

CAUGHLIN RANCH  
HOMEOWNERS' ASSOCIATION

Reno, Nevada

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2019 and 2018

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

TABLE OF CONTENTS

		Page
	INDEPENDENT AUDITORS' REPORT	1-2
Exhibit A	BALANCE SHEETS	3
Exhibit B	STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES	4
Exhibit C	STATEMENTS OF CASH FLOWS	5
	NOTES TO FINANCIAL STATEMENTS	6-12
Schedule 1	SCHEDULE OF REVENUE AND EXPENSES - ACTUAL AND BUDGETED	13
Schedule 2	REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	14-15

# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Caughlin Ranch Homeowners' Association

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Caughlin Ranch Homeowners' Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenue and expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caughlin Ranch Homeowners' Association as of December 31, 2019,

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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenue and Expenses – Actual and Budgeted is presented only for supplementary analysis purposes. The budgeted information has not been subjected to any procedures applied in the audit of the basic financial statements, but was compiled from information that is the representation of the Association. Accordingly, we do not express an opinion on the budgeted operating revenue and expense information.

### ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on pages 13 and 14 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Comparative Information***

Information for the year ended December 31, 2018 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unmodified opinion on our report dated March 18, 2019.

***McClintock Accountancy Corporation***

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
March 11, 2020

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Exhibit A

BALANCE SHEETS

December 31, 2019 (with comparative totals for 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 807,800	\$ 653,491	\$ 1,461,291	\$ 1,679,915
Certificates of deposit	500,000	915,000	1,415,000	880,001
Assessments receivable, net of allowance for doubtful accounts of \$18,913 in 2019 and \$10,920 in 2018	26,430	-0-	26,430	18,959
Interest Receivable	5,084	3,300	8,384	-0-
Other receivables	540	-0-	540	8,705
Prepaid expenses	85,225	-0-	85,225	82,455
Due to/from other funds	(12,306)	12,306	-0-	-0-
Property and equipment, net (Note 5)	749,628	-0-	749,628	765,522
Total Assets	<u>\$ 2,162,401</u>	<u>\$ 1,584,097</u>	<u>\$ 3,746,498</u>	<u>\$ 3,435,557</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 33,934	\$ -0-	\$ 33,934	\$ 36,905
Accrued liabilities	39,384	-0-	39,384	30,924
Note payable (Note 10)	250,517	-0-	250,517	273,306
Homeowner security deposits	193,600	-0-	193,600	167,660
Deferred trail maintenance revenue (Note 12)	4,333	-0-	4,333	6,500
Assessments paid in advance	409,421	-0-	409,421	349,131
Total Liabilities	<u>931,189</u>	<u>-0-</u>	<u>931,189</u>	<u>864,426</u>
Fund Balances	<u>1,231,212</u>	<u>1,584,097</u>	<u>2,815,309</u>	<u>2,571,131</u>
Total Liabilities and Fund Balances	<u>\$ 2,162,401</u>	<u>\$ 1,584,097</u>	<u>\$ 3,746,498</u>	<u>\$ 3,435,557</u>

