

**SUNLAND
DIVISION 17
OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

For the Year Ending
December 31, 2016



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 Sunland Division 17 Owners Association (a Washington homeowners' association) which comprise the Statement of Assets, Liabilities and Fund Balances as of December 31, 2016 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.

Burwell & Wolfe

Port Angeles, Washington

August 4, 2017

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Statement of Assets, Liabilities and Fund Balances

December 31, 2016

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash on Hand and in Bank	\$ 34,916	\$ 259,752	\$ 294,668
Accounts Receivable	183		183
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Total Current Assets	\$ 35,099	\$ 259,752	\$ 294,851
Total Assets	\$ 35,099	\$ 259,752	\$ 294,851
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<u>Liabilities and Fund Balances</u>			
Accounts Payable and Accrued Liabilities	\$ 7,356		7,356
Total Liabilities	\$ 7,356	-	\$ 7,356
Fund Balances			
Restricted Fund Balance	\$ -	\$ 259,752	\$ 259,752
Unrestricted Fund Balance	27,743	-	27,743
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Total Fund Balances	\$ 27,743	\$ 259,752	\$ 287,495
Total Liabilities and Fund Balances	\$ 35,099	\$ 259,752	\$ 294,851
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SUNLAND DIVISION 17 OWNERS ASSOCIATION
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ending December 31, 2016

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Revenues</u>			
Dues	\$ 251,932	\$ -	\$ 251,932
Special Assements	980	-	980
Document Fees	1,400	-	1,400
Late Fees	70	-	70
Interest	-	1,248	1,248
Total Revenues	\$ 254,382	\$ 1,248	\$ 255,630
<u>Expenses</u>			
Administration and Accounting	5,428	-	5,428
Taxes	251	-	251
Insurance	47,466	-	47,466
Developed Area Landscape Maintenance	91,622	-	91,622
Greenbelt Maintenance	5,791	-	5,791
Repairs and Maintenance	18,149	-	18,149
Other Expenses	43,221	-	43,221
Total Expenses	\$ 211,928	\$ -	\$ 211,928
Excess of Revenues over Expenses	42,454	1,248	43,702
Interfund Transfers	(29,000)	29,000	-
Fund Balance - Beginning of Year	14,289	229,504	243,793
Fund Balance - End of Year	\$ 27,743	\$ 259,752	\$ 287,495

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Statement of Cash Flows For the Year Ending December 31, 2016

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Cash Provided by Operations:			
Excess of Revenues over Expenses	\$ 42,454	\$ 1,248	\$ 43,702
Adjustments			
Increase in Accounts Receivable	-		-
Decrease in Accounts Payable	(90)		(90)
Total Adjustments	<u>\$ (90)</u>	<u>-</u>	<u>\$ (90)</u>
Net Cash Flow provided by Operations	\$ 42,364	\$ 1,248	\$ 43,612
Cash Provided from Investment Activities			
Interfund Transfers	(29,000)	29,000	
Net Cash Flows	\$ 13,364	\$ 30,248	\$ 43,612
Cash Balance - Beginning of Year	<u>21,552</u>	<u>229,504</u>	<u>251,056</u>
Cash Balance - End of Year	<u>\$ 34,916</u>	<u>\$ 259,752</u>	<u>\$ 294,668</u>

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2016

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 114 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, 2016, 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, 2016

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, 2016.

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.

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2016

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 2016, the association elected to file as a homeowners association. Income taxes paid in 2016 totaled \$251. The Association considers the payment and expense in the year paid. Income taxes are considered an 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, 2016 the balance of the reserve account was \$259,752. At December 31, 2015 the account totaled \$229,502. Deposits to the reserve fund during the year were \$29,000.

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. As of December 31, 2016 the Association has determined that the Reserve Fund is funded at 31%

Note 5 - Long-Term Debt

The association has no long-term debt or obligations under long-term leases as of December 31, 2016.

Note 6 - Fixed Assets

The association has no fixed assets or related depreciation.

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2016

Note 7 - Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions potential of recognition by disclosure through August 4, 2017, the date the financial statements were available to be issued.