

Heritage Glen Townhome Association
Summary Annual Report
Prepared for the September 29, 2016 Annual Meeting

1. For the current budget year (July 1, 2015 to June 30, 2016): Capital expenditures approved by the Association in excess of two percent of the budget or \$5000, whichever is greater: Fieldstone wall installation \$26,734.01 and Refurbish of Islands \$6,300.00.
2. As of August 31, 2016, the balance in the reserve for replacement fund is \$97,794.29. Reserve funds have been designated for many different items; the anticipated expenditure categories, amounts, and schedule for replacement is detailed in the Reserve Fund Plan, which the Board last reviewed in 2015. It will be distributed at the annual meeting.
3. For the year ending June 30, 2016, the statement of revenue and expenditures, and the balance sheet will be distributed at the annual meeting. An review was conducted for the 2015/2016 Fiscal year. (Current practice is to have reviews conducted for 2 years, followed by an audit every third year).
4. There is no pending litigation or judgments to which the Association is a party.
5. The Association provides loss/medical insurance coverage through State Farm Insurance for the common element property only. Additionally, the Association provides Directors and Officers Liability insurance.
6. As of August 31, 2016, the total past-due assessments on all homes is \$1368.04.

MARC VAN ZANDT

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Heritage Glen Townhome Association
Woodbury, Minnesota

I have reviewed the accompanying financial statements of Heritage Glen Townhome Association which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 taken as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion on the Financial Statements

Based on my review, I am not aware of any material modifications that should be made to the accompanying June 30, 2016 and 2015, financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America,

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical content. Information about future major repairs and replacements is provided by the Association's management company and has not been included with the financial statements.

“Original Signed By”

Marc van Zandt, CPA

Rosemount, Minnesota

September 9, 2016

HERITAGE GLEN TOWNHOME ASSOCIATION
BALANCE SHEETS
June 30, 2016 and 2015

	Operating <u>Fund</u>	Replacement <u>Fund</u>	Totals	
			<u>2016</u>	<u>2015</u>
ASSETS				
Cash, including interest- bearing deposits	\$ 46,015.47	\$ 97,787.39	\$143,802.86	\$161,267.31
Assessments receivable	1,383.04		1,383.04	2,690.80
Interest receivable-homeowners	2,191.53		2,191.53	2,418.71
Interest receivable-investments		384.29	384.29	380.69
Late fees receivable	5,662.70		5,662.70	7,632.70
Prepaid expenses	184.91		184.91	135.15
Due from (to) other funds	9,894.85	(9,894.85)		
	-----	-----	-----	-----
TOTAL ASSETS	\$ 65,332.50	\$ 88,276.83	\$153,609.33	\$174,525.36
	=====	=====	=====	=====
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 9,177.15	\$	\$ 9,177.15	\$ 16,840.97
Assessments received in advance	5,016.86		5,016.86	5,726.86
	-----	-----	-----	-----
TOTAL LIABILITIES	14,194.01		14,194.01	22,567.83
Fund balances	51,138.49	88,276.83	139,415.32	151,957.53
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TOTAL LIABILITIES AND FUND BALANCES	\$ 65,332.50	\$ 88,276.83	\$153,609.33	\$174,525.36
	=====	=====	=====	=====

See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
 Years Ended June 30, 2016 and 2015

