

# MIKE PERRY, C.P.A.

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To the Board of Directors  
Glacier View Meadows Water and Sewer Association  
Fort Collins, Colorado

I have reviewed the accompanying statements of assets, liabilities and equity of Glacier View Meadows Water and Sewer Association as of September 30, 2009 and 2008 and the related statements of revenues, expenses and retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Glacier View Meadows Water and Sewer Association

A review consists primarily of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



Mike Perry,  
CPA

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
 STATEMENTS OF ASSETS, LIABILITY AND EQUITY  
 SEPTEMBER 30, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 167,264	\$ 146,520
Dues and accounts receivable	20,392	19,114
Allowances for doubtful accounts	(16,490)	(17,422)
Prepaid expenses	55,604	7,394
Inventory	1,035	3,730
Total Current Assets	227,805	159,336
Noncurrent Assets		
Cash	287,260	274,286
Dues receivable	9,120	12,081
Property and equipment, net	706,943	801,612
Total Noncurrent Assets	1,003,323	1,087,979
<b>TOTAL ASSETS</b>	<b>\$1,231,128</b>	<b>\$1,247,315</b>
<b>LIABILITIES and MEMBERS' EQUITY</b>		
LIABILITIES		
Current liabilities		
Accrued expenses	\$ 9,134	\$ 7,154
Prepaid dues	83,782	80,098
Deferred income	848	933
Total Current Liabilities	93,764	88,185
MEMBERS' EQUITY		
Undesignated	803,798	839,730
Designated for future repairs and replacements	287,260	274,286
Restricted for Subdivision Improvement Agreement	46,306	45,114
<b>TOTAL MEMBERS' EQUITY</b>	<b>1,137,364</b>	<b>1,159,130</b>
<b>TOTAL LIABILITIES and MEMBERS' EQUITY</b>	<b>\$1,231,128</b>	<b>\$1,247,315</b>

See accountant's review report.  
 The accompanying notes are an integral  
 part of the financial statements.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
STATEMENT OF REVENUES AND EXPENSES  
FOR YEARS ENDED SEPTEMBER 30, 2009 and 2008

	2009	2008
REVENUE		
Membership dues and assessments	\$258,659	\$241,302
Member service and assessed fees	33,769	32,847
Gain equipment sale	-	2,901
Interest income	6,398	9,959
TOTAL REVENUE	298,826	287,009
EXPENSES		
Salaries	95,341	112,425
Payroll taxes	12,056	10,520
Employee benefits	13,500	11,514
Insurance	9,092	9,287
Office expense	9,046	10,300
Professional services	3,438	2,273
Utilities	22,801	20,460
System operations and maintenance	40,072	56,915
Cost of providing member services	1,494	3,389
Bad debts	13,218	10,388
Depreciation	100,536	98,854
TOTAL EXPENSES	320,594	346,325
EXCESS OF EXPENSES OVER REVENUES	\$(21,766)	\$(59,316)

See accountant's review report.  
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part of the financial statements.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
STATEMENT OF CHANGES IN MEMBERS' EQUITY  
YEARS ENDED SEPTEMBER 30, 2009 and 2008

	<u>Total</u>	<u>Undesignated</u>	<u>Designated for Repair and Replacement</u>	<u>Restricted For SIA</u>
MEMBERS' EQUITY -- September 30, 2008	\$1,159,130	\$ 839,730	\$ 274,286	\$ 45,114
Excess expenses over revenues				
Allocated to future repair and replacements:	(21,766)	(21,766)		
Net transfers from general funds		(12,920)	12,920	
Interest		(5,921)	5,921	
Expenditures from repair & replacement fund		5,867	(5,867)	
Revenue and expenses for subdivision				
Interest		(189)		189
Net transfers from SIA obligations to general funds		(1,003)		1,003
MEMBERS' EQUITY -- September 30, 2009	<u>\$1,137,364</u>	<u>\$ 803,798</u>	<u>\$ 287,260</u>	<u>\$ 46,306</u>
MEMBERS' EQUITY -- September 30, 2007	<u>\$1,218,446</u>	<u>\$ 919,260</u>	<u>\$ 251,977</u>	<u>\$ 47,209</u>
Excess expenses over revenues	(59,316)	(59,316)		
Allocated to future repair and replacements:				
Net transfers from general funds		(99,113)	99,113	
Interest		(8,063)	8,063	
Expenditures from repair & replacement fund		84,867	(84,867)	
Revenue and expenses for subdivision				
Interest		(632)		632
Net transfers to SIA obligations from general Funds		2,727		(2,727)
MEMBERS' EQUITY -- September 30, 2008	<u>\$1,159,130</u>	<u>\$ 839,730</u>	<u>\$ 274,286</u>	<u>\$ 45,114</u>

