

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

<u>TABLE OF CONTENTS</u>	<u>PAGE NO.</u>
Independent Accountants' Review Report	1 – 2
Statements of Assets, Liabilities, and Fund Balance – Cash Basis	3
Statements of Revenues, Expenses and Changes in Fund Balance – Cash Basis	4
Notes to Financial Statements	5 – 7



Vincent M. Garcia, CPA  
Matthew P. Garman, CPA  
Angela K. Shea, CPA  
William D. Oyster, CPA

## INDEPENDENT ACCOUNTANTS' 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, 2016 and 2015, and the related statements of revenues, expenses and changes in fund balance – cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion on the Financial Statements**

Based on our review 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.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

**Required Supplementary Information**

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by that missing information.

*Garcia Garman & Shea, PC*

Lebanon, Pennsylvania  
February 14, 2017

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
 STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
 DECEMBER 31, 2016 AND 2015

	<u>ASSETS</u>	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 20,935	\$ 18,858
Certificate of deposit	21,717	21,662
Total assets	\$ 42,652	\$ 40,520
<u>LIABILITIES AND FUND BALANCE</u>		
<b>LIABILITIES</b>	\$ -	\$ -
<b>FUND BALANCE</b>		
Unrestricted	42,652	40,520
Total liabilities and net assets	\$ 42,652	\$ 40,520

See accompanying notes and independent accountants' review 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, 2016 AND 2015

	2016	2015
<b>REVENUES</b>		
Homeowners' dues	\$ 25,435	\$ 23,235
Resale certificates	350	350
Interest income	63	63
	25,848	23,648
<b>EXPENSES</b>		
Common grounds maintenance	12,198	12,181
Electric, street lights	4,679	4,471
Repair and maintenance, street lights	1,163	2,480
Accounting expense	2,000	1,950
Administrative expense	2,977	1,679
Insurance	699	699
Signs	-	268
	23,716	23,728
Change in fund balance	2,132	(80)
Fund balance, beginning	40,520	40,600
Fund balance, ending	\$ 42,652	\$ 40,520

See accompanying notes and independent accountants' review report.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**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. 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 the cash basis of accounting 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 approximately \$18,000), 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.

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.

See independent accountants' review report.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

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

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2016, the Association was taxed as a homeowners' association and filed Form 1120H. Under this election, the Association is generally taxed only on non-exempt income, such as interest earnings, at a thirty percent tax rate. The Association's open audit periods are 2013 through 2015. The Financial Accounting Standards Board issued FASB ASC 740-10, (formerly, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), which prescribed a comprehensive model for how an association should measure, recognize, present, and disclose uncertain tax positions taken on its tax return. The Association believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

**NOTE 2 – CERTIFICATES OF DEPOSIT**

At December 31, certificates of deposit consisted of:

Description	Rate	Maturity	2016	2015
36 month certificate of deposit	0.25%	1/17	\$ 21,717	\$ 21,662

**NOTE 3 – FAIR VALUE MEASUREMENT**

Financial Accounting Standards Board FASB ASC 820-10 (formerly FASB Statement No. 157, *Fair Value Measurements*), 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 ASC 820-10 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.

See independent accountants' review report.



THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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

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, 2016.

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

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, 2016	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 21,717	\$ -	\$ 21,717
December 31, 2015	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 21,662	\$ -	\$ 21,662

**NOTE 4—SUBSEQUENT EVENTS**

The Association’s management has evaluated subsequent events through February 14, 2017, the date of this report, which is the date the financial statements were available to be issued.

See independent accountants’ review report.