

DUTCH CREEK VILLAGE HOMEOWNERS AND RECREATIONAL  
ASSOCIATION, INC.

FINANCIAL STATEMENTS

with

ACCOUNTANT'S REVIEW REPORT

and

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2010

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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, 2010, 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, 2010, 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, CPA  
Lakewood, Colorado  
January 13, 2011

**THE DUTCH CREEK VILLAGE HOMEOWNERS &  
 RECREATIONAL ASSOCIATION, INC.  
 BALANCE SHEET  
 MARCH 31, 2010**

| <u>ASSETS</u>  | <u>Operating</u> | <u>Reserves</u>  | <u>Total</u>     |
|--|------------------|------------------|------------------|
| Cash and cash equivalents (Note 2)                                     | \$ 9,171         | \$ 23,475        | \$ 32,646        |
| Accounts receivable, net of \$4,000<br>allowance for bad debt (Note 3) | 2,815            |                  | 2,815            |
| Prepaid insurance  | 1,234            |                  | 1,234            |
| Other prepaid expenses   | 520              |                  | 520              |
| Fixed assets, net of accumulated<br>depreciation (Note 2)              | <u>241</u>       | <u>1,254</u>     | <u>1,495</u>     |
| <u>TOTAL ASSETS</u>  | <u>\$ 13,981</u> | <u>\$ 24,729</u> | <u>\$ 38,710</u> |
| <br><u>LIABILITIES</u>   |                  |                  |                  |
| Prepaid assessments  | \$ 504           | \$               | \$ 504           |
| Income taxes payable (Note 5)  | 115              |                  | 115              |
| Current portion of long term debt (Note 6)                             | 17,325           |                  | 17,325           |
| Long term debt, net of current portion (Note 6)                        | <u>18,101</u>    |                  | <u>18,101</u>    |
| Total liabilities  | 36,045           | 0                | 36,045           |
| Fund balance   | <u>(22,064)</u>  | <u>24,729</u>    | <u>2,665</u>     |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u>                              | <u>\$ 13,981</u> | <u>\$ 24,729</u> | <u>\$ 38,710</u> |

See Accountant's Review Report.

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, 2010**

|   | <u>Operating</u>   | <u>Reserves</u>  | <u>Total</u>    |
|---|--------------------|------------------|-----------------|
| <u>REVENUES</u>   |                    |                  |                 |
| Member assessments (Note 3)                                     | \$ 72,527          | \$ 18,554        | \$ 91,081       |
| Late charges  | 927                |                  | 927             |
| Interest income   | 375                | 59               | 434             |
| Miscellaneous income  | 35                 |                  | 35              |
| Total Revenues  | <u>73,864</u>      | <u>18,613</u>    | <u>92,477</u>   |
| <br><u>EXPENSES</u>   |                    |                  |                 |
| Pool maintenance  | 26,161             |                  | 26,161          |
| Sprinkler repairs   | 5,908              |                  | 5,908           |
| Insurance   | 4,815              |                  | 4,815           |
| Water and sewer   | 4,650              |                  | 4,650           |
| Fence repair  | 4,000              |                  | 4,000           |
| Interest expense (Note 6)                                       | 3,961              |                  | 3,961           |
| Legal and collections   | 3,746              |                  | 3,746           |
| Lawn care   | 3,484              |                  | 3,484           |
| Trees, shrubs and flowers                                       | 2,726              |                  | 2,726           |
| Bad debt expense  | 2,659              |                  | 2,659           |
| Payroll and payroll taxes                                       | 1,584              |                  | 1,584           |
| Audit   | 1,079              |                  | 1,079           |
| Administration  | 871                |                  | 871             |
| Meeting room rental   | 300                |                  | 300             |
| Taxes (Note 5)  | 115                |                  | 115             |
| Snow removal  | 50                 |                  | 50              |
| Depreciation  | 69                 | 447              | 516             |
| Total Expenses  | <u>66,178</u>      | <u>447</u>       | <u>66,625</u>   |
| Excess of Revenues over Expenses<br>or (Expenses over Revenues) | 7,686              | 18,166           | 25,852          |
| Beginning Fund Balance  | <u>(29,750)</u>    | <u>6,563</u>     | <u>(23,187)</u> |
| Ending Fund Balance   | <u>\$ (22,064)</u> | <u>\$ 24,729</u> | <u>\$ 2,665</u> |

See Accountant's Review Report.

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, 2010**

|  | <u>Operating</u> | <u>Reserves</u>  | <u>Total</u>     |
|--|------------------|------------------|------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>        |                  |                  |                  |
| Excess / (Deficit ) of revenues over expenses      | \$ 7,686         | \$ 18,166        | \$ 25,852        |
| (Increase) decrease in:                            |                  |                  |                  |
| Accounts receivable - homeowners                   | 2,060            |                  | 2,060            |
| Prepaid expenses                                   | (17)             |                  | (17)             |
| Fixed assets, net of depreciation                  | 69               | 447              | 516              |
| Increase (decrease) in:                            |                  |                  |                  |
| Prepaid assessments                                | (454)            |                  | (454)            |
| Taxes payable                                      | (22)             |                  | (22)             |
| Net Cash Provided (Used) by Operating Activities   | <u>9,322</u>     | <u>18,613</u>    | <u>27,935</u>    |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>        |                  |                  |                  |
| Increase (decrease) in:                            |                  |                  |                  |
| Note payable                                       | <u>(17,977)</u>  |                  | <u>(17,977)</u>  |
| Net Cash Provided / (Used) by Financing Activities | <u>(17,977)</u>  | <u>0</u>         | <u>(17,977)</u>  |
| NET INCREASE (DECREASE) IN CASH                    | (8,655)          | 18,613           | 9,958            |
| CASH AT BEGINNING OF YEAR                          | 17,826           | 4,862            | 22,688           |
| CASH AT END OF YEAR                                | <u>\$ 9,171</u>  | <u>\$ 23,475</u> | <u>\$ 32,646</u> |
| <br><u>SUPPLEMENTAL DISCLOSURES</u>                |                  |                  |                  |
| Income taxes paid                                  | \$ 137           | \$ 0             | \$ 137           |
| Interest paid                                      | \$ 3,961         | \$ 0             | \$ 3,961         |

See Accountant's Review Report.

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, 2010**

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, 2010, 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, 2010, property capitalized consists of landscaping equipment.

**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, 2010**

**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, 2010.

**NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents 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, 2010, 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, 2010 resulting in Federal taxes of \$100 and state taxes of \$15.

THE DUTCH CREEK VILLAGE HOMEOWNERS &  
RECREATIONAL ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010

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. In May, 2009, the Association refinanced the loan, reducing the interest rate to 7.69% and reducing its required monthly payments to \$1,623. The payoff date per the loan agreement is scheduled for May, 2012. However, the Association has been making additional principal payments and anticipates the actual payoff will occur in November, 2011.

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.

For the year ended March 31, 2010, interest expense totaled \$3,961.

Principal payments to be made are as follows:

|                         |               |
|-------------------------|---------------|
| For year ending 3/31/11 | \$ 17,325     |
| For year ending 3/31/12 | <u>18,101</u> |
| Total debt              | \$ 35,426     |