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## Accountant's Compilation Report

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

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, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. 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 American Institute of Certified Public Accountants. 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.

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.

Greenwood Village, Colorado  
January 8, 2018

**HAWTHORN METROPOLITAN DISTRICT NO. 2**  
**SUMMARY**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 883,907	\$ 832,543	\$ 49,724
REVENUES			
1 Property taxes	296,794	294,697	579,706
2 Specific ownership taxes	23,843	27,479	46,380
3 Developer advance	25,000	5,015,000	-
4 Net investment income	4,346	5,025	6,400
5 Bond issuance	-	9,715,000	-
6 Operation fees	98,423	98,423	105,582
Total revenues	<u>448,406</u>	<u>15,155,624</u>	<u>738,068</u>
TRANSFERS IN	<u>7,067</u>	<u>30,000</u>	<u>30,000</u>
Total funds available	<u>1,339,380</u>	<u>16,018,167</u>	<u>817,792</u>
EXPENDITURES			
7 General and administration			
8 Accounting	15,762	20,000	20,000
9 Audit	4,700	4,700	4,900
10 Contingency	-	-	477
11 County Treasurer's fees	891	1,069	2,330
12 County's interest expense	5,036	1,896	-
13 Director fees	-	800	800
14 Dues and membership	703	479	600
15 Election	795	-	2,000
16 Insurance	5,787	10,264	11,000
17 Legal	43,731	53,000	30,000
18 Miscellaneous	288	25	-
19 Transfers to Hawthorn #1	40,657	-	-
20 Operations and maintenance			
21 Accounting	7,950	-	-
22 Director expense	-	2,000	-
23 Facility management - transfer fee	10,040	4,000	1,000
24 Facility management fee	12,165	14,517	14,500
25 Fence repair	-	-	800
26 Gas and electric	147	800	1,200
27 Grounds cleanup	-	3,500	3,500
28 Insurance and bonds	988	-	-
29 Intergovernmental expenditures	20,755	-	-
30 Irrigation repairs	6,504	4,472	3,400
31 Landscape maintenance contrac	26,823	38,000	40,000
32 Lighting repair	-	50	50
33 Miscellaneous	1,525	259	-
34 North Table IGA payment	-	14,100	14,600
35 Postage, printing and copies	670	2,500	600
36 Snow removal	3,351	4,500	4,870
37 Social activities	-	3,000	3,000
38 Sod repair	-	250	-
39 Trash removal	-	32,200	29,700
40 Water and sewer	19,608	5,000	18,600
41 Debt service			
42 Bond interest Series 2014	263,288	263,288	-
43 Bond interest Series 2015	-	56,666	-
44 Bond interest Series 2017A	-	-	291,408
45 Bond issue costs	-	363,580	-
46 Bond principal Series 2017A	-	-	60,000
47 Contingency	-	-	4,954
48 County interest expense	-	5,746	-
49 County Treasurer's fees	3,564	1,647	6,365
50 Paying agent fees	-	3,000	3,000
51 Refunding escrow payment	-	6,970,950	-
52 Capital projects			
53 Bond issue costs	495	59,540	-
54 Capital outlay	-	5,000,000	-
55 Repay developer advances	-	2,992,645	-
56 Transfers to Hawthorn #1	3,548	-	-
Total expenditures	<u>499,771</u>	<u>15,938,443</u>	<u>573,654</u>
TRANSFERS OUT	<u>7,067</u>	<u>30,000</u>	<u>30,000</u>
Total expenditures and transfers out requiring appropriation	<u>506,838</u>	<u>15,968,443</u>	<u>603,654</u>
ENDING FUND BALANCES	\$ 832,542	\$ 49,724	\$ 214,138
EMERGENCY RESERVE	\$ -	\$ 2,500	\$ 5,100
RESERVE FUND	375,025	-	-
SURPLUS FUND	284,349	110,340	206,891
TOTAL RESERVE	<u>\$ 659,374</u>	<u>\$ 112,840</u>	<u>\$ 211,991</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**  
**For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
<b>ASSESSED VALUATION - JEFFERSON</b>			
Residential	\$ 1,339,104	\$ 4,495,240	\$ 7,676,087
Commercial	7,467	50,906	-
Vacant Land	3,409,355	1,824,963	203
Personal Property	-	-	95
Certified Assessed Value	<u>\$ 4,755,926</u>	<u>\$ 6,371,109</u>	<u>\$ 7,676,385</u>
<b>MILL LEVY</b>			
GENERAL FUND	12.500	16.500	20.241
DEBT SERVICE FUND	50.000	50.000	55.277
Total Mill Levy	<u>62.500</u>	<u>66.500</u>	<u>75.518</u>
<b>PROPERTY TAXES</b>			
GENERAL FUND	\$ 59,449	\$ 105,123	\$ 155,378
DEBT SERVICE FUND	237,796	318,555	424,328
Levied property taxes	297,245	423,678	579,706
Adjustments to actual/rounding	(451)	(52,878)	-
Refund and abatements	-	(76,103)	-
Budgeted Property Taxes	<u>\$ 296,794</u>	<u>\$ 294,697</u>	<u>\$ 579,706</u>
<b>BUDGETED PROPERTY TAXES</b>			
GENERAL FUND	\$ 59,359	\$ 73,120	\$ 155,378
DEBT SERVICE FUND	237,435	221,577	424,328
	<u>\$ 296,794</u>	<u>\$ 294,697</u>	<u>\$ 579,706</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**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ (36,735)	\$ (60,891)
<b>REVENUES</b>			
1 Property taxes	59,359	73,120	155,378
2 Specific ownership taxes	4,280	9,932	12,430
3 Developer advance	25,000	15,000	-
4 Net investment income	43	25	1,000
Total revenues	88,682	98,077	168,808
Total funds available	88,682	61,342	107,917
<b>EXPENDITURES</b>			
General and administration			
5 Accounting	15,762	20,000	20,000
6 Audit	4,700	4,700	4,900
7 Contingency	-	-	477
8 County Treasurer's fees	891	1,069	2,330
9 County's interest expense	5,036	1,896	-
10 Director fees	-	800	800
11 Dues and membership	703	479	600
12 Election	795	-	2,000
13 Insurance	5,787	10,264	11,000
14 Legal	43,731	53,000	30,000
15 Miscellaneous	288	25	-
16 Transfers to Hawthorn #1	40,657	-	-
Total expenditures	118,350	92,233	72,107
<b>TRANSFERS OUT</b>			
OPERATIONS FUND			
Total transfers out	7,067	30,000	30,000
Total expenditures and transfers out requiring appropriation	125,417	122,233	102,107
ENDING FUND BALANCES	\$ (36,735)	\$ (60,891)	\$ 5,810
EMERGENCY RESERVE	\$ -	\$ 2,500	\$ 5,100
TOTAL RESERVE	\$ -	\$ 2,500	\$ 5,100

