

ROBERTSON & MARCHETTI, P.C.

Certified Public Accountants

Accountant's Compilation Report

November 27, 2012

Board of Directors
Cornerstone Metropolitan District No. 2
Montrose, Colorado

I have compiled the accompanying combined balance sheet of Cornerstone Metropolitan District No. 2 as of October 31, 2012 and the related statement of revenues, expenditures and changes in fund balance with budgets for the ten month period then ended. I also compiled the accompanying budget and forecast of revenues, expenditures and changes in fund balance for the year ending December 31, 2012 and the adopted budget for 2013, in accordance with standards established by the American Institute of Certified Public Accountants.

I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

As a consulting financial manager, I participate in the financial management of the District. Management (with my participation) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. I have prepared these financial statements in my capacity as a consulting financial manager for the District.

My responsibility includes conducting the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management (with my participation) has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

A compilation of a forecasted financial statement is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. I have not examined the accompanying forecast and, accordingly, do not express an opinion or any other form of assurance on the forecasted statement or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. I have no responsibility to update this report for events or circumstances occurring after the date of this report.

The actual historical information for calendar year 2011 is presented for comparative purposes only. Such information is taken from the financial statements for the District for the year ended December 31, 2011, which have been audited by Haynie & Company, and upon which they expressed an unqualified opinion in their report dated September 20, 2012.

I am not independent with respect to Cornerstone Metropolitan District No. 2 because I perform certain accounting services that impair my independence.

ROBERTSON & MARCHETTI, P.C.



Eric Weaver, CPA
Vice-President

	IGA DEBT SVC FUND	BOND DEBT SVC FUND	LONG-TRM DEBT	TOTAL
ASSETS				
Csafe	177,247	-	-	177,247
Pooled Cash	(115,737)	115,737	-	-
Reserve Fund- 2010A	-	520,080	-	520,080
Surplus Fund- 2010B	-	2,255,384	-	2,255,384
Revenue Fund- 2010B	-	-	-	-
Fee Account - 2010B	-	-	-	-
Interest Account-2010A	-	8,651	-	8,651
Interest Account-2010B	-	8	-	8
Cost of Issuance Fund-2010A	-	-	-	-
Cost of Issuance Fund-2010B	-	-	-	-
Due from Montrose Co. Treasurer	-	-	-	-
Due from Ouray County Treasurer	-	-	-	-
Property Taxes Receivable Montrose	45,717	73,147	-	118,863
Property Taxes Receivable Ouray	56,569	90,510	-	147,079
TOTAL ASSETS	163,796	3,063,517	-	3,227,313
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	-	-	-	-
Due to District No. 1- Ops	60,854	-	-	60,854
Due to District No. 1- Bond Issue Cost Reimb	-	-	-	-
Due to Montrose County Treasurer	-	-	-	-
Deferred Property Tax Revenue Montrose	45,717	73,147	-	118,863
Deferred Property Tax Revenue Ouray	56,569	90,510	-	147,079
Bonds Payable-2010A	-	-	5,200,000	5,200,000
Bonds Payable 2010B	-	-	17,000,000	17,000,000
TOTAL LIABILITIES	163,139	163,657	22,200,000	22,526,796
NET ASSETS				
Amount to be Provided For Bonds	-	-	(22,200,000)	(22,200,000)
Fund Balance- Restricted For Debt Service	-	2,899,860	-	2,899,860
Fund Balance- UnAssigned	657	-	-	657
TOTAL NET ASSETS	657	2,899,860	(22,200,000)	(19,299,483)
TOTAL LIABILITIES AND NET ASSETS	163,796	3,063,517	-	3,227,313

CORNERSTONE METROPOLITAN DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

Modified
 Accrual
 Basis

GENERAL FUND	2011 Prelim Actual	2012 Adopted Budget	Variance Favorable (Unfav)	2012 Forecast	10 Months Ended 10/31/12 Actual	10 Months Ended 10/31/12 Budget	Variance Favorable (Unfav)	2013 Adopted Budget	Budget Assumptions
REVENUES									
General Operations Fee	-	-	-	-	-	-	-	292,877	Estimate Per Fee Schedule Cobalt Portion
Allowance for Fees Not Timely Paid	-	-	-	-	-	-	-	(127,998)	
TOTAL REVENUES	-	-	-	-	-	-	-	164,879	
EXPENSES									
Xfer to No. 1 General Operations Fee	-	-	-	-	-	-	-	164,879	Amt Available
Contingency	-	-	-	-	-	-	-	-	
TOTAL EXPENDITURES	-	-	-	-	-	-	-	164,879	
REVENUE OVER (UNDER) EXPEND.	-	-	-	-	-	-	-	-	
FUND BALANCE - BEGINNING	-	-	-	-	-	-	-	-	
FUND BALANCE - ENDING	-	-	-	-	-	-	-	-	

