

11/4/19

To: White Horse Park Association Membership

After reviewing the Final Audit Report, The White Horse Park Board of Directors hopes to provide a helpful preface to the attached audit documentation. Conferences with the auditor during the drafting process influenced the Board of Directors' decision to hire Baker and Associates.

The Audit report includes suggestions for correction of weaknesses noted throughout the report.

1. Hiring stronger and more professional individuals to handle the accounting functions.
2. Educate/ Train office personnel in preliminary accounting in accounting curriculum.
3. Hire a Professional Outside Accounting Firm to handle all accounting and financial functions and matter.

The Board of Directors' decision to hire Baker and Associates LLC was out of our highest regard for the assets of the membership. Bob and Vonnie Baker will be handling all accounting duties including cash, billings, accounts receivable, general ledger, accounts payable, payroll, reports. This move will produce a more effective flow of information moving forward. There will be a transition period from our current accounting systems to the new accounting firm. This will result in no increase in membership fees. Out of an effort to dispel rumors, the Board will also take this opportunity to state that the Bakers are not a property management company.

Matthew Chance, auditor, will be present at our open board meeting on March 21, 2019, at 10:00am, to answer any questions posed by community members.

Thankful for the opportunity to serve,

White Horse Park Association Board of Directors

**WHITE HORSE PARK  
COMMUNITY ASSOCIATION, INC.**

**AUDIT COMMUNICATIONS**

**MARCH 31, 2019**

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.

TABLE OF CONTENTS

	<u>PAGE(s)</u>
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE	4 – 5
COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES	7
COMMENTS & RECOMMENDATIONS	9 – 10

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**





**Wigglesworth, Layton, Moyers & Chance, P.C.**

**Certified Public Accountants**

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October 31, 2019

To the Board of Directors  
White Horse Park Community Association, Inc.  
Berlin, Maryland

We have audited the financial statements of White Horse Park Community Association, Inc. for the year ended March 31, 2019, and have issued our report thereon dated October 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was the calculation of depreciation of capitalized assets.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered significant difficulty and delay in obtaining needed information from the external accountant in a timely manner. As a result, additional procedures were required in order to bring the engagement to date due to the engagement completion being more than two months after the original anticipated completion date. However, we encountered no significant difficulties in dealing with actual management in performing and completing the audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were detected as a result of audit procedures, either individually or in the aggregate, and were corrected by management:

- Prior period understatement of credit card payable which resulted in an equal overstatement of current period expenses.
- Prior period overstatement of property & equipment which resulted in an equal overstatement of current period assets.
- Prior period understatement of accumulated depreciation which resulted in an equal overstatement of current period assets.
- Prior period understatement of accrued salaries which resulted in an equal overstatement of current period salary expense.
- Prior period overstatement of accounts payable which resulted in an equal overstatement of current period liabilities.
- Current period understatement of prepaid expenses which resulted in an equal overstatement of current period expenses.
- Current period overstatement of property & equipment and related accumulated depreciation due to asset disposals not being recorded in prior or current periods.
- Current period overstatement of accounts payable which resulted in an equal overstatement of current period expenses.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of White Horse Park Community Association, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

*Wigglesworth, Layton, Moyus & Chance, P.C.*

Salisbury, Maryland

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL**





**Wigglesworth, Layton, Moyers & Chance, P.C.**

**Certified Public Accountants**

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October 31, 2019

To the Board of Directors  
White Horse Park Community Association, Inc.  
Berlin, Maryland

In planning and performing our audit of the financial statements of White Horse Park Community Association, Inc. as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We did identify deficiencies 2019-1 thru 2019-3 as described in the accompanying schedule of *Comments and Recommendations* to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify deficiency 2019-4 as described in the accompanying schedule of *Comments and Recommendations* to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Directors and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Wigglesworth, Layton, Moyers & Chance, P.C.*

Salisbury, Maryland

**COMMENTS AND RECOMMENDATIONS**

## COMMENTS AND RECOMMENDATIONS

### Material Weaknesses

#### 2019-1 Segregation of Duties with the Accounting Functions

An effective system of internal control requires a proper segregation of the accounting functions and oversight by management. The basic premise is that no one employee has access to both physical assets, such as cash, and the related accounting records or to all phases of a transaction.

The Association has a material lack of segregation of duties within the performance of its accounting functions.