The accompanying notes are an integral part of these statements.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2019 (with comparative totals for 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
<b>Revenue</b>				
Member assessments	\$ 2,134,988	\$ 251,820	\$ 2,386,808	\$ 2,312,456
Special assessment (Note 11)	-0-	-0-	-0-	299,993
Surplus application (Note 11)	-0-	-0-	-0-	(299,993)
Transfer fee income	35,000	-0-	35,000	33,800
Management contract services	17,591	-0-	17,591	36,946
Landscape contract services	76,310	-0-	76,310	54,017
Other income	69,392	-0-	69,392	72,191
Owner reimbursements	12,865	-0-	12,865	-0-
Insurance proceeds	-0-	-0-	-0-	2,281
Late fees	22,516	-0-	22,516	23,552
Interest income	24,558	27,828	52,386	28,015
<b>Total Revenue</b>	<b>2,393,220</b>	<b>279,648</b>	<b>2,672,868</b>	<b>2,563,258</b>
<b>Expenses</b>				
General and administrative	320,971	-0-	320,971	363,174
Payroll and benefits	1,341,628	-0-	1,341,628	1,288,144
Interest expense	14,504	-0-	14,504	6,040
Irrigation	210,721	-0-	210,721	241,056
Repairs and maintenance	265,797	-0-	265,797	224,660
Insurance	82,564	-0-	82,564	76,756
Utilities	58,850	-0-	58,850	61,458
Water conservation project	8,859	-0-	8,859	8,280
Replacement fund expense (Note 6)	-0-	57,287	57,287	183,050
<b>Total Expenses</b>	<b>2,303,894</b>	<b>57,287</b>	<b>2,361,181</b>	<b>2,452,618</b>
Revenue Over Expenses, Before Depreciation	89,326	222,361	311,687	110,640
Depreciation	67,509	-0-	67,509	65,925
Revenue Over Expenses	21,817	222,361	244,178	44,715
Equity Transfer, Capitalized Replacements	38,751	(38,751)	-0-	-0-
Fund Balances, Beginning of Year	1,170,644	1,400,487	2,571,131	2,526,416
Fund Balances, End of Year	\$ 1,231,212	\$ 1,584,097	\$ 2,815,309	\$ 2,571,131

The accompanying notes are an integral part of these statements.

## CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Exhibit C

## STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2019 (with comparative totals for 2018)

	2019		2018	
	Operating Fund	Replacement Fund	Total	Total
Reconciliation of Revenue Over Expenses to Net Cash Provided by Operating Activities:				
Revenue Over Expenses	\$ 21,817	\$ 222,361	\$ 244,178	\$ 44,715
Adjustments:				
Bad debt expense	7,993	-0-	7,993	554
Depreciation	67,509	-0-	67,509	65,925
Loss on disposal of property	-0-	-0-	-0-	3,438
Equity transfer, capitalized replacements	38,751	(38,751)	-0-	-0-
Change in due (to) from other funds	12,306	(12,306)	-0-	-0-
Change in accounts receivable	(21,088)	5,406	(15,682)	38,652
Change in prepaid expenses	(2,770)	-0-	(2,770)	(4,839)
Change in accounts payable	4,186	(7,156)	(2,970)	12,169
Change in accrued and other liabilities	92,523	-0-	92,523	151,745
Total Adjustments	199,410	(52,807)	146,603	267,644
Net Cash Provided by Operating Activities	221,227	169,554	390,781	312,359
Cash Flows from Investing Activities:				
Maturities of certificates of deposit	-0-	590,000	590,000	536,081
Purchase of certificates of deposit	(500,000)	(625,000)	(1,125,000)	(550,000)
Purchase of property and equipment	(51,616)	-0-	(51,616)	(40,683)
Net Cash Used by Investing Activities	(551,616)	(35,000)	(586,616)	(54,602)
Cash Flow from Financing Activities:				
Down payment on building purchase	-0-	-0-	-0-	(300,000)
Payment on long term debt	(22,789)	-0-	(22,789)	(12,669)
Net Cash Used by Financing Activities	(22,789)	-0-	(22,789)	(312,669)
Net Increase (Decrease) in Cash and Cash Equivalents	(353,178)	134,554	(218,624)	(54,911)
Cash and Cash Equivalents, Beginning of Year	1,160,978	518,937	1,679,915	1,734,826
Cash and Cash Equivalents, End of Year	\$ 807,800	\$ 653,491	\$ 1,461,291	\$ 1,679,915
Supplementary Information:				
Income taxes paid	\$ 7,000	\$ -0-	\$ 7,000	\$ 10,100
Interest paid	\$ 14,504	\$ -0-	\$ 14,504	\$ 8,923
Building purchase financed by note payable	\$ -0-	\$ -0-	\$ -0-	\$ 286,632

The accompanying notes are an integral part of these statements.

