

***DOMINION HOMEOWNERS  
ASSOCIATION, INC.***

***FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION***

***FOR THE YEAR ENDED  
DECEMBER 31, 2021***

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT ..... 1

BALANCE SHEET..... 4

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE ..... 5

STATEMENT OF CASH FLOWS ..... 8

NOTES TO FINANCIAL STATEMENTS..... 10

REQUIRED SUPPLEMENTARY INFORMATION

    FUTURE MAJOR REPAIRS & REPLACEMENTS ..... 16



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Dominion Homeowners Association, Inc.

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

We have audited the financial statements of Dominion Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2021, and the related statement of revenues and expenses, changes in fund balances, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dominion Homeowners Association, Inc. 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 (GAAS). 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 Dominion Homeowners Association, Inc. 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 Dominion Homeowners Association, Inc.'s ability to continue as a going concern for 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 GAAS 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 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 GAAS, 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 Dominion Homeowners Association, Inc.'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 Dominion Homeowners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

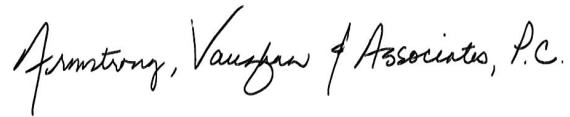
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Report on Summarized Comparative Information

We previously audited Dominion Homeowners Association, Inc.'s 2020 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armstrong, Vaughan & Associates, P.C.

March 29, 2022

DOMINION HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2021	Total 2020
<b>ASSETS</b>					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 38,307	\$ 7,566	\$ 141,932	\$ 187,805	\$ 484,247
Certificates of Deposit	2,684,511	3,380,369	-	6,064,880	5,092,244
Member Assessments Receivable	71,518	-	-	71,518	116,468
Allowance for Doubtful Accounts	(27,400)	-	-	(27,400)	(26,740)
Interfund Balances	(86,725)	85,525	1,200	-	-
Prepaid Insurance	29,635	-	-	29,635	28,722
Prepaid Income Tax	2,825	-	-	2,825	2,825
Prepaid Expenses	-	-	-	-	1,557
Other Receivables	5,850	-	-	5,850	-
Inventory - Gate Transmitters	8,190	-	-	8,190	7,575
<i>Total Current Assets</i>	<u>2,726,711</u>	<u>3,473,460</u>	<u>143,132</u>	<u>6,343,303</u>	<u>5,706,898</u>
<i>Property and Equipment:</i>					
Land	160,455	-	-	160,455	160,455
Buildings & Improvements	538,175	-	-	538,175	538,175
Machinery & Equipment	108,959	-	-	108,959	108,959
Vehicles	23,273	-	-	23,273	23,273
Improvements to Land	21,020	-	-	21,020	21,020
	851,882	-	-	851,882	851,882
Less: Accumulated Depreciation	(311,652)	-	-	(311,652)	(293,262)
<i>Total Property and Equipment</i>	<u>540,230</u>	<u>-</u>	<u>-</u>	<u>540,230</u>	<u>558,620</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,266,941</u>	<u>\$ 3,473,460</u>	<u>\$ 143,132</u>	<u>\$ 6,883,533</u>	<u>\$ 6,265,518</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ 218,275	\$ -	\$ -	\$ 218,275	\$ 236,010
Construction Deposits	421,819	-	-	421,819	356,219
Prepaid Assessments	161,142	-	-	161,142	154,575
Deferred Revenue	-	-	-	-	7,000
<i>Total Liabilities</i>	<u>801,236</u>	<u>-</u>	<u>-</u>	<u>801,236</u>	<u>753,804</u>
<i>Fund Balance</i>	<u>2,465,705</u>	<u>3,473,460</u>	<u>143,132</u>	<u>6,082,297</u>	<u>5,511,714</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,266,941</u>	<u>\$ 3,473,460</u>	<u>\$ 143,132</u>	<u>\$ 6,883,533</u>	<u>\$ 6,265,518</u>

