



CliftonLarsonAllen LLP
CLAconnect.com

CliftonLarsonAllen

Accountant's Compilation Report

Board of Directors
Hawthorn Metropolitan District No. 2

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Hawthorn Metropolitan District No. 2 for the year ending December 31, 2020, including the estimate of comparative information for the year ended December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions, which describe that the budget is presented in accordance with the requirements of C.R.S 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Hawthorn Metropolitan District No. 2.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 27, 2020



An independent member of Nexia International

**HAWTHORN METROPOLITAN DISTRICT NO. 2
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ (49,772)	\$ 111,336	\$ 250,062
REVENUES			
2018 Operations Fees	-	6,777	-
Interest Income	2,897	3,770	4,405
Operations Fees	93,729	93,132	93,132
Other Revenue	-	120	-
Penalties & Late Fees	2,678	3,593	-
Property Taxes	579,706	593,769	683,440
Specific Ownership Taxes	53,685	49,700	54,675
Transfer Fees	-	3,000	-
Total revenues	<u>732,695</u>	<u>753,861</u>	<u>835,652</u>
TRANSFERS IN	<u>41,374</u>	<u>79,362</u>	<u>85,000</u>
Total funds available	<u>724,297</u>	<u>944,559</u>	<u>1,170,714</u>
EXPENDITURES			
General Fund	83,626	80,000	86,000
Operations Fund	130,157	160,991	178,725
Debt Service Fund	357,804	374,144	390,000
Total expenditures	<u>571,587</u>	<u>615,135</u>	<u>654,725</u>
TRANSFERS OUT	<u>41,374</u>	<u>79,362</u>	<u>85,000</u>
Total expenditures and transfers out requiring appropriation	<u>612,961</u>	<u>694,497</u>	<u>739,725</u>
ENDING FUND BALANCES	<u>\$ 111,336</u>	<u>\$ 250,062</u>	<u>\$ 430,989</u>
Emergency Reserve	\$ 5,100	\$ 5,100	\$ 5,800
Available for Operations	(28,737)	9,061	35,406
Special Revenue Reserve	2,900	3,200	2,800
Surplus Fund	132,073	232,701	386,983
TOTAL RESERVE	<u>\$ 111,336</u>	<u>\$ 250,062</u>	<u>\$ 430,989</u>

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

HAWTHORN METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

1/27/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION			
Residential	\$ 7,676,087	\$ 7,856,213	\$ 8,987,083
Vacant land	203	203	203
Personal property	95	56	30
Certified Assessed Value	<u>\$ 7,676,385</u>	<u>\$ 7,856,472</u>	<u>\$ 8,987,316</u>
MILL LEVY			
General	20.241	20.241	20.382
Debt Service	55.277	55.277	55.663
Total mill levy	<u>75.518</u>	<u>75.518</u>	<u>76.045</u>
PROPERTY TAXES			
General	\$ 155,378	\$ 159,023	\$ 183,179
Debt Service	424,328	434,282	500,261
Levied property taxes	579,706	593,305	683,440
Refunds and abatements	-	464	-
Budgeted property taxes	<u>\$ 579,706</u>	<u>\$ 593,769</u>	<u>\$ 683,440</u>
BUDGETED PROPERTY TAXES			
General	\$ 155,378	\$ 159,147	\$ 183,179
Debt Service	424,328	434,622	500,261
	<u>\$ 579,706</u>	<u>\$ 593,769</u>	<u>\$ 683,440</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
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ (47,111)	\$ (2,266)	\$ 13,563
REVENUES			
Interest Income	79	20	405
Property Taxes	155,378	159,147	183,179
Specific Ownership Taxes	14,388	13,300	14,654
Total revenues	<u>169,845</u>	<u>172,467</u>	<u>198,238</u>
TRANSFERS IN			
Transfers from Other Fund	<u>-</u>	<u>1,362</u>	<u>-</u>
Total funds available	<u>122,734</u>	<u>171,563</u>	<u>211,801</u>
EXPENDITURES			
General and administrative			
Accounting	22,114	25,000	25,000
Audit	4,700	4,700	4,900
County Treasurer's Fee	2,332	2,387	2,748
Directors' Fees	738	1,000	1,600
Dues	448	479	500
Elections	749	-	1,000
Insurance	10,800	11,035	12,150
Legal	40,598	34,000	35,000
Miscellaneous	1,147	1,399	3,102
Total expenditures	<u>83,626</u>	<u>80,000</u>	<u>86,000</u>
TRANSFERS OUT			
Transfer to other fund	<u>41,374</u>	<u>78,000</u>	<u>85,000</u>
Total expenditures and transfers out requiring appropriation	<u>125,000</u>	<u>158,000</u>	<u>171,000</u>
ENDING FUND BALANCE	<u>\$ (2,266)</u>	<u>\$ 13,563</u>	<u>\$ 40,801</u>
Emergency Reserve	\$ 5,100	\$ 5,100	\$ 5,800
Available for Operations	(7,366)	8,463	35,001
TOTAL RESERVE	<u>\$ (2,266)</u>	<u>\$ 13,563</u>	<u>\$ 40,801</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
OPERATIONS FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