See accountant's review report.  
The accompanying notes are an integral  
part of the financial statements.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
STATEMENT OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Excess of expenses over revenues	\$ (21,766)	\$ (59,316)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation expense	100,536	98,854
(Increase) decrease in operating assets:		
Dues and accounts receivable	751	1,134
Prepaid expenses	(48,210)	(314)
Inventory	2,695	(741)
Increase (decrease) in operating liabilities:		
Accrued expenses	1,980	(5,436)
Prepaid assessments	3,684	(5,874)
Deferred income	<u>(85)</u>	<u>(472)</u>
Net Cash Provided by Operating Activities	<u>39,585</u>	<u>27,835</u>
Cash Flows from Investing Activities:		
Proceeds from equipment sales	-	11,099
Acquisitions of property and equipment	<u>(5,867)</u>	<u>(84,867)</u>
Net Cash Provided from Investing Activities	<u>(5,867)</u>	<u>(73,768)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,718	(45,933)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>420,806</u>	<u>466,739</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$454,524</u>	<u>\$420,806</u>
Supplemental Disclosure		
Cash payments for interest	<u>\$ 0</u>	<u>\$ 0</u>
Cash payments for income taxes	<u>\$ 0</u>	<u>\$ 0</u>

See accountant's review report.  
The accompanying notes are an integral  
part of the financial statements.

**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: NATURE OF ORGANIZATION**

Glacier View Meadows Water and Sewer Association (the Association) is organized as a not for profit corporation in the state of Colorado for the purpose of promoting the general well-being of property owners in Glacier View Development and the enforcement of provisions of the Associations' Colorado State Division I Augmentation Plan. Located near Livermore, Colorado, the Association's membership consists of property owners with diverse backgrounds from various regions across the United States. The significant activities of the Association include the acquisition of water rights and the operation and maintenance of water and sewer facilities for approximately 967 property owners in the development. Financing for the Association's activities is derived primarily through membership assessments and fees from member services.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Common Property

The Association owns various common properties, including greenbelts, office building, lake facilities, and the firehouse buildings. The properties, primarily roads and greenbelts originally contributed by the developer, are not reported on the accompanying financial statements

Properties subsequently acquired by the Association are reported at cost less depreciation. These properties include a maintenance shop, office building, greenbelts and firehouse buildings.

The Association is responsible for the repair and maintenance of roadways, the office building, the maintenance shop, the firehouse buildings and the greenbelts. Funding the maintenance is provided by member assessments.

Allowance for Doubtful Accounts Receivable and Revenue Recognition

The Association has adopted the reserve method of accounting for uncollectible receivables. When membership dues become delinquent for a substantial period of time, it has been the Associations policy to file liens on the property owner's real estate located in the development. Effective January 1, 1994, Colorado statutes have made homeowner association dues an automatic lien against the property without formal filing required by the Association. Collection efforts may be hindered by bankruptcy proceedings, by security interests subordinated to those of other creditors, and by the relative expense of collection procedures. Allowances for doubtful accounts are based on a review of the status of existing accounts coupled with past collection experience. Billings for annual assessments cover the period from October 1 through September 30. Such billings are recorded as receivables and revenue on October 1 of each operating year. Amounts collected prior to assessment date are recorded as a liability in the account titled "prepaid dues and assessments" on the balance sheet of the Association.

Cash Flow

For purposes of the statement of cash flows, the Association considers all investment with an initial maturity of three months or less to be cash equivalents.

**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Property and Equipment

The Association capitalizes property, equipment and improvements to which it has title or other evidence of ownership with the exception of assets originally transferred by the developer. Property not capitalized consists of approximately 80 acres of greenbelts transferred by the developer. According to the Association's governing documents, there are no restrictions on the Board of Directors' authority to dispose of assets. Property and equipment acquired by the Association is recorded at estimated fair market value at date of contribution. Capitalized property is depreciated over its useful life using straight-line method of depreciation.

Depreciation is computed on a straight-line basis over the estimated useful lives of individual assets. In general, property useful lives are as follows:

<u>Property</u>	<u>Useful life in years</u>
Building improvements	18-40
Development improvements	5-15
Major equipment	5-12
Other equipment	5-12
Vehicles	5
Office equipment and furniture	3-7

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from the estimates.

Inventory

Inventory consists of water meters and septic pumps that are stated at cost, determined on a first-in, first-out basis.

