

CAUGHLIN RANCH  
HOMEOWNERS' ASSOCIATION

Reno, Nevada

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

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, 2022, 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, 2022, 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 on page 13 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 14 and 15 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, 2021 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 9, 2022.

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
March 10, 2023

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Exhibit A

BALANCE SHEETS

December 31, 2022 (with comparative totals for 2021)

|   | 2022                |                     |                     | 2021                |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Operating Fund      | Replacement Fund    | Total               | Total               |
| <b>ASSETS</b>   |                     |                     |                     |                     |
| Cash and cash equivalents   | \$ 1,263,511        | \$ 593,559          | \$ 1,857,070        | \$ 2,610,367        |
| Certificates of deposit   | -0-                 | 202,940             | 202,940             | 601,770             |
| Treasury bills  | -0-                 | 989,606             | 989,606             | -0-                 |
| Assessments receivable, net of allowance for doubtful accounts of \$31,805 in 2022 and \$30,031 in 2021 | 12,338              | 7                   | 12,345              | 14,299              |
| Interest receivable   | -0-                 | 1,250               | 1,250               | 151                 |
| Other receivables   | 8,895               | -0-                 | 8,895               | 5,098               |
| Prepaid expenses  | 77,120              | -0-                 | 77,120              | 69,672              |
| Due to/from other funds   | (116,120)           | 116,120             | -0-                 | -0-                 |
| Property and equipment, net (Note 5)  | 865,677             | -0-                 | 865,677             | 875,214             |
| <b>Total Assets</b>   | <b>\$ 2,111,421</b> | <b>\$ 1,903,482</b> | <b>\$ 4,014,903</b> | <b>\$ 4,176,571</b> |
| <b>LIABILITIES AND FUND BALANCES</b>  |                     |                     |                     |                     |
| Accounts payable  | \$ 32,874           | \$ 8,751            | \$ 41,625           | \$ 33,096           |
| Accrued liabilities   | 66,629              | -0-                 | 66,629              | 55,231              |
| Note payable (Note 9)   | 166,594             | -0-                 | 166,594             | 196,467             |
| Homeowner security deposits   | 58,500              | -0-                 | 58,500              | 120,000             |
| Assessments paid in advance   | 395,286             | -0-                 | 395,286             | 413,468             |
| <b>Total Liabilities</b>  | <b>719,883</b>      | <b>8,751</b>        | <b>728,634</b>      | <b>818,262</b>      |
| <b>Fund Balances</b>  | <b>1,391,538</b>    | <b>1,894,731</b>    | <b>3,286,269</b>    | <b>3,358,309</b>    |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$ 2,111,421</b> | <b>\$ 1,903,482</b> | <b>\$ 4,014,903</b> | <b>\$ 4,176,571</b> |

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, 2022 (with comparative totals for 2021)

