

CAUGHLIN RANCH
HOMEOWNERS' ASSOCIATION

Reno, Nevada

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2023 and 2022

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Caughlin Ranch Homeowners' Association
Reno, Nevada

Opinion

We have audited the accompanying financial statements of Caughlin Ranch Homeowners' Association, which comprise the balance sheet as of December 31, 2023, 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, 2023, 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 14 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, 2022 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 10, 2023.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
April 15, 2024

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

Exhibit A

BALANCE SHEETS

December 31, 2023 (with comparative totals for 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and cash equivalents	\$ 1,101,798	\$ 910,068	\$ 2,011,866	\$ 1,857,070
Certificates of deposit (Note 4)	-0-	210,694	210,694	202,940
Treasury bills (Note 4)	-0-	290,369	290,369	989,606
Assessments receivable, net of allowance for doubtful accounts of \$37,900 in 2023 and \$31,805 in 2022	9,082	-0-	9,082	12,345
Interest receivable	-0-	464	464	1,250
Other receivables	3,440	-0-	3,440	8,895
Prepaid expenses	86,707	-0-	86,707	77,120
Property and equipment, net (Note 6)	916,102	-0-	916,102	865,677
Total Assets	\$ 2,117,129	\$ 1,411,595	\$ 3,528,724	\$ 4,014,903
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 44,026	\$ 5,150	\$ 49,176	\$ 41,625
Accrued liabilities	79,948	167,390	247,338	66,629
Note payable (Note 10)	135,483	-0-	135,483	166,594
Homeowner security deposits	61,000	-0-	61,000	58,500
Assessments paid in advance	467,240	-0-	467,240	395,286
Total Liabilities	787,697	172,540	960,237	728,634
Fund Balances	1,329,432	1,239,055	2,568,487	3,286,269
Total Liabilities and Fund Balances	\$ 2,117,129	\$ 1,411,595	\$ 3,528,724	\$ 4,014,903

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, 2023 (with comparative totals for 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
Revenue				
Member assessments	\$ 2,320,623	\$ 308,519	\$ 2,629,142	\$ 2,389,973
Transfer fee income	20,000	-0-	20,000	21,400
Management contract services	-0-	-0-	-0-	6,868
Landscape contract services	86,306	-0-	86,306	75,416
Fines and penalties	7,000	-0-	7,000	1,800
Other income	47,655	-0-	47,655	45,133
Insurance claim revenue	616	11,580	12,196	13,312
Developer contribution (Note 11)	-0-	-0-	-0-	34,153
Late fees	22,524	-0-	22,524	19,746
Investment income	2,117	33,789	35,906	12,765
Total Revenue	<u>2,506,841</u>	<u>353,888</u>	<u>2,860,729</u>	<u>2,620,566</u>
Expenses				
General and administrative	380,460	-0-	380,460	356,457
Payroll and benefits	1,498,905	-0-	1,498,905	1,315,614
Interest expense	6,182	-0-	6,182	7,421
Irrigation	180,436	-0-	180,436	191,655
Repairs and maintenance	362,439	-0-	362,439	299,631
Insurance	104,760	-0-	104,760	90,962
Insurance claim expense	355	11,580	11,935	14,580
Utilities	61,357	-0-	61,357	60,103
Replacement (Note 7)	-0-	916,131	916,131	306,751
Total Expenses	<u>2,594,894</u>	<u>927,711</u>	<u>3,522,605</u>	<u>2,643,174</u>
Revenue Under Expenses, Before Depreciation	(88,053)	(573,823)	(661,876)	(22,608)
Depreciation	<u>55,906</u>	<u>-0-</u>	<u>55,906</u>	<u>49,432</u>
Revenue Under Expenses	(143,959)	(573,823)	(717,782)	(72,040)
Equity Transfer, Capitalized Replacements	81,853	(81,853)	-0-	-0-
Fund Balances, Beginning of Year	<u>1,391,538</u>	<u>1,894,731</u>	<u>3,286,269</u>	<u>3,358,309</u>
Fund Balances, End of Year	<u>\$ 1,329,432</u>	<u>\$ 1,239,055</u>	<u>\$ 2,568,487</u>	<u>\$ 3,286,269</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, 2023 (with comparative totals for 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
Reconciliation of Revenue Under Expenses to Net Cash Used by Operating Activities:				
Revenue Under Expenses	\$ (143,959)	\$ (573,823)	\$ (717,782)	\$ (72,040)
Adjustments:				
Depreciation	55,906	-0-	55,906	49,432
Equity transfer, capitalized replacements	81,853	(81,853)	-0-	-0-
Change in due (to) from other funds	(116,120)	116,120	-0-	-0-
Change in accounts receivable	3,256	7	3,263	1,954
Change in other receivable	5,455	786	6,241	(4,896)
Change in prepaid expenses	(9,587)	-0-	(9,587)	(7,448)
Change in accounts payable	11,152	(3,601)	7,551	8,528
Change in accrued and other liabilities	87,773	167,390	255,163	(68,284)
Total Adjustments	119,688	198,849	318,537	(20,714)
Net Cash Used by Operating Activities	(24,271)	(374,974)	(399,245)	(92,754)
Cash Flows from Investing Activities:				
Maturities of certificates of deposit	-0-	202,940	202,940	601,770
Purchase of certificates of deposit	-0-	(210,694)	(210,694)	(202,939)
Maturities of treasury notes	-0-	989,606	989,606	-0-
Purchase of treasury notes	-0-	(290,369)	(290,369)	(989,606)
Purchase of property and equipment	(106,331)	-0-	(106,331)	(39,895)
Net Cash Provided (Used) by Investing Activities	(106,331)	691,483	585,152	(630,670)
Cash Flow from Financing Activities:				
Payment on long term debt	(31,111)	-0-	(31,111)	(29,873)
Net Cash Used by Financing Activities	(31,111)	-0-	(31,111)	(29,873)
Net Increase (Decrease) in Cash and Cash Equivalents	(161,713)	316,509	154,796	(753,297)
Cash and Cash Equivalents, Beginning of Year	1,263,511	593,559	1,857,070	2,610,367
Cash and Cash Equivalents, End of Year	\$ 1,101,798	\$ 910,068	\$ 2,011,866	\$ 1,857,070
Supplementary Information:				
Income taxes paid	\$ 2,959	\$ -0-	\$ 2,959	\$ 1,428
Interest paid	\$ 6,182	\$ -0-	\$ 6,182	\$ 7,421

