

Limestone Hills Maintenance Corporation
Financial Statements and
Independent Accountants' Review Report
August 31, 2017

Table of Contents

	Page
Independent Accountants' Review Report.....	3
Financial Statements	
Balance Sheet.....	5
Statement of Revenues, Expenses, and Changes in Members' Equity.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8
Required Supplementary Information	
Future Major Repairs and Replacements.....	13
Supplementary Information	
Schedule of Operating Expenses.....	15
Schedule of General and Administrative Expenses	16

Independent Accountants' Review Report

To the Board of Directors
Limestone Hills Maintenance Corporation

We have reviewed the accompanying financial statements of Limestone Hills Maintenance Corporation, which comprise the balance sheet as of August 31, 2017, and the related statements of revenues, expenses, and changes in members' equity and cash flows for the year 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 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 these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); 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.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 for them to be in accordance with GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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 accordance with GAAP.

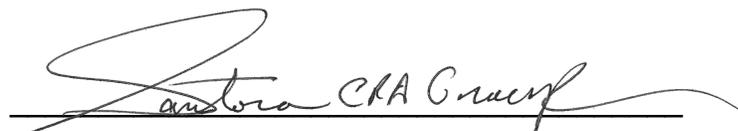
To the Board of Directors

Required Supplementary Information

GAAP requires that information about future major repairs and replacements of common property on page 13 be presented to supplement the basic financial statements. Such information, although not a required 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. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information, and we do not express an opinion or a conclusion, or provide any assurance on it.

Supplementary Information

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements. The information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly, do not express an opinion on such information.



Sandra C. A. Crump

August 1, 2018
Newark, Delaware

Limestone Hills Maintenance Corporation
Balance Sheet
August 31, 2017
See Independent Accountants' Review Report

Assets

ASSETS

Cash and cash equivalents	\$ 399,670
Restricted cash	115,140
Assessments receivable	<u>62,127</u>
TOTAL ASSETS	<u>\$ 576,937</u>

Liabilities and Members' Equity

LIABILITIES

Deferred assessments	\$ 250,282
Accounts payable	<u>13,675</u>
Total liabilities	263,957

MEMBERS' EQUITY

Undesignated	197,840
Designated for future major repairs and replacements	<u>115,140</u>
Total members' equity	<u>312,980</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 576,937</u>
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See notes to financial statements.

Limestone Hills Maintenance Corporation

**Statement of Revenues, Expenses, and
Changes in Members' Equity**

**For the Year Ended August 31, 2017
See Independent Accountants' Review Report**

REVENUE	
Assessments	\$ 478,659
Other revenue	<u>5,161</u>
	483,820
OPERATING EXPENSES	276,136
GENERAL AND ADMINISTRATIVE EXPENSES	<u>77,119</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	130,565
OTHER REVENUE	
Interest income	<u>443</u>
EXCESS OF REVENUES OVER EXPENSES	131,008
MEMBERS' EQUITY - BEGINNING	<u>181,972</u>
MEMBERS' EQUITY - ENDING	<u>\$ 312,980</u>

See notes to financial statements.

Limestone Hills Maintenance Corporation
Statement of Cash Flows
For the Year Ended August 31, 2017
See Independent Accountants' Review Report

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of revenues over expenses	\$ 131,008
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities	
Changes in assets and liabilities	
Decrease in assessments receivable	17,623
Increase in deferred assessments	55,085
Increase in accounts payable	<u>13,675</u>
Net cash provided by operating activities	217,391
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>297,419</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 514,810</u></u>

See notes to financial statements.

Limestone Hills Maintenance Corporation

Notes to Financial Statements

See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies

1. Purpose and Organization

Limestone Hills Maintenance Corporation (the Corporation) was incorporated in the State of Delaware on November 5, 1986. The Corporation was formed to provide maintenance, preservation, and control of common property within the residential community known as Limestone Hills. The Corporation does not contemplate pecuniary gain or profit to its members. The Corporation consists of approximately 1,700 units and is located in Hockessin, Delaware.

2. Basis of Presentation

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

3. Member Assessments

Corporation members are subject to an annual assessment, which was \$275 for the year ended August 31, 2017. Corporation members who reside in the private road units are subject to an additional \$48 for the year ended August 31, 2017. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Corporation for use in future years. Past due or delinquent fees may be secured by recorded judgment or possible sheriff's sale. The Board of Directors considers all assessments receivable to be fully collectible. Deferred assessments represent assessments collected in advance of the following fiscal year.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies (Continued)

5. Income Taxes

The Corporation has elected to be taxed as a homeowners association for the year ended August 31, 2017. Under this election, the Corporation is generally taxed only on non-membership income, such as interest earnings, at regular corporate rates. Membership income is exempt from taxation if certain elections are made. The Corporation is not liable for state corporate income taxes, and therefore, no provision was made for such.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

7. Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accordance with accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Corporation has not yet selected a transition method and is currently evaluating the effect that the standard will have on financial statements.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies (Continued)

7. Recent Accounting Pronouncements Not Yet Adopted (Continued)

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018. The Corporation does not expect this ASU to have a material effect on its financial statements.

