

**Glacier View Meadows  
Water & Sewer Association**

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Review Report

For the Year Ending September 30, 2013

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Accountant's Review Report

December 24, 2013

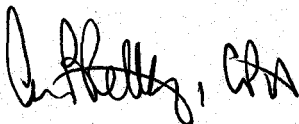
To the Board of Directors  
Glacier View Meadows Water and Sewer Association  
Fort Collins, Colorado

I have reviewed the accompanying balance sheet of Glacier View Meadows Water & Sewer Association as of September 30, 2013 and the related statements of income and members' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair representation 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.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

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 accounting principles generally accepted in the United States of America.



Alison P Pettofrezzo, CPA  
KAP CPA, LLC

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**BALANCE SHEET**  
**September 30, 2013**

	2013
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 237,032
Dues and accounts receivable	10,097
Allowances for doubtful accounts	(25,243)
Prepaid expenses	9,053
Inventory	2,239
	233,178
 Total Current Assets	 233,178
Noncurrent Assets	
Cash - designated	204,997
Dues receivable	19,530
Property and equipment, net	525,525
	750,052
 Total Noncurrent Assets	 750,052
 TOTAL ASSETS	 983,230

**LIABILITIES and MEMBERS' EQUITY**

<b>LIABILITIES</b>	
Current Liabilities	
Accrued expenses	14,485
Prepaid dues and assessments	108,583
Deferred income	718
	123,786
 Total Current Liabilities	 123,786
 <b>MEMBERS' EQUITY</b>	
Undesignated	620,584
Designated for future repairs and replacements	193,111
Restricted for Subdivision Improvement Agreement	45,749
	859,444
 Total Members' Equity	 859,444
 TOTAL LIABILITIES and MEMBERS' EQUITY	 \$ 983,230

See accompanying notes and accountant's review report.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**STATEMENT OF INCOME**  
**September 30, 2013**

	<u>2013</u>
<b>REVENUE</b>	
Membership dues and assessments	\$300,672
Member service and assessed fees	21,005
Loss on disposal of equipment	(4,189)
Interest income	<u>457</u>
<b>TOTAL REVENUE</b>	<u>317,945</u>
<b>EXPENSES</b>	
Salaries	118,443
Payroll taxes	11,919
Employee benefits	18,650
Insurance	12,938
Office expense	9,817
Professional services	2,499
Utilities	21,829
System operations and maintenance	60,918
Cost of providing member services	12,774
Bad debts	8,655
Depreciation	<u>91,859</u>
<b>TOTAL EXPENSES</b>	<u>370,301</u>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<u>\$ (52,356)</u>

See accompanying notes and accountant's review report.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**Year ending September 30, 2013**

	<u>Total</u>	<u>Undesignated</u>	<u>Designated for Repair &amp; Replacement</u>	<u>Restricted For SIA</u>
MEMBERS' EQUITY – September 30, 2012	\$911,800	\$638,221	\$227,862	\$45,717
Excess expenses over revenues	(52,356)	(52,356)		
Allocated to future repair and replacements:				
Net transfers from general funds		(48,000)	48,000	
Interest		(432)	400	32
Expenditures from repair & replacement fund		83,151	(83,151)	
Revenue and expenses for subdivision	_____	_____	_____	_____
MEMBERS' EQUITY – September 30, 2013	<u>\$859,444</u>	<u>\$620,584</u>	<u>\$193,111</u>	<u>\$45,749</u>

See accompanying notes and accountant's review report.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**Year ending September 30, 2013**

	2013
Cash Flows from Operating Activities:	
Excess of expenses over revenues	(52,356)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities	
Depreciation expense	91,859
(Increase) decrease in operating assets:	
Dues and accounts receivable	2,849
Prepaid expenses	(1,291)
Inventory	10
Increase (decrease) in operating liabilities:	
Accrued expenses	2,657
Prepaid assessments	(7,171)
Deferred income	-
	36,557
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities:	
Acquisitions of property and equipment	(83,151)
Disposals of property and equipment	4,189
	(78,962)
Net Cash Provided from Investing Activities	
Net Increase in Cash and Cash Equivalents	(42,405)
Cash and Cash Equivalents, Beginning of Year	484,434
Cash and Cash Equivalents, End of Year	442,029
 Supplemental Disclosure	
Cash payments for interest	\$ -
Cash payments for income taxes	\$ -

See accompanying notes and accountant's review report.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**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 961 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.