-5-

# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### 1. Form and Nature of Organization

Caughlin Ranch Homeowners' Association (the "Association") is a non-profit corporation organized under the laws of the State of Nevada on July 31, 1984. The Association is a 2,300 acre planned unit development located in Reno, Nevada. The Association consists of 2,261 residential and 30 commercial members. The Association was organized to provide management services and maintenance of certain common use areas within the development, and is supported by assessments of the lots in the development.

### 2. Summary of Significant Accounting Policies

- A. The Association's governing documents and policies adopted by the Board of Directors provide certain guidelines for controlling its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on the fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose.

Operating Fund - Used to account for financial resources available for the general operations of the Association.

Replacement Fund - Used to accumulate financial resources designated for future major repairs and replacements.

- B. Certain real property owned by the Association is capitalized on the Association's financial statements. This includes the maintenance building and the land on which the maintenance building is constructed. Other real property is not capitalized.

The Association is responsible for the operations and replacement of certain real property improvements, consisting mainly of roads, walking trails and greenbelts. This property consists of approximately 120 improved acres of walking trails, access to roads, and greenbelts and 800 unimproved acres.

Personal property, such as furnishings and equipment, when acquired, is recorded at cost and depreciated using the straight-line method over their estimated useful lives ranging from 3 to 39 years.

- C. Deferred income represents dues paid in the current period applicable to the following period.
- D. Association members are subject to assessments that provide funds for the Association's operating expenses and major repairs and replacements. For administrative convenience, assessments are paid on a quarterly basis using coupon books. Assessments receivable at the balance sheet date represent fees due from residential and non-residential members.



# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The Association's policy includes, among other things, assessing late charges and interest on delinquent assessments and retaining legal counsel to place liens on the property of lot owners whose assessments are ninety days in arrears and therefore considered delinquent. An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Association is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings. Any excess assessments at year-end are retained by the Association for use in future years.

- E. For 2019, the Association has adopted the provisions of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, ("Topic 606" in the Accounting Standards Codification (ASC). Topic 606 superseded the revenue recognition requirements in FASB ASC 972-605, Real Estate—Common Interest Realty Associations, Revenue Recognition. Under Topic 606, the Association must identify a contract with a customer, among other things, and recognize revenue as the Association satisfies a performance obligation.

As described in Note 2. D., Association members are subject to assessments that provide funds for the Association's operating expenses and major repairs and replacements. Association management has considered Topic 606 and concluded that Association members are not customers as defined in the ASC. As such, all assessment revenue, including amounts allocated to the replacement fund, is recognized in the period in which they are assessed, regardless of when they are collected or expended. This treatment is substantially consistent with the Association's accounting in previous years.

- F. Contract revenue consists of management and landscaping contracts with other associations. This revenue is recognized as the performance obligations are satisfied, in accordance with Topic 606, at transaction amounts expected to be collected. The Association's performance obligations related to its contract revenue is satisfied on a monthly basis as services are performed. A contract liability (income received in advance) is recorded when the Association has the right to receive payment in advance of the performance obligations related to the income.

Substantially all of the Association's contract revenue pertains to services that were completed prior to December 31, 2019, therefore the balance of the Association's contract liabilities was \$-0- as of December 31, 2019. No significant revenue was recognized in the current year resulting from performance obligations satisfied in previous periods.

In summary, the adoption of the new revenue recognition guidance did not result in any changes to the fund balances as of January 1, 2019 or the balance sheet or results of operations for the year ended December 31, 2019.

- G. The Association may elect to be taxed as either a regular corporation or as a homeowners association. As a regular corporation, member revenue can be offset to the extent of member expenses. In general, assessments allocated for future major repairs and

# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

replacements can be set aside on a tax-free basis if applicable guidelines are followed. Additionally, other amounts received by the Association, such as investment income, are taxed net of related expenses for federal purposes. Similar rules exist for treatment as a homeowners association. For the years ended December 31, 2019 and 2018, the Association filed as a homeowners association. The Association's three previous federal tax returns are available for examination by the taxing authorities.

