	(73,206)	23,434	(49,772)
FUND BALANCES (DEFICITS) - END OF YEAR	\$ (20,737)	\$ 132,073	\$ 111,336

See accompanying Notes to Basic Financial Statements.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
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, 2018**

Net Change in Fund Balances - Governmental Funds \$ 161,108

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of any cost of any depreciable asset over the estimated useful life of the asset.

Depreciation (60,474)

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Principal Payment 60,000

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.

Amortization of Deferred Cost of Refunding (31,051)

Accrued Interest on Developer Advances - Change in Liability (9,600)

Accrued Interest on Bonds - Change in Liability (166,050)

Change in Net Position of Governmental Activities \$ (46,067)

**HAWTHORN METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 155,378	\$ 155,378	\$ 155,378	\$ -
Specific Ownership Taxes	12,430	14,430	14,388	(42)
Operations Fee	105,582	105,582	93,729	(11,853)
Other Revenue	-	43,500	-	(43,500)
Net Investment Income	2,400	1,410	79	(1,331)
Penalties and Late Fees	-	-	2,678	2,678
Total Revenues	<u>275,790</u>	<u>320,300</u>	<u>266,252</u>	<u>(54,048)</u>
EXPENDITURES				
Current:				
Accounting	20,000	23,000	22,114	886
Audit	4,900	4,900	4,700	200
Billing	-	-	2,576	(2,576)
Contingency	477	40,981	-	40,981
County Treasurer's Fees	2,330	2,330	2,332	(2)
Covenant Enforcement	-	-	1,400	(1,400)
Design Review	-	-	1,400	(1,400)
Directors' Fees	800	800	738	62
District Management	14,500	14,500	10,898	3,602
Dues	600	448	448	-
Election	2,000	749	749	-
Electricity	1,200	1,200	451	749
Engineering	-	-	4,299	(4,299)
Fence Repair	800	800	2,484	(1,684)
Grounds Cleanup	3,500	3,500	4,381	(881)
Insurance	11,000	10,800	10,800	-
Irrigation Repairs	3,400	3,400	3,605	(205)
Landscape Maintenance Contract	40,000	40,000	34,201	5,799
Legal	30,000	40,000	45,570	(5,570)
Lighting Repair	50	50	-	50
Miscellaneous	-	992	1,147	(155)
North Table Mountain IGA	14,600	14,600	14,282	318
Postage and Copies	600	600	448	152
Snow Removal	4,870	4,870	2,360	2,510
Social Activities	3,000	3,000	1,318	1,682
Transfer Fees	1,000	1,000	-	1,000
Trash Removal	29,700	29,700	36,922	(7,222)
Water	18,600	18,600	4,160	14,440
Total Expenditures	<u>207,927</u>	<u>260,820</u>	<u>213,783</u>	<u>47,037</u>
NET CHANGE IN FUND BALANCE	67,863	59,480	52,469	(7,011)
Fund Balance (Deficits) - Beginning of Year	<u>(60,616)</u>	<u>(46,836)</u>	<u>(73,206)</u>	<u>(26,370)</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,247</u>	<u>\$ 12,644</u>	<u>\$ (20,737)</u>	<u>\$ (33,381)</u>

See accompanying Notes to Basic Financial Statements.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 DEFINITION OF REPORTING ENTITY

Hawthorn Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the County of Jefferson, Colorado 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 provides covenant control and was organized in conjunction with Hawthorn Metropolitan District No. 1 (District No. 1), which previously served as the Operating District, and is currently inactive.

On December 7, 2015, District No. 1 approved, and the District accepted, the assignment of any of District No. 1's rights, duties, and obligations under the Covenants and Restrictions of Hawthorn which have been recorded and filed with the County Clerk and Recorder.

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 and now inactive.

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.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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. Redemption of bonds are recorded as a reduction in liabilities.

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, specific ownership taxes, and operations fees. 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.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 general obligation debt of the governmental funds.

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.

The District amended its annual budget for the year ended December 31, 2018.

Pooled Cash and Investments

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 and investments.

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, sale 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.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

Amortization

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, cost of refunding, is deferred and recognized as an outflows of resources in the period that the amount is incurred.

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 two items that qualifies for reporting in this category. Accordingly, the items, deferred property tax revenue and unearned revenue, are deferred and recognized as inflows of resources in the period that the amount becomes available.

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.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2018. The deficit will be eliminated with the receipt of property taxes in 2019.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 3,044
Cash and Investments - Restricted	<u>136,446</u>
Total Cash and Investments	<u><u>\$ 139,490</u></u>

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$ 32,501
Investments	<u>106,989</u>
Total Cash and Investments	<u><u>\$ 139,490</u></u>

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, 2018, the District's cash deposits had a bank balance of \$32,384 and a carrying balance of \$32,501.

