

A S S U R A N C E D I M E N S I O N S

Consolidated Financial Statements and Independent  
Auditor's Report

River Ranch RV Resort Owners Association, Inc.  
and Subsidiary

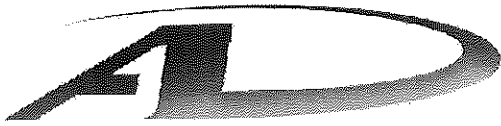
December 31, 2017

# River Ranch RV Resort Owners Association, Inc. and Subsidiary

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ASSURANCE DIMENSIONS

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
River Ranch RV Resort Owners Association, Inc. and Subsidiary:

We have audited the accompanying consolidated financial statements of River Ranch RV Resort Owners Association, Inc. and Subsidiary, (a nonprofit corporation), which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

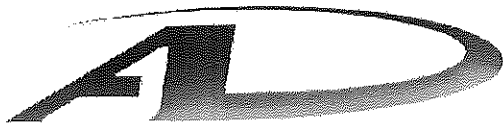
ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

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## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of River Ranch RV Resort Owners Association, Inc. and Subsidiary as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on Future Major Repairs and Replacements on page 11 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules on pages 12-13 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Assurance Dimensions*

Tampa, Florida  
March 12, 2018

ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

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# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Consolidated Balance Sheet

As of December 31, 2017

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 140,674	\$ 307,943	\$ 448,617
Cash designated for activities	57,309	-	57,309
Assessments receivable	23,960	-	23,960
Other receivables	10,295	-	10,295
Receivable from replacement fund	17,625	-	17,625
Prepaid expenses	13,008	-	13,008
RV lot held for investment	45,204	-	45,204
Property plant and equipment	519,410	-	519,410
Total assets	<u>\$ 827,485</u>	<u>\$ 307,943</u>	<u>\$ 1,135,428</u>
 <b><u>Liabilities and Fund Balances</u></b>			
LIABILITIES			
Accounts payable and accrued expenses	\$ 141,800	\$ -	\$ 141,800
Prepaid assessments	15,172	-	15,172
Payable to operating fund	-	17,625	17,625
Notes payable	114,631	-	114,631
Total liabilities	<u>271,603</u>	<u>17,625</u>	<u>289,228</u>
FUND BALANCES	555,882	290,318	846,200
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 827,485</u>	<u>\$ 307,943</u>	<u>\$ 1,135,428</u>

The accompanying notes are an integral part of this consolidated financial statement.

**River Ranch RV Resort Owners Association, Inc. and Subsidiary**  
**Consolidated Statement of Revenues and Expenses and Changes in Fund Balances**  
**For the year ended December 31, 2017**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Assessment revenues	\$ 795,906	\$ 139,542	\$ 935,448
Rental fee income net of rental paid to owners of \$282,850	193,532	-	193,532
Association facilities income	100,970	-	100,970
Golf cart rentals	88,484	-	88,484
Interest income	3,716	-	3,716
Other	104,940	310	105,250
Total revenue	1,287,548	139,852	1,427,400
<b>EXPENSES</b>			
Salary and wages, plus benefits	450,909	-	450,909
Water and sewer	137,887	-	137,887
Administrative	80,974	-	80,974
Other grounds and equipment maintenance	129,171	31,545	160,716
Cable service	94,413	-	94,413
Association manager fee	69,247	-	69,247
Depreciation	66,496	-	66,496
Electricity	41,702	-	41,702
Insurance	34,362	-	34,362
Legal and accounting fees	10,600	-	10,600
Trash removal	44,016	-	44,016
Propane	33,313	-	33,313
Landscaping	32,142	-	32,142
Buildings	14,180	5,827	20,007
Pool and bathhouse	14,713	17,027	31,740
Golf cart lease	37,108	-	37,108
Irrigation	9,602	-	9,602
Taxes and licenses	6,307	-	6,307
Total expenses	1,307,142	54,399	1,361,541
<b>Deficit of Revenues over Expenses</b>	(19,594)	85,453	65,859
Fund balances at the beginning of year	606,348	204,865	811,213
Decrease in Activity Committee fund balance	(30,872)	-	(30,872)
<b>Fund Balances at the End of Year</b>	\$ 555,882	\$ 290,318	\$ 846,200

The accompanying notes are an integral part of this consolidated financial statement.