The Association does not employ a sufficient number of people as part of its daily internal accounting function to eliminate people from performing incompatible accounting and finance duties. In addition, the Association does not have a system in place to properly segregate incompatible functions in order to maximize segregation of duties as there is primarily one employee who performs all functions.

The result is the risk that intentional or unintentional errors could be made and not detected.

We recommend that either additional employees be hired in order to achieve maximum segregation or at minimum, create a system that will allow for maximum segregation amongst the current limited staff. One employee should not be primarily performing all accounting and financial functions.

Management is aware of this condition. The Association has engaged an external accountant to take over the everyday accounting functions in order to improve overall internal controls. They will work with the new external accountant in order to develop new more effective policies and procedures.

#### 2019-2 Compliance With Generally Accepted Accounting Principles

The Association prepares their financial statements in accordance with generally accepted accounting principles as promulgated by the Financial Accounting Standards Board.

As previously identified in our report titled "Communications With Those Charged With Governance", there were numerous departures from generally accepted accounting principles identified while conducting our audit procedures. Including incomplete and incorrect note disclosures. These departures primarily affected assets, liabilities, fund balance, and expenses for both the current and prior periods.

This condition is caused by inconsistent or nonexistent identification of relevant generally accepted accounting principles and little or no follow through with the application of those relevant principles.

We recommend that the Association address this condition by one or more of the following three recommendation; 1) engage an external accountant who is familiar with and knowledgeable about the application of generally accepted accounting principles, 2) provide relevant training for current employees regarding the identification and application of generally accepted accounting principles, or 3) employee a trained accountant who is familiar with and experienced with the identification and application of generally accepted accounting principles.

Management is aware of this condition. The Association has engaged a new external accountant in order to comply with generally accepted accounting principles.



## Material Weaknesses (continued)

### 2019-3 Lack of and Inaccurate Reconciliation of General Ledger to Accounting Records

In order for management and the board of directors to make informed decisions regarding the current and future operations of the Association and in order to maintain accountability to the Unit Owners, accurate accounting information must be maintained by the Association and be readily available when needed.

In addition to many departures from generally accepted accounting principles, numerous material and nonmaterial errors and inconsistencies were noted between the general ledger and the supporting documentation while conducting our audit. A few examples include 1) the depreciation schedule did not agree or reconcile to the general ledger for the current or the prior period and was not reviewed for current accuracy, 2) credit cards payable were not accounted for and were nonexistent in the prior period balances, 3) required accruals such as accrued salary and compensated absences were not accounted for and were nonexistent in the current or prior periods, 4) although payroll liabilities were accounted for, they were inaccurate and did not reconcile to supporting documentation, 5) although some prepaid expenses were accrued, they were inaccurate and more than doubled after adjustment to the proper balance, and 6) expenses were incorrectly accrued as of the current period end when no accrual was needed or relevant.

This condition is caused by not providing adequate review of accounting records or applying effective process to the performance of accounting functions, including properly reconciling the general ledger to the accounting records and supporting documentation.

We recommend that the Association address this condition by one or more of the following three recommendation; 1) engage an external accountant who is experienced and capable of properly reconciling the general ledger to the accounting records, 2) provide relevant training for current employees to be capable of properly reconciling the general ledger to the accounting records, or 3) employ a trained accountant who is experienced and capable of properly reconciling the general ledger to the accounting records.

Management is aware of this condition. The Association has engaged a new external accountant in order to comply with generally accepted accounting principles and to regularly reconcile the general ledger to accounting records.

## Significant Deficiencies

### 2019-4 Depreciation Method Departure From GAAP

Generally accepted accounting principles require the use of the straight-line method of depreciation for capital assets.

A majority of the Association's assets are being depreciated using the modified accelerated cost recovery system method which is a tax basis depreciation method and is a departure from generally accepted accounting principles.

This condition is due to inconsistent and incorrect application of generally accepted accounting principles.

This can potentially result in the material or nonmaterial overstatement or understatement of depreciation expense. The straight-line method calls for depreciation expense to be recognized equally over an assets useful life, while tax basis depreciation methods are generally designed to disproportionately front load the recognition of depreciation expense for potential tax benefit purposes.

We recommend that the association either employ or engage an external accountant who will correctly and consistently maintain the depreciation schedule in accordance with generally accepted accounting principles.

Management is aware of this condition. The Association has engaged a new external accountant in order to comply with generally accepted accounting principles.