|  | 2022                |                     |                     | 2021                |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Operating Fund      | Replacement Fund    | Total               | Total               |
| <b>Revenue</b>                                     |                     |                     |                     |                     |
| Member assessments                                 | \$ 2,094,338        | \$ 295,635          | \$ 2,389,973        | \$ 2,389,973        |
| Transfer fee income                                | 21,400              | -0-                 | 21,400              | 29,600              |
| Management contract services                       | 6,868               | -0-                 | 6,868               | 6,541               |
| Landscape contract services                        | 75,416              | -0-                 | 75,416              | 53,416              |
| Fines and penalties                                | 1,800               | -0-                 | 1,800               | 22,800              |
| Other income                                       | 45,133              | -0-                 | 45,133              | 47,897              |
| Insurance claim revenue                            | 1,062               | 12,250              | 13,312              | -0-                 |
| Developer contribution (Note 10)                   | -0-                 | 34,153              | 34,153              | -0-                 |
| Late fees  | 19,746              | -0-                 | 19,746              | 21,196              |
| Investment income                                  | 2,261               | 10,504              | 12,765              | 6,957               |
| <b>Total Revenue</b>                               | <b>2,268,024</b>    | <b>352,542</b>      | <b>2,620,566</b>    | <b>2,578,380</b>    |
| <b>Expenses</b>                                    |                     |                     |                     |                     |
| General and administrative                         | 356,457             | -0-                 | 356,457             | 315,723             |
| Payroll and benefits                               | 1,315,614           | -0-                 | 1,315,614           | 1,237,039           |
| Interest expense                                   | 7,421               | -0-                 | 7,421               | 8,603               |
| Irrigation   | 191,655             | -0-                 | 191,655             | 240,959             |
| Repairs and maintenance                            | 299,631             | -0-                 | 299,631             | 288,099             |
| Insurance  | 90,962              | -0-                 | 90,962              | 76,725              |
| Insurance claim expense                            | -0-                 | 14,580              | 14,580              | -0-                 |
| Utilities  | 60,103              | -0-                 | 60,103              | 57,554              |
| Replacement (Note 6)                               | -0-                 | 306,751             | 306,751             | 138,339             |
| <b>Total Expenses</b>                              | <b>2,321,843</b>    | <b>321,331</b>      | <b>2,643,174</b>    | <b>2,363,041</b>    |
| Revenue Over (Under) Expenses, Before Depreciation | (53,819)            | 31,211              | (22,608)            | 215,339             |
| Depreciation                                       | 49,432              | -0-                 | 49,432              | 49,300              |
| Revenue Over (Under) Expenses                      | (103,251)           | 31,211              | (72,040)            | 166,039             |
| Equity Transfer, Capitalized Replacements          | 30,910              | (30,910)            | -0-                 | -0-                 |
| Fund Balances, Beginning of Year                   | 1,463,879           | 1,894,430           | 3,358,309           | 3,192,270           |
| Fund Balances, End of Year                         | <u>\$ 1,391,538</u> | <u>\$ 1,894,731</u> | <u>\$ 3,286,269</u> | <u>\$ 3,358,309</u> |

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, 2022 (with comparative totals for 2021)

|   | 2022           |                  | 2021         |              |
|---|----------------|------------------|--------------|--------------|
|   | Operating Fund | Replacement Fund | Total        | Total        |
| Reconciliation of Revenue Over (Under) Expenses to Net Cash Provided by Operating Activities: |                |                  |              |              |
| Revenue Over (Under) Expenses   | \$ (103,251)   | \$ 31,211        | \$ (72,040)  | \$ 166,039   |
| Adjustments:  |                |                  |              |              |
| Depreciation  | 49,432         | -0-              | 49,432       | 49,300       |
| Loss on disposal of assets  | -0-            | -0-              | -0-          | 1,276        |
| Equity transfer, capitalized replacements   | 30,910         | (30,910)         | -0-          | -0-          |
| Change in due (to) from other funds   | 28,976         | (28,976)         | -0-          | -0-          |
| Change in accounts receivable   | 1,500          | 454              | 1,954        | 118,530      |
| Change in other receivable  | (3,797)        | (1,099)          | (4,896)      | (2,467)      |
| Change in prepaid expenses  | (7,448)        | -0-              | (7,448)      | (8,929)      |
| Change in accounts payable  | (222)          | 8,750            | 8,528        | 5,286        |
| Change in accrued and other liabilities   | (68,284)       | -0-              | (68,284)     | 209,824      |
| Total Adjustments   | 31,067         | (51,781)         | (20,714)     | 372,820      |
| Net Cash Provided (Used) by Operating Activities  | (72,184)       | (20,570)         | (92,754)     | 538,859      |
| Cash Flows from Investing Activities:   |                |                  |              |              |
| Maturities of certificates of deposit   | -0-            | 601,770          | 601,770      | 265,000      |
| Purchase of certificates of deposit   | -0-            | (202,939)        | (202,939)    | (601,770)    |
| Purchase of treasury notes  | -0-            | (989,606)        | (989,606)    | -0-          |
| Purchase of property and equipment  | (39,895)       | -0-              | (39,895)     | (13,053)     |
| Net Cash Used by Investing Activities   | (39,895)       | (590,775)        | (630,670)    | (349,823)    |
| Cash Flow from Financing Activities:  |                |                  |              |              |
| Payment on long term debt   | (29,873)       | -0-              | (29,873)     | (28,690)     |
| Net Cash Used by Financing Activities   | (29,873)       | -0-              | (29,873)     | (28,690)     |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (141,952)      | (611,345)        | (753,297)    | 160,346      |
| Cash and Cash Equivalents, Beginning of Year  | 1,405,463      | 1,204,904        | 2,610,367    | 2,450,021    |
| Cash and Cash Equivalents, End of Year  | \$ 1,263,511   | \$ 593,559       | \$ 1,857,070 | \$ 2,610,367 |
| Supplementary Information:  |                |                  |              |              |
| Income taxes paid   | \$ 1,428       | \$ -0-           | \$ 1,428     | \$ -0-       |
| Interest paid   | \$ 7,421       | \$ -0-           | \$ 7,421     | \$ 8,603     |

