



AU-C §260 LETTER

January 8, 2021

The Board of Directors
Truro Homes Association, Inc.
c/o Mr. Marc Hershaft, CPA, CISA, CISSP
4146 Elizabeth Lane
Annandale, VA 22003

Dear Members of the Board:

We have audited the financial statements of **Truro Homes Association, Inc.** for the year ended December 31, 2019, and have issued our report thereon dated January 8, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 2, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Truro Homes Association, Inc.** are described in Note 2 to the financial statements. As described in Note 2, the Association adopted FASB Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)* in 2019. There was no impact to the financial statements as a result of the adoption. The ASU has been applied retrospectively to all periods presented, with no effect on members' equity or previously issued financial statements.

Management of the Association has determined that member reserve assessments are not subject to Topic 606, as reserve assessments to owners fail to meet the definition of a transaction with a customer, the owners lack the characteristics of a customer, the Association lacks the characteristics of a supplier, and the owners bear all the risks and benefits of the Association's activity. Accordingly, a contract liability has not been recorded on the Association's balance sheet, as the resulting accumulated funds from reserve assessments embody the characteristics of equity and lack the essential criterion of a liability.

We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimates of the remaining useful lives and the replacement costs of the components of common property, which are based on a replacement reserve study conducted by independent engineers. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of funding for future major repairs and replacements in Note 5 to the financial statements. The funding for future major repairs and replacements is based, in part, on a study conducted in 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. However, due to the inherent limitations of estimates, amounts being accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 8, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of **Truro Homes Association, Inc.**, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
D&S/kp