The accompanying notes are an integral part of these statements.

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CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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, 2023 and 2022

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.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. An allowance for credit losses is created when an account's collectability is uncertain. Accounts are written off when the Association's management determines that an account is uncollectible due to an event such as bankruptcy or foreclosure proceedings.

Allowance for credit losses as of December 31 was as follows:

	2023	2022
Beginning balance	\$ 31,805	\$ 30,031
Provision for expected credit loss	6,095	1,774
Less: write offs	-0-	-0-
Ending allowance for credit losses	<u>\$ 37,900</u>	<u>\$ 31,805</u>

- 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.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Substantially all of the Association's contract revenue pertains to services that were completed prior to December 31, 2023, therefore the balance of the Association's contract liabilities was \$-0- as of December 31, 2023 and 2022. 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, 2023 and 2022, 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, 2023 and 2022, the provision for income taxes was \$10,079 and \$3,714, 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. 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.
- J. 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.
- K. In 2023, the Association implemented ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including held-to-maturity debt securities, and accounts receivable. Financial assets measured at amortized cost will be presented at the amount expected to be collected, net of an allowance for credit losses. There were no transition adjustments required to be made as a result of implementing the new standard.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

3. Concentration of Credit Risk

The Association maintains demand and savings accounts at various banks. At December 31, 2023 and 2022, 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.

4. Investments

At December 31, 2023, Association investments consisted of debt securities held-to-maturity. Varying types and levels of safety protection cover the various Association investments, including FDIC insurance, SIPC insurance, privately funded bank insurance, and the backing of the US Treasury and its agencies.

Governmental securities and certificates of deposit are carried at amortized cost, as they are classified as held to maturity debt securities since the Association has the positive intent and ability to hold all securities until maturity.