8. Subsequent Events

The Corporation has evaluated subsequent events through August 1, 2018, which is the date the financial statements were available to be issued. See Note C for a discussion of subsequent events noted.

Note B - Concentrations of Credit Risk

Cash deposits are maintained in three highly rated financial institutions within the Corporation's operating area, and management continually monitors the financial strength of each institution to minimize its risk. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of August 31, 2017, there were no cash balances in excess of FDIC-insured limits.

Note C - Future Major Repairs and Replacements

The Corporation's governing documents require that funds be accumulated for future major repairs and replacements of the private roads and for certain community property. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations. During the year ended August 31, 2017, a total of \$3,696 was assessed and collected for future major repairs and replacements of the private roads. During the year ended August 31, 2017, the replacement and reserve fund was reimbursed \$0 for funds previously borrowed by the operating fund. The balance in restricted cash accounts at August 31, 2017 was comprised of \$79,100 in the private road fund and \$36,040 in the replacement and reserve fund.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note C - Future Major Repairs and Replacements (Continued)

Funds for future major repairs and replacements are accumulated based on estimated future costs. Actual expenditures may vary from these estimates, and the variations may be material. If additional funds are needed, the Corporation has the right, subject to member approval, to increase regular assessments, or to delay major repairs and replacements, until funds are available. A study was conducted by management to estimate the remaining useful lives of common property components and the costs of future major repairs and replacements.

Subsequent to year end, the operating fund reimbursed the replacement and reserve fund for prior borrowings in the amount of \$58,680, bringing the total balance in the replacement and reserve fund to \$94,720.

Required Supplementary Information

Limestone Hills Maintenance Corporation

Future Major Repairs and Replacements

For the Year Ended August 31, 2017
See Independent Accountants' Review Report

The Board of Directors conducts an informal study on an annual basis to estimate the remaining useful lives and replacements costs for each component that the Corporation is responsible for. The following table is based on the study and presents significant information about the components:

Components	Estimated Replacement Cost	Estimated Useful Lives (Years)	Estimated Remaining Useful Lives (Years)	Estimated Annual Funding Required
CLUSTER A				
Playground #1	\$ 30,000	25	12	\$ 1,200
Basketball court	12,000	12	0	1,000
Playground #2	30,000	25	15	1,200
Parking areas (blacktop)	45,000	20	6	2,250
Pathways in open space (blacktop)	36,000	20	10	1,800
Sidewalks in open space (concrete)	56,000	30	15	1,867
Entrance sign and monuments	6,000	20	10	300
CLUSTER B (East includes Vincent Lane)				
Playground #6	25,000	25	0	1,000
Parking areas (blacktop)	30,000	20	15	1,500
Pathways in open space (blacktop)	18,000	20	10	900
Sidewalks in open space (concrete)	60,800	30	15	2,027
Entrance sign and monuments	6,000	20	15	300
CLUSTER C (North Pointe)				
Playground #3	25,000	25	8	1,000
Basketball court	12,000	12	3	1,000
Tennis court (double court)	24,000	12	0	2,000
Parking areas (blacktop)	54,000	20	8	2,700
Pathways in open space (blacktop)	20,000	20	10	1,000
Sidewalks in open space (concrete)	8,000	30	15	267
Entrance sign and monuments	6,000	20	10	300
CLUSTER D (West)				
Playground #4	25,000	25	10	1,000
Basketball court	12,000	12	5	1,000
Playground #5	25,000	25	0	1,000
Parking areas (blacktop)	30,000	20	10	1,500
Pathways in open space (blacktop)	48,000	20	10	2,400
Sidewalks in open space (concrete)	19,200	30	20	640
Entrance sign and monuments	<u>6,000</u>	20	15	<u>300</u>
TOTALS	<u>\$ 669,000</u>			<u>\$ 31,451</u>

The annual funding percentage is just under 80% (\$25,000). The replacement and reserve account will never need to be fully funded since there is considerable variance in the installation dates and lifespans for each amenity.

Supplementary Information

Limestone Hills Maintenance Corporation
Schedule of Operating Expenses
For the Year Ended August 31, 2017
See Independent Accountants' Review Report

Electricity	\$ 2,325
Landscaping maintenance	47,830
Lawn care	117,000
Repairs and maintenance	9,242
Snow removal	97,510
Trash removal	<u>2,229</u>
 TOTAL	 <u><u>\$ 276,136</u></u>

Limestone Hills Maintenance Corporation
Schedule of General and Administrative Expenses
For the Year Ended August 31, 2017
See Independent Accountants' Review Report

Bank charges	\$ 1,577
Insurance	9,955
Professional fees	56,368
Newsletter and website	159
Office expense	8,678
Taxes	<u>382</u>
TOTAL	<u>\$ 77,119</u>