

DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL  
ASSOCIATION, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED MARCH 31, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
Dutch Creek Village Homeowners & Recreational Association, Inc.

I have audited the accompanying financial statements of Dutch Creek Village Homeowners & Recreational Association, which comprise the balance sheet as of March 31, 2017, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year 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 the financials 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 fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Dutch Creek Village Homeowners & Recreational Association, Inc.  
Independent Auditor's Report (continued)

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dutch Creek Village Homeowners & Recreational Association, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property be presented to supplement the basic financial statements. Such information, although not a 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 an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Michele M. Giometti, CPA  
Lakewood, Colorado  
February 12, 2018

THE DUTCH CREEK VILLAGE HOMEOWNERS &  
RECREATIONAL ASSOCIATION, INC.  
BALANCE SHEET  
MARCH 31, 2017

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents (Note 3)	\$ 120,223	\$ 106,603	\$ 226,826
Accounts receivable, net of \$495 allowance for bad debt (Note 4)	125		125
Prepaid insurance	<u>1,032</u>		<u>1,032</u>
<u>TOTAL ASSETS</u>	<u>\$ 121,380</u>	<u>\$ 106,603</u>	<u>\$ 227,983</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 350	\$	\$ 350
Prepaid assessments	53,802		53,802
Income taxes payable (Note 6)	<u>74</u>		<u>74</u>
Total liabilities	54,226	0	54,226
Fund balances	<u>67,154</u>	<u>106,603</u>	<u>173,757</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 121,380</u>	<u>\$ 106,603</u>	<u>\$ 227,983</u>

The accompanying notes are an integral part  
of the financial statements.

THE DUTCH CREEK VILLAGE HOMEOWNERS &  
RECREATIONAL ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES  
AND CHANGE IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>REVENUES</u>			
Member assessments (Note 4)	\$ 75,972	\$ 15,108	\$ 91,080
Recovery of bad debt	1,275		1,275
Title transfer income	1,129		1,129
Pool key Income	140		140
Interest income	102	81	183
Fines and violations	30		30
Late charges	10		10
Total Revenues	<u>78,658</u>	<u>15,189</u>	<u>93,847</u>
 <u>EXPENSES</u>			
Landscape maintenance	19,427		19,427
Pool and poolhouse maintenance	18,171		18,171
Water and sewer	5,861		5,861
Bookkeeping and tax preparation	4,550		4,550
Tennis court repairs	4,445		4,445
Insurance	4,120		4,120
Legal and collections	1,712		1,712
Sprinkler repairs	955		955
Administration	496		496
Snow removal	160		160
Taxes (Note 6)	74		74
Total Expenses	<u>59,971</u>	<u>0</u>	<u>59,971</u>
Excess of Revenues over Expenses or (Expenses over Revenues)	18,687	15,189	33,876
Beginning Fund Balances	<u>48,467</u>	<u>91,414</u>	<u>139,881</u>
Ending Fund Balances	<u>\$ 67,154</u>	<u>\$ 106,603</u>	<u>\$ 173,757</u>

The accompanying notes are an integral part  
of the financial statements.

THE DUTCH CREEK VILLAGE HOMEOWNERS &  
RECREATIONAL ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess / (Deficit ) of revenues over expenses	\$ 18,687	\$ 15,189	\$ 33,876
(Increase) decrease in:			
Accounts receivable - homeowners	(0)		(0)
Prepaid insurance	(6)		(6)
Other prepaid expenses	518		518
Increase (decrease) in:			
Accounts payable	(512)		(512)
Prepaid assessments	2,106		2,106
Taxes payable	74		74
Net Cash Provided (Used) by Operating Activities	<u>20,867</u>	<u>15,189</u>	<u>36,056</u>
 Net increase (decrease) in cash	 20,867	 15,189	 36,056
Cash at beginning of year	99,356	91,414	190,770
 Cash at end of year	 <u>\$ 120,223</u>	 <u>\$ 106,603</u>	 <u>\$ 226,826</u>

Supplemental information of cash flow information:

Cash paid during the year for:

Income taxes	\$ 0	\$ 0	\$ 0
Interest	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part  
of the financial statements.