The accompanying notes are an integral part of these statements.

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# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 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, 2022 and 2021

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, 2022, therefore the balance of the Association's contract liabilities was \$-0- as of December 31, 2022 and 2021. 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, 2022 and 2021, the

# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022 and 2021, the provision for income taxes was \$3,714 and \$1,538, 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 and US Treasury bills. 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.

### 3. Concentration of Credit Risk

The Association maintains demand and savings accounts at various banks. At December 31, 2022 and 2021, 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. Funds in excess of FDIC insurance coverage limits are covered by a third party issued surety bond. The Association also holds investments that are not FDIC insured, but are obligations of the United States government.

# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 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 \$1,786,105 and \$1,806,674 at December 31, 2022 and 2021, respectively were held in designated bank and investment accounts.

The funding program is based on a study updated in 2022 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, 2022 and 2021 consisted of the following:

|                               | <u>2022</u>       | <u>2021</u>       |
|-------------------------------|-------------------|-------------------|
| Land                          | \$ 213,675        | \$ 213,675        |
| Building and Improvements     | 737,058           | 787,058           |
| Equipment                     | 686,007           | 657,291           |
|                               | <u>1,636,740</u>  | <u>1,608,024</u>  |
| Less accumulated depreciation | <u>(771,063)</u>  | <u>(782,810)</u>  |
|                               | <u>\$ 865,677</u> | <u>\$ 825,214</u> |

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

6. Replacement Fund Expenses

Replacement fund expenses for the year ended December 31, 2022 and 2021 were as follows:

|                                 | 2022       | 2021       |
|---------------------------------|------------|------------|
| Irrigation                      | \$ 29,738  | \$ 10,178  |
| Gate repairs                    | 12,967     | 10,825     |
| Repair and maintenance          | 3,908      | 38,542     |
| Segmental retaining wall repair | 2,373      | 28,982     |
| Equipment and road maintenance  | 24,967     | 40,367     |
| Signs and trails                | 164,327    | 6,200      |
| Reserve update                  | 2,400      | 2,200      |
| Concrete and sidewalk repairs   | 50,369     | -0-        |
| Insurance claim repairs         | 14,580     | -0-        |
| Miscellaneous                   | 15,702     | 1,045      |
|                                 | \$ 321,331 | \$ 138,339 |

7. Interfund Activity

The Association maintains an operating fund and a replacement fund. The replacement allocations are collected by the operating fund and transferred to the replacement fund. At December 31, 2022, the operating fund owed the Whispering Canyon (a neighborhood under developer control) replacement fund \$116,120. At December 31, 2021, the operating fund owed the Whispering Canyon replacement fund and the Association's replacement fund \$86,719, and \$425, 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 \$11,345 and \$12,610 for the years ended December 31, 2022 and 2021, respectively.

# CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

Future principal payments are as follows:

|            | December 31, |                |
|------------|--------------|----------------|
| 2023       | \$           | 31,112         |
| 2024       |              | 32,383         |
| 2025       |              | 33,736         |
| 2026       |              | 35,133         |
| Thereafter |              | 34,230         |
|            | \$           | <u>166,594</u> |

The Association's note payable to CIT Bank 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. Developer Contribution

During 2022, the Whispering Canyon developer began the process of turning the property over to Caughlin Ranch Homeowners Association. Accordingly, the developer made a contribution to the reserve fund of \$34,153, the amount of the 2023 reserve contribution recommended in the outside consultants reserve study.

