



GLACIER VIEW MEADOWS WATER & SEWER ASSOCIATION

FINANCIAL STATEMENTS

Year Ended September 30, 2016



TABLE OF CONTENTS

Independent Accountants' Compilation Report.....	1
BALANCE SHEET	2
STATEMENT OF REVENUES AND EXPENSES	3
STATEMENT OF CHANGES IN MEMBERS' EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS.....	6
SUPPLEMENTARY INFORMATION	12



Independent Accountants' Compilation Report

Board of Directors
Glacier View Meadows Water and Sewer
Association
Livermore, Colorado

Management is responsible for the accompanying financial statements and supplementary information of the Glacier View Meadows Water and Sewer Association as of September 30, 2016 and for the year then ended. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements and supplementary information included in the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Anderson & Whitney, P.C.

December 13, 2016

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

BALANCE SHEET

September 30	2016
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 255,556
Dues and accounts receivable, net of allowance	4,035
Prepaid expenses	6,675
Inventory	1,566
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Total Current Assets	267,832
Cash - designated for repairs and replacements	284,696
Property and Equipment, net	377,086
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TOTAL ASSETS	\$ 929,614
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<u>LIABILITIES</u>	
Current Liabilities:	
Accrued expenses	\$ 9,805
Prepaid dues	120,971
Deferred income	717
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Total Liabilities	131,493
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<u>MEMBERS' EQUITY</u>	
Restricted for subdivision improvement	63,915
Unrestricted:	
Undesignated	513,425
Designated for repairs and replacements	220,781
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TOTAL MEMBERS' EQUITY	798,121
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TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 929,614
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See Accompanying Notes to Financial Statements and Independent Accountants' Compilation Report.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

STATEMENT OF REVENUES AND EXPENSES

Year Ended September 30	2016
Revenue:	
Membership dues and assessments	\$ 303,081
Member services and assessed fees	52,166
Interest earned	328
Miscellaneous	58
Gain on sale of equipment	-
Total Revenue	355,633
Expenses:	
Salaries	115,328
Payroll taxes	12,089
Employee benefits	16,828
Insurance	13,587
Office expense	12,542
Cost of providing member services	9,345
Professional services	4,208
Utilities	17,717
System operations and maintenance	68,962
Bad debts	1,246
Depreciation	72,047
Total Expenses	343,899
Excess of Revenue over Expenses	\$ 11,734

See Accompanying Notes to Financial Statements and
Independent Accountants' Compilation Report.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year Ended September 30, 2016	Restricted for Subdivision Improvement Agreement	Designated for Repairs and Replacement	Undesignated	Total
Balance, September 1, 2015	\$ 45,777	\$ 199,183	\$ 541,427	\$ 786,387
Revenue over expenses for the year ended September 30, 2016	-	-	11,734	11,734
Interest	-	281	(281)	-
Transfers from operating funds	-	42,000	(42,000)	-
Major repairs and replacements	-	(20,683)	20,683	-
Revenue and expense for subdivision	18,138	-	(18,138)	-
Balance, September 30, 2016	\$ 63,915	\$ 220,781	\$ 513,425	\$ 798,121

See Accompanying Notes to Financial Statements and Independent Accountants' Compilation Report.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

STATEMENT OF CASH FLOWS

Year Ended September 30	2016
Cash Flows from Operating Activities:	
Dues and fees received	\$ 352,383
Amounts paid to employees and vendors	(262,496)
Net Cash Provided by Operating Activities	89,887
Cash Flow from Investing Activities:	
Equipment purchases	(20,683)
Receipt of affiliate receivable	22
Net Cash Provided (Used) by Investing Activities	(20,661)
Cash Flow from Financing Activities:	
Net Cash Provided by Financing Activities:	-
Net Increase in Cash	69,226
Cash, September 30, 2015	471,026
Cash, September 30, 2016	\$ 540,252

Reconciliation of Change in Members' Equity to Net Cash from Operating Activities:

Excess (deficit) of revenue over expenses	\$ 11,734
Adjustments:	
Depreciation expense	72,047
Provision for bad debts	-
(Increase) decrease in operating assets:	
Dues and accounts receivable	(2,601)
Prepaid expenses	(593)
Inventory	(528)
Increase (decrease) in operating liabilities:	
Accrued expenses	(4,407)
Prepaid dues and assessments	14,356
Income taxes payable	(121)
Net Cash Provided by Operating Activities	\$ 89,887

See Accompanying Notes to Financial Statements and Independent Accountants' Compilation Report.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies:

The accounting and reporting policies of Glacier View Meadows Water and Sewer Association (the Association) conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating the Association's financial statements.

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 certain property owners in the development. Financing for the Association's activities is derived primarily through membership assessments and fees from member services.

Basis of Presentation:

The Association maintains its accounting records on the accrual basis of accounting as required under generally accepted accounting principles in the United States.