**WHITE HORSE PARK  
COMMUNITY ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
MARCH 31, 2019**



WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	5
Statement of Revenues, Expenses and Changes in Fund Balances	6
Statement of Cash Flows	7
<b>NOTES TO FINANCIAL STATEMENTS</b>	8 - 10
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budget - 2019	12 - 15
Future Major Repairs and Replacements	16



**Wigglesworth, Layton, Moyers & Chance, P.C.**

**Certified Public Accountants**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
White Horse Park Community Association, Inc.  
Berlin, Maryland

We have audited the accompanying financial statements of White Horse Park Community Association, Inc., which comprise the balance sheet as of March 31, 2019, and the related statement of revenues, expenses, and changes in fund balances, and statement of cash flows for the year then ended, and the related notes to the 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 financial statements based on our audits. We conducted our audits 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 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Horse Park Community Association, Inc. as of March 31, 2019 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.

***Future Major Repairs and Replacements***

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 1 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

*Disclaimer of Opinion on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budget – 2019 and the Future Major Repairs and Replacements on pages 12 through 16 be presented to supplement the basic financial statements. Such 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 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.

*Wiggleworth, Layton, Moyus + Chance, P.C.*

Salisbury, MD  
October 31, 2019

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**BALANCE SHEET**  
**MARCH 31, 2019**

ASSETS	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>			
Cash - undesignated	\$ 202,585	\$ -	\$ 202,585
Cash - designated for future repairs and replacements	-	307,894	307,894
Accounts receivable			
Assessment dues	17,644	-	17,644
Prepaid assets	24,104	-	24,104
Due from reserve fund	<u>7,704</u>	<u>-</u>	<u>7,704</u>
<b>TOTAL CURRENT ASSETS</b>	<u>252,037</u>	<u>307,894</u>	<u>559,931</u>
<b>PROPERTY &amp; EQUIPMENT</b>			
Buildings & improvements	1,650,847	-	1,650,847
Furniture & equipment	198,585	-	198,585
Vehicles	<u>39,281</u>	<u>-</u>	<u>39,281</u>
	1,888,713	-	1,888,713
Accumulated depreciation	<u>(815,308)</u>	<u>-</u>	<u>(815,308)</u>
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<u>1,073,405</u>	<u>-</u>	<u>1,073,405</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,325,442</u></u>	<u><u>\$ 307,894</u></u>	<u><u>\$ 1,633,336</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 38,458	\$ -	\$ 38,458
Accrued salaries	3,431	-	3,431
Accrued compensated absences	142	-	142
Due to operating fund	-	7,704	7,704
Payroll liabilities	5,505	-	5,505
Prepaid assessment dues	<u>191,535</u>	<u>-</u>	<u>191,535</u>
<b>TOTAL CURRENT LIABILITIES</b>	239,071	7,704	246,775
<b>FUND BALANCES</b>			
Undesignated	1,086,371	-	1,086,371
Designated for future repairs and replacements	<u>-</u>	<u>300,190</u>	<u>300,190</u>
<b>TOTAL FUND BALANCES</b>	<u>1,086,371</u>	<u>300,190</u>	<u>1,386,561</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,325,442</u></u>	<u><u>\$ 307,894</u></u>	<u><u>\$ 1,633,336</u></u>

The accompanying notes are an integral part of the basic financial statements.



