

**Glacier View Meadows
Water & Sewer Association**

Independent Accountant's Review Report

**For the Years Ended
September 30, 2014 and 2013**

TABLE OF CONTENTS

	Page No.
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets.....	2
Statements of Operations.....	3
Statements of Changes in Members' Equity.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements (Unaudited, Reviewed or Compiled).....	15

KAP CPA, LLC
2629 Redwing Road, Suite 136
Fort Collins, CO 80526
970-223-6115

Independent Accountant's Review Report

To the Board of Directors
Glacier View Meadows Water and Sewer Association

I have reviewed the accompanying balance sheets of Glacier View Meadows Water & Sewer Association as of September 30, 2014 and 2013 and the related statements of operation, changes in members' equity, and cash flows for the years 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 reviews 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.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. I have not audited, reviewed, or compiled the required supplementary information, and, accordingly, I do not assume any responsibility for it.

KAP CPA, LLC

KAP CPA, LLC
Fort Collins, CO
December 11, 2014

GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION
BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 185,928	\$ 237,032
Dues and fees receivable, less allowance of \$19,412 and \$25,243	5,686	4,384
Prepaid expenses	7,520	8,862
Affiliate receivable	5,567	191
Inventory	2,061	2,239
 Total Current Assets	 206,762	 252,708
 Cash - designated or restricted	 208,834	 204,997
Property and equipment, net	509,599	525,525
 TOTAL ASSETS	 \$ 925,195	 \$ 983,230
 LIABILITIES		
Current Liabilities		
Accrued expenses	\$ 11,432	\$ 14,485
Prepaid dues and assessments	106,460	108,583
Deferred income	718	718
 Total Current Liabilities	 118,610	 123,786
 MEMBERS' EQUITY		
Undesignated	597,751	620,584
Designated for future repairs and replacements	163,071	193,111
Restricted for Subdivision Improvement Agreement	45,763	45,749
 Total Members' Equity	 806,585	 859,444
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 \$ 925,195	 \$ 983,230

See accompanying notes and independent accountant's review report.

GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION
STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
Membership dues and assessments	\$302,807	\$300,672
Member service and assessed fees	19,346	21,005
Gain (Loss) on disposal of equipment	1,626	(4,189)
Interest income	<u>465</u>	<u>457</u>
 TOTAL REVENUE	 <u>324,244</u>	 <u>317,945</u>
EXPENSES		
Salaries	119,237	118,443
Payroll taxes	12,526	11,919
Employee benefits	18,592	18,650
Insurance	14,108	12,938
Office expense	10,286	9,817
Professional services	3,128	2,499
Utilities	19,954	21,829
System operations and maintenance	72,019	60,918
Cost of providing member services	13,608	12,774
Bad debts	3,622	8,655
Depreciation	<u>90,023</u>	<u>91,859</u>
 TOTAL EXPENSES	 <u>377,103</u>	 <u>370,301</u>
 EXCESS OF EXPENSES OVER REVENUES	 <u>\$ (52,859)</u>	 <u>\$ (52,356)</u>

See accompanying notes and independent accountant's review report.

GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2014 and 2013

	<u>Total</u>	<u>Undesignated</u>	<u>Designated for Repair & 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:				
Interest		(400)	400	
Net transfers from operating funds		(48,000)	48,000	
Major repairs and replacements		83,151	(83,151)	
Revenue and expenses for subdivision		<u>(32)</u>		<u>32</u>
MEMBERS' EQUITY – September 30, 2013	<u>\$859,444</u>	<u>\$620,584</u>	<u>\$193,111</u>	<u>\$45,749</u>
Excess of Expenses over revenues	(52,859)	(52,859)		
Allocated to future repair and replacements:				
Interest		(435)	435	
Net transfers from operating funds		(43,624)	43,624	
Major repairs and replacements		74,099	(74,099)	
Revenue and expenses for subdivision		<u>(14)</u>		<u>14</u>
MEMBERS' EQUITY – September 30, 2014	<u>\$806,585</u>	<u>\$597,751</u>	<u>\$163,071</u>	<u>\$45,763</u>

See accompanying notes and independent accountant's review report.

GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities:		
Excess of expenses over revenues	(52,859)	(52,356)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation expense	90,023	91,859
(Gain) Loss on disposal of equipment	(1,626)	4,189
Provision for bad debts	(5,831)	7,970
(Increase) decrease in operating assets:		
Dues and accounts receivable	4,529	(5,121)
Prepaid expenses	1,342	(1,100)
Inventory	178	10
Increase (decrease) in operating liabilities:		
Accrued expenses	(3,053)	2,657
Prepaid assessments	(2,123)	(7,171)
Net Cash Provided by Operating Activities	30,580	40,937
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(74,099)	(83,151)
Affiliate receivable	(5,374)	(191)
Proceeds from sale of equipment	1,626	-
Net Cash Used by Investing Activities	(77,847)	(83,342)
Net Decrease in Cash and Cash Equivalents	(47,267)	(42,405)
Cash and Cash Equivalents, Beginning of Year	442,029	484,434
Cash and Cash Equivalents, End of Year	394,762	442,029
Supplemental Disclosure		
Cash payments for interest	\$ -	\$ -
Cash payments for income taxes	\$ -	\$ -

See accompanying notes and independent accountant's review report.

**GLACIER VIEW MEADOWS WATER & 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 871 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, and lake facilities. 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, and greenbelts.