For the years ended December 31, 2019 and 2018, the provision for income taxes was \$10,327 and \$10,436, respectively.

- H. For purposes of the Statements of Cash Flows, cash and cash equivalents is defined as amounts held in the checking accounts and money market accounts.
- I. Investments are comprised of certificates of deposits. These securities held are classified as held-to-maturity investments as the Association's management has no intention to sell the investments before their maturity date. Held-to-maturity investments are valued at their amortized cost basis, which approximates their fair value.
- J. The carrying amounts of financial instruments, including cash, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.
- K. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of 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.
- L. Certain reclassifications have been made in the 2018 financial statements to conform to the classifications used in 2019. The reclassifications had no impact on the financial position or results of operations for 2018.

### 3. Concentration of Credit Risk

The Association maintains demand and savings accounts at various banks. At December 31, 2019 and 2018, specific accounts exceeded the federally insured limits. In general, the Association has varying types and levels of safety protection in place covering cash and cash equivalents, as well as investments. These include FDIC insurance, SIPC insurance, and the backing of the US Treasury and its agencies.

However, the Association held the excess funds in obligations of the United States government.

# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### 4. Future Major Repairs and Replacements (Replacement Fund)

The Association's governing documents require funds to be accumulated for future major repairs to and replacement of Association-owned property. Such repair and replacement cash and investments, amounting to \$1,568,491 and \$1,398,938 at December 31, 2019 and 2018, respectively were held in designated bank and investment accounts.

The funding program is based on a study updated in 2019 by independent consultants to estimate the remaining useful life and the replacement cost of the Association-owned property. The estimates were based on estimates from consultants, management, contractors, and historical costs.

The Association is funding such major repairs and replacements over the estimated useful life of the Association-owned property based on the study's estimates of current replacement cost, considering amounts previously accumulated in the replacement fund. 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. Should additional funds be needed, 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.

### 5. Property and Equipment

Association property and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 213,675	\$ 213,675
Building and Improvements	520,363	520,363
Equipment	<u>671,348</u>	<u>639,980</u>
	1,405,386	1,374,018
Less accumulated depreciation	<u>(655,758)</u>	<u>(608,496)</u>
	<u>\$ 749,628</u>	<u>\$ 765,522</u>

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

6. Replacement Fund Expenses

Replacement fund expenses for the year ended December 31, 2019 and 2018 were as follows:

	2019	2018
Irrigation	\$ 5,242	\$ 3,941
Gate repairs	11,352	1,260
Repair and maintenance	697	-0-
Park improvements	-0-	14,514
Equipment and road maintenance	36,021	38,470
Signs and trails	-0-	116,390
Reserve update	2,050	2,400
Miscellaneous	1,925	6,075
	\$ 57,287	\$ 183,050

7. Interfund Activity

The Association maintains an operating fund, a replacement fund and a capital fund. The replacement and capital fund allocations are collected by the operating fund and transferred to the replacement and capital funds. At various times during the year there is a receivable/ payable (due to/from) among the funds. At December 31, 2019 and 2018, \$12,306 and \$-0- was owed from the operating fund to the replacement fund, respectively.

8. Employee Benefit Plan

The Association provides a Savings Incentive Match Plan for Employees (SIMPLE) IRA Retirement Plan for all full-time employees who have at least one year of continuous service. The Plan allows the employees to voluntarily defer otherwise taxable income and accumulate funds for future retirement. The Association makes a matching contribution up to a maximum deferral of 3% of the employee's gross earnings. The Association's contributions to the plan amounted to \$16,535 and \$13,155 for the years ended December 31, 2019 and 2018, respectively.