**River Ranch RV Resort Owners Association, Inc. and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2017**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Deficit of Revenues over Expenses:	\$ (19,594)	\$ 85,453	\$ 65,859
Adjustments to reconcile decrease in fund balances to net cash used by operating activities:			
Bad debt expense	9,933	-	9,933
Depreciation expense	66,496	-	66,496
Increase (decrease) in cash due to changes in:			
Amounts designated for activities	(30,872)	-	(30,872)
Assessment receivable, net	(8,767)	-	(8,767)
Prepaid and other assets	13,108	-	13,108
Account and accrued liabilities	16,384	-	16,384
Prepaid owner assessments	9,127	-	9,127
Due to replacement fund	(17,625)	17,625	-
Net cash used by operating activities	<u>38,190</u>	<u>103,078</u>	<u>141,268</u>
<b>Cash flows from financing activities:</b>			
Payments on notes payable	(6,415)	-	(6,415)
Net cash provided by financing activities	<u>(6,415)</u>	<u>-</u>	<u>(6,415)</u>
<b>Net increase (decrease) in cash</b>	31,775	103,078	134,853
<b>Cash, beginning of period</b>	108,899	204,865	313,764
<b>Cash, end of period</b>	<u>\$ 140,674</u>	<u>\$ 307,943</u>	<u>\$ 448,617</u>
<b>Cash paid for income tax</b>	<u>\$ 1,847</u>	<u>\$ -</u>	<u>\$ 1,847</u>

The accompanying notes are an integral part of this consolidated financial statement.

# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2017

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### Note A – Organization and Description of Business

River Ranch RV Resort Owners Association, Inc. (the Association) was incorporated on March 20, 2001 in the state of Florida. The Association is a homeowners' association governed by Chapter 720, Florida statutes. The Association is responsible for the operation and maintenance of the common property within the River Ranch RV Resort development, consisting of 367 residential RV lots located at River Ranch, Florida. The major portion of the common property consists of the Mustang Center, Phase III pool, Possum Path clubhouse, and Trails End clubhouse and pool.

Owners within the resort can allow their lots to enter a rental pool. The rental pool is handled by the Association. Rental monies collected by the Association are paid to lot owners after deducting a fixed percentage for administration costs.

During the year ended December 31, 2016, River Ranch RV Resort, LLC was incorporated in the state of Florida. The Association is the sole owner of this entity.

### Note B – Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### Principles of Consolidation

The accompanying consolidated financial statements include the Organization and its wholly owned subsidiary (see Note A). All significant intercompany accounts and transactions have been eliminated upon consolidation.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on-hand, cash in banks and money market accounts.

#### Recognition of Assets and Depreciation Policy

The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds.

#### Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement funds may be made only for their designated purposes. (See Note E)

#### Interest Earned

The board's policy is to allocate to each fund interest earned on all cash accounts net of income taxes.



# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2017

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### Note B – Significant Accounting Policies (continued)

#### Donated Services

The Association's Board of Directors and its officers' serve without compensation. The values of these services are not recorded in the financial statements.

#### Concentration of Credit Risk

The Association's primary sources of income are assessments paid by the owners.

The Association places its cash and cash equivalents with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

#### Pervasiveness of 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.

### Note C – Owners' Assessments

Monthly assessments to owners were \$209 for RV lots during 2017. Of this amount, \$31 was designated to the replacement fund.