The amortized cost/ net carrying value of debt securities held-to-maturity a December 31, 2023 and 2022 are as follows:

	2023	2022
	Amortized Cost/Net Carrying Value	Amortized Cost/Net Carrying Value
Held to maturity:		
Certificates of Deposit	\$ 210,694	\$ 202,940
US Treasury Securities	290,369	989,606
Total held to maturity	\$ 501,063	\$ 1,192,546

The maturities of the debt securities held-to-maturity at December 31, 2023 and 2022 are as follows:

	2023	2022
Due in one year or less	\$ 501,063	\$ 1,192,546

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

5. 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 \$1,251,470 and \$1,786,105 at December 31, 2023 and 2022, 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.

6. Property and Equipment

Association property and equipment at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 213,675	\$ 213,675
Building and Improvements	746,790	737,058
Equipment	<u>751,723</u>	<u>686,007</u>
	1,712,188	1,636,740
Less accumulated depreciation	(802,500)	(771,063)
Construction in progress	<u>6,414</u>	<u>-0-</u>
	<u>\$ 916,102</u>	<u>\$ 865,677</u>

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

7. Replacement Fund Expenses

Replacement fund expenses for the year ended December 31, 2023 and 2022 were as follows:

	2023	2022
Irrigation	\$ 15,187	\$ 29,738
Gate repairs	29,899	12,967
Repair and maintenance	32,836	3,908
Park improvements	34,729	2,373
Equipment and road maintenance	562,260	24,967
Signs and trails	135,144	164,327
Reserve update	2,700	2,400
Concrete and sidewalk repairs	-0-	50,369
Insurance claim repairs	11,580	14,580
Miscellaneous	97,376	15,702
	\$ 921,711	\$ 321,331

8. 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, 2023, no amounts were owed between funds. At December 31, 2022, the operating fund owed the Whispering Canyon (a neighborhood under developer control) replacement fund \$116,120.

9. 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 were \$15,747 and \$11,345 for the years ended December 31, 2023 and 2022, respectively.

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 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 December 10, 2027.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Future principal payments are as follows:

	December 31,
2024	32,383
2025	33,736
2026	35,134
2027	34,230
	<u>\$ 135,483</u>

The Association's note payable to First Citizens 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.

11. 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. During 2023, Whispering Canyon was accepted into the Association.

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.

13. Commitments

During 2023, The Association entered into contracts for construction and engineering costs for the Alum Creek bridge replacement project totaling approximately \$182,669. At December 31, 2023, the total amount remaining on the contracts is approximately \$176,669.

14. Subsequent Events

Subsequent events have been evaluated by management through April 15, 2024, 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, 2023

	(Unaudited)		
	Actual	Budgeted	Variance
Revenue			
Member assessments	\$ 2,629,142	\$ 2,628,971	\$ 171
Transfer fee income	20,000	32,000	(12,000)
Landscape contract services	86,306	78,035	8,271
Fines and penalties	7,000	3,000	4,000
Other income	47,655	58,251	(10,596)
Insurance proceeds	12,196	-0-	12,196
Late fees	22,524	22,331	193
Interest income	35,906	8,475	27,431
Total Revenue	<u>2,860,729</u>	<u>2,831,063</u>	<u>29,666</u>
Expenses			
General and administrative	380,460	434,061	(53,601)
Payroll and benefits	1,498,905	1,556,315	(57,410)
Interest expense	6,182	7,413	(1,231)
Irrigation	180,436	225,000	(44,564)
Repairs and maintenance	362,439	327,540	34,899
Insurance	104,760	100,606	4,154
Utilities	61,357	67,230	(5,873)
Insurance claim expense	11,935	-0-	11,935
Replacement (Note 7)	916,131	868,092	48,039
Total Expenses	<u>3,522,605</u>	<u>3,586,257</u>	<u>(63,652)</u>
Revenue Under Expenses, Before Depreciation	(661,876)	(755,194)	93,318
Depreciation	<u>55,906</u>	<u>-0-</u>	<u>55,906</u>
Revenue Under Expenses	<u>\$ (717,782)</u>	<u>\$ (755,194)</u>	<u>\$ 37,412</u>

The accompanying notes are an intergral part of these statements.

CAUGHLIN RANCH HOMEOWNERS' ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2023
 (Unaudited)

Schedule 2

(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 available for major repairs and replacements at December 31, 2023 was \$1,239,055. The 2024 budget includes a total of \$341,502 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	0-24	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, 2023
 (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	1-23	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>
Mountainshyre			
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>
Whispering Canyon			
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>