

**THE OAKS OF NORTH LONDONDERRY  
TOWNSHIP HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

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ACCOUNTANT'S REVIEW REPORT

Board of Directors  
The Oaks of North Londonderry  
Township Homeowners Association  
Palmyra, Pennsylvania

We have reviewed the accompanying statements of assets, liabilities and fund balance – cash basis of the Oaks of North Londonderry Township Homeowners Association as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in fund balance – cash basis for the years then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Oaks of North Londonderry Township Homeowners Association.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting.

As discussed in Note 1, the Oaks of North Londonderry Township Homeowners Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements, as applied to the cash basis of accounting.

*Faren Garcia & Garman, PC*

Lebanon, Pennsylvania  
February 5, 2010

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
 STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
 DECEMBER 31, 2009 AND DECEMBER 31, 2008

	<u>ASSETS</u>	
	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,412	\$ 16,150
Certificate of deposit	16,438	16,024
Total assets	\$ 36,850	\$ 32,174
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES	\$ -	\$ -
FUND BALANCE		
Unrestricted	36,850	32,174
Total liabilities and net assets	\$ 36,850	\$ 32,174

See accompanying notes and accountants' report.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - CASH BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

	2009	2008
<b>REVENUES</b>		
Homeowners' Dues	\$ 24,090	\$ 22,038
Resale certificates	200	400
Refunds	50	61
Interest income	520	398
	24,860	22,897
<b>EXPENSES</b>		
Common grounds maintenance	8,003	6,915
Electric, street lights	4,873	4,750
Real estate taxes	1,708	1,595
Signs	18	550
Insurance	973	973
Income Taxes	29	430
Legal Counsel	-	14
Repair and maintenance, street lights	1,089	2,767
Accounting expense	1,500	2,250
Administrative expense	1,991	1,832
	20,184	22,076
Change in fund balance	4,676	821
Fund balance, beginning	32,174	31,353
Fund balance, ending	\$ 36,850	\$ 32,174

See accompanying notes and accountants' report.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

This summary of significant accounting policies of the Oaks of North Londonderry Township Homeowners Association (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles. The primary purpose of the Association is to maintain the common elements for the approximately 150 residential members totaling 14 total acres located in Palmyra, Pennsylvania.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting; consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Concentration of Risk

The Federal Deposit Insurance Corporation (FDIC) insures accounts at financial institutions up to \$250,000 per institution. The Association has accounts at a financial institution that from time to time may exceed the insurance obtained through FDIC.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Future Major Repairs and Maintenance

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association plans to either use the Reserve Fund (currently \$30,000), issue a special assessment, or delay repairs and replacements until funds are available. The effect on future maintenance assessments is reviewed each year, prior to issuing the annual maintenance assessment bills and increases are made when necessary.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2009, the Association was taxed as a regular corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2009 AND 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents.

**NOTE 2 – CERTIFICATES OF DEPOSIT**

At December 31, certificates of deposit consisted of:

Description	Rate	Maturity	2009	2008
24 month certificate of deposit	2.35%	12/10	\$ 16,438	\$ 16,024

**NOTE 3 – FAIR VALUE MEASUREMENT**

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009.

*Certificates of deposits:* Short-term issues are spread of the LIBOR curve. Longer-term issues are priced off government curve. Spreads are obtained from new issue market and direct dealer quotes.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2009 AND 2008

**NOTE 3 – FAIR VALUE MEASUREMENT** *(continued)*

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association’s assets at fair value as of December 31:

December 31, 2009	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 16,438	\$ -	\$ 16,438
December 31, 2008	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 16,024	\$ -	\$ 16,024



The Oaks of North Londonderry Twp.  
Homeowners Association  
Yearly Analysis  
12/31/2009

	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000
Beginning Cash and Investments	\$ 32,174.00	\$ 31,353	\$ 23,842	\$ 17,783	\$ 9,018	\$ 1,665	\$ 872	\$ 9,291	\$ 13,069	\$ 7,732
Revenues										
Homeowners Dues	\$ 24,090.00	22,038	21,485	21,785	22,260	22,374	18,279	15,552	14,459	11,983
Resale Certificates	\$ 200.00	400	350	650	500	300	350	-	-	-
Interest Income	\$ 520.00	398	677	269	6	2	3	-	-	-
Refunds	\$ 50.00	61	-	-	-	-	-	-	-	-
Total revenues	\$ 24,860.00	22,897	22,512	22,704	22,766	22,676	18,632	15,552	14,459	11,983
Expenses										
Electric, Street Lights	\$ 4,873.00	4,750	5,370	4,460	4,821	4,461	4,456	4,471	4,369	3,665
Insurance	\$ 973.00	973	973	973	822	818	818	818	807	182
Administrative Expense	\$ 1,991.00	1,832	655	270	1,537	381	700	685	1,276	259
Income Taxes	\$ 29.00	430	-	-	-	-	-	-	(1,800)	1,120
Legal Counsel		14	-	-	679	1,811	105	626	1,026	-
Safety Fence										
Real Estate Taxes	\$ 1,708.00	1,595	1,507	1,448	1,332	1,191	1,132	5,220	3,600	-
Common Grounds Maintenance	\$ 8,003.00	6,915	5,646	5,724	4,740	4,938	8,123	1,107	1,478	-
Signs	\$ 18.00	550	-	-	-	-	-	8,394	7,481	1,420
Repairs & Maintenance, Street Lights	\$ 1,089.00	2,767	850	3,770	70	1,723	2,505	2,650	-	-
Accounting Expense	\$ 1,500.00	2,250	-	-	-	-	-	-	-	-
Total expenses	\$ 20,184.00	22,076	15,001	16,645	14,001	15,323	17,839	23,971	18,237	6,646
Increase in cash and investments	\$ 4,676.00	821	7,511	6,059	8,765	7,353	793	(8,419)	(3,778)	5,337
Ending Cash and Investments	\$ 36,850.00	\$32,174	\$ 31,353	\$ 23,842	\$ 17,783	\$ 9,018	\$ 1,665	\$ 872	\$ 9,291	\$ 13,069