**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**MARCH 31, 2019**

	<b>OPERATING</b>	<b>RESERVE</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Assessment dues	\$ 448,200	\$ 55,800	\$ 504,000
Cable charges	106,048	-	106,048
Clubhouse	6,744	-	6,744
Electric charges	238,534	-	238,534
Laundry and vending machine	2,908	-	2,908
Marina	45,260	-	45,260
Miscellaneous	13,368	-	13,368
Water and sewer fees	242,615	-	242,615
	<b>1,103,677</b>	<b>55,800</b>	<b>1,159,477</b>
<b>TOTAL OPERATING REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Advertising expense	1,328	-	1,328
Automobile expense	4,246	-	4,246
Bank service charge	1,290	-	1,290
Contracts	226,074	-	226,074
Clubhouse	4,473	-	4,473
Depreciation expense	68,125	-	68,125
Dues and subscriptions	1,610	-	1,610
Insurance	27,732	-	27,732
License and permits	552	-	552
Miscellaneous expense	2,081	-	2,081
Office expense	9,581	-	9,581
Payroll expenses	142,963	-	142,963
Professional fees	8,039	-	8,039
Repairs and maintenance	52,757	-	52,757
Supplies	5,872	-	5,872
Utilities	585,009	-	585,009
Taxes - other	1,060	-	1,060
Taxes - payroll	10,380	-	10,380
Taxes - property	3,729	-	3,729
	<b>1,156,901</b>	<b>-</b>	<b>1,156,901</b>
<b>TOTAL OPERATING EXPENSES</b>			
<b>NET OPERATING INCOME (LOSS)</b>	<b>(53,224)</b>	<b>55,800</b>	<b>2,576</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest	146	1,985	2,131
Transfers	17,720	(17,720)	-
	<b>17,866</b>	<b>(15,735)</b>	<b>2,131</b>
<b>TOTAL OTHER INCOME (EXPENSES)</b>			
<b>NET INCOME (LOSS)</b>	<b>(35,358)</b>	<b>40,065</b>	<b>4,707</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,121,729</b>	<b>260,125</b>	<b>1,381,854</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,086,371</b>	<b>\$ 300,190</b>	<b>\$ 1,386,561</b>

The accompanying notes are an integral part of the basic financial statements.

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**MARCH 31, 2019**

	<b>OPERATING</b>	<b>RESERVE</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ (53,224)	\$ 55,800	\$ 2,576
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	68,125	-	68,125
(Increase) decrease in current assets:			
Assessment dues	(5,611)	-	(5,611)
Prepaid expenses	(9,470)	-	(9,470)
Increase (decrease) in current liabilities:			
Accrued salaries	540	-	540
Accrued compensated absences	142	-	142
Accounts payable	(1,933)	-	(1,933)
Payroll liabilities	(1,029)	-	(1,029)
Prepaid assessment dues	(3,485)	-	(3,485)
	(5,945)	55,800	49,855
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(5,945)</b>	<b>55,800</b>	<b>49,855</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers	17,720	(17,720)	-
	17,720	(17,720)	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>17,720</b>	<b>(17,720)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	146	1,985	2,131
Purchase of property and equipment	(40,746)	-	(40,746)
	(40,600)	1,985	(38,615)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(40,600)</b>	<b>1,985</b>	<b>(38,615)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(28,825)</b>	<b>40,065</b>	<b>11,240</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>231,410</b>	<b>267,829</b>	<b>499,239</b>
<b>CASH - END OF YEAR</b>	<b>\$ 202,585</b>	<b>\$ 307,894</b>	<b>\$ 510,479</b>

The accompanying notes are an integral part of the basic financial statements.

**WHITEHORSE PARK COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

White Horse Park Community Association, Inc. was formed on January 16, 1983 as a Maryland non-stock, non-profit corporation to provide services for the benefit of the lot owners of White Horse Park.

The Association is responsible for operation and maintenance of the common property within the development. The development consists of 465 lots occupying a site of approximately 7 acres located at 11647 Beauchamp Road, Berlin, MD 21811-3112 located in Worcester County, Maryland.

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

**Basis of Accounting**

The Association prepares its financial statements in accordance with principles generally accepted in the United States of America, in which income is recognized when earned and expenses are recognized when incurred.

**Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

**Operating Fund** – Used to account for financial resources available for the general operations of the Association.

**Reserve Fund** – Used to accumulate financial resources designated for future major repairs and replacements.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable on the balance sheet date represent fees due from unit owners. No amounts are considered uncollectible at March 31, 2019 and accordingly, no allowance for uncollectible accounts is deemed necessary. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are delinquent. Accounts are considered delinquent if not paid by the next billing cycle.

**Property and Equipment**

Property and equipment that are purchased or acquired with an original cost of \$1,000 or more and have a useful life greater than one year are capitalized and reported at historical cost. Depreciation for property and equipment is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 – 39 years
Furniture and equipment	5 – 7 years
Vehicles	5 – 7 years

Depreciation for the year ending March 31, 2019 was \$68,125.

Expenditures for maintenance and repairs are charged to expense as incurred.



**WHITEHORSE PARK COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Compensated Absences**

The Association accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employees, which will be paid to the employees upon separation from the Association's service. All accrued unpaid vacation is estimated to be used in subsequent years.