The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

### Note D – Assessments Receivable

#### Assessment Fees

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 30 days in arrears and therefore considered delinquent. As of December 31, 2017, the Association had assessments receivable of approximately \$49,000, of which approximately \$46,000 were delinquent. It is the opinion of the board of directors that the Association will ultimately prevail against the homeowners whose assessments are delinquent for up to twelve months of assessments, and, accordingly, an allowance for doubtful accounts reserve of approximately \$25,000 was deemed necessary for those assessments in excess of twelve months.

### Note E – Future Major Repairs and Replacement Funds

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in a separate savings account and generally are not available for expenditures for normal operations.

# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2017

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### Note E – Future Major Repairs and Replacement Funds (continued)

The Board of Directors had a formal reserve study completed during fiscal 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The Board of Directors used this information to produce the estimates in the table included in the unaudited supplementary information on Future Major Repairs and Replacements.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on their estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

The Association Members voted to fund in fiscal year 2017 100% of the amount recommended by the reserve study. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The board voted in fiscal 2016 to fund for major repairs and replacements using the pooled reserve method. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following is a table of the current period activity in the replacement fund by component:

	December 31, 2016	Additions	Interest	Charges	December 31, 2017
Pooled reserves	\$ 204,865	\$ 139,542	\$ 310	\$ (54,399)	\$ 290,318

### Note F – Property and Equipment

Property and equipment consisted of the following as of December 31:

	2017	Useful life (years)
Common property	\$ 1,109,595	5 to 39
Equipment	280,333	5 to 7
	1,389,928	
Less - Accumulated depreciation	(870,518)	
	\$ 519,410	

Depreciation expense for the year ended December 31, 2017 was approximately \$66,000.

# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2017

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### Note G – Federal and State Taxes

The Association has elected to file as a homeowners' association in accordance with Internal Revenue Code 528, using Form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. The Association's investment income and other nonexempt income were subject to tax. The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized. The Association's federal income tax returns for 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

### Note H – Commitments and Contingencies

The Association may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. The financial statements do not include any adjustments for such actions. The Association also has entered into various contracts for services including management and other services.

### Note I – Operating Leases

During the year ended December 31, 2017, the Association entered into a non-cancelable lease agreement for rental golf carts. The following is a schedule by year showing future minimum lease payments required under the operating leases which have an initial term or remaining non-cancelable lease term in excess of one year as of December 31, 2017.

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 38,473
2019	38,473
2020	25,746
2021	4,625

### Note J – Long-Term Debt

The Association has a noninterest bearing note payable for the renovation of the Trails End building. Installments in the amount of \$863 are due monthly through May 2031. The note bears interest at 3% per annum and the payments are expected to be made from the Activities account.

Future minimum payments on the note payable as of December 31, 2017 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 7,026
2019	7,240
2020	7,460
2021	7,687
2022	7,920
Thereafter	77,298
	<u>\$ 114,631</u>

# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2017

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### Note K – Subsequent Events

Management has evaluated subsequent events through March 2, 2018, the date which the financial statements were available for issue.

## SUPPLEMENTARY INFORMATION

# River Ranch RV Resort Owners Association, Inc. and Subsidiary

## Supplemental Information (Unaudited)

December 31, 2017

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### Future Major Repairs and Replacement (Unaudited)

A consulting company conducted a study in February 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements take into consideration an annual inflation rate and annual interest rate for amounts funded for future major repairs and replacements.

The following table is based on the above noted estimates and presents significant information about the components of common property.

