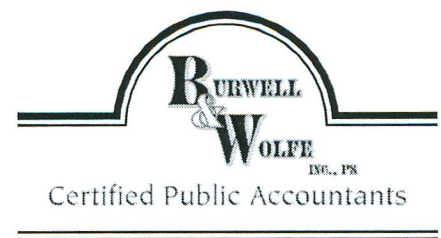


SUNLAND
DIVISION 17
OWNERS
ASSOCIATION

FINANCIAL STATEMENTS

For the Year Ending
December 31, 2015



SUNLAND DIVISION 17 OWNERS ASSOCIATION

Financial Statements

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BURWELL & WOLFE, INC.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Services Corporation

R. DUANE WOLFE, CPA
J. ROSS BURWELL (RET), CPA

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members
Sunland Division 17 Owners Association
Sequim, Washington

We have reviewed the accompanying financial statements of of Sunland Division 17 Owners Association (a Washington homeowners' association) which comprise the Statement of Assets, Liabilities and Fund Balances as of December 31, 2015 and the related Statement of Revenues, Expenses and Changes in Fund Balances and Cash Flows for the year then ended and related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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; 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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 for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, I am we not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Port Angeles, Washington

August 12, 2016

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SUNLAND DIVISION 17 OWNERS ASSOCIATION

Statement of Assets, Liabilities and Fund Balances

December 31, 2015

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash on Hand and in Bank	\$ 21,552	\$ 229,502	\$ 251,054
Accounts Receivable	183		183
Total Current Assets	\$ 21,735	\$ 229,502	\$ 251,237
Total Assets	\$ 21,735	\$ 229,502	\$ 251,237
<u>Liabilities and Fund Balances</u>			
Accounts Payable and Accrued Liabilities	\$ 7,446		6,956
Total Liabilities	\$ 7,446	-	\$ 6,956
Fund Balances			
Restricted Fund Balance	\$ -	\$ 229,502	\$ 229,502
Unrestricted Fund Balance	14,289	-	14,289
Total Fund Balances	\$ 14,289	\$ 229,502	\$ 243,791
Total Liabilities and Fund Balances	\$ 21,735	\$ 229,502	\$ 250,747

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Statement of Revenues, Expenses and Changes in Fund Balances

For the Year Ending December 31, 2015

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Revenues</u>			
Dues	\$ 247,752	\$ -	\$ 247,752
Special Assements	1,201	-	1,201
Document Fees	1,600	-	1,600
Interest	-	737	737
	<hr/>		
Total Revenues	\$ 250,553	\$ 737	\$ 251,290
<u>Expenses</u>			
Administration and Accounting	5,348	-	5,348
Taxes	238	-	238
Insurance	45,073	-	45,073
Developed Area Landscape Maintenance	89,938	-	89,938
Greenbelt Maintenance	6,178	-	6,178
Repairs and Maintenance	21,812	-	21,812
Other Expenses	42,867	-	42,867
	<hr/>		
Total Expenses	\$ 211,454	\$ -	\$ 211,454
Excess of Revenues over Expenses	39,099	737	39,836
Interfund Transfers	(61,592)	61,592	
Fund Balance - Beginning of Year	36,782	167,173	203,955
	<hr/>		
Fund Balance - End of Year	\$ 14,289	\$ 229,502	\$ 243,791

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Statement of Cash Flows For the Year Ending December 31, 2015

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Cash Provided by Operations:			
Excess of Revenues over Expenses	\$ 39,099	\$ 737	\$ 39,836
Adjustments			
Increase in Accounts Receivable	(62)		(62)
Increase in Accounts Payable	719		719
Total Adjustments	<u>\$ 657</u>	<u>-</u>	<u>\$ 657</u>
Net Cash Flow provided by Operations	\$ 39,756	\$ 737	\$ 40,493
Cash Provided from Investment Activities			
Interfund Transfers	(61,592)	61,592	
Net Cash Flows	\$ (21,836)	\$ 62,329	\$ 40,493
Cash Balance - Beginning of Year	<u>43,388</u>	<u>167,173</u>	<u>210,561</u>
Cash Balance - End of Year	<u>\$ 21,552</u>	<u>\$ 229,502</u>	<u>\$ 251,054</u>

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2015

Note 1 - Organization

Sunland Division 17 Owners Association is a non-profit homeowners association organized under Washington State law. The Association provides common area maintenance for the membership it serves. There are currently 107 townhomes that are part of the Association. Members of the Association are also members of Sunland Owners Association, a separate entity.

The Association maintains the common areas of the Sunland North subdivision and the exterior of member's townhomes, as well as managing and enforcing the subdivision's covenants, conditions and restrictions (CC&Rs) and by-laws. There are currently 2 unsold townhomes and 15 duplex lots located in Sunland North which will become part of the Association upon completion and sale. At full occupancy, the Association will have 139 members.

Over 90% of the Association income is derived directly from members for dues and services associated with the Association's primary activity.