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**  
**FORECASTED 2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 5,036	\$ -	\$ 275
REVENUES			
1 Net investment income	-	1,000	1,400
2 Operation fees	98,423	98,423	105,582
Total revenues	<u>98,423</u>	<u>99,423</u>	<u>106,982</u>
TRANSFERS IN			
GENERAL FUND	7,067	30,000	30,000
Total transfers in	<u>7,067</u>	<u>30,000</u>	<u>30,000</u>
Total funds available	<u>110,526</u>	<u>129,423</u>	<u>137,257</u>
EXPENDITURES			
Operations and maintenance			
3 Accounting	7,950	-	-
4 Director expense	-	2,000	-
5 Facility management - transfer fee	10,040	4,000	1,000
6 Facility management fee	12,165	14,517	14,500
7 Fence repair	-	-	800
8 Gas and electric	147	800	1,200
9 Grounds cleanup	-	3,500	3,500
10 Insurance and bonds	988	-	-
11 Intergovernmental expenditures	20,755	-	-
12 Irrigation repairs	6,504	4,472	3,400
13 Landscape maintenance contract	26,823	38,000	40,000
14 Lighting repair	-	50	50
15 Miscellaneous	1,525	259	-
16 North Table IGA payment	-	14,100	14,600
17 Postage, printing and copies	670	2,500	600
18 Snow removal	3,351	4,500	4,870
19 Social activities	-	3,000	3,000
20 Sod repair	-	250	-
21 Trash removal	-	32,200	29,700
22 Water and sewer	19,608	5,000	18,600
Total expenditures	<u>110,526</u>	<u>129,148</u>	<u>135,820</u>
Total expenditures and transfers out requiring appropriation	<u>110,526</u>	<u>129,148</u>	<u>135,820</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 275</u>	<u>\$ 1,437</u>

