

October 9, 2006

To the Board of Directors
Glacier View Road and Recreation Association
Fort Collins, Colorado

I have reviewed the accompanying balance sheets of Glacier View Road and Recreation Association as of June 30, 2006 and 2005 and the related statements of revenues and expenses, changes in members' equity, and cash flow for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Glacier View Road and Recreation Association.

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

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

Mike Perry,
CPA

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

**GLACIER VIEW ROAD AND RECREATION ASSOCIATION
BALANCE SHEET
JUNE 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$280,702	\$273,157
Dues and accounts receivable	46,772	43,466
Allowances for doubtful accounts	(29,616)	(19,412)
Prepaid expenses	4,291	4,225
Deferred charges	<u>662</u>	<u>296</u>
Total Current Assets	<u>302,811</u>	<u>301,732</u>
Noncurrent Assets		
Cash	109,098	83,108
Dues receivable	1,984	2,690
Property and equipment, net	<u>104,788</u>	<u>106,064</u>
Total Noncurrent Assets	<u>215,870</u>	<u>191,862</u>
TOTAL ASSETS	<u>\$518,681</u>	<u>\$493,594</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 634	\$ 94
Accrued expenses	9,071	6,433
Prepaid dues and assessments	171,475	167,783
Due to affiliated entity	92	1,489
Members ACC trash deposits	<u>15,900</u>	<u>16,000</u>
Total Current Liabilities	<u>197,172</u>	<u>191,799</u>
MEMBERS' EQUITY		
Undesignated	212,411	218,687
Designated for future repairs and replacements	<u>109,098</u>	<u>83,108</u>
TOTAL MEMBERS' EQUITY	<u>321,509</u>	<u>301,795</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$518,681</u>	<u>\$493,594</u>

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

**GLACIER VIEW ROAD AND RECREATION ASSOCIATION
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
REVENUE		
Membership dues and assessments	\$273,243	\$246,722
Member service and assessed fees	31,367	36,986
Interest income	<u>2,533</u>	<u>1,247</u>
TOTAL REVENUE	<u>307,143</u>	<u>284,955</u>
EXPENSES		
Salaries	98,650	76,177
Payroll taxes	9,423	9,093
Employee benefits	11,450	13,851
Insurance	14,952	12,575
Office expense	9,526	8,247
Professional services	6,593	3,910
Utilities	3,291	3,120
System operations and maintenance	68,496	94,513
Cost of providing member services	30,908	26,010
Bad debts	10,349	6,022
Depreciation	22,559	25,401
Income tax expense	<u>1,232</u>	<u>381</u>
TOTAL EXPENSES	<u>287,429</u>	<u>279,300</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 19,714</u>	<u>\$ 5,655</u>

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**GLACIER VIEW ROAD AND RECREATION ASSOCIATION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED JUNE 30, 2006**

	<u>Total</u>	<u>Undesignated</u>	Designated for Repair and Replacement
MEMBERS' EQUITY – June 30, 2005	\$301,795	\$218,687	\$ 83,108
Excess revenue over expenses	19,714	19,714	
Allocated to future repair and replacements:			
Interest		(1,270)	1,270
Transfers from operating funds		(46,100)	46,100
Major repairs and replacements	_____	<u>21,380</u>	<u>(21,380)</u>
MEMBERS' EQUITY – June 30, 2006	<u>\$321,509</u>	<u>\$212,411</u>	<u>\$109,098</u>
	<u>Total</u>	<u>Undesignated</u>	Designated for Repair and Replacement
MEMBERS' EQUITY – June 30, 2004	\$296,140	\$224,022	\$ 72,118
Excess revenue over expenses	5,655	5,655	
Allocated to future repair and replacements:			
Interest		(210)	210
Transfers from operating funds	_____	<u>(10,780)</u>	<u>10,780</u>
MEMBERS' EQUITY – June 30, 2005	<u>\$301,795</u>	<u>\$218,687</u>	<u>\$ 83,108</u>

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part of the financial statements.

GLACIER VIEW ROAD AND RECREATION ASSOCIATION
STATEMENT OF CHANGES OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Excess of revenue over expenses	\$ 19,714	\$ 5,655
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation expense	22,559	25,401
(Increase) decrease in operating assets:		
Dues and accounts receivable	6,898	(17,851)
Prepaid expenses	(66)	850
Deferred charges	(366)	(47)
Increase (decrease) in operating liabilities:		
Accounts payable	540	(1,609)
Accrued expenses	2,637	(3,904)
Prepaid assessments	3,693	44,968
Due to affiliated entity	(1,397)	1,410
Members ACC trash deposits	<u>(100)</u>	<u>100</u>
Net Cash Provided by Operating Activities	<u>54,112</u>	<u>54,973</u>
Cash Flows from Investing Activities:		
Reduction of non-current dues	706	1,335
Equipment purchases	<u>(21,283)</u>	<u>(26,740)</u>
Net Cash Provided by Investing Activities	<u>(20,577)</u>	<u>(25,405)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,535	29,568
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>356,265</u>	<u>326,697</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$389,800</u>	<u>\$356,265</u>
Supplemental Disclosure		
Cash payments for interest	\$ <u>0</u>	\$ <u>0</u>
Cash payments for income taxes	\$ <u>362</u>	\$ <u>340</u>