Cash and Cash Equivalents:

The Association considers all demand bank deposits and highly-liquid investments with a maturity of three months or less at the date of acquisition to be cash and cash equivalents for purposes of the cash flow statement.

Concentrations of Credit Risk:

The Association's cash accounts are held at financial institutions at which deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Common Property:

The Association owns various common properties. The properties directly associated with the lots, primarily greenbelts, are not reported on the accompanying financial statements according to generally accepted accounting principles.

Properties not associated with the lots are reported at cost less depreciation. These properties include a maintenance shop, office building, and equipment.

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

Subsequent Events:

Management has evaluated subsequent events through the date the financial statements were available for issuance, which is the same date as the accountants' compilation report.

Income Taxes:

The Association may elect to be taxed as a homeowners association under the provisions of the Internal Revenue Code or as a regular corporation. Generally this does not result in a significant difference. The Association generally makes the homeowner election only in the years in which it would create a tax savings. For the year ended September 30, 2016, the Association filed as a regular corporation and paid an immaterial amount of tax.

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.

Use of Estimates:

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

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Owners’ 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 accounts 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.

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 with no 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 and are \$20,251 at September 30, 2016 and 2015. 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 the assessment date are recorded as a liability in the account titled “prepaid dues and assessments” on the balance sheet of the Association.

NOTE 3 – Reserve Fund:

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, 2016 and 2015, there were \$220,781 and \$199,183, 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 AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Related Party Transactions:

Glacier View Meadows Water and Sewer Association and Glacier View Road and Recreation 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, with Glacier View developments. There were no related party balances at September 30, 2016.

NOTE 5 – Property and Equipment:

September 30	2016
Land and Improvements	\$ 1,634,760
Water Rights	15,360
Buildings and Improvements	76,205
Vehicles	66,667
Office Furniture and Equipment	7,742
Machinery and Equipment	45,791
Less: Accumulated depreciation	(1,469,439)
	377,086
Depreciation expense	\$ 72,047

NOTE 6 – Employee Benefit Plans:

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

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 years of service, employees earn fifteen vacation days annually and vacation pay is a vested benefit. Employees may accrue a maximum of one year of vacation days based on their years of service. At September 30, 2016 and 2015, \$5,088 and \$4,036 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, 2016 and 2015, \$3,870 and \$4,391 were accrued as flex days.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Employee Benefit Plans – Continued:

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, 2016 and 2015, the Association contributed \$2,659 and \$2,704, respectively, to the employees deferred compensation retirement plan.

NOTE 7 – Regulatory Compliance:

In March of 2013, Glacier View Meadows Water & Sewer Association(GVM) was notified of a possible violation related to the 12th filing 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 September 30, 2016, the GVM Water and Sewer Association 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 reduce, 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 issued an enforcement order.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Restricted Members’ Equity:

Subdivision Improvement Agreement

The developer entered into an agreement with Larimer County whereby the developer pledged certain lots in the 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 the 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 years ended September 30, 2016 and 2015, the Association received \$24,101 and \$-0-, respectively.

In the fiscal year ending September 30, 2000, the membership assessed a special assessment (tap fee) for the 12th filing to help fund subdivision improvements, of \$5,305 per lot. Of this amount, \$1,501 is restricted to approved projects as determined by the County appointed management group of the Subdivision Improvement Agreement. The balances of these restricted funds at September 20, 2016 and 2015 were \$67,915 and \$45,777, respectively.

GLACIER VIEW MEADOWS WATER AND SEWER ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR 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. The latest study was conducted in March 2016 as part of the annual budget process. 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 Cost Net of Trade Value	2016 Funding Requirement	Components of Members' Equity at September 30, 2016
Management:				
Office Equipment	3	\$ 5,000	\$ 2,500	\$ 4,629
Field Equipment	--	--	--	5,310
Maint. Build./Yard	--	--	--	(1,283)
2000 Dodge truck	2	23,000	19,933	23,000
Backhoe	11	17,000	7,875	17,500
Contingency/Interest	--	--	--	31,854
Community System:				
1999 Dodge Ram 3500	1	12,750	12,750	12,750
2000 GMC K2500	2	7,875	7,875	7,875
2011 Dodge 5500	12	7,875	2,625	12,750
Wastewater plant	--	3,000	--	3,000
Pumphouses/Wells	--	100,000	--	58,823
Contingency/Interest	--	--	--	1,342
12th Filing System:				
Leachfield	--	10,000	10,000	12,000
Pumphouses/Well	--	20,000	10,000	19,100
1999 Dodge Ram 3500	1	4,500	4,500	4,500
2011 Dodge Ram 5500	11	4,250	1,417	4,250
2000 GMC K2500	2	3,000	3,000	3,000
Contingency/Interest	--	--	--	381
		\$ 211,250	\$ 82,475	\$ 220,781