

LOWERY, WELDON & COMPANY, CPAs, P.A.
certified public accountants and financial planners

February 8, 2016

Baytowne West Homeowners Association, Inc.

VIA E-mail: hoa@baytownewest.com

To The Board of Directors:

Thank you for the opportunity to present the Association's financial statements for the year ended December 31, 2015 at the Board meeting on January 26, 2016. We appreciate your confidence and trust in our firm for allowing us to provide accounting and tax services for your Association since 1994.

As discussed at the meeting, you indicated that certain unit owners have expressed an interest in hiring an independent CPA firm to perform an audit of the Association's financial statements and requested my opinion on this matter. I believe that an audit is neither cost effective nor beneficial for the following reasons:

1) An audit, especially an initial audit, is very expensive and could be as high as \$10,000 or higher depending on how many years back the audit goes. The objective of an audit is to express an opinion on whether the Association's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP). Therefore, the auditors will need to develop an overall audit strategy and plan, perform tests of the Association's accounting records and other procedures they consider necessary to enable them to express such an opinion, and test both beginning account balances and ending balances. Our firm will need to prepare various schedules as requested by them and bill the Association separately from our monthly fee. Our monthly financial statements are prepared in accordance with GAAP.

2) The audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Internal controls are already in place. Maintenance fees are remitted directly to the bank. We receive daily transmissions from the bank and apply payments to the proper unit owner's account. We prepare accounts payable checks from invoices that the Board approves. The Board then signs all checks that require two signatures.

3) The audit cost is not budgeted and therefore may require a special assessment. This fund, in my opinion, is better spent to improve the Association's common property.

Please let me know if you have any questions or comments.

Sincerely,

Khanh T. Lowery

Khanh T. Lowery, CPA