

**Glacier View Meadows  
Water & Sewer Association**

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**Independent Accountant's Review Report**

**For the Years Ended  
September 30, 2015 and 2014**

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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, 2015 and 2014 and the related statements of revenues and expenses, 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  
Fort Collins, CO  
November 20, 2015

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION  
BALANCE SHEETS  
SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 234,889	\$ 185,928
Dues and fees receivable, less allowance of \$20,251 and \$19,412	1,434	5,686
Prepaid expenses	6,082	7,520
Affiliate receivable	22	5,567
Inventory	1,037	2,061
	<u>243,464</u>	<u>206,762</u>
Cash - designated or restricted	136,153	109,174
Short-term investments - designated or restricted	99,984	99,660
Property and equipment, net	428,452	509,599
	<u>908,053</u>	<u>925,195</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accrued expenses	\$ 14,212	\$ 11,432
Prepaid dues and assessments	106,615	106,460
Income taxes	121	
Deferred income	718	718
	<u>121,666</u>	<u>118,610</u>
<b>MEMBERS' EQUITY</b>		
Undesignated	550,250	597,751
Designated for future repairs and replacements	190,360	163,071
Restricted for Subdivision Improvement Agreement	45,777	45,763
	<u>786,387</u>	<u>806,585</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 908,053</u>	<u>\$ 925,195</u>

See accompanying notes and independent accountant's review report.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION  
STATEMENTS OF REVENUES AND EXPENSES  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>REVENUE</b>		
Membership dues and assessments	\$304,095	\$302,807
Member service and assessed fees	29,114	19,346
Gain (Loss) on disposal of equipment	4,247	1,626
Interest income	468	465
 <b>TOTAL REVENUE</b>	 337,924	 324,244
 <b>EXPENSES</b>		
Salaries	116,927	119,237
Payroll taxes	11,156	12,526
Employee benefits	17,931	18,592
Insurance	13,302	14,108
Office expense	10,601	10,286
Professional services	8,017	3,128
Utilities	16,107	19,954
System operations and maintenance	67,479	72,019
Cost of providing member services	4,537	13,608
Federal and state income taxes	121	-
Bad debts	4,534	3,622
Depreciation	87,410	90,023
 <b>TOTAL EXPENSES</b>	 358,122	 377,103
 <b>EXCESS OF EXPENSES OVER REVENUES</b>	 \$ (20,198)	 \$ (52,859)

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, 2015 and 2014**

	<u>Total</u>	<u>Undesignated</u>	<u>Designated for Repair &amp; Replacement</u>	<u>Restricted For SIA</u>
MEMBERS' EQUITY – September 30, 2013	\$859,444	\$620,584	\$193,111	\$45,749
Excess 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		(14)		14
MEMBERS' EQUITY – September 30, 2014	\$806,585	\$597,751	\$163,071	\$45,763
Excess of Expenses over revenues	(20,198)	(20,198)		
Allocated to future repair and replacements:				
Interest		(374)	374	
Net transfers from operating funds		(42,000)	42,000	
Major repairs and replacements		15,085	(15,085)	
Revenue and expenses for subdivision		(14)		14
MEMBERS' EQUITY – September 30, 2015	\$786,387	\$550,250	\$190,360	\$45,777

See accompanying notes and independent accountant's review report.

**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
Cash Flows from Operating Activities:		
Excess of expenses over revenues	(20,198)	(52,859)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation expense	87,410	90,023
(Gain) Loss on disposal of equipment	-	(1,626)
Provision for bad debts	839	(5,831)
(Increase) decrease in operating assets:		
Dues and accounts receivable	3,413	4,529
Prepaid expenses	1,438	1,342
Inventory	1,024	178
Increase (decrease) in operating liabilities:		
Accrued expenses	2,780	(3,053)
Income taxes payable	121	
Prepaid assessments	154	(2,123)
	<u>76,981</u>	<u>30,580</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(6,262)	(74,099)
Affiliate receivable	5,545	(5,374)
Short-term investments	(324)	(373)
Proceeds from sale of equipment	-	1,626
	<u>(1,041)</u>	<u>(78,220)</u>
Net Cash Used by Investing Activities		
Net Decrease in Cash and Cash Equivalents	75,940	(47,640)
Cash and Cash Equivalents, Beginning of Year	<u>295,102</u>	<u>342,742</u>
Cash and Cash Equivalents, End of Year	<u>371,042</u>	<u>295,102</u>
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 883 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.

Advertising

Advertising is expensed as incurred. The Association did not have any advertising expenses for the year ended September 30, 2015 and 2014.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual

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

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

results may differ from the estimates.

