

DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL
ASSOCIATION, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED MARCH 31, 2021

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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, 2021, 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, 2021, 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
August 3, 2022

THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2021

<u>ASSETS</u>	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
Cash and cash equivalents (Note 3)	\$ 78,980	\$ 56,038	\$ 135,018
Accounts receivable, net of \$0 allowance for bad debt (Note 4)	1,575		1,575
Prepaid insurance	1,340		1,340
Other receivables	95		95
Interfund receivable	<u>33,808</u>		<u>33,808</u>
<u>TOTAL ASSETS</u>	<u>\$ 115,798</u>	<u>\$ 56,038</u>	<u>\$ 171,836</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 3,743	\$	\$ 3,743
Prepaid assessments	42,874		42,874
Income taxes payable (Note 6)	0		0
Interfund payable		33,808	33,808
Loan payable (Note 7)	<u>12,637</u>		<u>12,637</u>
Total liabilities	59,254	33,808	93,062
Fund balances	<u>56,544</u>	<u>22,230</u>	<u>78,774</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 115,798</u>	<u>\$ 56,038</u>	<u>\$ 171,836</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, 2021

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>REVENUES</u>			
Member assessments (Note 4)	\$ 85,428	\$ 16,788	\$ 102,216
Trash assessments	18,443		18,443
Title transfer income	1,001		1,001
Late charges	412		412
Interest income	103	29	132
Total Revenues	<u>105,387</u>	<u>16,817</u>	<u>122,204</u>
<u>EXPENSES</u>			
Landscape maintenance	21,418		21,418
Pool and poolhouse maintenance	20,614	11,050	31,664
Trash removal	19,176		19,176
Water and sewer	12,200		12,200
Insurance	5,729		5,729
Bookkeeping and tax preparation	4,550		4,550
Sprinkler repairs	2,769		2,769
Interest expense (Note 7)	2,109		2,109
Snow removal	1,575		1,575
Administration	782		782
Legal and collections	360		360
Taxes (Note 6)	0		0
Tennis courts		27,833	27,833
Major replacement repairs		8,221	8,221
Total Expenses	<u>91,282</u>	<u>47,104</u>	<u>138,386</u>
Excess of Revenues over Expenses or (Expenses over Revenues)	14,105	(30,287)	(16,182)
Beginning Fund Balances	<u>42,439</u>	<u>52,517</u>	<u>94,956</u>
Ending Fund Balances	<u>\$ 56,544</u>	<u>\$ 22,230</u>	<u>\$ 78,774</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, 2021

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess / (Deficit) of revenues over expenses	\$ 14,105	\$ (30,287)	\$ (16,182)
(Increase) decrease in:			
Accounts receivable - homeowners	(897)		(897)
Other prepaid expenses	1		1
Increase (decrease) in:			
Accounts payable	3,744		3,744
Prepaid assessments	(6,975)		(6,975)
Net Cash Provided (Used) by Operating Activities	<u>9,978</u>	<u>(30,287)</u>	<u>(20,309)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in:			
Interfund payable / receivable	(33,808)	33,808	0
Loan payable	(24,307)		(24,307)
Net Cash Provided (Used) by Financing Activities	<u>(58,115)</u>	<u>33,808</u>	<u>(24,307)</u>
Net increase (decrease) in cash	(48,137)	3,521	(44,616)
Cash at beginning of year	127,117	52,517	179,634
Cash at end of year	<u>\$ 78,980</u>	<u>\$ 56,038</u>	<u>\$ 135,018</u>

Supplemental information of cash flow information:

Cash paid during the year for:

Income taxes	\$ 0	\$ 0	\$ 0
Interest	\$ 2,109	\$ 0	\$ 2,109

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

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 August 3, 2022, 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, 2021, 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, 2021, property capitalized consists of landscaping equipment. All equipment is fully depreciated.

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 \$580 for the year ended March 31, 2021. Filings 1 and 2 were assessed \$141 for the 12 month period April 1, 2020 through March 31, 2021 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 \$56,038 at March 31, 2021, 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 \$16,788 to its Reserve Fund during the year ending March 31, 2021.

DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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, 2021, 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, 2021.

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, 2018, 2019, and 2020 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 were used for tennis court repairs and improvements.

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

Year ending March 31, 2022	\$ 12,637
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DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
MARCH 31, 2021
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, nor have the remaining useful lives been adjusted. 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</u> <u>(Years)</u>	<u>Remaining</u> <u>Useful Life</u> <u>(Years)</u> <u>As of April 2019</u>	<u>Replaceme</u> <u>nt 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>