

SUNLAND DIVISION 17 OWNERS ASSOCIATION

SEQUIM, WASHINGTON

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2017

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Financial Statements

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GARNERO SMITH HURD & MILLER

Certified Public Accountants

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, 2017 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, 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 accounting principles generally accepted in the United States of America.



Port Angeles, Washington

August 8, 2018

SUNLAND DIVISION 17 OWNERS ASSOCIATION**Statement of Assets, Liabilities and Fund Balances****December 31, 2017**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Fire Trust Fund</u>	<u>Total</u>
<u>Assets</u>				
Current Assets				
Cash on Hand and in Bank	\$ 19,403	\$ 287,135	\$ 528,668	\$ 835,206
Total Current Assets	\$ 19,403	\$ 287,135	\$ 528,668	\$ 835,206
Total Assets	\$ 19,403	\$ 287,135	\$ 528,668	\$ 835,206
<u>Liabilities and Fund Balances</u>				
Accounts Payable and Accrued Liabilities	\$ 15,069			15,069
Total Liabilities	\$ 15,069	-	-	\$ 15,069
Fund Balances				
Restricted Fund Balance	\$ -	\$ 287,135	\$ 528,668	\$ 815,803
Unrestricted Fund Balance	4,334	-	-	4,334
Total Fund Balances	\$ 4,334	\$ 287,135	\$ 528,668	\$ 820,137
Total Liabilities and Fund Balances	\$ 19,403	\$ 287,135	\$ 528,668	\$ 835,206

SUNLAND DIVISION 17 OWNERS ASSOCIATION**Statement of Revenues, Expenses and Changes in Fund Balances****For the Year Ending December 31, 2017**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Fire Trust Fund</u>	<u>Total</u>
<u>Revenues</u>				
Dues	\$ 282,371	\$ -	\$ -	\$ 282,371
Special Assesments	922	-	-	922
Document Fees	1,300	-	-	1,300
Late Fees	30	-	-	30
Insurance Proceeds			681,109	681,109
Interest	5	2,383	459	2,847
Total Revenues	\$ 284,628	\$ 2,383	\$ 681,568	\$ 968,579
<u>Expenses</u>				
Administration and Accounting	6,596	-	-	6,596
Taxes	408	-	-	408
Insurance	50,350	-	-	50,350
Developed Area Landscape Maintenance	124,543	-	-	124,543
Greenbelt Maintenance	5,683	-	-	5,683
Repairs and Maintenance	34,608	51,081	-	85,689
Restoration Expenses			152,900	152,900
Other Expenses	9,768	-	-	9,768
Total Expenses	\$ 231,956	\$ 51,081	\$ 152,900	\$ 435,937
Excess of Revenues over Expenses	52,672	(48,698)	528,668	532,642
Interfund Transfers	(76,081)	76,081	-	-
Fund Balance - Beginning of Year	27,743	259,752	-	287,495
Fund Balance - End of Year	\$ 4,334	\$ 287,135	\$ 528,668	\$ 820,137

SUNLAND DIVISION 17 OWNERS ASSOCIATION**Statement of Cash Flows
For the Year Ending December 31, 2017**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Fire Trust Fund</u>	<u>Total</u>
Cash Provided by Operations:				
Excess of Revenues over Expenses	\$ 52,672	\$ (48,698)	\$ 528,668	\$ 532,642
Adjustments				
Decrease in Accounts Receivable	183			183
Increase in Accounts Payable	7,713			7,713
Total Adjustments	<u>\$ 7,896</u>	<u>-</u>	<u>-</u>	<u>\$ 7,896</u>
Net Cash Flow provided by Operations	\$ 60,568	\$ (48,698)	\$ 528,668	\$ 540,538
Cash Provided from Investment Activities				
Interfund Transfers	(76,081)	76,081		
Net Cash Flows	\$ (15,513)	\$ 27,383	\$ 528,668	\$ 540,538
Cash Balance - Beginning of Year	<u>34,916</u>	<u>259,752</u>	<u>-</u>	<u>294,668</u>
Cash Balance - End of Year	<u>\$ 19,403</u>	<u>\$ 287,135</u>	<u>\$ 528,668</u>	<u>\$ 835,206</u>

SUNLAND DIVISION 17 OWNERS ASSOCIATION

Notes to Financial Statements December 31, 2017

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 121 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 is currently property available for development. 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, 2017, 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.

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Notes to Financial Statements December 31, 2017

Fire Trust Fund- This fund is used to account for the receipt and disbursement of monies received from the proceeds on an insurance claim. Please see note 8.

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, 2017.

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, 2017 there were no outstanding liens. As a result of this lien right, no provision has been made for uncollectible assessment.

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Notes to Financial Statements December 31, 2017

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.

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 2017, the association elected to file as a homeowners association. Income taxes paid in 2017 totaled \$246. The Association considers the payment and expense in the year paid. Income taxes are considered an expense in the year paid. Returns are subject to review by the Internal Revenue Service. Generally, they current and two prior years are subject to audit. There are currently no notices or adjustments associated with the open returns.

During 2017 the association received \$681,109 in insurance proceeds due to a fire loss. See note 8. The association has determined that there is no federal income tax due on the payment. Until restoration efforts are complete, the actual tax situation cannot be determined.

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Notes to Financial Statements December 31, 2017

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, 2017 the balance of the reserve account was \$287,135. At December 31, 2016 the account totaled \$259. Deposits to the reserve fund during the year were \$25,000.

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, 2017 the Association has determined that the Reserve Fund is funded at 16.66%

Note 5 - Long-Term Debt

The association has no long-term debt or obligations under long-term leases as of December 31, 2017.

Note 6 - Fixed Assets

The association has no fixed assets or related depreciation.

Note 7 - Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions potential of recognition by disclosure through August 8, 2018, the date the financial statements were available to be issued. Except as noted below there are no subsequent events

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Notes to Financial Statements December 31, 2017

Note 8 - Fire Loss

On July 20, 2017 a fire originated in one unit of the association that destroyed that unit and damaged the adjoining unit. The association, as the representative of the collective owners, was the insured party for the event. The estimated loss was \$725,098. In September 2017 the association received a check in the amount of \$681,109 from the Community Association Underwriters representing the after depreciated value of the claim. The association paid \$152,900 in restoration costs during the balance of the year. As of December 31, 2017 the balance in the trust account, including interest was \$528,668.

The position of the directors is that their responsibility is to restore the units to the condition the day before the fire. The project is currently on hold due to disagreements with some owners regarding the restoration process. The owners filed suit against the association earlier this year. The association and board of directors are being represented by a law firm retained by the insurance company. In addition the association has legal counsel that was hired locally. As of the date of the financial statements there have been no resolutions in court. Any outcome cannot be determined at this time. To date in 2018 there has been \$634 paid from the trust fund.

During 2017 the association paid \$6,725 from the general fund for fire loss related activities and through July 2018, the current year amount is \$10,283.