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2021	Total 2020
<b>REVENUES</b>					
Member Assessments	\$ 4,633,687	\$ -	\$ 14,400	\$ 4,648,087	\$ 4,288,556
Non Uniform Assessments	111,000	-	-	111,000	102,712
Plan Review Fees	14,550	-	-	14,550	12,550
Construction Permit Fees	120,450	-	-	120,450	127,050
Late Fees	10,895	-	-	10,895	8,270
Legal Fees	8,370	-	-	8,370	11,661
HOA Entry Fee	475,000	-	-	475,000	305,000
Transfer Fees	46,650	-	-	46,650	29,250
Re-Sale Certificates	41,550	-	-	41,550	30,300
Transmitters	125,450	-	-	125,450	105,230
Management Fees	5,104	-	-	5,104	5,629
Bank Interest	4,775	4,479	-	9,254	77,568
Non Compliance Fee	26,200	-	-	26,200	20,902
Miscellaneous Income	7,340	-	-	7,340	6,140
<b>TOTAL REVENUES</b>	<b>5,631,021</b>	<b>4,479</b>	<b>14,400</b>	<b>5,649,900</b>	<b>5,130,818</b>
<b>EXPENSES</b>					
<i>Operating Expenses:</i>					
Security Expenses	1,851,857	-	-	1,851,857	1,796,730
Landscape Maintenance	679,774	-	-	679,774	531,262
Water	247,076	-	-	247,076	303,253
Transmitters	138,097	-	-	138,097	121,142
Landscape Enhancements	96,477	-	-	96,477	95,108
Property Repairs and Maintenance	73,820	-	-	73,820	51,693
Tree Maintenance	69,136	-	-	69,136	61,391
Insurance	68,274	-	-	68,274	62,643
Electricity	63,455	-	-	63,455	59,436
Lighting Repairs	56,470	-	-	56,470	66,835
Irrigation Repairs	51,903	-	-	51,903	55,261
Gate Maintenance	23,535	-	-	23,535	15,100
Lake Maintenance	19,647	-	-	19,647	10,730
Drainage Area Maintenance	11,406	-	-	11,406	8,625
Street Repairs and Maintenance	10,025	-	-	10,025	8,321
Street Signs	8,916	-	-	8,916	8,147
Streetsweeper and Truck Fuel	5,053	-	-	5,053	5,587
Security Building Repairs	4,265	-	-	4,265	8,273
Engineering and Architect Fees	2,100	-	-	2,100	-
<i>Total Operating Expenses</i>	<b>\$ 3,481,286</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,481,286</b>	<b>\$ 3,269,537</b>

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2021	Total 2020
<b>EXPENSES (CONT.)</b>					
<i>Homeowner Expenses:</i>					
Social Expenses	\$ 102,347	\$ -	\$ -	\$ 102,347	\$ 41,834
ACC Plan Review	23,520	-	-	23,520	25,074
Meeting Expenses	10,621	-	-	10,621	5,563
Website	3,000	-	-	3,000	3,000
<i>Total Homeowner Expense</i>	<u>139,488</u>	<u>-</u>	<u>-</u>	<u>139,488</u>	<u>75,471</u>
<i>General Administration:</i>					
Wages and Salaries	537,914	-	-	537,914	519,546
Legal Expenses	68,704	-	-	68,704	34,331
Employee Benefits	41,898	-	-	41,898	44,578
Payroll Taxes	39,161	-	-	39,161	36,087
Office Supplies	26,110	-	-	26,110	26,263
Telephone	24,703	-	-	24,703	24,514
Computer Software	20,978	-	-	20,978	15,882
Depreciation	18,390	-	-	18,390	18,390
Computer Maintenance	13,712	-	-	13,712	11,621
Janitorial	13,472	-	-	13,472	11,815
Copier	9,457	-	-	9,457	9,119
Bad Debt Expense	9,048	-	-	9,048	17,783
Postage and Meter Rental	7,146	-	-	7,146	5,836
Bank Charges	5,950	184	36	6,170	5,908
Payroll Processing Fee	4,762	-	-	4,762	4,227
Audit and Tax Preparation	4,750	-	-	4,750	4,650
Mileage Reimbursement	4,542	-	-	4,542	4,649
Computer Hardware	3,267	-	-	3,267	4,458
Miscellaneous	2,884	-	-	2,884	2,667
Management Training	2,061	-	-	2,061	1,260
Federal Income Tax Expense	-	-	-	-	9,675
Reserve Study Update	-	-	-	-	4,500
<i>Total General Administration</i>	<u>\$ 858,909</u>	<u>\$ 184</u>	<u>\$ 36</u>	<u>\$ 859,129</u>	<u>\$ 817,759</u>

The accompanying notes are an integral part of these statements.



