

ROBERTSON & MARCHETTI, P.C.

Certified Public Accountants

Accountant's Compilation Report

December 19, 2013

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 November 30, 2013 and the related statement of revenues, expenditures and changes in fund balance with budgets for the eleven 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, 2013 and the 2014 adopted budgets, 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 and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations and cash flows. 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 2012 is presented for comparative purposes only. Such information is taken from the financial statements for the District for the year ended December 31, 2012, which have been audited by Haynie & Company, and upon which they expressed an unqualified opinion in their report dated July 15, 2013.

I am not independent from and accounting and auditing perspective 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

CORNERSTONE METROPOLITAN DISTRICT NO. 2
 STATEMENT OF NET POSITION
 November 30, 2013

Print Date: 12/19/13

	IGA DEBT SVC FUND	BOND DEBT SVC FUND	LONG-TERM DEBT	TOTAL
ASSETS				
Csafe	552	-	-	552
Reserve Fund- 2010A		520,152		520,152
Interest Account-2010A		296,605		296,605
Revenue Fund- 2010B		200,065		200,065
Fee Account - 2010B		53,658		53,658
Interest Account-2010B		8		8
Surplus Fund- 2010B		1,137,182		1,137,182
Due from Montrose Co. Treasurer	-	-	-	-
Due from Ouray County Treasurer	-	-	-	-
Property Taxes Receivable Montrose	15,961	25,537		41,498
Property Taxes Receivable Montrose - Prior Y	15,957	25,532		41,489
Property Taxes Receivable Ouray	77,401	123,842		201,244
Property Taxes Receivable Ouray - Prior Year	8,074	12,918		20,992
TOTAL ASSETS	117,946	2,395,500	-	2,513,446
LIABILITIES AND DEFERRED INFLOWS				
Accounts Payable	-	-	-	-
Due to District No. 1- Ops	0		24,031	24,031
Due to Montrose County Treasurer	-	-	-	-
Deferred Property Tax Revenue Montrose	15,961	25,537		41,498
Deferred Property Tax Revenue Montrose - P'	15,957	25,532	(15,957)	25,532
Deferred Property Tax Revenue Ouray	77,401	123,842		201,244
Deferred Property Tax Revenue Ouray - PY	8,074	12,918	(8,074)	12,918
Bonds Payable-2010A			5,200,000	5,200,000
Bonds Payable 2010B			17,000,000	17,000,000
TOTAL LIAB & DEF INFLOWS	117,393	187,829	22,200,000	22,505,223
NET POSITION				
Invested In Bonds Payable			(22,200,000)	(22,200,000)
Invested In Amounts Owed to District #1			-	-
Fund Balance- Restricted For Debt Service		2,207,671		2,207,671
Fund Balance- UnAssigned	552			552
TOTAL NET POSITION	552	2,207,671	(22,200,000)	(19,991,777)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	117,946	2,395,500	-	2,513,446

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	2012 Audited Actual	2013 Adopted Budget	Variance Favorable (Unfav)	2013 Forecast	11 Months Ended 11/30/13 Actual	11 Months Ended 11/30/13 Budget	Variance Favorable (Unfav)	2014 Adopted Budget	Budget Assumptions
Mill Levy- Contractual- Operations	20,000	20,000		20,000				70,000	Service plan cap released
Mill Levy- Contractual - Debt Service	0,000	0,000		0,000				0,000	
Assessed Valuation Montrose	2,569,250	2,571,566		2,571,566				1,049,944	Final AV
Assessed Valuation Ouray	9,833,590	9,849,250		9,849,250				3,741,910	Final AV
REVENUES									
Prop Taxes- Montrose Ops	35,428	51,431	-	51,431	35,471	25,201	10,269	73,496	
Prop Taxes- Montrose Ops- Prior Year		15,957	(15,957)	-		15,957	(15,957)		
Prop Taxes- Ouray Ops	188,598	196,985	-	196,985	119,584	124,101	(4,517)	261,934	
Prop Taxes- Ouray Ops- Prior Year		8,878	(8,878)	-		8,878	(8,878)		
Prop. Taxes- Montrose DS	-	-	-	-	-	-	-	-	
Prop. Taxes- Ouray DS	-	-	-	-	-	-	-	-	
Less Allowance for Unsold Tax Liens			(30,629)	(30,629)				(43,011)	1 Mont & 4 Ouray Properties
Specific Ownership- Montrose	5,446	5,143	-	5,143	4,597	4,286	311	7,350	10% of Ppty Taxes
Specific Ownership- Ouray	12,561	11,327	985	12,312	12,066	9,439	2,627	15,061	5.75% of Ppty Taxes
Development Fees		-	-	-			-		
Interest Income/ Contingency	7,440	2,980	2,020	5,000	3,099	2,980	118	1,000	
TOTAL REVENUES	249,473	292,702	(52,459)	240,242	174,816	190,842	(16,026)	315,830	
EXPENSES									
Treasurer's Fees Montrose	745	1,029	-	1,029	738	648	(90)	1,470	2% of taxes
Treasurer's Fees Ouray	5,824	5,910	-	5,910	3,635	3,723	88	7,858	3% of taxes
Xfer to No. 1 Operations	242,812	284,763	51,524	233,239	170,383	185,554	15,171	305,502	Amnt Available
Xfer to No. 1 Capital/Debt Svc	-	-	-	-	-	-	-	-	
Trfr to No. 1- Development Fees	-	-	-	-	-	-	-	-	
Contingency		1,000	1,000	-		917	917	1,000	
TOTAL EXPENDITURES	249,380	292,702	52,524	240,177	174,756	190,842	16,086	315,830	
REVENUE OVER (UNDER) EXPEND.	92	-	65	65	59	-	59	-	
OTHER FINANCING SOURCES/(USES)									
Inter-Fund Transfer for Senior Bond Fund	-	-	-	-	-	-	-	-	
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-	-	-	-	
FUND BALANCE - BEGINNING	401	401	92	493	493	401	92	558	
FUND BALANCE - ENDING	493	401	157	558	552	401	151	558	

