

CAUGHLIN RANCH
HOMEOWNERS' ASSOCIATION

Reno, Nevada

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2021 and 2020

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Caughlin Ranch Homeowners' Association

Opinion

We have audited the accompanying financial statements of Caughlin Ranch Homeowners' Association, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Caughlin Ranch Homeowners' Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Caughlin Ranch Homeowners' Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Caughlin Ranch Homeowners' Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Caughlin Ranch Homeowners' Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 Required Supplementary Information on Future Major Repairs and Replacements on pages 15 and 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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, 2020 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 11, 2021.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
March 9, 2022

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Exhibit A

BALANCE SHEETS

December 31, 2021 (with comparative totals for 2020)

	2021		2020	
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and cash equivalents	\$ 1,405,463	\$ 1,204,904	\$ 2,610,367	\$ 2,450,021
Certificates of deposit	-0-	601,770	601,770	265,000
Assessments receivable, net of allowance for doubtful accounts of \$30,031 in 2021 and \$46,850 in 2020	13,838	461	14,299	24,355
Interest receivable	-0-	151	151	335
Other receivables	5,098	-0-	5,098	110,921
Prepaid expenses	69,672	-0-	69,672	60,743
Due to/from other funds	(87,144)	87,144	-0-	-0-
Property and equipment, net (Note 5)	875,214	-0-	875,214	912,737
Total Assets	\$ 2,282,141	\$ 1,894,430	\$ 4,176,571	\$ 3,824,112
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 33,096	\$ -0-	\$ 33,096	\$ 27,810
Accrued liabilities	55,231	-0-	55,231	51,170
Note payable (Note 9)	196,467	-0-	196,467	225,157
Homeowner security deposits	120,000	-0-	120,000	173,100
Deferred trail maintenance revenue (Note 11)	-0-	-0-	-0-	2,167
Assessments paid in advance	413,468	-0-	413,468	152,438
Total Liabilities	818,262	-0-	818,262	631,842
Fund Balances	1,463,879	1,894,430	3,358,309	3,192,270
Total Liabilities and Fund Balances	\$ 2,282,141	\$ 1,894,430	\$ 4,176,571	\$ 3,824,112

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, 2021 (with comparative totals for 2020)

	2021		2020	
	Operating Fund	Replacement Fund	Total	Total
Revenue				
Member assessments	\$ 2,102,065	\$ 287,908	\$ 2,389,973	\$ 2,388,918
Reserve assessment (Note 10)	-0-	-0-	-0-	458,600
Transfer fee income	29,600	-0-	29,600	34,000
Management contract services	6,541	-0-	6,541	17,910
Landscape contract services	53,416	-0-	53,416	71,039
Fines and penalties	22,800	-0-	22,800	28,900
Other income	47,897	-0-	47,897	56,748
Park improvement contribution (Note 13)	-0-	-0-	-0-	108,290
Late fees	21,196	-0-	21,196	18,908
Interest income	3,330	3,627	6,957	22,043
Total Revenue	2,286,845	291,535	2,578,380	3,205,356
Expenses				
General and administrative	315,723	-0-	315,723	368,952
Payroll and benefits	1,237,039	-0-	1,237,039	1,263,321
Interest expense	8,603	-0-	8,603	13,184
Irrigation	240,959	-0-	240,959	212,387
Repairs and maintenance	288,099	-0-	288,099	288,480
Insurance	76,725	-0-	76,725	89,178
Utilities	57,554	-0-	57,554	53,120
Replacement (Note 6)	-0-	138,339	138,339	486,187
Total Expenses	2,224,702	138,339	2,363,041	2,774,809
Revenue Over Expenses, Before Depreciation	62,143	153,196	215,339	430,547
Depreciation	49,300	-0-	49,300	53,586
Revenue Over Expenses	12,843	153,196	166,039	376,961
Equity Transfer, Capitalized Replacements	13,053	(13,053)	-0-	-0-
Fund Balances, Beginning of Year	1,437,983	1,754,287	3,192,270	2,815,309
Fund Balances, End of Year	\$ 1,463,879	\$ 1,894,430	\$ 3,358,309	\$ 3,192,270