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

**HAWTHORN METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 874,833	\$ 869,278	\$ 110,340
REVENUES			
1 Property taxes	237,435	221,577	424,328
2 Specific ownership taxes	19,563	17,547	33,950
3 Net investment income	4,298	4,000	4,000
4 Bond issuance	-	6,662,815	-
Total revenues	261,296	6,905,939	462,278
Total funds available	1,136,129	7,775,217	572,618
EXPENDITURES			
Debt service			
5 Bond interest Series 2014	263,288	263,288	-
6 Bond interest Series 2015	-	56,666	-
7 Bond interest Series 2017A	-	-	291,408
8 Bond issue costs	-	363,580	-
9 Bond principal Series 2017A	-	-	60,000
10 Contingency	-	-	4,954
11 County interest expense	-	5,746	-
12 County Treasurer's fees	3,564	1,647	6,365
13 Paying agent fees	-	3,000	3,000
14 Refunding escrow payment	-	6,970,950	-
Total expenditures	266,852	7,664,877	365,727
Total expenditures and transfers out requiring appropriation	266,852	7,664,877	365,727
ENDING FUND BALANCES	\$ 869,277	\$ 110,340	\$ 206,891
RESERVE FUND	\$ 375,025	\$ -	\$ -
SURPLUS FUND	284,349	110,340	206,891
TOTAL RESERVE	\$ 659,374	\$ 110,340	\$ 206,891

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

**HAWTHORN METROPOLITAN DISTRICT NO. 2**  
**CAPITAL PROJECTS FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 4,038	\$ -	\$ -
REVENUES			
1 Developer advance	-	5,000,000	-
2 Net investment income	5	-	-
3 Bond issuance	-	3,052,185	-
Total revenues	5	8,052,185	-
Total funds available	4,043	8,052,185	-
EXPENDITURES			
Capital projects			
4 Bond issue costs	495	59,540	-
5 Capital outlay	-	5,000,000	-
6 Repay developer advances	-	2,992,645	-
7 Transfers to Hawthorn #1	3,548	-	-
Total expenditures	4,043	8,052,185	-
Total expenditures and transfers out requiring appropriation	4,043	8,052,185	-
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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

**HAWTHORN METROPOLITAN DISTRICT NO. 2**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

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

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation/storm sewer, streets, park and recreation, transportation, mosquito control, safely protection, fire protection, television relay and translation, and security. The District was organized in conjunction with Hawthorn Metropolitan District No. 1 which 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 55.277 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.

**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 page of the budget using the adopted mill levy imposed by the District.

**Specific Ownership**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The 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.



**HAWTHORN METROPOLITAN DISTRICT NO. 2**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Expenditures**

**County Treasurer's Fees**

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

**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 will be applied to 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.

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.

**HAWTHORN METROPOLITAN DISTRICT NO. 2  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**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**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>\$6,210,000</b>		
	<b>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</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	60,000	291,408	351,408
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
	<u>\$ 6,210,000</u>	<u>\$ 6,210,458</u>	<u>\$ 12,420,458</u>