Income Taxes

The Association may elect to be taxed as a Homeowners Association under the provisions of the Internal Revenue Code. Under current regulations, the Association is taxed as a regular corporation unless the annual Homeowner Association election is made.

In any year the election is made to be taxed as a Homeowners Association, membership dues and general operating expenses are not taxable or deductible. Only income for special services received from members and nonmembers, gains on the sale of assets, the expenses related to providing these services, and cost of assets sold are considered in computing taxable income.

**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

Income Taxes – Continued

Differences in income reported for financial statement purposes and income for income tax purposes may result from the following:

The Association uses the straight-line method of depreciation for financial statements while depreciation is calculated using a combination of straight-line and accelerated methods for income tax reporting. The depreciation lives of assets may be different for book and tax purposes.

The Association uses the reserve method of accounting for bad debts for financial statements while the direct write-off method is utilized for income tax reporting.

Accrued compensated absences are not deductible for income tax purposes until paid.

In any year that the election is to be taxed as a Homeowners Association, membership dues and general operating expenses are not taxable or deductible. Only income for special services received from members and nonmembers, gains on the sale of assets, the expenses related to providing these services, and cost of assets sold are considered in computing taxable income.

**NOTE 3: RELATED PARTY TRANSACTIONS**

Affiliate

Glacier View Road and Recreation Association and Glacier View Water and Sewer Association are organizations that consist primarily, but not exclusively, of the Glacier View property owners. The Associations share certain administrative, employee and operating costs. The two associations share joint ownership of several greenbelt areas, within Glacier View developments.

Balance due (to) from Road and Recreation Association at September 30, 2009 is \$0.

Related Party

The original real estate developer has a few properties located within the Association boundary. Because the developer has had no financial interest in the Association activity for several years, he is no longer considered a related party.

**NOTE 4: INCOME TAXES**

As stated in Note 1, the Association may elect in any year to be taxed as a Homeowners Association. This election was made for fiscal years ending 2003, 2002 and 2001. The Association makes the homeowners election only in these years in which it would create tax savings. The association incurred income tax expense of \$0 for 2008.

The Association has temporary timing differences between its books and tax methods of accounting. These items may create deferred tax liabilities or deferred tax assets. There may be no tax benefit received from the reversal of a timing difference if the timing difference is eliminated in whole or in part in any year that the Association elects to be taxed as a Homeowners Association or is operating at a loss. It is the intent of the Association to make the Homeowners election in those years where it would minimize taxes. Furthermore, the Association has historically operated at a level where it pays little or no income tax. Considering the relevant factors, it is unlikely that the Association will derive any significant future loss of benefit related to deferred taxes. Accordingly, the net deferred tax liability has been fully offset with the value allowance account.



**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: EMPLOYEE BENEFIT PLANS**

The Glacier View Road and Recreation Association employ certain personnel jointly with the Glacier View Meadows Water and Sewer Association. The following is a summary of employee benefit plans currently in effect:

Compensated Absences

Vacation leave – The Association presently has a policy that allows full-time employee ten working days annual vacation after one full year of service. After five year of service, employees earn fifteen working days vacation annually and vacation pay is a vested benefit.

Flex days – Full-time employees may accumulate six days of compensated flextime per year of service to the Association. Employees may accumulate a maximum of twenty-five days f unused flextime and flextime is a vested benefit.

Paid holidays – Seven paid holidays per year are paid at regular rate to full-time employees.

Retirement Plan

Deferred compensation – Employees earning more than \$5,000 are eligible to participate in a Simple IRA deferred compensation retirement plan. The Association contributes two percent (2%) of salary for those employees making tax deferred contributions of compensation to the retirement plan.

**NOTE 5: RESTRICTED MEMBERS' EQUITY**

Subdivision Improvement Agreement

The developer entered into an agreement with Larimer County whereby the developer pledged certain lots in Glacier View Meadows subdivision filings to secure obligations for subdivision improvements. The developer defaulted on this agreement.

Glacier View Road and Recreation Association and Glacier View Meadows Water and Sewer Association entered into an agreement with Larimer County and the developer. This agreement transferred title to several properties that were pledged to the County under previous agreement. The associations were responsible for completion of the improvements after the sale of the properties; to the extent funds are available from the sales.

As the County sells properties, the proceeds are applied as follows:

1. Reimbursements for selling and closing costs.
2. Remaining proceeds are allocated towards the completion of water & sewer infrastructure first, and residual amounts will be re-allocated to undeveloped road and recreation infrastructure. For the year ending September 30, 2009, the Association received \$0. This amount is recorded as contributed capital and reflected as a direct addition to undesignated members' equity.