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, 2021 (with comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total
Reconciliation of Revenue Over Expenses to Net Cash Provided by Operating Activities:				
Revenue Over Expenses	\$ 12,843	\$ 153,196	\$ 166,039	\$ 376,961
Adjustments:				
Bad debt	-0-	-0-	-0-	27,937
Depreciation	49,300	-0-	49,300	53,586
Loss on disposal of assets	1,276	-0-	1,276	-0-
Equity transfer, capitalized replacements	13,053	(13,053)	-0-	-0-
Change in due (to) from other funds	29,428	(29,428)	-0-	-0-
Change in accounts receivable	3,204	115,326	118,530	(128,194)
Change in other receivable	(2,467)	-0-	(2,467)	-0-
Change in prepaid expenses	(8,929)	-0-	(8,929)	24,482
Change in accounts payable	5,286	-0-	5,286	(6,124)
Change in accrued and other liabilities	209,824	-0-	209,824	(267,864)
Total Adjustments	299,975	72,845	372,820	(296,177)
Net Cash Provided by Operating Activities	312,818	226,041	538,859	80,784
Cash Flows from Investing Activities:				
Maturities of certificates of deposit	-0-	265,000	265,000	1,350,000
Purchase of certificates of deposit	-0-	(601,770)	(601,770)	(200,000)
Purchase of property and equipment	(13,053)	-0-	(13,053)	(216,694)
Net Cash Provided (Used) by Investing Activities	(13,053)	(336,770)	(349,823)	933,306
Cash Flow from Financing Activities:				
Payment on long term debt	(28,690)	-0-	(28,690)	(25,360)
Net Cash Used by Financing Activities	(28,690)	-0-	(28,690)	(25,360)
Net Increase (Decrease) in Cash and Cash Equivalents	271,075	(110,729)	160,346	988,730
Cash and Cash Equivalents, Beginning of Year	1,134,388	1,315,633	2,450,021	1,461,291
Cash and Cash Equivalents, End of Year	\$ 1,405,463	\$ 1,204,904	\$ 2,610,367	\$ 2,450,021
Supplementary Information:				
Income taxes paid	\$ -0-	\$ -0-	\$ -0-	\$ 7,000
Interest paid	\$ 8,603	\$ -0-	\$ 8,603	\$ 13,184

The accompanying notes are an integral part of these statements.

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CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 2,263 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, the administrative building, and the land on which the buildings are 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, retaining walls, 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, 2021 and 2020

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. 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 it is assessed, regardless of when it is collected or expended.

- 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, 2021, therefore the balance of the Association's contract liabilities was \$-0- as of December 31, 2021 and 2020. No significant revenue was recognized in the current year resulting from performance obligations satisfied in previous periods.

- 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 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, 2021 and 2020, the

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020, the provision for income taxes was \$1,538 and \$625, respectively. The tax provision at December 31, 2020 was reduced by \$5,000 of available federal income tax credits.

- 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. The COVID-19 outbreak in the United States has caused varying degrees of disruption across substantially all businesses. It is at least possible that the Association may experience adverse effects from the outbreak, including the inability to achieve consistent operational service levels historically available to members. Issues may arise from disruptions in normal supply chains, slower collection of member assessments, reduction in user fees, or other factors. The related financial impact to the Association is unknown at this time, and therefore no provisions have been reflected in the accompanying financial statements.

3. Concentration of Credit Risk

The Association maintains demand and savings accounts at various banks. At December 31, 2021 and 2020, 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, 2021 and 2020

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 \$1,806,674 and \$1,580,633 at December 31, 2021 and 2020, respectively were held in designated bank and investment accounts.

The funding program is based on a study updated in 2021 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, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 213,675	\$ 213,675
Building and Improvements	737,058	787,056
Equipment	657,291	671,348
	<u>1,608,024</u>	<u>1,622,079</u>
Less accumulated depreciation	<u>(732,810)</u>	<u>(709,342)</u>
	<u>\$ 875,214</u>	<u>\$ 912,737</u>

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

6. Replacement Fund Expenses

Replacement fund expenses for the year ended December 31, 2021 and 2020 were as follows:

	2021	2020
Irrigation	\$ 10,178	\$ 6,295
Gate repairs	10,825	8,570
Repair and maintenance	38,542	5,740
Segmental retaining wall repair	28,982	244,563
Equipment and road maintenance	40,367	114,117
Signs and trails	6,200	60,352
Reserve update	2,200	7,600
Miscellaneous	1,045	38,940
	\$ 138,399	\$ 486,187

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, 2021 and 2020, the operating fund owed the replacement fund \$87,144 and \$57,716, 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 \$12,610 and \$15,036 for the years ended December 31, 2021 and 2020, respectively.

9. 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 at 5.44% interest collateralized by current and future assessments. During 2020, the Association modified the loan to a reduced 4.00% interest rate. The note is payable in monthly installments of \$3,108 at 4.00% interest through May 10, 2028.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Future principal payments are as follows:

	December 31,
2022	\$ 29,878
2023	31,112
2024	32,383
2025	33,736
Thereafter	69,358
	<u>\$ 196,467</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 units in delinquency, covenant defaults and events of insolvency.

10. Reserve Assessment

In July 2020, the Board approved a reserve assessment of \$200 per member, \$458,600 in total in order to adequately fund the replacement fund subsequent to repairing the segmental retaining wall. The assessment was fully recognized during the year ended December 31, 2020.

11. 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 was recognized over 15 years as an offset to maintenance expense, commencing in 2007. As of December 31, 2021, the related revenue has been fully recognized.