	Operating Fund	Replacement Fund	Totals 2016	2015
REVENUES				
Regular assessments	\$105,731.28	\$ 11,868.72	\$117,600.00	\$117,600.00
Regular assessments (prior year)				17.81
Interest income-homeowners	718.95		718.95	681.58
Interest income-investments	69.14	642.66	711.80	735.99
Late fees	1,410.00		1,410.00	1,980.00
County Watershed District	13,250.00		13,250.00	
	-----	-----	-----	-----
	121,179.37	12,511.38	133,690.75	121,015.38
ADMINISTRATIVE EXPENSES				
Insurance	2,076.28		2,076.28	1,933.36
Management fees	12,000.00		12,000.00	12,000.00
Other administrative expenses	388.47		388.47	211.06
Printing & postage	2,107.27		2,107.27	2,433.63
Professional fees	1,714.00		1,714.00	750.00
Social committee				198.79
Uncollectible assessments	4,025.13		4,025.13	
BUILDING & GROUNDS EXPENSES				
Electricity	144.78		144.78	149.07
Grounds & landscape maintenance	10,985.19		10,985.19	1,193.21
Irrigation system maintenance	6,215.03		6,215.03	3,410.93
Irrigation valves & heads	386.76		386.76	1,499.95
Lawn care & snow removal contract	45,882.40		45,882.40	45,535.50
Nonbudget-boulder wall installation	4,900.00		4,900.00	
Nonbudget-fieldstone wall installation	26,734.01		26,734.01	
Nonbudget-landscape project	4,900.00		4,900.00	
Nonbudget-rain garden project				16,235.00
Nonbudget-refurbish islands	6,300.00		6,300.00	
Refuse removal	11,347.44		11,347.44	11,405.34
Replacement-mailboxes				5,074.31
Replacement-poly edging				3,657.25
Replacement-tree mulching		250.00	250.00	

See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
 Years Ended June 30 2016 and 2015 (continued)

	Operating Fund	Replacement Fund	Totals 2016	Totals 2015
Tree & shrub planting	1,750.00		1,750.00	
Tree & shrub trimming	803.44		803.44	2,571.00
Water-irrigation	3,322.76		3,322.76	3,627.12
	<u>145,982.96</u>	<u>250.00</u>	<u>146,232.96</u>	<u>111,885.52</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(24,803.59)	12,261.38	(12,542.21)	9,129.86
BEGINNING FUND BALANCES	72,266.06	79,691.47	151,957.53	142,827.67
INTERFUND ADJUSTMENT	3,676.02	(3,676.02)		
ENDING FUND BALANCES	<u>\$ 51,138.49</u>	<u>\$ 88,276.83</u>	<u>\$139,415.32</u>	<u>\$151,957.53</u>

See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2016 and 2015

	Operating <u>Fund</u>	Replacement <u>Fund</u>	Totals <u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues				
over expenses	\$(24,803.59)	\$ 12,261.38	\$ (12,542.21)	\$ 9,129.86
Adjustments to reconcile excess (deficiency)				
of revenues over expenses to net cash				
provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	1,307.76		1,307.76	(1,082.00)
Interest receivable-homeowners	227.18		227.18	(588.88)
Interest receivable-investments		(3.60)	(3.60)	(185.40)
Late fees receivable	1,970.00		1,970.00	(1,917.70)
Prepaid expenses	(49.76)		(49.76)	(9.02)
Increase (decrease) in:				
Accounts payable	(7,663.82)		(7,663.82)	8,944.30
Assessments received in advance	(710.00)		(710.00)	872.19
	-----	-----	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(29,722.23)	12,257.78	(17,464.45)	15,163.35
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfers	30,920.53	(30,920.53)		
	-----	-----	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	30,920.53	(30,920.53)		
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	1,198.30	(18,662.75)	(17,464.45)	15,163.35
CASH AT BEGINNING OF YEAR	44,817.17	116,450.14	161,267.31	146,103.96
	-----	-----	-----	-----
CASH AT END OF YEAR	\$46,015.47	\$ 97,787.39	\$143,802.86	\$161,267.31
	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$.00	\$.00	\$.00	\$.00

See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION

Heritage Glen Townhome Association was incorporated on May 14, 1998, in the State of Minnesota. The Association is responsible for the operation and maintenance of common property within the development. The development consists of one hundred (100) residential townhome units located in Woodbury, Minnesota.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 9, 2016, the date that the financial statements were available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following fund established according to their nature and purpose:

- Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

- Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Interest, at a rate of eight percent (8%), is charged on any assessment not received on or before the tenth (10th) day of the month in which it is due. In addition, a one-time late fee of fifteen dollars (\$15.00) is charged on any assessment not received on or before the tenth (10th) day of the month in which it is due. The Association considers all assessments receivable at June 30, 2016, to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Interest Income

Interest income is allocated to the operating and replacement funds based upon the actual interest earned by the interest-bearing deposits of each fund.

