

DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL
ASSOCIATION, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED MARCH 31, 2019

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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, 2019, 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 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 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, 2019, 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 25, 2020

THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2019

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents (Note 3)	\$ 153,239	\$ 52,310	\$ 205,549
Accounts receivable, net of \$0 allowance for bad debt (Note 4)	730		730
Prepaid insurance	1,464		1,464
Interfund receivable	<u> </u>	<u>9,283</u>	<u>9,283</u>
<u>TOTAL ASSETS</u>	<u>\$ 155,433</u>	<u>\$ 61,593</u>	<u>\$ 217,026</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 3,931	\$	\$ 3,931
Prepaid assessments	63,378		63,378
Income taxes payable (Note 6)	0		0
Interfund payable	9,283		9,283
Loan payable (Note 7)	<u>59,358</u>	<u> </u>	<u>59,358</u>
Total liabilities	135,950	0	135,950
Fund balances	<u>19,483</u>	<u>61,593</u>	<u>81,076</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 155,433</u>	<u>\$ 61,593</u>	<u>\$ 217,026</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, 2019

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>REVENUES</u>			
Member assessments (Note 4)	\$ 75,797	\$ 15,283	\$ 91,080
Trash assessments	9,376		9,376
Late charges	790		790
Title transfer income	500		500
Fines and violations	200		200
Interest income	174	52	226
Total Revenues	<u>86,837</u>	<u>15,335</u>	<u>102,172</u>
 <u>EXPENSES</u>			
Pool and poolhouse maintenance	19,937		19,937
Landscape maintenance	16,518		16,518
Trash removal	9,547		9,547
Water and sewer	7,790		7,790
Insurance	6,146		6,146
Interest expense (Note 7)	5,952		5,952
Bookkeeping and tax preparation	4,550		4,550
Reserve study	2,650		2,650
Sprinkler repairs	1,999		1,999
Snow removal	1,333		1,333
Administration	1,163		1,163
Legal and collections	140		140
Taxes (Note 6)	0		0
Total Expenses	<u>77,725</u>	<u>0</u>	<u>77,725</u>
Excess of Revenues over Expenses or (Expenses over Revenues)	9,112	15,335	24,447
Beginning Fund Balances	<u>10,371</u>	<u>46,258</u>	<u>56,629</u>
Ending Fund Balances	<u>\$ 19,483</u>	<u>\$ 61,593</u>	<u>\$ 81,076</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, 2019

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess / (Deficit) of revenues over expenses	\$ 9,112	\$ 15,335	\$ 24,447
(Increase) decrease in:			
Accounts receivable - homeowners	(230)		(230)
Prepaid insurance	598		598
Other prepaid expenses	219		219
Increase (decrease) in:			
Accounts payable	(35,033)		(35,033)
Prepaid assessments	(4,420)		(4,420)
Net Cash Provided (Used) by Operating Activities	<u>(29,754)</u>	<u>15,335</u>	<u>(14,419)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in:			
Interfund payable / receivable	9,283	(9,283)	0
Loan payable	(20,683)		(20,683)
Net Cash Provided (Used) by Financing Activities	<u>(11,400)</u>	<u>(9,283)</u>	<u>(20,683)</u>
Net increase (decrease) in cash	(41,154)	6,052	(35,102)
Cash at beginning of year	194,393	46,258	240,651
Cash at end of year	<u>\$ 153,239</u>	<u>\$ 52,310</u>	<u>\$ 205,549</u>

Supplemental information of cash flow information:

Cash paid during the year for:

Income taxes	\$ 0	\$ 0	\$ 0
Interest	\$ 5,952	\$ 0	\$ 5,952

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

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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 in 3 Filings 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. As of October 1, 2018, the Association is responsible for trash removal in Filings 1 and 2.

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 25, 2020, 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, 2019, 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, 2019, property capitalized consists of landscaping equipment. All equipment is fully depreciated.

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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, 2019. Beginning October 1, 2018, Filings 1 and 2 were assessed \$70 for the 6-month period October 1, 2018 through March 31, 2019 for trash removal.

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 \$52,310 at March 31, 2019, are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Association's Board of Directors engaged an independent engineer to conduct a study in April, 2019 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, with adjustments 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 \$15,283 to its Reserve Fund during the year ending March 31, 2019.

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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, 2019, 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 no taxable income for the year ended March 31, 2019.

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, 2016, 2017, and 2018 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. LOAN PAYABLE

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.

Principal maturities of the note payable during the next three years are as follows:

Year ending March 31, 2020	\$ 22,476
Year ending March 31, 2021	24,339
Year ending March 31, 2022	<u>12,543</u>
	\$ 59,358

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
MARCH 31, 2019
Unaudited

The Association's Board of Directors engaged an independent engineer to conduct a study in April, 2019 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 adjustments for future inflation of 2.4% or interest earned of 1.7%.

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>Property Site Elements</u>			
Concrete sidewalks, partial	to 65	2 – 14	\$ 27,122
Concrete sidewalks, Weaver Avenue extension	n/a	6	23,058
Irrigation system, phased	to 40	7 – 13	57,231
Maintenance equipment, tractor	10 – 15	4	13,194
Retaining wall, masonry, inspection and capital repairs	10 – 15	2	12,520
Retaining wall, masonry, phased	to 35	17 – 19	161,678
Signage - renovation	15 – 20	6	6,918
Tennis and multipurpose courts – color coat	4 – 6	3	17,250
Tennis and multipurpose courts – surface replacement	to 30	28	270,478
<u>Pool House Elements</u>			
Doors, metal	to 30	12	7,975
Restrooms – renovation	to 20	13	16,344
Roof, concrete tiles	to 30	12	11,843
<u>Pool Elements</u>			
Concrete deck, inspections, partial replacements and repairs	8 – 12	1	4,070
Cover, vinyl	6 – 8	1	6,605
Fences, aluminum	to 25	11	43,550
Furniture, phased	to 12	5 – 11	3,941
Light poles and fixtures	to 25	17	6,735
Mechanical equipment, phased	to 15	6 – 13	21,906
Pavilion, metal	to 30	14	8,363
Pool finish, plaster	8 – 12	1	25,958
Pool finish, tile	15 – 25	1	8,479
Structure and deck – total replacement	to 60	21	513,397
Total			<u>\$ 1,268,615</u>