DOMINION HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2021	Total 2020
<b>EXPENSES (CONT.)</b>					
<i>Major Repairs and Replacements:</i>					
Street Repairs	\$ -	\$ 487,936	\$ -	\$ 487,936	\$ 570,017
Landscape Renovations	-	89,405	-	89,405	173,574
Retainage Pond and Other Infrastructure	-	22,073	-	22,073	-
<i>Total Major Repairs and Replacements</i>	-	599,414	-	599,414	743,591
<b>TOTAL EXPENSES</b>	4,479,683	599,598	36	5,079,317	4,906,358
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	1,151,338	(595,119)	14,364	570,583	224,460
<b>BEGINNING FUND BALANCE</b>	2,233,101	3,149,845	128,768	5,511,714	5,287,254
Transfers Between Funds	(918,734)	918,734	-	-	-
<b>ENDING FUND BALANCE</b>	<u>\$ 2,465,705</u>	<u>\$ 3,473,460</u>	<u>\$ 143,132</u>	<u>\$ 6,082,297</u>	<u>\$ 5,511,714</u>

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2021	Total 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (deficiency) of revenues over (under) expenses	\$ 1,151,338	\$ (595,119)	\$ 14,364	\$ 570,583	\$ 224,460
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:					
Depreciation	18,390	-	-	18,390	18,390
(Increase) Decrease in:					
Accounts Receivable	45,610	-	-	45,610	(49,582)
Other Receivable	(5,850)	-	-	(5,850)	15,220
Prepaid Insurance	(913)	-	-	(913)	(4,711)
Prepaid Expenses	1,557	-	-	1,557	303
Prepaid Income Tax	-	-	-	-	(2,825)
Inventory - Gate Transmitters	(615)	-	-	(615)	1,952
Increase (Decrease) in:					
Accounts Payable	(17,735)	-	-	(17,735)	7,469
Federal Income Tax Payable	-	-	-	-	(12,635)
Construction Deposits	65,600	-	-	65,600	49,150
Prepaid Assessments	6,567	-	-	6,567	1,808
Deferred Revenue	(7,000)	-	-	(7,000)	7,000
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,256,949</b>	<b>(595,119)</b>	<b>14,364</b>	<b>676,194</b>	<b>255,999</b>
<b>CASH FLOWS FROM FROM INVESTING ACTIVITIES</b>					
Redemption of Certificate of Deposit	-	-	-	-	226,736
Purchase of Certificates of Deposit	(384,869)	(587,767)	-	(972,636)	(222,515)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ (384,869)</b>	<b>\$ (587,767)</b>	<b>\$ -</b>	<b>\$ (972,636)</b>	<b>\$ 4,221</b>

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2021	Total 2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Due From Other Funds	\$ 10,460	\$ (10,385)	\$ (75)	\$ -	\$ -
Transfers Between Funds	(918,734)	918,734	-	-	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(908,274)</u>	<u>908,349</u>	<u>(75)</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(36,194)	(274,537)	14,289	<b>(296,442)</b>	260,220
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>74,501</u>	<u>282,103</u>	<u>127,643</u>	<u>484,247</u>	<u>224,027</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 38,307</u>	<u>\$ 7,566</u>	<u>\$ 141,932</u>	<u>\$ 187,805</u>	<u>\$ 484,247</u>
<b>SUPPLEMENTAL DISCLOSURE</b>					
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -	\$ 25,135
Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 1 -- NATURE OF ORGANIZATION

The Dominion Homeowners Association, Inc. was chartered under the laws of the State of Texas on October 15, 1983, as a not-for-profit corporation. The primary purpose of this nonprofit association is to maintain and administer the common facilities and to collect and disburse the assessments and charges of the Association. The Association is located in Bexar County, Texas, and currently consists of 1,722 member lots on 1,265 acres.

