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To the Board of Directors of

SUN LAKES HOMEOWNERS ASSOCIATION #3, INC.

We have audited the financial statements of *Sun Lakes Homeowners Association #3, Inc.* (the "Association") for the year end December 31, 2010, and have issued our report thereon dated November 10, 2011. Professional standards require that we provide you with information about our responsibilities under U.S. 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 letter to you dated January 3, 2011. 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 the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. 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, except for the uncorrected misstatement discussed in the corrected and uncorrected misstatements section below.

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 estimates affecting the financial statements were management's estimates of the allowance for doubtful accounts receivable, the depreciable lives of property and equipment, the allocation of the amenities purchase price to the assets acquired, and the estimates of future major repairs and replacements to establish the replacement fund.

Management's estimates of the allowance for doubtful accounts receivable is based on management's assessment of the collectability of individual balances and its historical collection trends. Management's estimate for depreciation is based upon estimated useful lives of five to thirty-nine years computed on a straight-line basis. Management allocated the amenities purchase price to the assets received based upon historical information provided by the former developer, information derived from third-party appraisals and other inputs. Management's estimate of future major repairs and replacements is based upon information provided by third-party experts. We evaluated the key factors and assumptions used to develop the accounting 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 disclosures affecting the financial statements were related to significant accounting policies in Note 1, concentrations in Note 8, note payable in Note 5, income taxes in Note 6, and future major repairs and replacement costs in Note 9.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no such misstatements that were corrected by management. The attached schedule summarizes the uncorrected misstatement of the financial statements. Management has determined the effect to be immaterial to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 November 10, 2011.

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 auditors' 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 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.

This information is intended solely for the use of the Board of Directors and management of **Sun Lakes Homeowners Association #3, Inc.** and is not intended to be and should not be used by anyone other than these specified parties.

Phoenix, Arizona
November 10, 2011

Mayer Hoffman McCann P.C.

Sun Lakes Homeowners Association #3, Inc.
Schedule of Uncorrected Misstatements
December 31, 2010

<u>Date</u>	<u>Account</u>	<u>Account Number</u>	<u>Debit</u>	<u>Credit</u>
12/31/2010	Deferred Tax Asset	1235	\$ 94,000	
12/31/2010	Members' Equity - Prior Year	3000		\$ 94,000

*Passed entry to correct the opening balance
of the deferred tax asset for a prior period
error.*