

**Sunland Division 17 Owners Association  
(A Washington Homeowners' Association)**

**REVIEWED FINANCIAL STATEMENTS  
December 31, 2019**

**Olympic Tax & Business Consulting, LLC  
Certified Public Accountants**

**Sunland Division 17 Owners Association  
(A Washington Homeowners' Association)**

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**OLYMPIC**  
**TAX & BUSINESS CONSULTING, LLC**

572 North 5<sup>th</sup> Avenue, Sequim, WA 98382  
Phone: (360) 504-3398  
Website: <https://www.olympictaxpros.com>

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**INDEPENDENT ACCOUNTANT'S 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 homeowner's association), which comprise the Balance Sheet as of December 31, 2019, and the related Statement of Revenues, Expenses and Changes in Fund Balances and Cash Flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization 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 engagement 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.

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**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on pages 10 and 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, nor provide any assurance on it.

**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.

Sequim, Washington  
July 31, 2020

*Olympic Tax & Business Consulting, LLC*  
Olympic Tax & Business Consulting, LLC  
Certified Public Accountants

**SUNLAND NORTH DIVISION 17 OWNERS ASSOCIATION**  
**A Washington Homeowners' Association**  
**Balance Sheet**  
**December 31, 2019**

ASSETS	Operating Fund	Reserve Fund	Fire Trust Fund	Total
<b>CURRENT ASSETS</b>				
Cash & Equivalents	15,280	381,148	19,216	415,645
Accounts Receivable	12			12
<b>TOTAL CURRENT ASSETS</b>	<b>15,292</b>	<b>381,148</b>	<b>19,216</b>	<b>415,657</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,292</b>	<b>\$ 381,148</b>	<b>\$ 19,216</b>	<b>\$ 415,657</b>
 <b>LIABILITIES &amp; FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable & Accrued Liabilities	20,682	-	-	20,682
Unearned Revenue	2,766	-	-	2,766
<b>TOTAL LIABILITIES</b>	<b>23,448</b>	<b>-</b>	<b>-</b>	<b>23,448</b>
<b>FUND BALANCES</b>				
Restricted Fund Balance	-	381,148	19,216	400,364
Unrestricted Fund Deficit	(8,155)	-	-	
<b>TOTAL FUND BALANCES</b>	<b>(8,155)</b>	<b>381,148</b>	<b>19,216</b>	<b>392,209</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 15,292</b>	<b>\$ 381,148</b>	<b>\$ 19,216</b>	<b>\$ 415,657</b>

See Independent Accountants' Report and Notes to Financial Statements

**SUNLAND DIVISION 17 OWNERS ASSOCIATION**  
**A Washington Homeowners' Association**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2019**

<b>REVENUES</b>	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Fire Trust Fund</b>	<b>Total</b>
				-
Dues	385,069			385,069
Special Assessments	129			129
Document Fees	1,300			1,300
Late Fees	130			130
Interest	1,472	2,177	1,371	5,019
<b>TOTAL REVENUES</b>	<b>388,099</b>	<b>2,177</b>	<b>1,371</b>	<b>391,647</b>
<b>EXPENSES</b>				
Administrative Costs	15,604			15,604
Taxes	1,781			1,781
Insurance	75,750			75,750
Developed Area Landscape Maintenance	128,262			128,262
Greenbelt Maintenance	5,358			5,358
Repairs and Maintenance	31,852	45,794		77,647
Restoration Expenses			492,954	492,954
Other Expenses	57,241			57,241
<b>TOTAL EXPENSES</b>	<b>315,849</b>	<b>45,794</b>	<b>492,954</b>	<b>854,597</b>
Excess of Revenue over Expenses	72,251	(43,617)	(491,583)	(462,950)
Interfund Transfers	(81,569)	81,569		-
Fund Balance - Beginning of Year	1,163	343,196	510,800	855,159
Fund Balance - End of Year	\$ (8,155)	\$ 381,148	\$ 19,216	\$ 392,209

See Independent Accountants' Report & Notes to Financial Statements

**SUNLAND DIVISION 17 OWNERS ASSOCIATION**  
**A Washington Homeowners' Association**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Fire Trust Fund</b>	<b>Total</b>
Cash Provided by Operations:				
Excess of Revenues over Expenses	72,251	(43,617)	(491,583)	(462,950)
Adjustments				
Increase in Accounts Receivable	(12)	-	-	(12)
Increase in Unearned Revenue	2,766	-	-	2,766
Increase in Accounts Payable	2,447	-	-	2,447
Total Adjustments	5,201	-	-	5,201
Net Cash Flow provided by Operations	77,451	(43,617)	(491,583)	(457,749)
Cash Provided from Investment Activities				
Interfund Transfers	(81,569)	81,569	-	-
Net Cash Flows	(4,118)	37,952	(491,583)	(457,749)
Cash Balance - Beginning of Year	19,398	343,196	510,800	873,394
Cash Balance - End of Year	<u>\$ 15,280</u>	<u>\$ 381,148</u>	<u>\$ 19,216</u>	<u>\$ 415,645</u>

See Independent Accountants' Report & Notes to Financial Statements

**Sunland Division 17 Owners Association**  
**A Washington Homeowners' Association**  
**Notes to Financial Statements**  
**December 31, 2019**

**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 137 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 exterior of members' 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, 2019, 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 monies for major repairs, replacements and additions to Association structures they are responsible for. Disbursement from this fund generally may be made only for designated purposes as approved by the Board.

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

**B. Basis of Accounting**

These financial statements have been prepared using accounting principles generally accepted in the United States of America (US GAAP), in accordance with the accrual basis of accounting.