DUTCH CREEK VILLAGE HOMEOWNERS &  
RECREATIONAL ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017

NOTE 1. NATURE OF ORGANIZATION

The Dutch Creek Village Homeowners & Recreational Association, Inc. (the Association), a nonprofit corporation organized under the laws of Colorado on September 10, 1977, was formed to manage, maintain and preserve the common area property on behalf of the members of the Association. The development consists of 184 residential units and is located in Jefferson County, Colorado. The Association is responsible for the maintenance and preservation of the common area, which includes grounds and improvements and certain fencing. It is also responsible for providing insurance for the common areas, and maintenance for the pool and tennis court.

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 12, 2018, the date that the financial statements were available to be issued.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING.** The Association uses the accrual method of accounting for both financial statement and income tax return purposes.

**CASH AND CASH EQUIVALENTS.** The association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**RECOGNITION OF ASSETS AND DEPRECIATION POLICY.** Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's Board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted. At March 31, 2017, property not capitalized consists of sidewalks, access roads, greenbelts, and a pool.

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation. At March 31, 2017, property capitalized consists of landscaping equipment. All equipment is fully depreciated.

DUTCH CREEK VILLAGE HOMEOWNERS &  
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NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017

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 4. 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. Owner's assessments are determined by an annual budget approved by the board to meet operating costs and contribute to the replacement fund. Annual dues increases are limited to the rate determined by the Consumer Price Index unless a two-third vote of member and mortgagee approval is obtained. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Annual assessments to owners were \$495 for the year ended March 31, 2017.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs, replacements and improvements. Accumulated funds, which aggregated \$106,603 at March 31, 2017, are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Association's Board of Directors conducted a study in February, 2017 to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were based on the then current replacement costs, without adjustment for future inflation or interest earned on investments. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The Association transferred \$6,000 to its Reserve Fund and \$9,108 to its Improvement Fund in the year ending March 31, 2017.



DUTCH CREEK VILLAGE HOMEOWNERS &  
RECREATIONAL ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017

**NOTE 6. FEDERAL AND STATE CORPORATE INCOME TAXES**

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended March 31, 2017, the Association was taxed as a homeowners' association. As a homeowners' association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates. The Association had taxable income for the year ended March 31, 2017 resulting in Federal taxes of \$64 and state taxes of \$10.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed, and the Association's federal and state income tax returns for the years ending March 31, 2014, 2015, and 2016 remain open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**NOTE 7. SUBSEQUENT EVENTS**

The Association entered into a \$90,000 loan agreement in September, 2017 bearing interest at 7.990% with principal and interest payable in monthly installments of \$2,201 for 48 months. The payoff date per the loan agreement is scheduled for September, 2021. The funds are to be used for tennis court repairs and improvements.

In October, 2017 the Association entered into a contract for a complete rehab of the pools equipment room. The cost of the rehab will be \$42,227. The funding for this project will come from the Major Replacement Funds account. This account is funded annually by transferring 10% of the annual dues to support major replacement costs. The board elected to take a proactive stance to address the aged pool equipment following the 2017 pool season. As of the audit date, the Major Replacement Fund contained \$70,045 and the 10% transfer from annual dues for fiscal year ending March 31, 2018, had not yet occurred.

DUTCH CREEK VILLAGE HOMEOWNERS &  
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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MARCH 31, 2017  
Unaudited

The Association's Board of Directors conducted a study in February, 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current replacement costs, with no adjustments for future inflation or interest earned.

The following information is based on the study and presents significant information about the components of common property. The following information has not been updated for work in process or completed. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study.