1/27/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ (26,095)	\$ (18,471)	\$ 3,798
REVENUES			
2018 Operations Fees	-	6,777	-
Operations Fees	93,729	93,132	93,132
Penalties & Late Fees	2,678	3,593	-
Transfer Fees	-	3,000	-
Other Revenue	-	120	-
Total revenues	96,407	106,622	93,132
TRANSFERS IN			
Transfers from Other Fund	41,374	78,000	85,000
Total funds available	111,686	166,151	181,930
EXPENDITURES			
General and Administrative			
Billing	2,576	-	-
Covenant Enforcement	1,400	1,440	1,920
Design Review	1,400	2,400	1,920
District Management	10,898	15,000	18,000
Engineering - Underdrain	4,299	-	5,000
Legal	4,972	5,000	2,400
Postage & Copies	448	500	500
Operations and Maintenance			
Electricity	451	200	210
Fence Repair	2,484	-	-
Grounds Cleanup	4,381	2,500	3,500
Irrigation Repairs	3,605	3,000	4,000
Landscape Improvements	-	30,000	35,000
Landscape Maintenance Contract	34,201	25,000	25,000
Lighting Repair	-	-	50
North Table Mtn IGA	14,282	14,451	15,175
Snow Removal	2,360	15,000	15,000
Social Activities	1,318	3,000	3,000
Trash Removal	36,922	38,000	42,300
Water	4,160	5,000	5,250
Website	-	500	500
Total expenditures	130,157	160,991	178,725
TRANSFERS OUT			
Transfers to Other Fund	-	1,362	-
Total expenditures and transfers out requiring appropriation	130,157	162,353	178,725
ENDING FUND BALANCE	\$ (18,471)	\$ 3,798	\$ 3,205
Special Revenue Reserve	\$ 2,900	\$ 3,200	\$ 2,800
Available for Operations	(21,371)	598	405
TOTAL RESERVE	\$ (18,471)	\$ 3,798	\$ 3,205

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
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ 23,434	\$ 132,073	\$ 232,701
REVENUES			
Interest income	2,818	3,750	4,000
Property Taxes	424,328	434,622	500,261
Specific Ownership Taxes	39,297	36,400	40,021
Total revenues	<u>466,443</u>	<u>474,772</u>	<u>544,282</u>
Total funds available	<u>489,877</u>	<u>606,845</u>	<u>776,983</u>
EXPENDITURES			
Bond Interest - Series 2017A	291,408	299,625	296,925
Bond Principal - Series 2017A	60,000	60,000	70,000
Contingency	-	-	7,571
County Treasurer's Fee	6,368	6,519	7,504
Miscellaneous	28	-	-
Paying Agent Fees	-	8,000	8,000
Total expenditures	<u>357,804</u>	<u>374,144</u>	<u>390,000</u>
Total expenditures and transfers out requiring appropriation	<u>357,804</u>	<u>374,144</u>	<u>390,000</u>
ENDING FUND BALANCE	<u>\$ 132,073</u>	<u>\$ 232,701</u>	<u>\$ 386,983</u>
Surplus Fund	<u>\$ 132,073</u>	<u>\$ 232,701</u>	<u>\$ 386,983</u>
TOTAL RESERVE	<u>\$ 132,073</u>	<u>\$ 232,701</u>	<u>\$ 386,983</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
2020 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 inactive.

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.

**HAWTHORN METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

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.

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 8% of the property taxes collected for General Fund and 8% for Debt Service Fund.

Operations Fee

The District collects a fee of \$468 per year from homeowners. The fees are used to cover the costs of landscaping, maintenance and trash removal for the District.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.5%.

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.

Maintenance Expenditures

Anticipated maintenance expenditures are shown on the Operations Fee 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
2020 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.

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
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
	\$ 6,090,000	\$ 5,619,425	\$ 11,709,425

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