9. Lease Agreement

In July 2012, the Association moved to 1070 Caughlin Crossing and signed a new lease with CBRE for a period of 65 months with options to extend. In the year ended December 31, 2016, the Association exercised the five year option to renew at a rental rate of \$5,057 per month and subject to two percent annual increases. In the year ending December 31, 2018, the Association obtained a loan for the purchase of 1070 Caughlin Crossing, which has extinguished any future lease payments. The total rent paid for the years ended December 31, 2019 and 2018 was \$-0- and \$24,236, respectively.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

10. Note Payable

In May 2018, the Association purchased 1070 Caughlin Crossing for use as an office building, and entered into a \$286,632 note payable collateralized by current and future assessments. The note is payable in monthly installments of \$3,108 at 5.44% interest through May 10, 2028.

Future principal payments are as follows:

	December 31,
2020	24,172
2021	25,520
2021	26,943
2022	28,446
Thereafter	145,436
	<u>\$ 250,517</u>

The Association's note payable to Mutual of Omaha requires them to maintain certain financial ratios. In addition, the agreement contains affirmative and negative covenants regulating, among other things, additional indebtedness and liens, continuing operations, compliance with laws and regulations and other matters customarily restricted by such agreements. The agreement also contains customary events of default, including breach of terms and/or conditions, failure to pay on a timely basis, raise above 10% of unites in delinquency, covenant defaults and events of insolvency.

11. Special Assessment

In March 2018, the Board approved as special assessment of \$130.95 per member vote, \$299,993 in total, for the down payment and loan for the purchase of 1070 Caughlin Crossing. The Board further approved the application of the surplus in the Capital Fund to offset the special assessment, resulting in a \$300,000 equity transfer from the Capital Fund to the Operating Fund.

12. Commitments

On November 13, 2006 the Association signed a maintenance agreement with Nextel of California, Inc. ("Nextel") to have the Association take on responsibility of irrigation and maintenance of the trees located at the Pine Bluff Trail cellular tower. In 2006, Nextel paid the Association a one-time lump sum payment of \$32,500. The revenue of \$32,500 will be recognized over 15 years as an offset to maintenance expense, commencing in 2007. As of December 31, 2019, and 2018 the Association had deferred trail maintenance revenue of \$4,333 and \$6,500, respectively.

During 2019, the Association entered into an agreement with an engineering firm to complete structural engineering services to strengthen the upper section of the existing retaining wall located

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

on the south side of Caughlin Parkway in the total amount of \$15,000. As of December 31, 2019 work has yet to commence.

13. Contingent Matters

From time to time, certain claims arising in the ordinary course of business have been filed or threatened against the Association. In the opinion of management, all such matters were without merit or are of such kind, or involve such amounts, which would not have a significant effect on the financial position or results of operations of the Association if disposed of unfavorably. Therefore, currently no provision for loss has been included in the accompanying financial statements.

14. Subsequent Events

Subsequent events have been evaluated by management through March 11, 2020, the date that the statements were available for issuance.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Schedule 1

SCHEDULE OF REVENUE AND EXPENSES - ACTUAL AND BUDGETED  
For the Year Ended December 31, 2019

	Actual	(Unaudited) Budgeted	Variance
<b>Revenue</b>			
Member assessments	\$ 2,386,808	\$ 2,385,753	\$ 1,055
Transfer fee income	35,000	30,700	4,300
Management contract services	17,591	17,294	297
Landscape contract services	76,310	52,900	23,410
Other income	69,392	60,185	9,207
Insurance proceeds	12,865	-0-	12,865
Late fees	22,516	19,000	3,516
Interest income	52,386	22,382	30,004
<b>Total Revenue</b>	<u>2,672,868</u>	<u>2,588,214</u>	<u>84,654</u>
<b>Expenses</b>			
General and Administrative	320,971	354,358	(33,387)
Payroll and benefits	1,341,628	1,405,493	(63,865)
Interest expense	14,504	8,321	6,183
Irrigation	210,721	190,000	20,721
Repairs and maintenance	265,797	231,833	33,964
Insurance	82,564	75,691	6,873
Utilities	58,850	55,673	3,177
Water conservation project	8,859	7,000	1,859
Replacement fund expense (Note 6)	57,287	126,061	(68,774)
<b>Total Expenses</b>	<u>2,361,181</u>	<u>2,454,430</u>	<u>(93,249)</u>
<b>Revenue Over Expenses, Before Depreciation</b>	311,687	133,784	177,903
Depreciation	67,509	-0-	67,509
<b>Revenue Over Expenses</b>	<u>\$ 244,178</u>	<u>\$ 133,784</u>	<u>\$ 110,394</u>