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GLACIER VIEW ROAD AND RECREATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Glacier View Road and Recreation 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 the Glacier View Development. The Association's membership consists of property owners with diverse backgrounds from various regions across the United States. The Association controls approximately 3,800 acres containing 985 lots. The significant activities of the Association include the maintenance of roads and grounds and promotion of recreational facilities for property owners and their guests in the development. Funding of the Association's activities is derived from membership assessments and fees from member services.

Common Property

The Association owns various common properties, including greenbelts, office building, lake facilities, and the firehouse buildings. The properties, originally contributed by the developer primarily roads and greenbelts, 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 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 not 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 July 1 through June 30. Such billings are recorded as receivables and revenue on July 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.

Property and Equipment

Purchases of property and equipment are recorded at cost except for donated property which is recorded at fair market value on the date acquired.

GLACIER VIEW ROAD AND RECREATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Depreciation

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

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

Cash Flow

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

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.

Income Taxes

The Association may elect to be taxes 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 taxes as a Homeowners Association, membership dues and general operating expenses are not taxable or deductible. Only income for special services received from members and nonmembers, gains on the sale of assets, the expenses related to providing these services, and cost of assets sold are considered in computing taxable income.

GLACIER VIEW ROAD AND RECREATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Income Taxes – Continued

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

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

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

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

In any year that the election is 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.

NOTE 2: RELATED PARTY TRANSACTIONS

Affiliate

Glacier View Road and Recreation Association and Glacier View Meadows 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 Water and Sewer Association at June 30, 2006 \$ (92).

Related Party

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

**GLACIER VIEW ROAD AND RECREATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: INCOME TAXES

As stated in Note 1, the Association may elect in any year to be taxed as a Homeowners Association. This election was made for fiscal years ending, 2006, 2005, 2002 and 2001. The Association makes the homeowners election only in these years in which it would create tax savings. The association has incurred income tax expense of \$1,232 for fiscal year ending June 30, 2006.

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

NOTE 4: EMPLOYEE BENEFIT PLANS

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

Compensated Absences

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

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

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

Retirement Plan

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

NOTE 5: RESTRICTED MEMBERS' EQUITY

Subdivision Improvement Agreement

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

**GLACIER VIEW ROAD AND RECREATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: RESTRICTED MEMBERS' EQUITY – Continued

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 which 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 properties are sold by the County, the proceeds are applied as follows:

1. Reimbursements for selling and closing costs.
2. Remaining proceeds are allocated towards the completion.
3. As of June 30, 2002, the SIA management group determined there are sufficient funds set aside for the remaining water and sewer projects. The county reimbursed Glacier View Road and Recreation Association \$0 in fiscal year 2006 for prior road projects. Additional reimbursements to the Road and Recreation Association may be received in future fiscal years if funds are available.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Land and improvements	\$ 34,292
Development improvements	127,278
Buildings and improvements	87,800
Machinery and equipment	174,299
Autos and trucks	58,464
Office furniture and equipment	18,440
Radio equipment	<u>3,896</u>
Total property and equipment	504,469
Less: accumulated depreciation	<u>(399,681)</u>
Net property and equipment	<u>\$104,788</u>

NOTE 7: DESIGNATED MEMBERS' EQUITY AND FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require the accumulation of funds to finance future major repairs and replacements. The Board of Directors established a bank account (the replacement fund) to accumulate funds for the estimated costs of future major repairs and replacements, required projects and for the expansion of expansion of existing common property. At June 30, 2006, \$109,098 was the replacement fund balance.

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 by be material.

**GLACIER VIEW ROAD AND RECREATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: CONCENTRATION OF CREDIT RISK

The Association has, from time to time, funds deposited in a single financial institution in excess of Federal Deposit Insurance Corporation limits, of \$100,000.

NOTE 9: STATEMENT OF CASH FLOWS

Supplemental Disclosure

During the year ended June 30, 2006, interest paid was \$0 and the Association paid \$362 in income taxes for the year ended June 30, 2006.

NOTE 10: OPERATING LEASE COMMITMENTS

The Association leases a postage meter under an operating lease commencing on December 20, 2003 until February 20, 2009. The cost is shared equally with Glacier View Water and Sewer Association. The following is a schedule by years of future minimum rentals under the lease at June 30, 2006.

Annual cost years ending June 30, 2006	\$ 532
2007	532
2008	532
2009	<u>133</u>
Total	<u>\$1,729</u>