

GLENBROOK WATER COOPERATIVE

Glenbrook, Nevada

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2017 and 2016

GLENBROOK WATER COOPERATIVE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Glenbrook Water Cooperative

Report on the Financial Statements

We have audited the accompanying financial statements of Glenbrook Water Cooperative, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of revenues and expenses and changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Glenbrook Water Cooperative as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
May 11, 2018

GLENBROOK WATER COOPERATIVE

Exhibit A

BALANCE SHEETS
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 351,014	\$ 344,667
Other accounts receivable	11,799	2,395
Prepaid expenses	13,897	14,059
Cash and cash equivalents, reserve (Note 5)	564,764	200,000
Certificates of deposit, reserve (Note 5)	200,000	400,000
Total Current Assets	<u>1,141,474</u>	<u>961,121</u>
Plant and Equipment		
Distribution system	685,725	685,725
Storage tank	460,485	460,485
Disinfection treatment plant	3,711,477	3,711,477
	<u>4,857,687</u>	<u>4,857,687</u>
Less: accumulated depreciation	<u>(2,609,880)</u>	<u>(2,458,773)</u>
	<u>2,247,807</u>	<u>2,398,914</u>
Construction in progress	32,433	-0-
	<u>2,280,240</u>	<u>2,398,914</u>
Total Assets	<u>\$ 3,421,714</u>	<u>\$ 3,360,035</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 10,307	\$ 11,560
Accrued liabilities	5,620	-0-
Water fees paid in advance	1,335	1,400
Total Current Liabilities	<u>17,262</u>	<u>12,960</u>
Members' Equity	<u>3,404,452</u>	<u>3,347,075</u>
Total Liabilities and Members' Equity	<u>\$ 3,421,714</u>	<u>\$ 3,360,035</u>

GLENBROOK WATER COOPERATIVE

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES AND
CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Water service	\$ 414,800	\$ 409,200
Connection fees	-0-	6,300
Interest income	6,117	7,262
Late fees	260	504
Miscellaneous (Note 4)	11,799	25,300
Total Revenue	<u>432,976</u>	<u>448,566</u>
Expenses		
Maintenance and Operations		
Utilities	21,376	22,397
Water testing	9,010	11,221
Plant maintenance	11,693	18,294
System operating contract (Note 4)	94,201	87,336
Supplies	20,628	22,023
	<u>156,908</u>	<u>161,271</u>
Administrative		
Insurance	20,394	20,428
Management	13,700	14,570
Legal and accounting	16,521	41,564
Office	1,765	2,576
Water policing	1,540	2,123
Permits and fees	13,664	14,085
	<u>67,584</u>	<u>95,346</u>
Other		
Depreciation	151,107	158,184
Loss on disposal of assets	-0-	8,297
	<u>151,107</u>	<u>166,481</u>
Total Expenses	<u>375,599</u>	<u>423,098</u>
Revenue Over Expenses	<u>57,377</u>	<u>25,468</u>
Members' Equity, Beginning of Year	3,347,075	3,321,607
Members' Equity, End of Year	<u>\$ 3,404,452</u>	<u>\$ 3,347,075</u>

The accompanying notes are an integral part of these statements.

GLENBROOK WATER COOPERATIVE

Exhibit C

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue Over Expenses	\$ 57,377	\$ 25,468
Adjustment to reconcile revenue over expenses to net cash provided by operating activities		
Depreciation	151,107	158,184
Loss on disposal of assets	-0-	8,297
Change in accounts receivable and interest receivable	(9,404)	(953)
Change in prepaid expenses and other assets	161	521
Change in accounts payable and other liabilities	(1,317)	(10,505)
Net Cash Provided by Operating Activities	<u>197,924</u>	<u>181,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(26,813)	(35,640)
Proceeds from maturity of certificates of deposit, reserve	200,000	200,000
Net Cash Provided by Investing Activities	<u>173,187</u>	<u>164,360</u>
Net Increase in Cash and Cash Equivalents	371,111	345,372
Cash and Cash Equivalents, Beginning of Year	544,667	199,295
Cash and Cash Equivalents, End of Year	<u>\$ 915,778</u>	<u>\$ 544,667</u>
Analysis of Cash and Cash Equivalents:		
Cash and cash equivalents	351,014	344,667
Cash and cash equivalents, reserve (Note 5)	564,764	200,000
	<u>\$ 915,778</u>	<u>\$ 544,667</u>
Non-Cash Investment Activities:		
Acquisition of equipment financed by trade payables	<u>\$ 5,620</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of these statements.