The financial statements of the Association have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Common Interest Realty Associations.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on use of financial resources, financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund -- This fund is used to account for financial resources available for the general operations of the Association.

Major Repairs and Replacement Fund -- This fund is used to accumulate financial resources designated for major repairs and replacement of common elements available for use by all members of the Association.

Vineyard Estates Major Repair and Replacement Fund -- This fund is used to accumulate financial resources designated for major repairs and replacement of common elements available for use by the members of the Association within the Vineyard Community.

B. MEMBER ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to operating assessments are satisfied over the period of assessment on a monthly pro-rata basis using the input method. The performance obligations related to special assessments for specific repairs are satisfied when these funds are expended for their designated purpose.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2021

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. MEMBER ASSESSMENTS (Cont.)

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. An allowance for doubtful accounts has been established in the amount of \$27,400 and \$26,740, respectively as of December 31, 2021 and 2020 per management's estimate. Because of the Association's collection history and legal standing to enforce payment, the Association considers the collection of assessments levied to be probable. The balances of assessments receivable as of the beginning and end of the year are \$116,468 and \$71,518, respectively.

C. NON UNIFORM ASSESSMENTS

Nonresidential owners are charged a minimum commercial assessment of \$250 per lot and maintenance and easement assessment of \$1,082 as adjusted by the annual consumer price index factor. These assessments are reflected as Non Uniform Assessment Income on the Statement of Revenues, Expenses, and Changes in Fund Balance. This income is collected to help maintain the common areas of the Association.

D. PROPERTY EQUIPMENT AND DEPRECIATION

Real property and common areas acquired from developer and related improvements to such property are not reflected on the Association's financial statements. The common areas include, but are not limited to, streets, curbs, sidewalks, the bridge at the Association entrance, Northgate, Southgate, and Main Entrance guardhouses, fences and drainage systems.

The Association recognizes real and personal property assets at cost to which it has title and may directly derive income. The property is depreciated over its estimated useful life using the straight-line method of depreciation. The following estimated useful life and depreciation expense are as follows:

<u>Fixed Assets</u>	<u>Useful Life (Years)</u>	<u>12/31/21 Depreciation</u>
Buildings and Improvements	39	\$ 13,799
Vehicles	5	4,591
		<u>\$ 18,390</u>

Land is not depreciated.

E. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Association considers checking and money market accounts as cash and cash equivalents.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2021

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. INVENTORY

Inventory represents gate transmitters that were purchased and is valued at cost using the first in/first out (FIFO) method. Inventory is expensed when transmitters are issued rather than when purchased.

G. FISCAL YEAR

The Association has a fiscal year beginning on January 1 of each year and ending on December 31.

H. CONSTRUCTION DEPOSITS

Builders are required to pay a deposit in advance for certain construction projects. If the Association suffers zero cost for damages and the builder incurs no fines, the deposit is returned to the builder upon completion of the project. At December 31, 2021, the balances of deposits on hand were \$421,819.

I. CONTRACT LIABILITIES

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association receives payment in advance of the satisfaction of performance obligations related to assessments. The balances of contract liabilities (stated as prepaid assessments on the balance sheet) as of the beginning and end of the year are \$154,575 and \$161,142, respectively.

J. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. SUBSEQUENT EVENTS

Subsequent events were considered through March 29, 2022, which is the date the financial statements were available to be issued.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2021

NOTE 3 – CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

Deposits consist of demand deposit accounts and interest bearing accounts at Frost Bank and Frost Brokerage. At December 31, 2021, the Association's cash deposits held at Frost Bank were fully covered by FDIC insurance.

All of the Association's investments as of December 31, 2021 were held in certificates of deposit that are reported at historical cost plus accrued interest.

The certificates of deposit purchased with Association funds are insured by the standard FDIC insurance amount of \$250,000 per financial institution. This amount is shown on the balance sheet as Certificates of Deposit. All certificates were fully covered.

