

Heritage Glen Townhome Association  
**Summary Annual Report**  
Prepared for the September 26, 2017 Annual Meeting

1. For the current budget year (July 1, 2016 to June 30, 2017): Capital expenditures approved by the Association in excess of two percent of the budget or \$5000, whichever is greater: N/A
2. As of July 31, 2017, the balance in the reserve for replacement fund is \$98,574.01. 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 2016. It will be distributed at the annual meeting.
3. For the year ending June 30, 2017, the statement of revenue and expenditures, and the balance sheet will be distributed at the annual meeting. An review was conducted for the 2016/2017 Fiscal year. (Current practice is to have reviews conducted for 2 years, followed by an audit every third year).
4. The Association is involved in litigation with a unit owner regarding leasing of the unit. The matter is presently pending in District Court.
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 July 31, 2017, the total past-due assessments on all homes is \$15934.32

# MARC VAN ZANDT

CERTIFIED PUBLIC ACCOUNTANT

13279 DANNER PATH, ROSEMOUNT MN 55068 (651)322-6145

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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, 2017 and 2016, 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, 2017 and 2016, 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 16, 2017

HERITAGE GLEN TOWNHOME ASSOCIATION  
BALANCE SHEETS  
June 30, 2017 and 2016

	Operating <u>Fund</u>	Replacement <u>Fund</u>	Totals	
			<u>2017</u>	<u>2016</u>
<b>ASSETS</b>				
Cash, including interest-bearing deposits	\$ 35,518.92	\$ 98,467.16	\$133,986.08	\$143,802.86
Assessments receivable	15,640.82		15,640.82	1,383.04
Interest receivable-homeowners	2,980.16		2,980.16	2,191.53
Interest receivable-investments		312.51	312.51	384.29
Late fees receivable	6,640.00		6,640.00	5,662.70
Prepaid expenses	147.90		147.90	184.91
Deposit-Rain garden	9,700.00		9,700.00	
Due from (to) other funds	1,917.47	(1,917.47)		
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TOTAL ASSETS	\$ 72,545.27	\$ 96,862.20	\$169,407.47	\$153,609.33
	=====	=====	=====	=====
 <b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 3,052.54	\$	\$ 3,052.54	\$ 9,177.15
Assessments received in advance	5,728.84		5,728.84	5,016.86
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TOTAL LIABILITIES	8,781.38		8,781.38	14,194.01
Fund balances	63,763.89	96,862.20	160,626.09	139,415.32
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TOTAL LIABILITIES AND FUND BALANCES	\$ 72,545.27	\$ 96,862.20	\$169,407.47	\$153,609.33
	=====	=====	=====	=====

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, 2017 and 2016

	Operating Fund	Replacement Fund	Totals 2017	2016
<b>REVENUES</b>				
Regular assessments	\$106,631.28	\$ 11,868.72	\$118,500.00	\$117,600.00
Interest income-homeowners	871.06		871.06	718.95
Interest income-investments	69.23	607.99	677.22	711.80
Late fees	1,545.00		1,545.00	1,410.00
County Watershed District				13,250.00
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	109,116.57	12,476.71	121,593.28	133,690.75
<b>ADMINISTRATIVE EXPENSES</b>				
Insurance	2,257.91		2,257.91	2,076.28
Management fees	12,000.00		12,000.00	12,000.00
Other administrative expenses	413.99		413.99	388.47
Printing & postage	2,766.63		2,766.63	2,107.27
Professional fees	940.00		940.00	1,714.00
Social events	166.01		166.01	
Uncollectible assessments	702.62		702.62	4,025.13
<b>BUILDING &amp; GROUNDS EXPENSES</b>				
Electricity	151.15		151.15	144.78
Grounds & landscape maintenance	7,757.41		7,757.41	10,985.19
Irrigation system maintenance	3,929.40		3,929.40	6,215.03
Irrigation valves & heads	774.87		774.87	386.76
Lawn care & snow removal contract	47,561.02		47,561.02	45,882.40
Nonbudget-boulder wall installation				4,900.00
Nonbudget-fieldstone wall installation				26,734.01
Nonbudget-landscape project				4,900.00
Nonbudget-refurbish islands				6,300.00
Refuse removal	11,347.44		11,347.44	11,347.44
Replacement-tree mulching				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 2017 and 2016 (continued)

	Operating Fund	Replacement Fund	Totals 2017	Totals 2016
Tree & shrub planting	1,750.00		1,750.00	1,750.00
Tree & shrub trimming	4,204.66		4,204.66	803.44
Turf core aeration	2,035.38		2,035.38	
Water-irrigation	1,624.02		1,624.02	3,322.76
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	100,382.51		100,382.51	146,232.96
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EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	8,734.06	12,476.71	21,210.77	(12,542.21)
BEGINNING FUND BALANCES	51,138.49	88,276.83	139,415.32	151,957.53
INTERFUND ADJUSTMENT	3,891.34	(3,891.34)		
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ENDING FUND BALANCES	\$ 63,763.89	\$ 96,862.20	\$160,626.09	\$139,415.32
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See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 2017 and 2016

	Operating <u>Fund</u>	Replacement <u>Fund</u>	Totals	
			<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues				
over expenses	\$ 8,734.06	\$ 12,476.71	\$ 21,210.77	\$ (12,542.21)
Adjustments to reconcile excess (deficiency)				
of revenues over expenses to net cash				
provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	(14,257.78)		(14,257.78)	1,307.76
Interest receivable-homeowners	(788.63)		(788.63)	227.18
Interest receivable-investments		71.78	71.78	(3.60)
Late fees receivable	(977.30)		(977.30)	1,970.00
Prepaid expenses	37.01		37.01	(49.76)
Deposit-Rain garden	(9,700.00)		(9,700.00)	
Increase (decrease) in:				
Accounts payable	(6,124.61)		(6,124.61)	(7,663.82)
Assessments received in advance	711.98		711.98	(710.00)
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<b>NET CASH PROVIDED (USED) BY</b>				
<b>OPERATING ACTIVITIES</b>	(22,365.27)	12,548.49	(9,816.78)	(17,464.45)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interfund adjustment	11,868.72	(11,868.72)		
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<b>NET CASH PROVIDED (USED) BY</b>				
<b>FINANCING ACTIVITIES</b>	11,868.72	(11,868.72)		
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<b>NET INCREASE</b>				
<b>(DECREASE) IN CASH</b>	(10,496.55)	679.77	(9,816.78)	(17,464.45)
<b>CASH AT BEGINNING OF YEAR</b>	46,015.47	97,787.39	143,802.86	161,267.31
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<b>CASH AT END OF YEAR</b>	<u>\$35,518.92</u>	<u>\$ 98,467.16</u>	<u>\$133,986.08</u>	<u>\$143,802.86</u>
	=====	=====	=====	=====
<b>SUPPLEMENTAL DISCLOSURE</b>				
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 16, 2017, 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, 2017, 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, 2017 and 2016, 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, 2017, the Association had filed suit against one of the unit owners regarding leasing of the unit. The matter is presently pending in District Court. In accordance with FASB ASC 450, the amount of gain or loss, if any, that may be ultimately realized, has not been reflected in the accompanying financial statements.

### 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 \$98,500 and \$97,800 at June 30, 2017 and 2016, respectively, are held in separate accounts and are generally not available for operating purposes.