<u>Components</u>	<u>Normal Life (Years)</u>	<u>Remaining Useful Life (Years)</u>	<u>Replacement Cost</u>
<u>Swimming Pool Complex</u>			
Pool House			
Building structure	75	38	\$30,550
Storage shed	75	53	6,600
Roof	40	26	4,920
Building security lights	20	14	75
Main sewer system	100	73	25,000
Mechanical room			
Electrical service center	75	72	2,000
200 Amp disconnect	75	72	1,000
Electrical 200 amp load center	75	72	2,000
Wiring, switches and outlets	75	72	1,000
Vent system	75	38	100
Water meter	75	68	1,200
Backflow preventer	75	72	675
Water piping	75	38	500
Gas piping	75	74	650
Bath rooms			
Stalls and benches	50	47	4,000
Vanity	30	27	300
Floor coating	30	27	1,600
Wall paint	10	7	1,000
Lavatories and fixtures	25	22	400
Mirror	25	22	100
Toilets	25	22	600
Urinal	25	22	200
Shower fixtures	25	22	100
Miscellaneous fixtures	25	22	150
Water piping	75	38	500
Sewer and drains	75	38	1,000

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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MARCH 31, 2017  
Unaudited

<u>Components (continued)</u>	<u>Normal Life (Years)</u>	<u>Remaining Useful Life (Years)</u>	<u>Replacement Cost</u>
Electrical	75	72	200
Lighting	75	72	500
Vent system	75	58	100
Swimming pool			
Pool water management system			
PVC piping	25	3	500
Pump / strainer	15	13	475
Motor	15	13	300
Drain / skimmer valves	25	3	200
Filter system	15	14	1,600
Chlorinator	25	3	200
Heater	25	11	3,500
Main pool			
Pool structure	75	38	75,000
Ladders	25	3	600
Handrail	25	3	180
Skimmers	50	13	1,200
Jets	75	38	300
Drain	75	38	50
Pool coating	15	0	2,000
Underwater lights	50	13	400
Underwater lights – timer	51	29	50
Edge coping	75	38	4,500
Pool deck	75	38	8,160
Kiddie pool			
Pool structure	75	38	5,000
Skimmer	75	38	200
Jets	75	38	600
Drain	75	38	200
Pool coating	15	0	400
Underwater lights	50	13	150
Edge coping	75	38	1,200
Pool deck	75	38	1,800
Pool Grounds			
Pavement and surfacing			
Concrete walkways – West	50	44	4,400
Concrete walkways – East	50	39	13,435
Pool concrete parking	50	39	13,775
Pool signs	25	15	5,345

DUTCH CREEK VILLAGE HOMEOWNERS &  
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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MARCH 31, 2017  
Unaudited

<u>Components (continued)</u>	<u>Normal Life (Years)</u>	<u>Remaining Useful Life (Years)</u>	<u>Replacement Cost</u>
Equipment and landscaping			
South retaining wall	75	64	10,320
North retaining wall	75	61	88,000
Grass	75	65	300
Trees	75	65	900
Shrubs	75	65	500
Shade shelters	40	30	14,625
Picnic table	25	15	2,250
Bench	25	15	1,900
Trash receptacle	25	15	850
Ornamental iron perimeter fence	40	30	35,850
Tractor gate	40	34	2,000
Entry gate system – West	20	14	3,000
Entry gate system – East	20	10	3,000
Entry gate alarm system	20	10	250
Pole lights (pool area)			
Fixtures	25	17	800
Pole	50	42	900
Wiring	50	42	300
8' chain link fence – west	40	13	2,500
Pool area irrigation			
Backflow preventer	25	25	300
Timer controller	25	15	950
Zone valves	25	15	375
Valve box	40	30	250
Fixed head sprinklers	25	15	500
Rotating sprinklers	25	15	0
Piping	50	40	150
<u>Multipurpose Recreational Facilities</u>			
Play area - East			
Landscaping			
Grass	75	65	200
Trees	75	65	1,050
Shrubs	75	65	250
Retaining wall	75	65	5,325
Irrigation			
Zone valves	25	15	300
Valve box	40	30	50
Fixed head sprinklers	25	15	150
Rotating sprinklers	25	15	300
Piping	50	40	50