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. Actual results could differ from those estimates.

NOTE D – INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the years ended June 30, 2016 and 2015, the Association was taxed as a regular corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

As a homeowners' association, the Association is taxed on its non-exempt function income, such as interest earnings, at a flat federal rate of thirty percent (30%) and at regular state corporate rates. Exempt function income, which consists primarily of member assessments, is not taxable.

NOTE E – LITIGATION

As of June 30, 2016, there was no legal action in process either on behalf of, or against the Association.

NOTE F – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$97,800 and \$116,500 at June 30, 2016 and 2015, respectively, are held in separate accounts and are generally not available for operating purposes.

Heritage Glen Budget 2016/2017

REVENUE	ANNUAL TOTALS	PER UNIT MONTHLY TOTALS	\$98.00 Assmt
Assessments (Oper)	\$105,731	\$88.11	
Assessments (Rpmt)	\$11,869	\$9.89	
Late fees/other income	\$0	\$0.00	
Operational Intst - Tax	\$150	\$0.13	
Rpmt Intst Income	\$694	\$0.58	
Replacement income tax	(\$162)	(\$0.13)	
Total	\$118,282	\$98.57	

EXPENSES	ANNUAL TOTALS	PER UNIT MONTHLY TOTALS
Administrative		
Insurance D&O/Lab/Insr	\$2,207	\$1.84
Property Management Fees	\$12,000	\$10.00
Professional Accounting Fees	\$1,200	\$1.00
Professional Legal Fees	\$250	\$0.21
Printing & postage	\$2,995	\$2.50
Social Events	\$250	\$0.21
Prop/Watershad Tax	\$1,181	\$0.98
Other Admin/Mtg exp.	\$250	\$0.21
Sub-Total administrative	\$20,333	\$16.94
Maintenance/other		
Grounds maintenance contract	\$47,561	\$39.63
Grounds maint/landscaping	\$5,716	\$4.76
Turf core aeration	\$2,035	\$1.70
Trees & Shrubs Trimming	\$2,500	\$2.08
Trees & Shrubs Planting	\$1,043	\$0.87
Refuse Pickup	\$11,347	\$9.46
Irrigation System Maintenance	\$5,192	\$4.33
Irrigation - Water	\$6,336	\$5.28
Irrigation - Sprinkler Heads	\$2,200	\$1.83
Electricity	\$149	\$0.12
Contingency Fund	\$3,528	\$2.94
Building maintenance	\$0	\$0.00
Water & Sewer	\$0	\$0.00
Sub-Total maintenance	\$87,608	\$73.01
Total Operating	\$107,941	\$89.95

REPLACEMENT	ANNUAL TOTALS	PER UNIT MONTHLY TOTALS
*Exterior Trim Painting	\$15,000	\$12.50
	\$0	\$0.00
	\$0	\$0.00
	\$0	\$0.00
	\$0	\$0.00
	\$0	\$0.00
Sub-Total replacement	\$15,000	\$12.50
Net income (Oper)	(\$2,060)	(\$1.72)
Net income (Rpmt)	(\$2,599)	(\$2.17)
TOTAL	\$118,282	\$98.57

* - Grounds includes State Tax (April thru Oct)

Heritage Glen Replacement Plan

Number of Units:

This represents the number of townhomes in the association. The use of Unit in this replacement plan refers to a townhome.

Board Approved:

Current Fiscal Year:

The Current Fiscal Year is used to calculate total life used years and remaining life years. This needs to be updated to the current fiscal year on a yearly basis.