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	2012 Audited Actual	2013 Adopted Budget	Variance Favorable (Unfav)	2013 Forecast	11 Months Ended 11/30/13 Actual	11 Months Ended 11/30/13 Budget	Variance Favorable (Unfav)	2014 Adopted Budget	Budget Assumptions
Senior Mill Levy	32,000	32,000		32,000				40,000	Maximum of 40
Subordinate Mill Levy	-	-		-				-	Only if Senior below 30
Total Mill Levy- Bond Debt Service	32,000	32,000		32,000				40,000	40 Max
Assessed Valuation- Montrose	2,569,250	2,571,566		2,571,566				1,049,944	Final AV
Assessed Valuation- Ouray	9,833,590	9,849,250		9,849,250				3,741,910	Final AV
# of Lots Sold	7	-		-				-	All paid for current plattings
Development Fee Per Lot Sale	26,000	26,000		26,000				26,000	
REVENUES									
Prop Taxes- Montrose	56,684	82,290	-	82,290	56,753	40,322	16,431	41,998	Using Mills & AV Above
Prop Taxes- Montrose- Prior Year	-	25,532	(25,532)	-	-	25,532	(25,532)	-	2012 & 2013 Updaid taxes
Prop Taxes- Ouray	301,757	315,176	-	315,176	191,334	198,561	(7,227)	149,676	Using Mills & AV Above
Prop Taxes- Ouray- Prior Year	-	14,205	(14,205)	-	-	14,205	(14,205)	-	2012 & 2013 Updaid taxes
Less Allowance for Delayed Payments	-	-	(49,006)	(49,006)	-	-	-	(24,578)	1 Mont & 4 Ouray Properties
Specific Ownership- Montrose	8,713	8,229	-	8,229	7,355	6,858	498	4,200	10% of Ppty Taxes
Specific Ownership- Ouray	20,097	18,123	1,576	19,699	19,306	15,102	4,203	8,606	5.75% of Ppty Taxes
Development Fees	-	-	-	-	-	-	-	-	Lot Sales X Dev Fee Amt
Prepaid Development Fees	-	-	-	-	-	-	-	-	
Interest Income	16,947	7,420	256	7,677	8,006	7,199	806	1,928	High for delinquent properties
TOTAL REVENUES	404,199	470,975	(86,910)	384,065	282,753	307,779	(25,025)	181,831	
EXPENSES									
Treasurer's Fees Montrose	1,192	1,646	-	1,646	1,182	806	(375)	840	2% of taxes
Treasurer's Fees Ouray	9,318	9,455	-	9,455	5,816	5,957	141	4,490	3% of taxes
Series 2010A Senior Bonds- Principal	-	-	-	-	-	-	-	-	No Pmt Due
Series 2010A Senior Bonds- Interest	416,000	416,000	-	416,000	208,000	208,000	-	416,000	\$5.2M at 8%
Wire Fees	3,540	3,540	-	3,540	3,245	3,245	-	3,540	\$295 Per Month
Paying Agent Fees	3,500	3,500	-	3,500	-	-	-	3,500	Flat Fee
Rating Agent Fees	2,500	2,000	-	2,000	-	-	-	2,000	Flat Fee
Remarketing Fees	34,000	34,000	-	34,000	34,000	34,000	-	34,000	0.2% Fee
Letter of Credit Fee	612,077	611,858	1,653	610,206	456,400	458,053	1,653	610,206	3.5% Fee
Series 2010B Sub Bonds- Principal	-	-	-	-	-	-	-	-	No Pmt Due
Series 2010B Sub Bonds- Interest	42,156	42,500	8,500	34,000	24,527	35,417	10,890	42,500	\$17M @ Estimated .25% Int Rate
Contingency	-	100,000	100,000	-	-	-	-	100,000	Incase interest rates rise
TOTAL EXPENDITURES	1,124,284	1,224,499	110,153	1,114,347	733,170	745,478	12,308	1,217,076	
REVENUE OVER (UNDER) EXPEND.	(720,084)	(753,525)	23,243	(730,282)	(450,417)	(437,700)	(12,717)	(1,035,245)	
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	3,378,172	2,652,069	6,018	2,658,087	2,658,087	2,652,069	6,018	1,927,805	
FUND BALANCE - ENDING	2,658,087	1,898,545	29,261	1,927,805	2,207,671	2,214,370	(6,699)	892,560	
FUND BALANCE DETAIL									
2010-A Reserve Fund	520,000	520,000	-	520,000	520,152	-	-	277,000	Funding not avail to cover shortfall
Assigned For 2010-A Future Debt Service	-	-	-	-	296,605	-	-	-	Backfilled w/ 2010B Surplus Fund
Assigned For 2010-B Future Debt Service	2,138,087	1,378,545	29,261	1,407,805	1,390,913	-	-	615,559	Remaining Amount
TOTAL FUND BALANCE	2,658,087	1,898,545	29,261	1,927,805	2,207,671	-	-	892,560	