CORNERSTONE METROPOLITAN DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

Modified
 Accrual
 Basis

CONTRACTUAL OBLIGATIONS DEBT SERVICE FUND	2011 Prelim Actual	2012 Adopted Budget	Variance Favorable (Unfav)	2012 Forecast	10 Months Ended 10/31/12 Actual	10 Months Ended 10/31/12 Budget	Variance Favorable (Unfav)	2013 Adopted Budget	Budget Assumptions
Mill Levy- Contractual- Operations	14,000	20,000		20,000				20,000	20 Max, 55 Total Max
Mill Levy- Contractual - Debt Service	0.000	0.000		0.000			0.000		
Assessed Valuation Montrose	3,520,289	2,569,250		2,569,250			2,571,566	Nov Final AV	
Assessed Valuation Ouray	14,648,260	9,833,590		9,833,590			9,849,250	Nov Final AV	
REVENUES									
Prop Taxes- Montrose Ops	49,284	51,385	(15,957)	35,428	5,668	51,385	(45,717)	51,431	
Prop Taxes- Montrose Ops- Prior Year		-	-	-		-	-	15,957	Parcel R0010377 Not Collected
Prop Taxes- Ouray Ops	207,077	196,672	(8,878)	187,794	140,103	196,672	(56,569)	196,985	
Prop Taxes- Ouray Ops- Prior Year		-	-	-		-	-	8,878	Parcel R005689 Not Collected
Prop. Taxes- Montrose DS	-	-	-	-	-	-	-	-	
Prop. Taxes- Ouray DS	-	-	-	-	-	-	-	-	
Specific Ownership- Montrose	4,357	6,937	(1,798)	5,139	4,101	5,203	(1,102)	5,143	10% of Ppty Taxes
Specific Ownership- Ouray	9,617	14,750	(3,442)	11,309	9,218	11,063	(1,845)	11,327	5.75% of Ppty Taxes
Development Fees		-	-	-		-	-	-	
Interest Income/ Contingency	284	1,000	3,000	4,000	2,470	833	1,637	2,980	
TOTAL REVENUES	270,619	270,744	(27,075)	243,669	161,560	265,156	(103,596)	292,702	
EXPENSES									
Treasurer's Fees Montrose	987	1,028	319	709	114	1,028	914	1,029	2% of taxes
Treasurer's Fees Ouray	6,160	5,900	266	5,634	4,268	5,900	1,632	5,910	3% of taxes
Xfer to No. 1 Operations	263,425	262,816	25,690	237,126	156,921	257,394	100,473	284,763	Amt Available
Xfer to No. 1 Capital/Debt Svc	-	-	-	-	-	-	-	-	
Trfr to No. 1- Development Fees	-	-	-	-	-	-	-	-	
Contingency		1,000	1,000	-		833	833	1,000	
TOTAL EXPENDITURES	270,572	270,744	27,275	243,469	161,304	265,156	103,852	292,702	
REVENUE OVER (UNDER) EXPEND.	48	-	200	200	256	-	256	-	
OTHER FINANCING SOURCES/(USES)									
Inter-Fund Transfer for Senior Bond Fund	-	-	-	-	-	-	-	-	
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-	-	-	-	
FUND BALANCE - BEGINNING	353	419	(18)	401	401	419	(18)	601	
FUND BALANCE - ENDING	401	419	182	601	657	419	238	601	