See independent accountants' report.



### **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 Association had no uninsured balances because each individual bank did not have in excess of \$250,000 of funds at December 31, 2019.

### **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, 2019 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 statements 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.

### **F. New Guidance Implementation**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2018, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2018. Adoption of the new guidance resulted in changes to the accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described. The adoption of the new revenue recognition guidance did not result in any changes to fund balance as of January 1, 2019.

### **Note 3 – Unearned Revenues**

See independent accountants' report.

Some of the owners pay their dues in advance. At December 31, 2019 the amount of \$2,766 was included in liabilities as unearned revenue.

#### **Note 4 – Income Taxes**

Federal regulations allow a homeowner's 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 2019, the Association elected to file as a homeowners' association. Income taxes paid in 2019 totaled \$1,781. 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, the current and two prior years are subject to audit. There are currently no notices or adjustments associated with the open returns.

#### **Note 5 – 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, 2019 the balance of the reserve account was \$381,148.

At December 31, 2018 the account totaled \$343,196. Deposits to the reserve fund during the year were \$81,569.

During 2014 the Association contracted with Association Reserves WA, LLC to complete the annual reserve study, which is updated each year. That original study indicated that the Reserve Fund was funded at 11%. As a result of that study, the annual reserve funding has been increased. As of December 31, 2019 the Association has determined that the Reserve Fund is funded at 32% (See supplemental information section for additional information regarding this study).

#### **Note 6 – Long-term Debt**

The Association has no long-term debt or obligations under long-term leases as of December 31, 2019.

#### **Note 7 – Fixed Assets**

The Association has no fixed assets or related depreciation.

#### **Note 8 – Date of Management's Review**

In preparing these financial statements, the Association has evaluated events and transactions potential of recognition by disclosure through July 31, 2020, the date the financial statements were available to be issued. There were no subsequent events requiring disclosure.

#### **Note 9 – Member Assessments**

See independent accountants' report.

Association members are subjected to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2019, the Association had no delinquent assessments. It is the opinion of the board of director that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experiences and susceptibility to factors outside the Association's control. The Association had no assessments receivable as of the beginning of the year or end of the year.

#### **Note 10 – Related Party Disclosure**

The Association did not have any transactions with any related parties during the year ended December 31, 2019.

See independent accountants' report.

## SUPPLEMENTARY INFORMATION

### SUNLAND DIVISION 17 OWNERS' ASSOCIATION SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

December 31, 2019

The Association contracted with an outside firm to conduct a reserve study in July 2018 to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Component	Remaining Useful Life	Current Repl. Cost
Roof Replacement – Phase 1	32	\$110,000
Roof Replacement – Phase 2	33	192,500
Roof Replacement – Phase 3	35	231,500
Roof Replacement – Phase 4	37	447,000
Roof Replacement – Phase 5	38	314,000
Roof Replacement – Phase 6	26	184,800
Roof Replacement – Phase 7	34	316,800
Private Fence Replace – Phase 1	10	10,600
Private Fence Replace – Phase 2	11	19,000
Private Fence Replace – Phase 3	13	22,600
Private Fence Replace – Phase 4	15	44,200
Private Fence Replace – Phase 5	16	30,500
Private Fence Replace – Phase 6	11	14,000
Private Fence Replace – Phase 7	19	24,000
Siding Replacement – Phase 1	38	95,600
Siding Replacement – Phase 2	39	167,300
Siding Replacement – Phase 3	41	204,400
Siding Replacement – Phase 4	43	398,100
Siding Replacement – Phase 5	44	276,100
Siding Replacement – Phase 6	47	167,300
Siding Replacement – Phase 7	55	286,800
Painting – Phase 1	10	28,800

See independent accountants' report.

Painting – Phase 2	11	50,400
Painting – Phase 3	13	61,200
Painting – Phase 4	14	118,800
Painting – Phase 5	0	82,800
Painting – Phase 6	4	50,400
Painting – Phase 7	12	100,800
Window/Slider Replace – Phase 1	17	32,000
Window/Slider Replace – Phase 2	18	56,000
Window/Slider Replace – Phase 3	20	64,000
Window/Slider Replace – Phase 4	22	120,000
Window/Slider Replace – Phase 5	23	88,000
Window/Slider Replace – Phase 6	26	56,000
Window/Slider Replace – Phase 7	34	96,000
Replace Light Poles – Phase 1	7	1,200
Replace Light Poles – Phase 2	8	2,100
Replace Light Poles – Phase 3	10	2,400
Replace Light Poles – Phase 4	12	4,500
Replace Light Poles – Phase 5	13	3,300
Replace Light Poles – Phase 6	16	2,100
Replace Light Poles – Phase 7	24	3,600
Concrete Repairs	0	10,000
Mulch Beds	2	27,000
Cluster Mailbox Cover	17	4,000
Entrance Sign	7	2,000
<b>Total Funded Components</b>		<b>\$4,600,500</b>

***Findings/Recommendations as-of 1/1/2019:***

<b>Projected Starting Reserve Balance:</b> .....	<b>\$358,421</b>
<b>Current Fully Funded Reserve Balance:</b> .....	<b>\$1,164,196</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$6,058</b>
<b>Recommended 2019 Annual “Full Funding” Contributions:</b> .....	<b>\$216,000</b>
<b>Alternate minimum contribs* to keep Reserves above \$0:</b> .....	<b>\$79,590</b>
<b>Recommended 2019 Special Assessment for Reserves:</b> .....	<b>\$0</b>
<b>Most Recent Budgeted Reserve Contribution Rate:</b> .....	<b>\$103,600</b>

See independent accountants’ report.