

DUTCH CREEK VILLAGE HOMEOWNERS AND RECREATIONAL
ASSOCIATION, INC.

FINANCIAL STATEMENTS

with

ACCOUNTANT'S REVIEW REPORT

and

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2011

Michele M. Giometti
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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, 2011, 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, 2011, 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 supplementary information on future major repairs and replacements included in this report is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it.

Michele M. Giometti

Michele M. Giometti, CPA
Lakewood, Colorado
September 2, 2011

THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2011

<u>ASSETS</u>	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
Cash and cash equivalents (Note 2)	\$ 85,937	\$ 27,531	\$ 113,468
Accounts receivable, net of \$4,500 allowance for bad debt (Note 3)	469		469
Prepaid insurance	1,193		1,193
Other prepaid expenses	544		544
Fixed assets, net of accumulated depreciation (Note 2)	<u>172</u>	<u>807</u>	<u>979</u>
<u>TOTAL ASSETS</u>	<u>\$ 88,315</u>	<u>\$ 28,338</u>	<u>\$ 116,653</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 185	\$	\$ 185
Prepaid assessments	60,464		60,464
Income taxes payable (Note 5)	46		46
Current portion of long term debt (Note 6)	<u>14,097</u>		<u>14,097</u>
Total liabilities	74,792	0	74,792
Fund balance	<u>13,523</u>	<u>28,338</u>	<u>41,861</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 88,315</u>	<u>\$ 28,338</u>	<u>\$ 116,653</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, 2011**

<u>REVENUES</u>	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
Member assessments (Note 3)	\$ 87,080	\$ 4,000	\$ 91,080
Late charges	696		696
Interest income	192	56	248
Miscellaneous income	70		70
Total Revenues	<u>88,038</u>	<u>4,056</u>	<u>92,095</u>
<u>EXPENSES</u>			
Pool and poolhouse maintenance	18,216		18,216
Water and sewer	7,617		7,617
Insurance	4,812		4,812
Lawn care	4,288		4,288
Sprinkler repairs	4,033		4,033
Legal and collections	3,242		3,242
Bad debt expense	2,147		2,147
Interest expense (Note 6)	2,013		2,013
Trees, shrubs and flowers	1,456		1,456
Payroll and payroll taxes	1,345		1,345
Audit	1,079		1,079
Tennis court maintenance	965		965
Administration	809		809
Snow removal	150		150
Website	136		136
Taxes (Note 5)	46		46
Meeting room rental	28		28
Depreciation	69		69
Total Expenses	<u>52,451</u>	<u>447</u>	<u>516</u>
Excess of Revenues over Expenses or (Expenses over Revenues)	35,587	3,609	39,197
Beginning Fund Balance	<u>(22,064)</u>	<u>24,729</u>	<u>2,665</u>
Ending Fund Balance	<u>\$ 13,523</u>	<u>\$ 28,338</u>	<u>\$ 41,861</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, 2011**

	Operating	Reserves	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess / (Deficit) of revenues over expenses	\$ 35,587	\$ 3,609	\$ 39,197
(Increase) decrease in:			
Accounts receivable - homeowners	2,346		2,346
Prepaid insurance	42		42
Other prepaid expenses	(24)		(24)
Fixed assets, net of depreciation	69	447	516
Increase (decrease) in:			
Accounts payable	185		185
Prepaid assessments	59,960		59,960
Taxes payable	(69)		(69)
Net Cash Provided (Used) by Operating Activities	98,096	4,056	102,152
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in:			
Note payable	(21,330)		(21,330)
Net Cash Provided / (Used) by Financing Activities	(21,330)	0	(21,330)
NET INCREASE (DECREASE) IN CASH	76,766	4,056	80,822
CASH AT BEGINNING OF YEAR	9,171	23,475	32,646
CASH AT END OF YEAR	\$ 85,937	\$ 27,531	\$ 113,468

Supplemental information of cash flow information:

Cash paid during the year for:

Income taxes	\$ 115	\$ 0	\$ 115
Interest	\$ 2,013	\$ 0	\$ 2,013

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, 2011

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, 2011, 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, 2011, 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, 2011

NOTE 3. 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, 2011.

NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregated \$23,531 at December 31, 2011, are held in separate savings accounts and generally are not available for expenditures for normal operations. The Association also created an Improvement Fund of \$4,000, which is not required by the governing documents

The Association's Board of Directors conducted a study in March, 2011 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, without adjustment 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 did not transfer funds to its reserves account in 2011, but instead created an Improvement Fund of \$4,000.

THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

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, 2011, 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, 2011 resulting in Federal taxes of \$40 and state taxes of \$6.

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, 2011, interest expense totaled \$2,031.

Principal payments to be made are as follows:

For year ending 3/31/12	<u>\$ 14,097</u>
Total debt	<u>\$ 14,097</u>

**THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
MARCH 31, 2011
Unaudited**

The Association's Board of Directors conducted a study in March, 2011 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 no adjustments for future inflation or interest earned.

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</u> <u>(Years)</u>	<u>Remaining</u> <u>Useful Life</u> <u>(Years)</u>	<u>Replacement</u> <u>Cost</u>
Pool house - building structure	75	44	\$30,550
Pool house - storage shed	75	59	6,600
Pool house - roof	40	32	4,920
Pool house - mechanical systems	75	44	7,800
Pool house - bathrooms	50 - 75		3,400
Main sewer system	100	79	25,000
Swimming pool - water management system	25	9 - 17	6,660
Main pool	15 - 75	6 - 44	92,440
Kiddie pool	15 - 75	6 - 44	9,550
Pool grounds - pavement and surfacing	25 - 50	21 - 45	32,555
Pool grounds - landscaping	20 - 75	16 - 71	167,245
Pool grounds - irrigation	25 - 50	21 - 46	2,225
East play area - landscaping	75	71	6,825
East play area - multipurpose irrigation	25 - 50	21 - 46	850
East play area - tennis courts	25	0 - 19	199,510
Weaver entrance - signs	50	44	10,000
Weaver entrance - landscaping	100	66	3,600
Weaver entrance - irrigation	25 - 50	14 - 29	1,515
Marshall entrance - signs	50	44	5,000
Marshall entrance - landscaping	100	67	1,200
Marshall entrance - irrigation	25 - 40	0 - 7	1,200
Caley entrance - signs	50	39	5,000
Caley entrance - landscaping	100	89	6,900
Caley entrance - irrigation	25 - 50	14 - 39	1,300
Weaver greenbelt - water meters	50	46	1,400
Perimeter fence- tracks A, D & G	100	66	14,500
Perimeter fence - Filing 2	100	89	2,000
Open space equipment	5 - 16	4 - 10	28,000

Total

\$677,745