Note 2- Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses fund accounting, which requires that funds be classified separately for accounting and reporting purposes. As of December 31, 2015, the Association had the following funds:

General - Disbursements from this fund are generally at the discretion of the Board of Directors and include the day-to-day operations of the Association.

Reserve - This fund accumulates moneys for major repairs, replacements and additions to Association assets. Disbursement from this fund generally may be made only for designated purposes as approved by the Board.

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2015

B. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when assessed or earned and expenses when incurred.

C. Cash and Cash Equivalents

Cash includes cash on hand, checking accounts, money market accounts and certificates of deposit. The association holds no short-term investments.

The Association maintains checking accounts with local banks which are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization had no uninsured balances because each individual bank did not have in excess of \$250,000 of funds at December 31, 2015.

D. Allowance for Uncollectible Accounts

The Association has the right to place liens on the property of members for unpaid dues and charges. As of December 31, 2015 there were no outstanding liens. As a result of this lien right, no provision has been made for uncollectible assessment.

E. Use of Estimates

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

SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2015

Note 3 - Income Taxes

Federal regulations allow a homeowners association an alternate method of paying income taxes. Under the regulations the association pays 30% tax on all non-exempt income including interest and income from non-exempt activities. The alternative method normally employed by the district eliminates the need for any deferred income tax credits. There are no carry-over provisions or timing differences under the alternative method. For 2014, the association elected to file as a homeowners association. Income taxes paid in 2015 totaled \$238. The Association considers the payment and expense in the year paid.

Note 4 - Replacement Reserves

The Association has set aside funds in a reserve account to meet repair and replacement needs of assets. The funds have been placed in an insured money market account and Certificates of Deposit. As of December 31, 2015 the balance of the reserve account was \$229,502. At December 31, 2014 the account totaled \$167,173. Deposits to the reserve fund during the year were \$61,592.

During 2014 the Association contracted with Association Reserves WA, LLC to complete a reserve study. That study indicates that the Reserve Fund is currently funded at 11%. As a result of that study, the annual reserve funding has been increased.

Note 5 - Long-Term Debt

The association has no long-term debt or obligations under long-term leases as of December 31, 2015.

Note 6 - Fixed Assets

The association has no fixed assets or related depreciation.

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2015

Note 7 - Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions potential of recognition by disclosure through August 12, 2016, the date the financial statements were available to be issued.

BURWELL & WOLFE, INC.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Services Corporation

R. DUANE WOLFE, CPA
J. ROSS BURWELL (RET)

August 12, 2016

Board of Directors
Sunland Division 17 Owners Association
PO Box 1655
Sequim, WA 98382

Dear Clients:

As part of our review of the Sunland Division 17 Owners Association financial statements for the year ending December 31, 2015 we have reviewed and tested the system of internal controls in place to the extent necessary to rely on the financial information of the Association. A system of internal controls is established by an organization to safeguard its assets and to promote the proper recording and accounting for all transactions. While no system of internal controls can guaranty that problems do not occur, just as our review cannot fully guaranty that there are not errors or irregularities, it should be designed to provide relative assurance within cost and organizational limitations that the assets are safeguarded.

There are two types of problems that exist in the basic control system of an organization. The first is with the basis design of the system, where it is possible to bypass a control procedure. The second is where a control procedure is in place but is not followed, thereby defeating the purpose of the control. As accountants, we also like to suggest possible improvements in systems that could provide additional safeguards without adding to the cost of the organization.

In our engagement letter we indicated that our review could not be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist. We did indicate in that letter that we would inform you of any such matter that came to our attention. There were no such items that came to our attention.

The sole purpose of this letter is to provide you with information to assist in developing a stronger set of internal controls and to ensure that the controls that are in place are being followed.

Sunland Division 17 Owners Association
August 12, 2016
Page 2

Proposed annual entry in accounting records

In 2015 the association began quarterly billing of receivables. The bills for the first quarter of 2016 were issued on December 15, 2015. We believe it was the intention of the association to include these revenues in 2016 since no amounts were actually due in 2015. As a result of the billings, the accounts receivable and accrual base revenues were overstated by \$61,938 on the accounting records.

In order to make the accounting records and the intended financial results to match, it would be necessary to make an entry at December 31 to reduce receivables and offset that to current year revenue. This could then be reversed on January 1 of the following year. While this appears to be a trivial matter, doing so would make the revenues in the books agree to your published result and not overstate receivables at year end.

The alternative method would be to make the December billings go to a prepaid dues account that would offset the revenue and show a liability account to offset the receivables. This would result in no change in Net Assets, but would create the individual account balances on the balance sheet.

We trust that the foregoing is of assistance to you. Your financial statements will be provided separately to you. We would like to thank you and your staff for the assistance provided. If you have any questions regarding this letter, or the review in general, please do not hesitate to call on us.

Very truly yours,



R. Duane Wolfe