In the fiscal year ending September 30, 2000, the membership assessed a special assessment (tap fee) for the Twelfth Filing to help fund subdivision improvements, of \$5,305 per lot. Of this amount, \$4,668.40 is restricted to approved projects as determined by the county appointed management group of the SIA. The balance of these restricted funds at September 30, 2009 was \$46,306.

**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: CONCENTRATION OF CREDIT RISK**

The Association has several accounts held at more than one bank and the amounts on deposit at any one bank may from time to time exceed the federally insured amount of \$250,000.

**NOTE 7: PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

	<u>2008</u>	<u>2007</u>
Land and improvements	\$1,402,262	\$1,400,270
Buildings and improvements	59,672	55,797
Machinery and equipment	57,810	57,810
Autos and trucks	47,742	47,742
Office furniture and equipment	13,985	13,985
Water rights	15,360	15,360
Accumulated depreciation and amortization	<u>(889,888)</u>	<u>(789,352)</u>
Property and equipment net	<u>\$ 706,943</u>	<u>\$801,612</u>

**NOTE 8: DESIGNATED MEMBERS' EQUITY AND FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents do not require the accumulation of funds to finance future major repairs and replacements. The Board of Directors established a bank account (the replacement fund) to accumulate funds for the estimated costs of future major repairs and replacements, required projects and for the expansion of expansion of existing common property. At September 30, 2009, there was \$287,260 designated for capital replacement funds.

The Association's management conducts an ongoing study to estimate the remaining useful lives and the replacement costs of the components of common property. The Association will fund for such major repairs and replacements over the estimated useful lives of the components based on the study's estimate of future replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated amounts and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs.

**NOTE 9: OPERATING LEASE COMMITMENTS**

The Association leases a postage meter under an operating lease commencing on December 20, 2003 until February 20, 2009. The lease was renewed for an additional forty-two months through August 2, 2012 and the cost is shared equally with Glacier View Road and Recreation Association. The following is a schedule by years of future minimum rentals under the lease at September 30, 2009:

Annual cost years ending September 30, 2010	\$ 266
2011	266
2012	<u>133</u>
Total	<u>\$ 665</u>

**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: OPERATING LEASE COMMITMENTS** – continued

The Association leases three Dell OptiPlex computers under an operating lease commencing on November 2, 2004 until November 2, 2007. The following is a schedule by years of future minimum rentals under the lease at September 30, 2008:

Annual cost years ending September 30, 2006	\$1,857
2007	1,857
2008	<u>155</u>
Total	<u>\$3,869</u>

**NOTE 10: WASTEWATER ENGINEERING PLAN**

On September 19, 2006, the Association entered into an agreement with Larimer County Department of Health and Environment to obtain a waster engineering plan and wastewater treatment design. The Association provided \$15,000 with additional \$15,000 matching funds being provided from the Colorado Department of Local Affairs. The Larimer County Department of Health and Environment will disperse the grant and association funds to pay for the engineering services in a 50/50 manner. Any funds remaining at the end of the project will be returned 50% to the Association and 50% to the Colorado Department of Local Affairs.

In February 2008, the Association entered into an agreement with Larimer County for the repair and reconstruction of sanitary sewer facilities to be in accord with standards promulgated by the Colorado Department of Health. Larimer County agrees to reimburse the Association for certain costs such as design engineering work, fees for site application and process review, and construction work related to the furtherance of this project. During fiscal year ending 9/30/2009, Larimer County reimbursed the Association \$46,976.75 and the Association received additional reimbursement of \$38,995.20 in November 2009 for Association costs incurred through September 30, 2009.

**NOTE 11: MAINTENANCE AGREEMENT**

The Association shares equally with Glacier View Road and Recreation Association, an agreement to service and maintain a Canon copier. The original agreement entered into on September 12, 2001 was renewed on September 12, 2006 for five additional years. The agreement requires quarterly payments of \$173.33. Additional charges are assessed at 0.0185 per copy when copies exceed 36,000 annually.

**GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION  
SUPPLEMENTARY INFORMATION  
ON FUTURE REPAIRS AND REPLACEMENTS**

The Association's management conducts an ongoing study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property at June 30, 2002. Estimated current replacement costs do not take into account the effects of inflation between the time of the study and the date the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property:

	<u>Estimated Remaining Useful life (Years)</u>	<u>Estimated Current Repair or Replacement Cost</u>
Buildings	10 to 25	\$ 2,900
Furnishings and equipment	1 to 5	5,000
Major equipment (backhoe, bulldozer, etc.)	5 to 15	91,000
New facilities including pumphouses, lines, etc.		<u>735,000</u>
Total		<u>\$833,900</u>