

THE DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL  
ASSOCIATION, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED MARCH 31, 2007

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## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying balance sheets of The Dutch Creek Village Homeowners & Recreational Association as of March 31, 2007, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dutch Creek Village Homeowners & Recreational Association, Inc. as of March 31, 2007, 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.

The Dutch Creek Village Homeowners & Recreational Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

*Michele M. Giometti*

Michele M. Giometti, CPA  
Lakewood, Colorado  
April 28, 2008

**THE DUTCH CREEK VILLAGE HOMEOWNERS &  
 RECREATIONAL ASSOCIATION, INC.  
 BALANCE SHEET  
 MARCH 31, 2007**

<u>ASSETS</u>	<u>Total</u>
Cash and cash equivalents (Note 2)	\$ 111,161
Accounts receivable, net of \$2,000 allowance for bad debt (Note 3)	9,947
Prepaid expenses	1,298
Fixed assets, net of accumulated depreciation (Note 2)	<u>0</u>
<u>TOTAL ASSETS</u>	<u>\$ 122,406</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 2,115
Prepaid assessments	1,065
Income taxes payable (Note 5)	1,696
Current portion of long term debt (Note 6)	15,120
Long term debt, net of current portion (Note 6)	<u>70,115</u>
Total liabilities	90,111
Fund balance	<u>32,295</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 122,406</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, 2007**

		<u>Total</u>
<u>REVENUES</u>		
Member assessments (Note 3)	\$	66,240
Late charges		1,374
Interest income		2,995
Total Revenues		<u>70,609</u>
 <u>EXPENSES</u>		
Recreation site		83,583
Pool maintenance		19,864
Water and sewer		5,642
Sprinkler repairs		5,291
Insurance		5,202
Legal and collections		3,608
Interest expense (Note 6)		3,172
Tree trimming		2,367
Payroll and payroll taxes		2,033
Bad debt expense		2,000
Taxes (Note 5)		1,696
Lawn care		1,427
Trash removal		1,252
Administration		513
Charitable donations		250
Accounting		205
Snow removal		75
Total Expenses		<u>138,180</u>
Excess of Revenues over Expenses or (Expenses over Revenues)		(67,571)
 Beginning Fund Balance		 <u>99,866</u>
Ending Fund Balance	\$	<u><u>32,295</u></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, 2007**

	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Excess / (Deficit ) of revenues over expenses	\$ (67,571)
(Increase) decrease in:	
Accounts receivable - homeowners	5,443
Prepaid expenses	10
Increase (decrease) in:	
Accounts payable	2,115
Prepaid assessments	(55)
Taxes payable	191
Net Cash Provided (Used) by Operating Activities	(59,867)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Increase (decrease) in:	
Note payable	85,235
Net Cash Provided / (Used) by Financing Activities	85,235
NET INCREASE (DECREASE) IN CASH	25,368
CASH AT BEGINNING OF YEAR	85,793
CASH AT END OF YEAR	\$ 111,161

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



**THE DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL  
ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**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. 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, 2007, 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, 2007, property capitalized consists of landscaping equipment, and is fully depreciated.

**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.

**THE DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL  
ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

NOTE 3. OWNERS' ASSESSMENTS

MEMBER 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 \$360 for the year ended March 31, 2007.

NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and maintenance. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association has the right to increase regular assessments or it may delay major repairs and replacements until funds are available. The Association also has the right, subject to member approval, to levy a special assessment.

NOTE 5. 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, 2007, 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, 2007 resulting in Federal taxes of \$1,469 and state taxes of \$227.

NOTE 6. NOTES PAYABLE

The Association entered into a \$90,000 loan agreement in November, 2006 bearing interest at 9.71% with principal and interest payable in monthly installments of \$1,905 for 60 months. For the year ended 3/31/ 07, interest expense totaled \$3,172. The funds were used for repairs and improvements at the recreation area, including picnic shelters, concrete repairs, additional sidewalks, new fencing, and the removal of a volleyball court.