Last Updated:

	Current Life of Unit Yrs	Current Basis Year	Current Unit Cost	Current Total Cost	Current Cost/Year	Current Cost/Year Per Unit	Current Cost/Unit h Per Unit	Total Life Used Yrs	Remaining Life Yrs	Amount Earned in Fund	Amount Needed to Fully Fund	
Irrigation System												
Main Controllers	10	2011	\$77	\$7,687	\$769	\$7.69	\$0.64	5	5	\$3,844	\$3,844	
Water Zone Valves	20	2000	\$49	\$4,900	\$245	\$2.45	\$0.20	16	4	\$3,920	\$980	
PVC (Main Lines)	40	2000	\$350	\$35,000	\$875	\$8.75	\$0.73	16	24	\$14,000	\$21,000	
Poly Pipe (Feeder Lines)	40	2000	\$350	\$35,000	\$875	\$8.75	\$0.73	16	24	\$14,000	\$21,000	
Electrical Wiring	40	2000	\$80	\$8,000	\$200	\$2.00	\$0.17	16	24	\$3,200	\$4,800	
Main Water Valve	40	2000	\$30	\$3,000	\$75	\$0.75	\$0.06	16	24	\$1,200	\$1,800	
Irrigation Hut	30	2000	\$30	\$3,000	\$100	\$1.00	\$0.08	16	14	\$1,600	\$1,400	
Grounds Maintenance												
Tree Mulching	2	2013	\$24	\$2,400	\$1,200	\$12.00	\$1.00	3	0	\$2,400	\$0	
Landscape Poly Edging	2	2015	\$40	\$4,000	\$2,000	\$20.00	\$1.67	1	1	\$2,000	\$2,000	
Mailboxes	15	2015	\$50	\$5,000	\$333	\$3.33	\$0.28	1	14	\$333	\$4,667	
Mailbox Posts	30	2000	\$54	\$5,400	\$180	\$1.80	\$0.15	16	14	\$2,880	\$2,520	
Townhomes												
*Exterior Trim Painting	6	2005	\$125	\$12,500.00	\$2,083	\$20.83	\$1.74	11	0	\$12,500	\$0	
Trees Special Items												
Blvd Trees	30	2014	\$440	\$44,000.00	\$1,467	\$14.67	\$1.22	2	28	\$2,933	\$41,067	
Improper Planted Trees	30	2000	\$440	\$44,000.00	\$1,467	\$14.67	\$1.22	16	14	\$23,467	\$20,533	
				\$213,887.00	\$11,868.70	\$118.69	\$9.89			\$88,276.83	\$125,610.17	

Estimated Dollar Amount In Fund Today:

Estimated minus Plan Difference:

Replacement Plan Notes:

- (1) The replacement plan is an estimated replacement cost at a point in time. A yearly review is recommended to verify plan and make any necessary adjustments.
- (2) Individual homeowner replacement responsibility = siding, roof, garage door, driveway sealcoating & overlay, sidewalk, front stoop, patio, deck, front/sliding doors, sewer/water lines, gutters/downspouts, retaining walls, electrical lines, natural gas lin
- (3) *Exterior Trim Painting is for any painted surfaces of a Unit facing a public street which shall be limited to trim on the garage door, front door and window trim.

Heritage Glen Board Initiatives 2015-2016

- **Added rain garden/Native plantings**
- **Planted island rock circles**
- **Boulder wall in Woodduck Circle**
- **Rock garden to prevent erosion**
- **Stained mailbox posts (Lynn Michaels, Judy Samuelson, Jean Crotty, Lavon Jalonack)**
- **Replaced damage trees**
- **Spraying for Japanese beetles**
- **Review and sign A-1 Maintenance contract**

Projected Future Initiatives

- **Upgrade irrigation system**
- **Bid for another rain garden**
- **Consider replacing ash trees due to Emerald Ash Bore**
- **Continue spraying for Japanese beetles**