The Association is responsible for the repair and maintenance of the common property. Funding the maintenance is provided by member assessments.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Dues and fees receivable at the balance sheet date represent fees due from owners. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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 Association's 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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 the 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 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 cost less depreciation. Capitalized property is depreciated over its estimated useful life using straight-line method of depreciation.

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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Interest Income

Interest Income is allocated to the operating and capital replacement accounts in proportion to the interest-bearing deposits in each account.

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.

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 depreciable lives of assets may be different for book and tax purposes.

As of September 30, 2014, the tax years that remain subject to examination by taxing authorities begin with 2011.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Management has evaluated subsequent events through December 11, 2014, the date on which the financial statements were available to be issued.

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

NOTE 3: RELATED PARTY TRANSACTIONS

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.

Balances due from Road and Recreation Association at September 30, 2014 and 2013 were \$5,567 and \$191, respectively.

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 no income tax expense for the fiscal years ending September 30, 2014 and 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 \$476,317 and \$478,997, respectively, at September 30, 2014. 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
Fiscal year ending 9/30/2034	47,832	47,832

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.

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

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 one year's worth of vacation days based on their years of service. At September 30, 2014 and 2013, \$5,039 and \$6,276 were 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, 2014 and 2013, \$3,875 and \$3,290 were 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 years ended September 30, 2014 and 2013, the Association contributed \$2,980 and \$2,842, respectively, to the employees deferred compensation retirement plan.

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.

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

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$1,628,836	\$1,560,036
Buildings and improvements	69,043	63,744
Machinery and equipment	57,560	57,560
Autos and trucks	60,198	73,397
Office furniture and equipment	7,370	15,364
Water rights	15,360	15,360
Total property and equipment	<u>1,838,367</u>	<u>1,785,461</u>
Less: accumulated depreciation	(1,328,768)	(1,259,936)
Property and Equipment, Net	<u>\$509,599</u>	<u>\$525,525</u>

NOTE 8: 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, 2014 and 2013 were \$186 and \$262.

The future minimum rentals under the lease for the year ended September 30, 2015 will be \$249.

NOTE 9: 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.

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

NOTE 9: RESTRICTED MEMBERS' EQUITY - continued

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 years ended September 30, 2014 and 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, \$1,501.69 is restricted to approved projects as determined by the county appointed management group of the SIA. The balances of these restricted funds at September 30, 2014 and 2013 were \$45,763 and \$45,749, respectively.

NOTE 10: 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, 2014 and 2013, there were \$163,071 and \$193,111, respectively, 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**

NOTE 11: REGULATORY COMPLIANCE

In March of 2013, Glacier View Meadows (GVM) was notified of a possible violation related to the 12th Filing drinking water treatment plant. During a scheduled Sanitary Survey inspection, the Colorado Department of Public Health and Environment (CDPHE) inspector noted an issue with the Ion Exchange treatment process used to remove radium from the drinking water. While GVM is in compliance for the drinking water standard, the issue is with the disposal of the regeneration (backwash) water from the Ion Exchange equipment. GVM was asked to apply for a discharge permit through CDPHE and have an engineer assess GVM's options. After much analysis, it was decided that point-of-use treatment at the residence level was not feasible. GVM hired a Water Engineer to assess the preliminary design requirements and cost for Evaporation Ponds which might be suitable for treating the disposed regeneration water. The full report is expected by the end of 2014. The Water & Sewer Board of Directors will review the report when received and begin the process of evaluating the project design/cost and the capability/timeframe of the Association to implement it. The total cost of engineering, construction, and maintenance is thought to be considerable and in excess of the current reserves. Therefore, financing or grants may need to be obtained to implement the project and comply with the terms of the discharge permit.

SUPPLEMENTARY INFORMATION

GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED, REVIEWED OR COMPILED)
SEPTEMBER 30, 2014

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

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs Net of Trade Value	2014 Funding Requirement	Components of Fund Balance at Sept. 30, 2014
Management				
Office Equipment	5	\$ 4,000	\$ 667	\$ 593
Field Equipment	--	-	-	18,796
Maint. Build./Yard	--	-	-	7,104
Dodge 2000 Water Truck	14	23,000	1,533	222
Backhoe	9	17,500	9,625	28,751
Emergency Water Leases	--	10,000	-	-
Contingency / Interest	--	-	-	47,386
		<u>\$ 54,500</u>	<u>\$ 11,825</u>	<u>\$ 102,852</u>
Community System				
Wastewater Plan	--	\$ 3,000	\$ -	\$ -
Pumphouses / Wells	--	10,000	-	(2,353)
Deep Bury Projects	--	150,000	50,000	-
1999 Dodge Ram 3500	3	12,750	8,925	18,462
2011 Dodge Ram 5500	14	7,875	525	-
2000 GMC K2500	3	7,875	6,300	-
Contingency / Interest	--	-	-	362
		<u>\$ 191,500</u>	<u>\$ 65,750</u>	<u>\$ 16,471</u>
12th Filing Community				
Leachfield	--	\$ 10,000	\$ 10,000	\$ 21,401
Pumphouses / Wells	--	20,000	10,000	4,317
Deep Bury Projects	--	30,000	-	-
1999 Dodge Ram 3500	3	4,500	3,150	8,227
2011 Dodge Ram 5500	14	4,250	283	-
2000 GMC K2500	3	3,000	2,400	-
Contingency / Interest	--	-	-	9,800
SIA Bank Balance	--	-	-	45,763
		<u>\$ 71,750</u>	<u>\$ 25,833</u>	<u>\$ 89,508</u>