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 noted with an asterisk (*) below, 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.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 106,989

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.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

<u>General Government Activities</u>	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Capital Assets, Being Depreciated:				
Structures	\$ 187,200	\$ -	\$ -	\$ 187,200
Landscaping	583,140	-	-	583,140
Parks and Recreation	439,144	-	-	439,144
Total Capital Assets, Being Depreciated	1,209,484	-	-	1,209,484
Less Accumulated Depreciation For:				
Structures	(9,360)	(9,360)	-	(18,720)
Landscaping	(29,157)	(29,157)	-	(58,314)
Parks and Recreation	(21,957)	(21,957)	-	(43,914)
Total Accumulated Depreciation	(60,474)	(60,474)	-	(120,948)
Total Capital Assets, Being Depreciated, Net	1,149,010	(60,474)	-	1,088,536
Capital Assets, Net	<u>\$ 1,149,010</u>	<u>\$ (60,474)</u>	<u>\$ -</u>	<u>\$ 1,088,536</u>

At December 31, 2018, depreciation expense was charged to the general government function of the District in the amount of \$60,474.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Retirements	Balance - December 31, 2018	Due Within One Year
G.O. Bonds - Series 2017A	\$ 6,210,000	\$ -	\$ 60,000	\$ 6,150,000	\$ 60,000
G.O. Bonds - Series 2017B	820,000	-	-	820,000	-
G.O. Bonds - Series 2017C	928,000	-	-	928,000	-
Bond Premium	107,787	-	-	107,787	5,456
Accrued and Unpaid Interest - 2017B	2,484	59,788	-	62,272	-
Accrued and Unpaid Interest - 2017C	3,877	93,435	-	97,312	-
Developer Advances - Operations	120,000	-	-	120,000	-
Accrued Interest - Developer Advances - Operations	31,413	9,600	-	41,013	-
Total	<u>\$ 8,223,561</u>	<u>\$ 162,823</u>	<u>\$ 60,000</u>	<u>\$ 8,326,384</u>	<u>\$ 65,456</u>

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$6,210,000 Series 2017A General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds

\$820,000 Series 2017B Subordinate Limited Tax General Obligation Refunding and Improvement Bonds

\$928,000 Series 2017C Limited Tax Junior Lien Subordinate General Obligation Bonds

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 Series 2014 and Series 2015 Bonds of the District and paying the costs of issuing the 2017 Bonds. The proceeds from the sale of the 2017B Bonds will be applied to refunding the remainder of the Series 2015 Bonds, reimbursing Developer advances related to public improvements for the District and paying the costs of issuing the 2017B Bonds. 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.

Concurrently with the refunding of the Series 2014 and Series 2015 bonds, the Developer forgave \$3,186,259 in outstanding obligations. Restrictions on the monies restricted for interest payments and the reserve account pertaining to the defeased bonds were removed under the new refunding. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$6,685,765 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in their entirety from the remaining funds in the escrow account. The Series 2014 Bonds will be redeemed December 1, 2019. The Series 2015 Bonds will be redeemed December 15, 2019. As of December 31, 2018, the outstanding principal balance of the defeased bonds is \$6,035,000.

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, 2032 and December 1, 2047.

The 2017A 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, 2017A 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 2017A 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 2017B Indenture, any amounts in the Surplus Fund upon termination of such funds are pledged to the payment of the 2017B Bonds.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$6,210,000 Series 2017A General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds

\$820,000 Series 2017B Subordinate Limited Tax General Obligation Refunding and Improvement Bonds

\$928,000 Series 2017C Limited Tax Junior Lien Subordinate General Obligation Bonds (Continued)

The 2017A Senior 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 (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 1, 2022, 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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2022 to November 30, 2023	3.00 %
December 1, 2023 to November 30, 2024	2.00
December 1, 2024 to November 30, 2025	1.00
December 1, 2025 and Thereafter	-

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 2017B Subordinate 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 (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 15, 2022, 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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 15, 2022 to December 14, 2023	3.00 %
December 15, 2023 to December 14, 2024	2.00
December 15, 2024 to December 14, 2025	1.00
December 15, 2025 and Thereafter	-

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$6,210,000 Series 2017A General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds

\$820,000 Series 2017B Subordinate Limited Tax General Obligation Refunding and Improvement Bonds

\$928,000 Series 2017C Limited Tax Junior Lien Subordinate General Obligation Bonds (Continued)

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, 2051. 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.