SEE ACCOMPANYING ACCOUNTANT'S REPORT

CORNERSTONE METROPOLITAN DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

Modified
 Accrual
 Basis

SENIOR & SUBORDINATE BOND DEBT SERVICE FUND	2011 Prelim Actual	2012 Adopted Budget	Variance Favorable (Unfav)	2012 Forecast	10 Months Ended 10/31/12 Actual	10 Months Ended 10/31/12 Budget	Variance Favorable (Unfav)	2013 Adopted Budget	Budget Assumptions
Senior Mill Levy	25,000	32,000		32,000				32,000	Reqd to cover cost of A's Only if Senior below 30
Subordinate Mill Levy	-	-		-			-	-	
Total Mill Levy- Bond Debt Service	25,000	32,000		32,000				32,000	40 Max
Assessed Valuation- Montrose	3,520,289	2,569,250		2,569,250				2,571,566	Nov Final AV
Assessed Valuation- Ouray	14,648,260	9,833,590		9,833,590				9,849,250	Nov Final AV
# of Lots Sold	61	7		-				-	All paid for current platings
Development Fee Per Lot Sale	26,000	26,000		26,000				26,000	
REVENUES									
Prop Taxes- Montrose	88,007	82,216	(25,532)	56,684	9,069	82,216	(73,147)	82,290	Using Mills & AV Above
Prop Taxes- Montrose- Prior Year	-	-	-	-	-	-	-	25,532	Parcel R0010377 Not Collected
Prop Taxes- Ouray	369,780	314,675	(14,205)	300,470	224,165	314,675	(90,510)	315,176	Using Mills & AV Above
Prop Taxes- Ouray- Prior Year	-	-	-	-	-	-	-	14,205	Parcel R005689 Not Collected
Specific Ownership- Montrose	7,780	11,099	(2,878)	8,222	6,561	8,324	(1,763)	8,229	10% of Pty Taxes
Specific Ownership- Ouray	17,173	23,601	(5,507)	18,094	14,748	17,700	(2,952)	18,123	5.75% of Pty Taxes
Development Fees	1,586,000	182,000	(182,000)	-	-	-	-	-	Lot Sales X Dev Fee Amt
Prepaid Development Fees	-	-	-	-	-	-	-	-	
Interest Income	4,425	1,797	10,496	12,293	7,715	1,498	6,217	7,420	High for delinquent properties
TOTAL REVENUES	2,073,165	615,388	(219,625)	395,763	262,259	424,413	(162,155)	470,975	
EXPENSES									
Treasurer's Fees Montrose	1,762	1,644	511	1,134	183	1,644	1,462	1,646	2% of taxes
Treasurer's Fees Ouray	11,001	9,440	426	9,014	6,830	9,440	2,610	9,455	3% of taxes
Series 2010A Senior Bonds- Principal	-	-	-	-	-	-	-	-	No Pmt Due
Series 2010A Senior Bonds- Interest	399,822	416,000	-	416,000	208,000	208,000	-	416,000	\$5.2M at 8%
Wire Fees	3,540	3,540	-	3,540	2,950	2,950	-	3,540	\$295 Per Month
Paying Agent Fees	6,000	3,500	-	3,500	-	-	-	3,500	Fiat Fee
Rating Agent Fees	2,000	2,000	-	2,000	-	-	-	2,000	Fiat Fee
Remarketing Fees	24,178	34,000	-	34,000	34,000	34,000	-	34,000	0.2% Fee
Letter of Credit Fee	610,406	611,858	(19)	611,877	458,072	458,058	(14)	611,858	3.5% Fee
Series 2010B Sub Bonds- Principal	-	-	-	-	-	-	-	-	No Pmt Due
Series 2010B Sub Bonds- Interest	38,481	170,000	129,200	40,800	30,535	127,500	96,965	42,500	\$17 M @ Estimated .25% Int Ra
Contingency	-	182,000	182,000	-	-	-	-	100,000	Incase interest rates rise
TOTAL EXPENDITURES	1,097,188	1,433,983	312,118	1,121,865	740,570	841,593	101,023	1,224,499	
REVENUE OVER (UNDER) EXPEND.	975,977	(818,595)	92,493	(726,102)	(478,311)	(417,179)	(61,132)	(753,525)	
OTHER FINANCING SOURCES/(USES)									
Bond Proceeds- 2010A	-	-	-	-	-	-	-	-	
Bond Proceeds- 2010B	-	-	-	-	-	-	-	-	
Bond Cost of Issuance	-	-	-	-	-	-	-	-	
Inter-District Contributions	-	-	-	-	-	-	-	-	
Xfer of Net Bond Proceeds to No. 1	-	-	-	-	-	-	-	-	
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-	-	-	-	
FUND BALANCE - BEGINNING	2,402,195	1,797,341	1,580,830	3,378,171	3,378,171	1,797,341	1,580,830	2,652,069	
FUND BALANCE - ENDING	3,378,171	978,746	1,673,323	2,652,069	2,899,860	1,380,162	1,519,698	1,898,545	
FUND BALANCE DETAIL									
2010-A Reserve Fund	520,029	520,000	-	520,000	520,080			520,000	
Assigned For 2010-A Future Debt Service	71,269	-	37,385	37,385	8,651			77,758	
Assigned For 2010-B Future Debt Service	2,786,873	458,746	1,635,939	2,094,685	2,371,129			1,300,786	
TOTAL FUND BALANCE	3,378,171	978,746	1,673,323	2,652,069	2,899,860	-	-	1,898,545	