

DUTCH CREEK VILLAGE HOMEOWNERS AND RECREATIONAL
ASSOCIATION, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

and

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2015

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ACCOUNTANT'S REVIEW REPORT

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

I have reviewed the accompanying balance sheet of Dutch Creek Village Homeowners Association and Recreational Association as of March 31, 2015, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, 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.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

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

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not 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 not audited, reviewed, or compiled the required supplementary information, and accordingly, do not assume any responsibility for it.

Michele M. Giometti

Michele M. Giometti, CPA
Lakewood, Colorado
December 7, 2015

**THE DUTCH CREEK VILLAGE HOMEOWNERS &
 RECREATIONAL ASSOCIATION, INC.
 BALANCE SHEET
 MARCH 31, 2015**

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents (Note 3)	\$ 76,570	\$ 76,168	\$ 152,738
Accounts receivable, net of \$495 allowance for bad debt (Note 4)	0		0
Prepaid insurance	1,009		1,009
Other prepaid expenses	632		632
Fixed assets, net of accumulated depreciation (Note 3)	<u> </u>	<u>0</u>	<u>0</u>
<u>TOTAL ASSETS</u>	<u>\$ 78,211</u>	<u>\$ 76,168</u>	<u>\$ 154,379</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 1,615	\$	\$ 1,615
Prepaid assessments	45,820		45,820
Income taxes payable (Note 6)	<u>148</u>	<u> </u>	<u>148</u>
Total liabilities	47,583	0	47,583
Fund balances	<u>30,628</u>	<u>76,168</u>	<u>106,796</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 78,211</u>	<u>\$ 76,168</u>	<u>\$ 154,379</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, 2015**

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>REVENUES</u>			
Member assessments (Note 4)	\$ 66,518	\$ 24,562	\$ 91,080
Title transfer income	1,245		1,245
Fines and violations	405		405
Interest income	296	179	475
Late charges	218		218
Pool key Income	70		70
Total Revenues	<u>68,752</u>	<u>24,741</u>	<u>93,493</u>
 <u>EXPENSES</u>			
Pool and poolhouse maintenance	18,788	9,700	28,488
Landscape maintenance	14,859		14,859
Water and sewer	5,565		5,565
Bookkeeping and tax preparation	4,225		4,225
Insurance	3,996		3,996
Sprinkler repairs	1,858		1,858
Financial review	1,182		1,182
Interest expense (Note 7)	744		744
Legal and collections	659		659
Administration	588		588
Bad debt expense	520		520
Snow removal	425		425
Taxes (Note 6)	148		148
Depreciation		225	225
Total Expenses	<u>53,557</u>	<u>9,925</u>	<u>63,482</u>
Excess of Revenues over Expenses or (Expenses over Revenues)	15,195	14,816	30,011
Beginning Fund Balances	<u>15,433</u>	<u>61,352</u>	<u>76,785</u>
Ending Fund Balances	<u>\$ 30,628</u>	<u>\$ 76,168</u>	<u>\$ 106,796</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, 2015**

	<u>Operating</u>	<u>Reserves</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess / (Deficit) of revenues over expenses	\$ 15,195	\$ 14,816	\$ 30,011
Depreciation		225	225
(Increase) decrease in:			
Accounts receivable - homeowners	211		211
Prepaid insurance	(40)		(40)
Other prepaid expenses	(48)		(48)
Increase (decrease) in:			
Accounts payable	1,267		1,267
Prepaid assessments	(12,989)		(12,989)
Taxes payable	103		103
Net Cash Provided (Used) by Operating Activities	3,699	15,041	18,740
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in:			
Note payable (Note 7)	(21,406)		(21,406)
Net Cash Provided / (Used) by Financing Activities	(21,406)	0	(21,406)
Net increase (decrease) in cash	(17,707)	15,041	(2,666)
Cash at beginning of year	94,277	61,127	155,404
Cash at end of year	\$ 76,570	\$ 76,168	\$ 152,738

Supplemental information of cash flow information:

Cash paid during the year for:

Income taxes	\$ 148	\$ 0	\$ 148
Interest	\$ 744	\$ 0	\$ 744

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, 2015**

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. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 7, 2015, 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, 2015, 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, 2015, property capitalized consists of landscaping equipment.

**THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

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 \$495 for the year ended March 31, 2015.

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 \$76,168 at March 31, 2015, are held in separate savings accounts and generally are not available for expenditures for normal operations.

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 transferred \$19,162 to its Reserve Fund and \$5,400 to its Improvement Fund in the year ending March 31, 2015.

**THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

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, 2015, 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, 2015 resulting in Federal taxes of \$127 and state taxes of \$21.

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, 2012, 2013, and 2014 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. NOTES PAYABLE

The Association entered into a \$75,000 loan agreement in October, 2011 bearing interest at 7.00% with principal and interest payable in monthly installments of \$1,800 for 47 months. The loan was collateralized by the assets of the Association, including bank accounts and accounts receivable. The Board of Directors approved a one time additional principal payment in November, 2012 of \$5,000, and subsequently paid additional principal of \$300 monthly. The loan was paid in full in February, 2015.

The funds were used to replace fencing, add sidewalks, modify the irrigation system and repair the tennis courts. These improvements were completed in October, 2012, at a total cost of \$77,448.

For the year ended March 31, 2015, interest expense totaled \$744.

**THE DUTCH CREEK VILLAGE HOMEOWNERS &
RECREATIONAL ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
MARCH 31, 2015
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. However, the remaining useful life has 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>Replacement</u> <u>Cost</u>
Pool house - building structure	75	42	\$30,550
Pool house - storage shed	75	55	6,600
Pool house - roof	40	28	4,920
Pool house - mechanical systems	75	40	7,800
Pool house - bathrooms	50 - 75	15 - 40	3,400
Main sewer system	100	75	25,000
Swimming pool - water management system	25	5 - 13	6,660
Main pool	15 - 75	2 - 40	92,440
Kiddie pool	15 - 75	2 - 40	9,550
Pool grounds - pavement and surfacing	25 - 50	17 - 41	32,555
Pool grounds - landscaping	20 - 75	12 - 67	167,245
Pool grounds - irrigation	25 - 50	17 - 42	2,225
East play area - landscaping	75	67	6,825
East play area - multipurpose irrigation	25 - 50	17 - 42	850
East play area - tennis courts	25	0 - 15	199,510
Weaver entrance - signs	50	40	10,000
Weaver entrance - landscaping	100	62	3,600
Weaver entrance - irrigation	25 - 50	10 - 26	1,515
Marshall entrance - signs	50	40	5,000
Marshall entrance - landscaping	100	63	1,200
Marshall entrance - irrigation	25 - 40	0 - 3	1,200
Caley entrance - signs	50	35	5,000
Caley entrance - landscaping	100	85	6,900
Caley entrance - irrigation	25 - 50	10 - 35	1,300
Weaver greenbelt - water meters	50	42	1,400
Perimeter fence- tracks A, D & G	100	62	14,500
Perimeter fence - Filing 2	100	85	2,000
Open space equipment	5 - 16	0 - 6	28,000
Total			\$677,745