

**FESTIVAL HOMEOWNERS ASSOCIATION**  
**6303 S. Rural Rd.**  
**TEMPE, AZ 85283**

May 17, 2017

Ginsburg & Dwaileebe CPAs, LLP  
1530 E. Williams Field Rd. Ste. #201  
Gilbert, Arizona 85295

This representation letter is provided in connection with your audit of the financial statements of Festival Homeowners Association, which comprise the balance sheet - cash basis - as of December 31, 2016, and the related statement of revenues, expenses, and changes in fund balances - cash basis - for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 17, 2017, the following representations made to you during your audit.

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in accordance with the cash basis of accounting.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the cash basis of accounting.
- All events subsequent to the date of the financial statements and for which the cash basis of accounting requires adjustment or disclosure have been adjusted or disclosed.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with the cash basis of accounting, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Material concentrations have been properly disclosed in accordance with the cash basis of accounting.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with the cash basis of accounting.
- Transfers or designations of fund balance or interfund borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with the cash basis of accounting.
- Uncollectible interfund loans have been properly accounted for and disclosed in accordance with the cash basis of accounting.

**Information Provided**

- We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves.
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with the cash basis of accounting, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with the cash basis of accounting. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- The board of directors is collecting funds for future major repairs and replacements in conformity with Association's policy to fund for those needs based on the most recent reserve study. The board of directors believes the funds will adequately provide for future major repairs and replacements.
- The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
- Management has been advised of the differences in filing the Form 1120-H and the Form 1120 and has selected the most advantageous form for filing based upon professional advice. The Association is aware that once the election to file the Form 1120-H is selected, it is irrevocable.

We have responded fully and truthfully to all inquiries made to us by you during your audit.

  
\_\_\_\_\_  
Signature

James Yoder, HOA President  
\_\_\_\_\_  
Printed Name and Title