NOTE 4 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that the Association establish adequate reserve funds for major repair and replacement of Common Area components. This reserve is to be funded by regular assessments. Accumulated funds should be accounted for in separate certificates of deposit and savings accounts.

A study was performed by Reserve Advisors during 2020 to estimate the remaining useful lives and replacement costs of the components of common property. The table included in the unaudited Required Supplementary Information on Future Major Repair and Replacements is based on this study. Because funding is based on estimates, actual expenditures may vary from the estimated future expenditures and the variations may be material. Monies accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Thus, the Board has the right to raise regular assessments or levy a special assessment to meet these needs.

NOTE 5 -- INTERFUND BALANCES

As of December 31, 2021, the Operating Fund owes the Replacement Fund \$85,525 and the Vineyard Estates Major Repairs and Replacement Fund \$1,200. This interfund borrowing is due to monies collected in the Operating Fund in December 2021 on behalf of the other funds as well as operating expenses paid for with Replacement Funds. The funds were transferred in January 2022.

NOTE 6 -- INCOME TAXES

The Association qualifies as a tax-exempt association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance, and care of Association property. The net non-exempt income from earned interest and nonmember fees is taxed at 21% or 30% by the federal government, dependent upon certain filing elections made. The Association can also elect to file as a regular corporation if it is in their best interest. For the year ending December 31, 2021, the Association filed IRS Form 1120-H resulting in a tax expense of \$0.

DOMINION HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2021

NOTE 6 -- INCOME TAXES (CONT.)

Accounting principles generally accepted in the United States of America require the Association management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition as a liability (or asset) or disclosure in the financial statements. The Association is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2018.

NOTE 7 -- LITIGATION

During the year ended December 31, 2021, an owner filed a lawsuit against the Association opposing the amendment of the Association's transponder rule. As of the date of this report, an outcome of the lawsuit cannot be determined.

Association management is not aware of any other pending or threatened litigation.



REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)

DOMINION HOMEOWNERS ASSOCIATION, INC.  
 FUTURE MAJOR REPAIRS & REPLACEMENTS  
 DECEMBER 31, 2021  
 (UNAUDITED)

The Association contracted with Reserve Advisors to estimate the remaining useful lives and the replacement costs of the components of common property. This study was completed during 2020. Replacement costs from authoritative literature were based on estimated costs to repair or replace common property components at replacement date using a projected inflation factor. The estimates below were obtained from the reserve study and estimates may vary significantly from actual costs. The following is a table based on the study and presents significant information about the components of common property.

<u>Components</u>	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Components of Fund Balance at 12/31/2021
Asphalt Pavement	0	\$ 20,612,804	\$ 2,743,164
Concrete Flatwork	2 - 29	1,034,990	175,049
Detention Basins	7 - 17	1,040,129	-
Metal Fences	1 - 29	1,542,111	62,755
Irrigation System	8 - 29	671,708	-
Landscape Replacements	0	4,918,328	109,273
Light Fixtures & Sign Poles	3 - 29	1,180,541	80,546
Mailbox Stations & Entrance Monuments	4 - 23	1,119,066	189,005
Play Equipment	15 - 29	184,993	-
Perimeter Walls	2-11	635,740	25,750
Ponds, Wells, Pumps	2 - 4	1,899,909	27,318
Retaining Walls	5 - 11	157,114	20,600
Street Signs and Marquee	2 - 11	405,593	-
Trucks and Street Sweeper	2	860,669	-
Air Handling and Condensing Units	3 - 9	84,579	-
HOA Office	8 - 18	385,147	40,000
Guard Houses	8	182,497	-
Roof Assemblies, Tile	11	119,510	-
		<u>\$ 37,035,428</u>	<u>\$ 3,473,460</u>
Reserve Study Ideal Balances at Year End			3,307,633
Percent of Ideal Balance on Hand			105%
Reserve Study Recommended Future Contributions:			
(Based on Original Projections)			
	2022	\$ 724,700	
	2023	\$ 745,500	
	2024	\$ 765,900	

See Independent Auditor's Report.