12. 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.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

13. Park Improvement Contribution

During 2020, the Association installed new playground equipment and an ADA compliant play surface at Village Green Park, with a total cost of \$283,861. During 2021, the Association received a \$108,290 contribution toward the project cost from the City of Reno in accordance with a 1989 agreement outlining such reimbursements from residential construction tax provided by the developer.

14. Subsequent Events

Subsequent events have been evaluated by management through March 9, 2022, 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, 2021

	Actual	(Unaudited) Budgeted	Variance
Revenue			
Member assessments	\$ 2,389,973	\$ 2,389,973	\$ -0-
Transfer fee income	29,600	30,000	(400)
Management contract services	6,541	17,908	(11,367)
Landscape contract services	53,416	57,488	(4,072)
Fines and penalties	22,800	3,000	19,800
Other income	47,897	42,500	5,397
Park improvement contribution (Note 13)	-0-	90,000	(90,000)
Late fees	21,196	19,500	1,696
Interest income	6,957	22,693	(15,736)
Total Revenue	<u>2,578,380</u>	<u>2,673,062</u>	<u>(94,682)</u>
Expenses			
General and administrative	315,723	352,709	(36,986)
Payroll and benefits	1,237,039	1,358,684	(121,645)
Interest expense	8,603	11,144	(2,541)
Irrigation	240,959	220,000	20,959
Repairs and maintenance	288,099	249,807	38,292
Insurance	76,725	84,271	(7,546)
Utilities	57,554	62,100	(4,546)
Replacement (Note 6)	138,339	284,345	(146,006)
Total Expenses	<u>2,363,041</u>	<u>2,623,060</u>	<u>(260,019)</u>
Revenue Over Expenses, Before Depreciation	215,339	50,002	165,337
Depreciation	49,300	-0-	49,300
Revenue Over Expenses	<u>\$ 166,039</u>	<u>\$ 50,002</u>	<u>\$ 116,037</u>

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

Schedule 2

December 31, 2021

(Unaudited)

(See Independent Auditors' Report)

The Association's independent consultants updated a study in 2021 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 cash and investments available for major repairs and replacements at December 31, 2021 was \$1,806,674. The 2022 budget includes a total of \$295,635 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	0-25	1-30	\$ 1,063,988
Concrete	1-3	6-8	4,480
Painting: exterior	0-1	5	8,992
Painting: interior	3	10	12,740
Structural repairs	3-24	10-50	90,591
Roofing	0-18	25-30	32,118
Rehab	2-15	10-20	19,663
Recreation	1	10	1,094
Tennis court	0-14	7-21	54,554
Landscaping	0-16	1-20	18,289
Lakes/ponds	0-5	1-5	36,101
Fencing	6-19	10-30	22,814
Retaining Wall	1-22	2-25	8,100
Lighting	6-7	10-20	12,596
Signage	0-22	15-25	138,194
Office equipment	0-5	3-9	87,623
Mechanical equipment	1-7	15	24,017
Furnishings	0-14	10-15	69,715
Audio/visual	3	10	1,823
Safety/access	0-3	3-6	22,817
Flooring	0-14	10-20	39,328
Wallcoverings	6	20	6,026
Outdoor equipment	0-19	3-30	389,028
Appliances	8-10	10-15	5,878
Miscellaneous	0-18	1-30	632,021
Reserve study	0-4	5	10,418
Undesignated	0	1	2,306
			\$ 2,815,314

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2021
 (Unaudited)

Schedule 2

(See Independent Auditors' Report)

Facility or Component	Range of Remaining Lives (Years)	Range of Lives After Replacement (Years)	Current Replacement Cost
Caughlin Creek/Deer Creek			
Paving	1-24	2-27	\$ 844,987
Concrete	1-29	5-30	112,182
Structural repairs	18	20	2,155
Gate equipment	1-8	8-12	64,901
Lakes/Ponds	-0-	1	6,019
Lighting	0-12	20-40	39,953
Signage	1	20	4,313
Safety/Access	4	6	7,493
Reserve Study	0-4	1-5	1,413
			<u>1,083,416</u>
Mountainshyre			
Paving	2-23	3-22	416,368
Concrete	1-2	6-8	3,046
Painting: exterior	3	8	324
Roofing	26	30	1,556
Gate equipment	1-7	8-10	39,100
Lighting	4	12	608
Signage	3-16	20-30	19,703
Safety/Access	4	6	3,544
Reserve Study	0-4	1-5	1,211
			<u>485,460</u>
Whispering Canyon			
Paving	2-22	1-25	291,273
Concrete	8	8	1,780
Painting: Exterior	4	5	2,849
Structural Repairs	23	25	5,120
Gate Equipment	7-29	8-30	59,015
Landscaping	1-24	3-25	27,490
Fencing	10-29	10-30	10,474
Retaining Wall	2	2	1,500
Lighting	14	15	2,100
Signage	14	15	12,475
Miscellaneous	24	25	6,600
Reserve Study	6	5	1,000
			<u>421,676</u>
			<u>\$ 4,805,866</u>