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

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association may elect to be taxed as a Homeowners Association under the provisions of the Internal Revenue Code. For the year ended September 30, 2015, the Association was taxed as a homeowners association and filed Form 1120-H.

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.

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.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed, and the Association's federal and state income tax returns for 2011, 2012, and 2013 remain open to examination.

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

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

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 November 20, 2015, the date on which the financial statements were available to be issued.

**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, 2015 and 2014 were \$22 and \$5,567, 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 2014, 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 \$121 and \$0 for the fiscal years ending September 30, 2015 and 2014.

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 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, 2015 and 2014, \$4,036 and \$5,039 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, 2015 and 2014, \$4,391 and \$3,875 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, 2015 and 2014, the Association contributed \$2,704 and \$2,980, 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>2015</u>	<u>2014</u>
Land and improvements	\$1,628,836	\$1,628,836
Buildings and improvements	75,305	69,043
Machinery and equipment	45,791	57,560
Autos and trucks	53,181	60,198
Office furniture and equipment	7,370	7,370
Water rights	15,360	15,360
Total property and equipment	<u>1,825,843</u>	<u>1,838,367</u>
Less: accumulated depreciation	(1,397,391)	(1,328,768)
Property and Equipment, Net	<u>\$428,452</u>	<u>\$509,599</u>

**NOTE 8: OPERATING LEASE COMMITMENTS**

The Association leases a postage meter under an operating lease commencing on August 20, 2012 until July 20, 2017. The cost is shared equally with Glacier View Road and Recreation Association.

Lease payments made for the year ended September 30, 2015 and 2014 were \$248 and \$186.

The future minimum rentals under the lease for the year ended September 30, 2016 and 2017 will be \$266 and \$67.

**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, 2015 and 2014, 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, 2015 and 2014 were \$45,777 and \$45,763, 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, 2015 and 2014, there were \$190,360 and \$163,071, 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 12<sup>th</sup> 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.

At year end, September 30, 2015 Glacier View Meadows Water and Sewer Association still has financial exposure of an unknown amount with respect to reaching compliance with the Radium Removal System and discharge permit. New developments in possible solutions are under evaluation which would preclude the need for Ion Exchange processing, thus eliminating the need for regeneration and discharge of contaminated water. The new system under investigation by Filter Tech Corp. involves capturing the Radium from the well water with a Radium specific media which is self-contained and requires no regeneration. While cost for Ion Exchange would be reduced, this solution introduces new costs for removal and disposal of spent media. The Association is currently working with its engineer and Filter Tech Corp. on possible designs and cost estimates.

The Colorado Department of Public Health interested parties are aware of the Association's work and have not yet issued an Enforcement Order.

**SUPPLEMENTARY INFORMATION**



**GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
(UNAUDITED, REVIEWED OR COMPILED)  
SEPTEMBER 30, 2015**

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	2015 Funding Requirement	Components of Capital Reserve at Sept. 30, 2015
<b>Management</b>				
Office Equipment	4	\$ 5,000	\$ 1,667	\$ 5,000
Field Equipment	--	-	-	18,796
Maint. Build./Yard	--	-	-	4,642
Dodge 2000 Water Truck	3	23,000	18,400	23,000
Backhoe	12	17,500	7,000	17,500
Emergency Water Leases	--	10,000	-	-
Contingency / Interest	--	-	-	31,690
		<u>\$ 55,500</u>	<u>\$ 27,067</u>	<u>\$ 100,628</u>
<b>Community System</b>				
Wastewater Plant	--	\$ 3,000	\$ -	\$ 3,000
Pumphouses / Wells	--	10,000	-	10,000
1999 Dodge Ram 3500	2	12,750	11,050	12,750
2011 Dodge Ram 5500	13	7,875	1,050	12,750
2000 GMC K2500	3	7,875	6,300	7,875
Contingency / Interest	--	-	-	1,303
		<u>\$ 41,500</u>	<u>\$ 18,400</u>	<u>\$ 47,678</u>
<b>12th Filing Community</b>				
Leachfield	--	\$ 10,000	\$ 10,000	\$ 10,000
Pumphouses / Wells	--	20,000	10,000	20,000
1999 Dodge Ram 3500	2	4,500	3,600	4,500
2011 Dodge Ram 5500	13	4,250	567	4,250
2000 GMC K2500	3	3,000	2,400	3,000
Contingency / Interest	--	-	-	304
SIA Bank Balance	--	-	-	45,777
		<u>\$ 41,750</u>	<u>\$ 26,567</u>	<u>\$ 87,831</u>

See accompanying notes and independent accountant's review report.