<i>Components</i>	<i>Useful Lives</i>	<i>Estimated Remaining Useful Lives (Years)</i>	<i>Estimated Current Replacement Costs</i>
Roads and Pavement	3 – 55	1 – 18	\$ 606,756
Major Equipment	8 – 35	1 – 13	126,200
Buildings	4 – 40	0 – 16	891,060
Pools and Spas	8 – 60	3 – 20	327,525
Other (currently unfunded)	2 – 80	2 – 30	1,146,130
			<u>\$ 3,097,671</u>

See accountants' report

**River Ranch RV Resort Owners Association, Inc. and Subsidiary**  
**Consolidating Balance Sheet**  
**As of December 31, 2017**

<u>Assets</u>	<u>River Ranch RV Owners Association, Inc.</u>	<u>River Ranch RV Resort, LLC.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 10,876	\$ 129,798	\$ -	\$ 140,674
Cash designated for activities	57,309	-	-	57,309
Assessments receivable	23,960	-	-	23,960
Other receivable	10,237	58	-	10,295
Receivable from replacement fund	19,074	(1,449)	-	17,625
Prepaid expenses	12,880	128	-	13,008
RV lot held for investment	45,204	-	-	45,204
Property plant and equipment	519,410	-	-	519,410
Total assets	<u>698,950</u>	<u>128,535</u>	<u>-</u>	<u>827,485</u>
<u>Liabilities and Fund Balances</u>				
LIABILITIES				
Accounts payable and accrued expenses	48,626	93,174	-	141,800
Prepaid assessments	15,172	-	-	15,172
Notes payable	114,631	-	-	114,631
Total liabilities	<u>178,429</u>	<u>93,174</u>	<u>-</u>	<u>271,603</u>
FUND BALANCES	520,521	35,361	-	555,882
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 698,950</u>	<u>\$ 128,535</u>	<u>\$ -</u>	<u>\$ 827,485</u>

See Accountant's Opinion

**River Ranch RV Resort Owners Association, Inc. and Subsidiary**  
**Consolidating Operating Fund**  
**For the year ended December 31, 2017**

	<u>River Ranch RV Owners Association, Inc. Operating Fund</u>	<u>River Ranch RV Resort, LLC.</u>	<u>Eliminations</u>	<u>Total Operating Fund</u>
<b>REVENUES</b>				
Assessment revenues	\$ 795,906	\$ -	\$ -	\$ 795,906
Rental fee income net of rental paid to owners of \$282,850	5,162	188,370	-	193,532
Association facilities income	100,970	-	-	100,970
Golf cart rentals	-	88,484	-	88,484
Interest income	3,716	-	-	3,716
Other	280,006	(175,066)	-	104,940
Total revenue	<u>1,185,760</u>	<u>101,788</u>	<u>-</u>	<u>1,287,548</u>
<b>EXPENSES</b>				
Salary and wages, plus benefits	450,909	-	-	450,909
Water and sewer	137,887	-	-	137,887
Administrative	56,243	24,731	-	80,974
Other grounds and equipment maintenance	128,345	826	-	129,171
Cable service	94,413	-	-	94,413
Association manager fee	69,247	-	-	69,247
Depreciation	66,496	-	-	66,496
Electricity	41,702	-	-	41,702
Insurance	29,703	4,659	-	34,362
Legal and accounting fees	10,600	-	-	10,600
Trash removal	44,016	-	-	44,016
Propane	33,313	-	-	33,313
Landscaping	32,142	-	-	32,142
Buildings	14,180	-	-	14,180
Pool and bathhouse	14,713	-	-	14,713
Irrigation	9,602	-	-	9,602
Repairs and maintenance	-	-	-	-
Taxes and licenses	6,307	-	-	6,307
Golf cart lease	-	37,108	-	37,108
Total expenses	<u>1,239,818</u>	<u>67,324</u>	<u>-</u>	<u>1,307,142</u>
<b>Excess (deficit) of Revenues over Expenses</b>	(54,058)	34,464	-	(19,594)
Fund balances at the beginning of year	605,451	897	-	606,348
Decrease in Activity Committee fund balance	(30,872)	-	-	(30,872)
<b>Fund Balances at the End of Year</b>	<u>\$ 520,521</u>	<u>\$ 35,361</u>	<u>\$ -</u>	<u>\$ 555,882</u>

See Accountant's Opinion