**Unit Owner Assessments**

The annual budget and assessments of unit owners are determined by the Board of Directors and are presented to the owners. The Association retains excess operating funds, if any for use in future operating periods.

**Interfund Activity**

Interfund activity is reported as transfers and is subject to elimination upon consolidation.

**Future Major Repairs and Replacements**

The Association's Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs. Actual expenditures, however, may vary from the estimated amounts and variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**Income Taxes**

The Association has elected to be taxed under the provisions of Section 528 of the Internal Revenue Code for the year ended March 31, 2019. This section provides that the Association is exempt from taxation on amounts received as exempt function income, such as membership dues, fees and assessments, but non-member interest is taxable.

Although the Association was not under examination at March 31, 2019 by any major taxing authority, the Association was subject to examination for tax years ending March 31, 2019, 2018, 2017 and 2016. All required federal and state tax returns were filed by the due dates as of March 31, 2019.

**NOTE 2 – CASH FLOWS DISCLOSURES**

Cash paid for interest during 2019 was \$0.

Cash paid for income taxes for 2019 was \$1,060.

**NOTE 3 – CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK**

The Organization maintains cash balances at PNC Bank and The Bank of Ocean City. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2019, the Organization had \$57,894 of uninsured balance in excess of the FDIC coverage.



**WHITEHORSE PARK COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – PRIOR PERIOD ADJUSTMENT**

The following prior period adjustments were made to fund balances at March 31, 2018 as follows:

March 31, 2018 fund balance, as previously stated	\$ 1,384,932
Understatement of cash	35,616
Overstatement of accounts receivable assessment dues	(6,049)
Understatement of accrued salary	(2,890)
Overstatement of accounts payable	1,665
Understatement of credit card payable	(19,908)
Overstatement of property & equipment	<u>(11,512)</u>
Adjusted March 31, 2018 fund balance	<u>\$ 1,381,854</u>

**NOTE 5 – SUBSEQUENT EVENTS**

The Association has examined all subsequent events through October 31, 2019, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

## WHP Budget 2018-2019

<b>INCOME</b>		
Homeowner Assessments		502,200.00
Water & Sewer		228,780.00
<b>Total Ordinary Income</b>	<b>Total</b>	<b>730,980.00</b>
Homeowner Electric		222,000.00
Kayak Stickers		1,000.00
Marina Stickers		8,500.00
Boat Slip Rental (Daily)		500.00
Jet Ski Rental		500.00
Boat Slip Lease (Seasonal)		34,000.00
Cable TV		93,000.00
Vending Commissions		100.00
Laundry		1,500.00
Ice Sales		1,500.00
Mall Boxes		300.00
Pool Passes		100.00
Gate Cards		1,500.00
Clubhouse Income		8,000.00
Fine Income		500.00
Late Fees		3,500.00
Bank of America Rewards		2,000.00
Resale Documents		2,000.00
<b>Total Fee Income</b>	<b>Total</b>	<b>380,500.00</b>
Interest Income Bank of OC HYS		700.00
CD Interest		800.00
PNC Interest		150.00
<b>Total Interest Income</b>	<b>Total</b>	<b>1,650.00</b>
Miscellaneous Receipts	<b>Total</b>	<b>500.00</b>
<b>Total Gross Income</b>	<b>TOTAL</b>	<b>1,113,630.00</b>

## WHP Budget 2018-2019

### EXPENSES

#### EQUIPMENT EXPENSES

Equipment Purchase		1,000.00
Equipment Repairs		1,000.00
Equipment Fuel		400.00
Equipment Rental		500.00
<b>Equipment Expense Total</b>	<b>Total</b>	<b>2,900.00</b>

#### OPERATIONS

Computer Repairs		500.00
Licenses & Permits		500.00
Printing & Copying		3,500.00
Dues & Subscriptions		500.00
Drug & Alcohol Testing		100.00
Postage & Delivery		3,000.00
Telephone		3,500.00
Advertising		200.00
<b>Operations Total</b>	<b>Total</b>	<b>11,800.00</b>

#### AUTOMOBILE EXPENSES

Auto Registration		250.00
Automobile Gas		2,500.00
Repairs & Maintenance		1,000.00
<b>Automobile Expenses Total</b>	<b>Total</b>	<b>3,750.00</b>

#### PROFESSIONAL FEES

Accounting		5,000.00
Legal Fees		1,000.00
Other Professional		500.00
<b>Professional Fees Total</b>	<b>Total</b>	<b>6,500.00</b>