The 2017C Subordinate 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 (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 15, 2022, 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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 15, 2022 to December 14, 2023	3.00 %
December 15, 2023 to December 14, 2024	2.00
December 15, 2024 to December 14, 2025	1.00
December 15, 2025 and Thereafter	-

In the government-wide statements, the purchase price of the Series 2017A bonds included a premium in the amount of \$113,094, which has been deferred and is being amortized over the life of the new debt.

The District's Series 2017A Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 60,000	\$ 299,625	\$ 359,625
2020	70,000	296,925	366,925
2021	70,000	293,775	363,775
2022	85,000	290,625	375,625
2023	85,000	286,800	371,800
2024-2028	575,000	1,366,950	1,941,950
2029-2033	815,000	1,217,100	2,032,100
2034-2038	1,145,000	991,000	2,136,000
2039-2043	1,585,000	662,750	2,247,750
2044-2047	1,660,000	213,500	1,873,500
Total	<u>\$ 6,150,000</u>	<u>\$ 5,919,050</u>	<u>\$ 12,069,050</u>

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

At December 31, 2018, the District had authorized but unissued general obligation indebtedness in the following amounts for the following purposes:

	Authorized November 6, 2012 Election	Series 2014 Authorization Used	Series 2015 Authorization Used	Series 2017 Authorization Used	Remaining at December 31, 2018
Streets	\$ 30,000,000	\$ 1,328,745	\$ 613,000	\$ 501,000	\$ 27,557,255
Parks and Recreation	30,000,000	122,231	56,000	46,000	29,775,769
Water	30,000,000	548,248	253,000	207,000	28,991,752
Sanitation/Storm Sewer	30,000,000	2,130,776	983,000	804,000	26,082,224
Transportation	30,000,000	-	-	-	30,000,000
Mosquito Control	30,000,000	-	-	-	30,000,000
Safety Protection	30,000,000	-	-	-	30,000,000
Fire Protection	30,000,000	-	-	-	30,000,000
Television & Relay	30,000,000	-	-	-	30,000,000
Security	30,000,000	-	-	-	30,000,000
Operations & Maintenance	30,000,000	-	-	-	30,000,000
Refunding of Debt	30,000,000	-	-	-	30,000,000
Governmental IGA's	30,000,000	-	-	-	30,000,000
Private IGA's	30,000,000	-	-	-	30,000,000
Total	<u>\$ 420,000,000</u>	<u>\$ 4,130,000</u>	<u>\$ 1,905,000</u>	<u>\$ 1,558,000</u>	<u>\$ 412,407,000</u>

Pursuant to the Service Plan, the total debt that the District shall be permitted to issue shall not exceed \$10,000,000, exclusive of refundings. Additionally, the maximum debt mill levy is 50.000 mills (adjusted to 55.277).

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 1,276,305
Outstanding Long-Term Debt Applicable to Capital Assets	<u>(1,246,591)</u>
Net Investment in Capital Assets	<u>\$ 29,714</u>

**HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 NET POSITION (CONTINUED)

The restricted component of net position consists of 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 a restricted net position as of December 31, 2018, as follows:

Restricted Net Assets:	
Emergency Reserves	\$ 8,000
Total Restricted Net Assets	\$ 8,000

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, the majority of which were conveyed to other governmental entities, and the repayment of Developer advances and accrued interest on those advances.

NOTE 7 DISTRICT AGREEMENTS

Funding and Reimbursement Agreement

On December 10, 2012, a Funding and Reimbursement Agreement was entered into by District No.1, Golden Peaks, LLC (the Developer), and the District. The Developer agrees to loan to District No. 1 an amount not exceeding \$100,000 per annum for five years, up to \$500,000. The interest rate of this loan shall be 8% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount. The term for repayment of this obligation shall not extend beyond forty (40) years from the date of this agreement. Any mill levy certified by the Districts for the purposes of repaying advances made hereunder shall not exceed 50 mills and shall be further subject to any restrictions provided in the Districts' Service Plan, electoral authorization, or any applicable laws. The provision for repayment of advances made hereunder and the agreement to issue a Reimbursement Obligation shall be at all times subject to annual appropriation by the Districts, in their absolute discretion. The Districts are intended to cooperate and coordinate in the financing, construction, and operation and maintenance of the Public Infrastructure in connection with the Project, with District No. 1 acting as the administrative arm. Funds advanced under this agreement are recognized as an obligation by District No. 1. This agreement was terminated on December 7, 2015.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 DISTRICT AGREEMENTS (CONTINUED)

Funding and Reimbursement Agreement (Continued)

On December 7, 2015, the District and Golden Peaks, LLC entered into a Funding and Reimbursement Agreement for operations and maintenance. This agreement entirely replaced the previously disclosed agreement dated December 10, 2012, between District No. 1 and Golden Peaks (Prior Funding Agreement). The District acknowledged the Prior Funding Agreement for the purpose of providing funding for payment obligations set forth in the Prior Funding Agreement. Golden Peaks agrees to loan up to \$500,000 to the District through December 31, 2017, and the District agrees to reimburse Golden Peaks on an annual appropriations basis at a rate of 8% per annum. Pursuant to the Prior Funding Agreement, Golden Peaks loaned \$80,000 to the Districts, which has been assumed by the District under this Agreement. The District has agreed to reimburse the prior advances to Golden Peaks in addition to any future advances.