### 11. 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.

### 12. Subsequent Events

Subsequent events have been evaluated by management through March 10, 2023, 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, 2022

|   | Actual             | (Unaudited)<br>Budgeted | Variance         |
|---|--------------------|-------------------------|------------------|
| <b>Revenue</b>                              |                    |                         |                  |
| Member assessments                          | \$ 2,389,973       | \$ 2,389,973            | \$ -0-           |
| Developer contribution                      | 34,153             | -0-                     | 34,153           |
| Transfer fee income                         | 21,400             | 30,000                  | (8,600)          |
| Management contract services                | 6,868              | 6,868                   | -0-              |
| Landscape contract services                 | 75,416             | 78,481                  | (3,065)          |
| Fines and penalties                         | 1,800              | 3,000                   | (1,200)          |
| Other income                                | 45,133             | 43,000                  | 2,133            |
| Insurance proceeds                          | 13,312             | -0-                     | 13,312           |
| Late fees                                   | 19,746             | 21,000                  | (1,254)          |
| Interest income                             | 12,765             | 8,475                   | 4,290            |
| Total Revenue                               | <u>2,620,566</u>   | <u>2,580,797</u>        | <u>39,769</u>    |
| <b>Expenses</b>                             |                    |                         |                  |
| General and administrative                  | 356,457            | 393,183                 | (36,726)         |
| Payroll and benefits                        | 1,315,614          | 1,389,010               | (73,396)         |
| Interest expense                            | 7,421              | 7,413                   | 8                |
| Irrigation                                  | 191,655            | 220,000                 | (28,345)         |
| Repairs and maintenance                     | 299,631            | 272,400                 | 27,231           |
| Insurance                                   | 90,962             | 85,689                  | 5,273            |
| Utilities                                   | 60,103             | 62,780                  | (2,677)          |
| Insurance claim expense                     | 14,580             | -0-                     | 14,580           |
| Replacement (Note 6)                        | 306,751            | 280,813                 | 25,938           |
| Total Expenses                              | <u>2,643,174</u>   | <u>2,711,288</u>        | <u>(68,114)</u>  |
| Revenue Under Expenses, Before Depreciation | (22,608)           | (130,491)               | 107,883          |
| Depreciation                                | <u>49,432</u>      | <u>-0-</u>              | <u>49,432</u>    |
| Revenue Over Under Expenses                 | <u>\$ (72,040)</u> | <u>\$ (130,491)</u>     | <u>\$ 58,451</u> |

The accompanying notes are an integral part of these statements.

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

Schedule 2

December 31, 2022  
 (Unaudited)

(See Independent Auditors' Report)

The Association's independent consultants updated a study in 2022 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 2.50% 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, 2022 was \$1,786,105. The 2023 budget includes a total of \$308,519 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<br>Remaining Lives<br>(Years) | Range of Lives After<br>Replacement<br>(Years) | Current<br>Replacement<br>Cost |
|-----------------------|--|--|--------------------------------|
| Caughlin Ranch        |  |  |                                |
| Paving                | 0-24                                   | 1-30   | \$ 1,112,747                   |
| Concrete              | 1-2                                    | 6-8  | 4,660                          |
| Painting: exterior    | 1-4                                    | 5  | 9,352                          |
| Painting: interior    | 2                                      | 10   | 13,250                         |
| Structural repairs    | 2-23                                   | 10-50  | 94,215                         |
| Roofing               | 1-17                                   | 25-30  | 33,402                         |
| Rehab                 | 1-14                                   | 10-20  | 20,449                         |
| Recreation            | 1                                      | 10   | 1,137                          |
| Tennis court          | 6-13                                   | 7-21   | 66,741                         |
| Landscaping           | 1-15                                   | 1-20   | 19,020                         |
| Lakes/ponds           | 0-4                                    | 1-5  | 31,709                         |
| Fencing               | 5-18                                   | 10-30  | 23,727                         |
| Retaining Wall        | 1-21                                   | 2-25   | 8,424                          |
| Lighting              | 5-6                                    | 10-20  | 13,099                         |
| Signage               | 1-21                                   | 15-25  | 143,722                        |
| Office equipment      | 1-5                                    | 3-9  | 92,311                         |
| Mechanical equipment  | 1-6                                    | 15   | 24,977                         |
| Furnishings           | 2-14                                   | 10-15  | 78,693                         |
| Audio/visual          | 2                                      | 10   | 1,895                          |
| Safety/access         | 1-5                                    | 3-6  | 20,496                         |
| Flooring              | 0-19                                   | 10-20  | 30,759                         |
| Wallcoverings         | 5                                      | 20   | 6,267                          |
| Outdoor equipment     | 1-18                                   | 3-30   | 404,589                        |
| Appliances            | 7-9                                    | 10-15  | 6,113                          |
| Miscellaneous         | 1-17                                   | 1-30   | 658,690                        |
| Reserve study         | 0-4                                    | 5  | 10,874                         |
| Undesignated          | 1                                      | 1  | 1,199                          |
|                       |  |  | \$ 2,932,517                   |



CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 December 31, 2022  
 (Unaudited)

Schedule 2

(See Independent Auditors' Report)

| Facility or Component            | Range of<br>Remaining Lives<br>(Years) | Range of Lives After<br>Replacement<br>(Years) | Current<br>Replacement<br>Cost |
|----------------------------------|--|--|--------------------------------|
| <b>Caughlin Creek/Deer Creek</b> |  |  |                                |
| Paving                           | 1-23                                   | 2-27   | \$ 878,786                     |
| Concrete                         | 1-28                                   | 5-30   | 116,670                        |
| Structural repairs               | 17                                     | 20   | 2,241                          |
| Gate equipment                   | 1-9                                    | 8-12   | 74,605                         |
| Lakes/Ponds                      | 1                                      | 1  | 6,260                          |
| Lighting                         | 5-19                                   | 20-40  | 41,551                         |
| Signage                          | 2                                      | 20   | 4,486                          |
| Safety/Access                    | 3                                      | 6  | 7,792                          |
| Reserve Study                    | 0-3                                    | 1-5  | 1,606                          |
|                                  |  |  | <u>1,133,997</u>               |
| <b>Mountainshyre</b>             |  |  |                                |
| Paving                           | 1-22                                   | 3-22   | 433,023                        |
| Concrete                         | 1                                      | 6-8  | 3,167                          |
| Painting: exterior               | 2                                      | 8  | 337                            |
| Roofing                          | 25                                     | 30   | 1,618                          |
| Gate equipment                   | 0-9                                    | 1-10   | 46,462                         |
| Lighting                         | 3                                      | 12   | 632                            |
| Signage                          | 2-15                                   | 20-30  | 20,491                         |
| Safety/Access                    | 3                                      | 6  | 3,686                          |
| Reserve Study                    | 0-3                                    | 1-5  | 1,395                          |
|                                  |  |  | <u>510,811</u>                 |
| <b>Whispering Canyon</b>         |  |  |                                |
| Paving                           | 2-21                                   | 1-25   | 375,745                        |
| Concrete                         | 8                                      | 8  | 2,712                          |
| Painting: Exterior               | 1-6                                    | 5-6  | 5,160                          |
| Structural Repairs               | 1-21                                   | 1-25   | 13,880                         |
| Gate Equipment                   | 5-25                                   | 8-30   | 67,609                         |
| Landscaping                      | 2-20                                   | 3-25   | 37,700                         |
| Fencing                          | 7-27                                   | 10-30  | 17,355                         |
| Retaining Wall                   | 2                                      | 2  | 2,000                          |
| Lighting                         | 10                                     | 15   | 4,500                          |
| Signage                          | 10                                     | 15   | 12,500                         |
| Miscellaneous                    | 22                                     | 25   | 8,400                          |
| Reserve Study                    | 4                                      | 5  | 1,400                          |
|                                  |  |  | <u>548,961</u>                 |
|                                  |  |  | <u>\$ 5,126,286</u>            |