GLENBROOK WATER COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Form and Nature of Organization

Glenbrook Water Cooperative was formed in 1990. The Cooperative is an incorporated nonprofit company organized under the laws of the State of Nevada for the purpose of providing water service to members in Glenbrook, Nevada. Qualification for membership in the Cooperative is ownership of a parcel of land or subdivided lot that is located within the service area of the Cooperative, along with an approved water connection. The Cooperative is supported by water service dues and assessments of the members.

On July 1, 1992, the community water system operation (doing business as Glenbrook Water Company) was assumed by Glenbrook Water Cooperative, a separate legal entity.

2. Summary of Significant Accounting Policies

- A. Real property and equipment acquired from the developer is stated at the estimated developer's cost. These facilities include portions of the pumping system, distribution system, and storage tank.

Additions to property and equipment purchased by the Cooperative or its predecessor are stated at cost at the date of acquisition. Depreciation on capitalized assets is recorded on the straight-line method over the expected useful lives of the assets, ranging from 15 to 50 years.

- B. Cooperative members are subject to annual water service fees to provide funds for the Cooperative's operating expenses and major repairs and replacements. Water fees receivable at the balance sheet date represents amounts due from service members. The Cooperative's policy includes, among other things, assessing a late charge on payments unpaid 30 days past their due date and discontinuing water service after a specified length of time. An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Cooperative is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings.

Fees are charged to residential and commercial members, the Tahoe Douglas Sewer District and the Tahoe Douglas Fire Protection District at a flat rate.

New members building on vacant lots and requesting water services are assessed a one-time connection fee approximating capital assessments to date.

- C. For purposes of the Statements of Cash Flows, cash and cash equivalents includes checking, savings, and money market accounts.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

- D. The carrying amounts of financial instruments, including cash, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.
- E. The Cooperative operates under tax exempt status from the Internal Revenue Service. The Cooperative's three previous federal tax returns are available for examination by the taxing authorities.
- F. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- G. The certificates of deposits held are classified as held-to-maturity investments as the Association's management has no intention to sell the investments before their maturity date. The investments are valued at their amortized cost basis, which approximates their fair value.

3. Concentration of Credit Risk

The Cooperative maintains accounts at various banks. At December 31, 2017 and 2016, these accounts exceeded the federally insured limits by \$314,764 and \$108,646, respectively.

4. Commitments

The Cooperative entered into two agreements during 1996 with Glenbrook Homeowners Association for the lease of the disinfection treatment site. The terms of each of the leases include payment of nominal rent through 2026. The leases also include two 30-year options to renew.

The Cooperative contracts with a certified water operator to operate the water system for the Cooperative. The current contract expires on October 31, 2019 and costs approximately \$94,000 per year.

In 2017, the Cooperative entered into an agreement with a contractor for certain consulting, design, advisory, surveying and/or testing services related to upcoming waterline improvements. The contract was for approximately \$71,000. As of December 31, 2017, approximately \$39,000 remains to be spent.

In 2017, the Cooperative obtained a matching grant related to the waterline improvement project for \$20,886. As of December 31, 2017, approximately \$12,000 was earned and receivable from the granting agency. The remaining balance will be earned in 2018.

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In 2016, the Cooperative relinquished an easement and the old raw water intake and pump station to the underlying property owner. Additionally, the property owner is obligated by Nevada regulations to physically disconnect the old piping from the current water system. The easement was relinquished in exchange for \$25,000 received from the property owner.

5. Board Designated Reserve Account

The Cooperative maintains a reserve study that was most recently updated during 2017. The purpose of the study is to provide guidance for an annual contribution to the Board designated reserve account to help defray, in whole or in part, future replacement costs of the Cooperative's capital assets. The Board designated cash and certificates of deposit are intended for replacement of existing capital assets or capital projects required to comply with current standards.

6. Subsequent Events

Subsequent events have been evaluated by management through May 11, 2018, the date that the statements were available for issuance.