#### REPAIRS

Boat Yard		2,000.00
Water & Sewer		10,000.00
Building		3,000.00
Grounds		5,000.00
Electrical		4,000.00
Pool		500.00
<b>Repairs Total</b>	<b>Total</b>	<b>24,500.00</b>

#### CLUBHOUSE

Supplies		1,000.00
Activities		7,000.00
<b>Clubhouse Total</b>	<b>Total</b>	<b>8,000.00</b>

## WHP Budget 2018-2019

### EXPENSES (Continued)

#### WATERFRONT EXPENSES

Marina Repairs		500.00
Marina Expenses		1,000.00
<b>Waterfront Total</b>	<b>Total</b>	<b>1,500.00</b>

#### UTILITIES

Electric		222,000.00
Propane		4,000.00
Water & Sewer		228,780.00
Cable TV		93,000.00
<b>Utilities Total</b>	<b>Total</b>	<b>547,780.00</b>

#### CONTRACTS

HVAC		500.00
Alarm		1,000.00
Ice		1,000.00
Lawn Service		65,000.00
Pool Management		25,500.00
Security Service		85,000.00
Trash		30,000.00
<b>Contracts Total</b>	<b>Total</b>	<b>208,000.00</b>

#### SUPPLIES

Pool		100.00
Electric		1,000.00
Bath House		500.00
General		2,500.00
Office		2,000.00
<b>Supplies Total</b>	<b>Total</b>	<b>6,100.00</b>

#### PAYROLL

Park Manager		42,500.00
Administration		53,500.00
Maintenance		53,500.00
Seasonal		2,000.00
Housekeeping		4,000.00
Payroll Taxes		10,900.00
Unemployment		3,500.00
<b>Payroll Total</b>	<b>Total</b>	<b>169,900.00</b>

## WHP Budget 2018-2019

### EXPENSES (Continued)

<b>INSURANCE</b>		
Automobile Insurance		1,350.00
Worker's Comp		4,100.00
Liability		19,550.00
Insurance Total	Total	25,000.00
<b>TAXES</b>		
Federal		300.00
Property		4,000.00
State		300.00
Total Taxes	Total	4,600.00
<b>MISCELLANEOUS</b>		
Bad Debt		500.00
Bank Service Charges		500.00
Interest		1,000.00
Miscellaneous		1,500.00
Total Miscellaneous	Total	3,500.00
<b>RESERVES</b>		
General Reserves		27,900.00
Marina Reserves		61,900.00
Total Reserves	Total	89,800.00
Total Expenses	Total	1,113,630.00

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.  
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**March 31, 2019**

The Association's Board of Directors conducted a study to estimate the remaining useful life and the replacement costs of the components of common property. Replacement costs were based on the estimated cost and repair or replace the common property components.

The following information is based on the study and presents information about components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life Years</u>	<u>Estimated Current Replacement Cost</u>
<b>Building Replacement</b>		
• Club House	48-78 years	275,000.00
• Pavilion	28 years	18,500.00
• Bath House 1	48-78 years	112,000.00
• Bath House 2	48-78 years	160,000.00
• Office	13-18 years	125,000.00
• Guard House	8-18 years	20,000.00
• Maintenance Garage	8-13 years	85,000.00
Pool	8-18 years	88,000.00
<b>Marina</b>		
• Phase 1 & Phase 2	45 years	450,000.00
• Phase 4 (Rear Pier)	48 years	151,000.00
• Ramp	48 years	51,000.00
• Gazebo	45 years	22,000.00
• Dock House	17 years	12,000.00
• Jet Ski Dock		20,348.00
Water Replacement	1-14 years	278,400.00
Electric Replacement	1-29 years	600,000.00
Sewer Replacement	51-190 years	644,000.00
<b>Vehicles</b>		
• Maintenance Truck (2005)	1 years	30,000.00
• Electric Car (2013)		5,700.00
<b>Office Equipment</b>		
• Copy Machine	3 years	5,000.00
<b>Maintenance Equipment</b>		
• Kubota	3 years	25,000.00
• Riding Mowers (Big Red)	0 years	5,000.00
New Blue	3 years	5,000.00
<b>Gate System</b>		
• Front Gate	1 years	12,000.00
• Rear Gate	6 years	10,000.00
		<b>Total: 3,224,948.00</b>