DUTCH CREEK VILLAGE HOMEOWNERS &  
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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MARCH 31, 2017  
Unaudited

<u>Components (continued)</u>	<u>Normal Life (Years)</u>	<u>Remaining Useful Life (Years)</u>	<u>Replacement Cost</u>
Tennis courts			
Court #1 (West) converted to grass			
Irrigation	40	35	1,500
Court #2 (Center) Multi-play			
Base court	25	19	5,000
Surface – playing	25	-15	8,750
Basketball goal	25	19	400
Fence	40	34	700
Court #3 (Tennis-East)			
Base court	25	8	10,000
Surface – playing	10	9	7,000
Net	10	-7	150
Fence	25	8	1,900
<u>HOA Common Areas</u>			
Weaver Entrance			
Entrance signs	50	38	10,000
Landscaping			
Grass	100	60	300
Trees	100	60	3,300
Shrubs	100	60	0
Irrigation			
Timer controller	25	8	125
Zone valves	25	8	200
Valve box	40	23	100
Piping	50	10	250
Fixed head sprinklers	25	8	240
Rotating sprinklers	25	8	600
Marshall Entrance			
Entrance signs	50	38	5,000
Landscaping			
Grass	100	61	300
Trees	100	61	600
Shrubs	100	61	300
Irrigation			
Water meter	25	-14	1,200
Backflow preventer	25	-14	500
Timer controller	25	-14	125
Zone valves	25	-14	150
Valve box	40	1	25
Piping	50	11	150
Fixed head sprinklers	25	-14	150
Rotating sprinklers	25	-14	600

DUTCH CREEK VILLAGE HOMEOWNERS &  
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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MARCH 31, 2017  
Unaudited

<u>Components (continued)</u>	<u>Normal Life (Years)</u>	<u>Remaining Useful Life (Years)</u>	<u>Replacement Cost</u>
Caley Entrance			
Entrance signs	50	33	5,000
Landscaping			
Grass	100	83	300
Trees	100	83	6,300
Shrubs	100	83	300
Irrigation			
Timer controller	25	8	125
Zone valves	25	8	200
Valve box	40	23	50
Piping	50	33	250
Fixed head sprinklers	25	8	375
Rotating sprinklers	25	8	300
Hoover Entrance			
Entrance signs	50	33	5,000
Landscaping			
Grass	100	83	300
Trees	100	83	1,500
Shrubs	100	83	4,500
Irrigation			
Water meter	25	-14	1,200
Backflow preventer	25	-14	500
Timer controller	25	8	50
Zone valves	25	8	200
Valve box	40	23	50
Piping	50	33	250
Fixed head sprinklers	25	8	375
Rotating sprinklers	25	8	300
<u>HOA Perimeter Fence</u>			
Trac A (Coal Mine)			
Stone columns	100	60	5,000
Trac D (Pierce S. of Weaver)			
Stone columns	100	60	2,000
Trac G (Pierce N. of Weaver)			
Stone columns	100	60	7,500
Filing 2 (Pierce N. of W. Caley)			
Stone columns	100	83	2,000

DUTCH CREEK VILLAGE HOMEOWNERS &  
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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
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MARCH 31, 2017  
Unaudited

<u>Components (continued)</u>	<u>Normal Life (Years)</u>	<u>Remaining Useful Life (Years)</u>	<u>Replacement Cost</u>
<u>Dutch Creek Open Spaces</u>			
John Deere model 790 tractor	15	0	14,000
Mowing deck	15	15	3,600
Little tractor	15	-2	2,500
Push mower	15	3	500
Gas powered blower	15	4	300
Gas powered trimmer	15	4	250
Miscellaneous maintenance equipment	5	-2	1,000
Total			\$536,875