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Schedule 2

REQUIRED SUPPLEMENTARY INFORMATION  
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2019

(Unaudited)

(See Independent Auditors' Report)

The Association's independent consultants updated a study in 2019 to estimate the remaining useful lives and the replacement costs of the major components of common property. The estimates were based on estimates from consultants, management, contractors, and historical costs. Estimated current replacement costs have been adjusted to reflect a 1.25% inflation factor between the date of the study and the date that the components will require repair and replacement. Investment earnings are estimated to be 1.25%.

The Association does not designate the balance in the replacement fund by component. The total amount available for major repairs and replacements at December 31, 2019 was \$1,584,097. The 2020 budget includes a total of \$246,394 in member assessments designated for future repairs and replacements.

The following table is based on the study and presents significant information about the components of common property that are being funded.

Facility or Component	Range of Remaining Lives (Years)	Range of Lives After Replacement (Years)	Current Replacement Cost
Caughlin Ranch			
Paving	1-27	1-30	\$ 1,350,143
Concrete	1-3	6-8	4,425
Painting: exterior	1-3	5	7,881
Painting: interior	5	10	11,733
Structural repairs	3-22	5-40	35,219
Roofing	4-20	25-30	21,967
Rehab	1-17	10-20	18,588
Recreation	3	10	1,051
Tennis court	2-16	7-21	50,698
Landscaping	1	1-4	24,234
Lakes/ponds	1	1-5	28,901
Fencing	8-21	10-30	14,636
Lighting	8-11	10-25	10,383
Signage	1-21	15-22	116,578
Office equipment	0-8	1-9	63,788
Mechanical equipment	1-9	15	27,718
Furnishing	0-13	1-15	66,534
Audio/visual	8-9	10	4,874
Safety/access	1-5	3-6	16,878
Flooring	1-13	10-20	29,110
Wallcoverings	8	20	5,723
Outdoor equipment	1-18	7-30	180,468
Appliances	9-12	10-15	5,730
Miscellaneous	0-18	1-30	604,816
Reserve study	0-4	1-5	8,400
Undesignated	1	1	1,125
			\$ 2,711,601



CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Schedule 2

REQUIRED SUPPLEMENTARY INFORMATION  
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
December 31, 2019  
(Unaudited)

(See Independent Auditors' Report)

Facility or Component	Range of Remaining Lives (Years)	Range of Lives After Replacement (Years)	Current Replacement Cost
Caughlin Creek			
Paving	1-26	2-27	\$ 715,040
Concrete	2-3	5-40	69,097
Painting: exterior	4	4	725
Gate equipment	1-11	8-12	56,264
Lakes/Ponds	1	1	5,871
Lighting	2-14	20-40	37,466
Signage	2	20	4,204
Reserve Study	0-4	5	3,673
			<u>892,340</u>
Mountainshyre			
Paving	1-25	3-22	415,079
Concrete	2-4	6-8	3,337
Painting: exterior	1-5	4-8	1,156
Structural repairs	18	20	1,519
Gate equipment	6-8	8-10	33,460
Landscaping	8	10	2,749
Signage	5-18	20-30	19,232
Reserve Study	0-4	5	3,200
			<u>479,732</u>
Pine Bluff			
Paving	5-17	3-24	28,754
Landscaping	1-18	1-20	4,500
Signage	18	20	20,523
Reserve Study	3	5	1,231
Undesignated	1	2	1,334
			<u>56,342</u>
			<u>\$ 4,140,015</u>