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Board of Directors and Management
Eagle Ridge (Spokane) Homeowners Association
Spokane, Washington

In planning and performing our audit of the financial statements of Eagle Ridge (Spokane) Homeowners Association (the Association) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses

We consider the following deficiencies in the entity's internal control to be material weaknesses.

Oversight of the financial reporting process

The board of directors and management share the ultimate responsibility for the Association's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Association engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Association's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Association should implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Association's activities and operations.

The Association's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Association's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis. The outsourcing of these services is not unusual in organizations of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost

Withdrawals from reserve fund

In accordance with RCW 64.38.075 withdrawals from the reserve fund for non-reserve fund expenditures are required to be communicated to each owner in the Association by a hand delivered or mailed notice. Repayment within 24 months is required unless it would impose an unreasonable burden on the owners. During the year, withdrawals were made from the reserve fund in the amount of $39,602 to cover operating expenses with no notice to owners and no repayment plan in place. During December 2018, the board adopted a resolution to repay this amount to the reserve fund over 24 months.

Significant deficiencies

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the entity's internal control to be significant deficiencies:

Withdrawal from reserve fund

In December 2017, a transfer in the amount of $6,000 from the reserve fund to the operating fund was made without approval by the board of directors. Additionally, per discussion with the management company, the amount was intended to be repaid in January 2018. The amount was not repaid and has been included in the amount to be repaid over 24 months, identified in the material weakness above.

Management override

The Managing Agent and Controller of the management company have access to all software functions and passwords. Therefore, the opportunity exists for management override of controls that may cause the financial statements to be misstated and the misstatement to be undetected by the board of directors.

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This communication is intended solely for the information and use of management, the board of directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

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Spokane, Washington
March 4, 2019