

BURWELL & WOLFE, INC.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Services Corporation

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August 4, 2017

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, 2016 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 by-pass 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.

STATUS OF PRIOR RECOMMENDATIONS

Our previous review contained the following recommendation:

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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 have made an adjustment to the financial statements for the \$61,938 listed above. The billings for the first quarter of 2017 were not recorded in the accounting records until after the end of the year. Accordingly, the Association has complied with our recommendation.

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

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