

DUTCH CREEK VILLAGE HOMEOWNERS AND RECREATIONAL  
ASSOCIATION, INC.

FINANCIAL STATEMENTS

with

ACCOUNTANT'S REVIEW REPORT

and

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2008

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## ACCOUNTANT'S REVIEW REPORT

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

I have reviewed the accompanying balance sheet of The Dutch Creek Village Homeowners & Recreational Association as of March 31, 2008, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Dutch Creek Village Homeowners & Recreational Association.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying March 31, 2008, financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. Such information has been subjected to the inquiry and analytic procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to it.

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  
October 30, 2008

**THE DUTCH CREEK VILLAGE HOMEOWNERS &  
 RECREATIONAL ASSOCIATION, INC.  
 BALANCE SHEET  
 MARCH 31, 2008**

<u>ASSETS</u>	<u>Total</u>
Cash and cash equivalents (Note 2)	\$ 34,295
Accounts receivable, net of \$2,000 allowance for bad debt (Note 3)	6,380
Prepaid expenses	1,234
Fixed assets, net of accumulated depreciation (Note 2)	<u>0</u>
<u>TOTAL ASSETS</u>	<u>\$ 41,909</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,067
Prepaid assessments	1,325
Income taxes payable (Note 5)	510
Insurance claim payable (Note 7)	6,477
Current portion of long term debt (Note 6)	16,695
Long term debt, net of current portion (Note 6)	<u>53,417</u>
Total liabilities	79,491
Fund balance	<u>(37,582)</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 41,909</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, 2008**

	Total
<u>REVENUES</u>	
Member assessments (Note 3)	\$ 90,585
Interest income	1,559
Late charges	1,265
Total Revenues	93,409
 <u>EXPENSES</u>	
Recreation site	113,430
Pool maintenance	16,374
Interest expense (Note 6)	7,742
Water and sewer	5,833
Insurance	5,001
Tree trimming	2,900
Sprinkler repairs	2,723
Lawn care	2,436
Payroll and payroll taxes	2,400
Legal and collections	1,466
Administration	703
Tennis court maintenance	550
Bad debt expense	513
Taxes (Note 5)	510
Snow removal	480
Accounting	225
Total Expenses	163,286
Excess of Revenues over Expenses or (Expenses over Revenues)	(69,877)
Beginning Fund Balance	32,295
Ending Fund Balance	\$ (37,582)

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, 2008**

	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Excess / (Deficit ) of revenues over expenses	\$ (69,877)
(Increase) decrease in:	
Accounts receivable - homeowners	3,567
Prepaid expenses	64
Increase (decrease) in:	
Accounts payable	(1,048)
Prepaid assessments	260
Taxes payable	(1,186)
Insurance claim payable	6,477
Net Cash Provided (Used) by Operating Activities	(61,743)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Increase (decrease) in:	
Note payable	(15,123)
Net Cash Provided / (Used) by Financing Activities	(15,123)
NET INCREASE (DECREASE) IN CASH	(76,866)
CASH AT BEGINNING OF YEAR	111,161
CASH AT END OF YEAR	\$ 34,295
<u>SUPPLEMENTAL DISCLOSURES</u>	
Income taxes paid	\$ 1,696
Interest paid	\$ 7,742

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, 2008**

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, 2008, 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, 2008, 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, 2008

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 \$495 for the year ended March 31, 2008.

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, 2008, 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, 2008 resulting in Federal taxes of \$438 and state taxes of \$72.

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 3/31/08, interest expense totaled \$7,742. 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.

THE DUTCH CREEK VILLAGE HOMEOWNERS & RECREATIONAL  
ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 7. INSURANCE CLAIM PAYABLE

In November, 2007, a motorist caused damage to landscaping, signage, and fencing. The driver's insurance paid \$6,477 to repair the damages. The repairs were completed in August, 2008.