

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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
March 27, 2019

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION
 STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
 DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,920	\$ 23,521
Certificate of deposit	21,804	21,761
Total assets	\$ 38,724	\$ 45,282

LIABILITIES AND FUND BALANCE

LIABILITIES	\$ -	\$ -
FUND BALANCE		
Unrestricted	38,724	45,282
Total liabilities and net assets	\$ 38,724	\$ 45,282

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, 2018 AND 2017

	2018	2017
REVENUES		
Homeowners' dues	\$ 26,915	\$ 26,945
Resale certificates	450	250
Interest income	52	53
	27,417	27,248
EXPENSES		
Common grounds maintenance	19,760	10,262
Electric, street lights	4,262	4,983
Repair and maintenance, street lights	4,277	3,933
Accounting expense	2,050	2,000
Administrative expense	2,927	2,741
Insurance	699	699
	33,975	24,618
Change in fund balance	(6,558)	2,630
Fund balance, beginning	45,282	42,652
Fund balance, ending	\$ 38,724	\$ 45,282

See accompanying notes and independent accountants' review report.

THE OAKS OF NORTH LONDONDERRY TOWNSHIP HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 \$36,000), 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, 2018 AND 2017

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, 2018, 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 2015 through 2017. 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	2018	2017
36 month certificate of deposit	0.20%	01/20	\$ 21,804	\$ 21,761

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, 2018 AND 2017

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, 2018.

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, 2018	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 21,804	\$ -	\$ 21,804
December 31, 2017	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 21,761	\$ -	\$ 21,761

NOTE 4—SUBSEQUENT EVENTS

The Association's management has evaluated subsequent events through March 27, 2019, the date of this report, which is the date the financial statements were available to be issued.

The Oaks Homeowners Association
PO Box 163
Palmyra, PA 17078

March 27, 2019

Garcia Garman & Shea, PC
216 S. Eighth Street
Lebanon, PA 17042

We are providing this letter in connection with your reviews of the statements of assets, liabilities, and fund balance – cash basis, and statements of revenues, expenses and changes in fund balance – cash basis of the Oaks of North Londonderry Township Home Owners Association as of December 31, 2018 and 2017, and for the years then ended and the related notes to the financial statements, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.


We confirm, to the best of our knowledge and belief, as of March 27, 2019, the following representations made to you during your reviews.


1. We acknowledge our responsibilities and have fulfilled our responsibility for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, as set out in the terms of the engagement.
2. We have made available to you all –
 - a) Financial records and related data.
 - b) Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not been prepared.
 - c) Additional information you have requested from us for the purpose of the review.
 - d) Unrestricted access to company personnel from whom you determined it necessary to obtain review evidence.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. All material transactions have been recorded and have been properly reflected in the financial statements.
5. There are no uncorrected misstatements.

6. We acknowledge and have fulfilled our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
7. We acknowledge our responsibility for designing, implementing, and maintaining internal control to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, including any communications from employees, former employees or others.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b) Guarantees, whether written or oral, under which the Association is contingently liable to a bank or other lending institutions.
 - c) Commitments to purchase or sell investments or agreements to repurchase assets previously sold.
 - d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*.
11. There are no:
 - a) Known or suspected instances of noncompliance with laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB ASC 450, *Contingencies*, and we have not consulted a lawyer concerning litigation, claims, or assessments
 - c) Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
12. The Association has satisfactory title of all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

14. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
15. We are in agreement with the adjusting journal entries, if any, you have recommended, and they have been posted to the company's accounts.
16. No events have occurred subsequent to the date of the company's financial statements and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.
17. We have responded fully and truthfully to all inquiries made to us by you during your review.
18. In regards to the financial statement preparation services performed by you, we have:
 - Assumed all management responsibilities.
 - Overseen the services by designating an individual who possesses suitable skill, knowledge, and/or experience.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.
19. The board of directors has not conducted a study to determine the estimated funding needed for future major repairs and replacements. It is funding major repairs and replacements through special assessments or borrowings as the need arises.
20. The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which required that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
21. The board of directors has reviewed the Association's insurance coverage for the current year and believes it is adequate.
22. No event have occurred subsequent to the date of the Association's financial statements and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.
23. We understand that management is responsible for the Association's choice of filing Form 1120-H and the consequences thereof.

We have responded fully and truthfully to all inquiries made to us by you during your review.


Signature


Title