**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**September 30, 2013**

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

Cash Flow

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

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	5-7
Other equipment	5-7
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.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**September 30, 2013**

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

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.

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.

Date of Management's Review

Management has evaluated subsequent events through December 24, 2013, the date on which the financial statements were available to be issued.

**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, 2013 is \$191.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**September 30, 2013**

**NOTE 4: INCOME TAXES**

As stated in Note 2, 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 the fiscal year ending September 30, 2013.

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. The association has federal and Colorado net operating loss carry-forwards totaling \$428,485 and \$431,165, respectively, at September 30, 2013. If not used the carry-forwards will expire as follows:

Operating losses	<u>Federal</u>	<u>Colorado</u>
Fiscal year ending 9/30/2024	16,924	16,924
Fiscal year ending 9/30/2025	24,689	24,689
Fiscal year ending 9/30/2026	22,865	22,865
Fiscal year ending 9/30/2027	35,298	35,298
Fiscal year ending 9/30/2028	51,439	51,439
Fiscal year ending 9/30/2029	14,295	14,295
Fiscal year ending 9/30/2030	62,745	65,425
Fiscal year ending 9/30/2031	75,882	75,882
Fiscal year ending 9/30/2032	61,032	61,032
Fiscal year ending 9/30/2033	63,316	63,316

Considering the relevant factors, it is unlikely that the Association will derive any significant future benefit related to deferred taxes. Accordingly, the net deferred tax asset has been fully offset with the value allowance account.

**NOTE 5: 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 days annual vacation after one full year of service. After five year of service, employees earn fifteen vacation days annually and vacation pay is a vested benefit. Employees may accrue a maximum of

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**September 30, 2013**

**NOTE 5: EMPLOYEE BENEFIT PLANS – continued**

one year's worth of vacation days based on their years of service. At September 30, 2013, \$6,276 was accrued as unpaid vacation days.

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 of unused flextime and flextime is a vested benefit. At September 30, 2013, \$3,290 was accrued as flex days.

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

Retirement Plan

Deferred compensation – All regular full-time employees 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. For the year ended September 30, 2013, the Association contributed \$2,842 to the employees deferred compensation retirement plan.

**NOTE 6: 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, 2013, 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,

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**September 30, 2013**

**NOTE 6: RESTRICTED MEMBERS' EQUITY-continued**

\$1,501.69 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, 2013 was \$45,749.

**NOTE 7: 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 8: PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

	<u>2013</u>
Land and improvements	\$1,560,036
Buildings and improvements	63,744
Machinery and equipment	57,560
Autos and trucks	73,397
Office furniture and equipment	15,364
Water rights	15,360
Accumulated depreciation and amortization	<u>(1,259,936)</u>
<b>PROPERTY &amp; EQUIPMENT NET</b>	<b><u>\$ 525,525</u></b>

**NOTE 9: DESIGNATED MEMBERS' EQUITY AND FUTURE MAJOR REPAIRS & REPLACEMENTS**

The Association's governing documents do not require the accumulation of funds to finance future major repairs and replacements. The Board of Directors has designated amounts to be accumulated for the estimated costs of future major repairs and replacements, required projects and for the expansion of existing common property. At September 30, 2013, there was \$193,111 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.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**September 30, 2013**

**NOTE 10: OPERATING LEASE COMMITMENTS**

The Association leases a postage meter under an operating lease commencing on August 20, 2012 until July 20, 2015. The cost is shared equally with Glacier View Road and Recreation Association.

Lease payments made for the year ended September 30, 2013 were \$262.

The following is a schedule by years of future minimum rentals under the lease at September 30:

2014	718
2015	<u>598</u>
Total	<u>\$1,316</u>