On December 7, 2015, the District and the Developer (Hawthorn Development, Inc.) entered into a Funding and Reimbursement Agreement for operations and maintenance. This agreement states that the District does not presently have financial resources to provide funding for payment of its operations and maintenance costs that are projected to be incurred prior to the anticipated availability of funds, and that the Developer is willing to loan funds to the District for such costs. Specifically, the Developer agrees to loan up to \$500,000 to the District through December 31, 2017, and the District agrees to reimburse the Developer on an annual appropriations basis at a rate of 8% per annum. During 2017, the Developer advanced \$15,000 bringing the total principal to \$120,000. Accrued interest as of December 31, 2018 totaled \$41,013.

NOTE 8 RELATED PARTY

The Developers of the property which constitutes the District are Hawthorn Development, Inc. and Golden Peaks LLC. Hawthorn Development Inc. sold all 199 lots to Lennar Colorado, LLC. Certain members of the Board of Directors are employees of, owners of, or otherwise associated with the Developers, and may have conflicts of interest in dealing with the District.

NOTE 9 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 (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.

HAWTHORN METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, workers compensation, 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 10 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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. As of December 31, 2018, the District had provided but did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

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.

On November 6, 2012, the District's voters approved for an annual increase in taxes of \$5,000,000 for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

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

**HAWTHORN METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 424,328	\$ 424,328	\$ -
Specific Ownership Taxes	33,950	39,297	5,347
Net Investment Income	4,000	2,818	(1,182)
Total Revenues	<u>462,278</u>	<u>466,443</u>	<u>4,165</u>
EXPENDITURES			
Bond Interest - Series 2017A	291,408	291,408	-
Bond Principal - Series 2017A	60,000	60,000	-
Contingency	4,954	-	4,954
County Treasurer's Fees	6,365	6,368	(3)
Miscellaneous	-	28	(28)
Paying Agent Fees	3,000	-	3,000
Total Expenditures	<u>365,727</u>	<u>357,804</u>	<u>7,923</u>
NET CHANGE IN FUND BALANCE	96,551	108,639	12,088
Fund Balance - Beginning of Year	<u>110,340</u>	<u>23,434</u>	<u>(86,906)</u>
FUND BALANCE - END OF YEAR	<u>\$ 206,891</u>	<u>\$ 132,073</u>	<u>\$ (74,818)</u>

**HAWTHORN METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Bond Issuance	\$ -	\$ -	\$ -	\$ -
Underwriter's Discount	-	-	-	-
Net Investment Income	-	-	-	-
Interest Income	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital Outlay	-	6,600,000	3,070,599	3,529,401
Engineering	-	-	-	-
Repay Developer Advance	-	1,500,000	1,496,280	3,720
Bond Issue Costs	-	-	-	-
Contingency	-	-	-	-
Transfer to Hawthorn MD No. 1	-	-	-	-
Total Expenditures	<u>-</u>	<u>8,100,000</u>	<u>4,566,879</u>	<u>3,533,121</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(8,100,000)	(4,566,879)	3,533,121
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	8,100,000	1,496,280	(6,603,720)
Developer Advance	-	-	3,070,599	3,070,599
Transfer From Other Fund	-	-	-	-
Repay Developer Advance	-	-	-	-
Transfers to Other Fund	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,100,000</u>	<u>4,566,879</u>	<u>(3,533,121)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION

**HAWTHORN METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

\$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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 60,000	\$ 299,625	\$ 359,625
2020	70,000	296,925	366,925
2021	70,000	293,775	363,775
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
Total	<u>\$ 6,150,000</u>	<u>\$ 5,919,050</u>	<u>\$ 12,069,050</u>

HAWTHORN METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2015	\$ 1,238,995	12.500	50.000	\$ 77,437	\$ 77,437	100.00 %
2016	4,755,926	12.500	50.000	297,245	296,784	99.84
2017	6,371,109	16.500	50.000	423,678	301,446	71.15
2018	7,676,385	20.241	55.277	579,706	579,706	100.00
Estimated for the Year <u>Ending December 31,</u>						
2019	\$ 7,856,472	20.241	55.277	\$ 593,305		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.