



Principals

Howard A. Goldklang, CPA, MBA
Donald E. Harris, CPA
Anne M. Sheehan, CPA
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200
Reston, VA 20191

Managers

Allison A. Day, CPA
Jeremy W. Powell, CPA
Renee L. Watson, CPA

Independent Auditor's Report

Board of Directors
Truro Homes Association
Annandale, Virginia

We have audited the accompanying Statements of Assets and Equity arising from cash transactions of Truro Homes Association as of December 31, 2011 and 2010, and the related Statements of Revenue and Expenses, and Changes in Members' Equity for the years then ended. These financial statements are the responsibility of the Association. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Association, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Assets and Equity arising from cash transactions of Truro Homes Association as of December 31, 2011 and 2010, and its Revenue and Expenses, and Changes in Members' Equity during the years then ended, on the basis of accounting described in Note 2.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

April 4, 2012

Goldklang Group CPAs, P.C.

TRURO HOMES ASSOCIATION
STATEMENTS OF ASSETS AND EQUITY
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>262,703</u>	\$ <u>240,037</u>
Total Assets	\$ <u>262,703</u>	\$ <u>240,037</u>
<u>MEMBERS' EQUITY</u>		
Replacement Reserves	\$ 265,854	\$ 243,188
Unappropriated Members' Equity (Deficit)	<u>(3,151)</u>	<u>(3,151)</u>
Total Members' Equity	\$ <u>262,703</u>	\$ <u>240,037</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION
STATEMENTS OF REVENUE AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	THA	TCC	Total	THA	TCC	Total
INCOME:						
Assessments	\$ 81,056	\$ 169,420	\$ 250,476	\$ 81,055	\$ 171,575	\$ 252,630
Special Assessment	18,850		18,850			-
Interest	2,023		2,023	2,331		2,331
TCC Lease		6,925	6,925		4,495	4,495
Other	1,633	4,776	6,409	4,653	1,875	6,528
Total Income	<u>\$ 103,562</u>	<u>\$ 181,121</u>	<u>\$ 284,683</u>	<u>\$ 88,039</u>	<u>\$ 177,945</u>	<u>\$ 265,984</u>
EXPENSES:						
Record Keeper	\$ 3,000	\$ 3,000	\$ 6,000	\$ 3,000	\$ 3,000	\$ 6,000
Treasurer	1,652	1,651	3,303	1,625	1,625	3,250
Legal and Audit	3,612		3,612	3,638		3,638
Insurance	13,477	5,772	19,249	12,167	5,215	17,382
Internet Site	384		384	240		240
Office Supplies	2,976		2,976	3,772		3,772
Publicity and Newsletter	867		867	2,115		2,115
Membership Fees	485		485	439		439
Air Conditioning	22,112		22,112			-
Gas	1,541		1,541		1,622	1,622
Telephone	1,201		1,201		791	791
Electricity	5,334		5,334		4,482	4,482
Water and Sewer	2,886		2,886		1,972	1,972
Parkland Maintenance	24,328		24,328	18,705		18,705
Landscaping	15,545		15,545		16,583	16,583
Facility Maintenance	7,452		7,452		7,200	7,200
Swim and Dive Team	9,500		9,500		9,500	9,500
Gatekeeper	600		600		720	720
Repairs and Maintenance	17,087		17,087		11,737	11,737
Social Activities	2,006		2,006	938		938
Chemicals and Supplies	13,347		13,347		9,186	9,186
Pool Management	60,910		60,910		58,850	58,850
Pool Furniture	5,695		5,695		5,092	5,092
Security	1,153		1,153	526		526
Taxes, Permits and Licenses	1,530		1,530	1,332		1,332
Total Expenses	<u>\$ 77,582</u>	<u>\$ 151,521</u>	<u>\$ 229,103</u>	<u>\$ 48,497</u>	<u>\$ 137,575</u>	<u>\$ 186,072</u>
Net Income before Contribution to Reserves and Interest Contribution to Reserves	\$ 25,980	\$ 29,600	\$ 55,580	\$ 39,542	\$ 40,370	\$ 79,912
Contribution to Reserves	(34,470)	(36,190)	(70,660)	(28,420)	(34,650)	(63,070)
Interest Contribution to Reserves	(2,023)		(2,023)	(2,304)		(2,304)
Net Income (Loss)	<u>\$ (10,513)</u>	<u>\$ (6,590)</u>	<u>\$ (17,103)</u>	<u>\$ 8,818</u>	<u>\$ 5,720</u>	<u>\$ 14,538</u>

TRURO HOMES ASSOCIATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity (Deficit)</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2009	\$ 232,733	\$ (17,689)	\$ 215,044
Additions:			
Contribution to Reserves	63,070		63,070
Interest Contribution to Reserves	2,304		2,304
Net Income		14,538	14,538
Deductions:			
Whitecoating	(11,900)		(11,900)
Asphalt	(29,060)		(29,060)
Bridge	(13,959)		(13,959)
Balance as of December 31, 2010	\$ 243,188	\$ (3,151)	\$ 240,037
Additions:			
Contribution to Reserves	70,660		70,660
Interest Contribution to Reserves	2,023		2,023
Inter-Equity Transfer	(17,103)	17,103	
Deductions:			
Drainage	(13,690)		(13,690)
Doors	(11,472)		(11,472)
Maintenance	(2,230)		(2,230)
Asphalt	(5,522)		(5,522)
Net Loss		(17,103)	(17,103)
Balance as of December 31, 2011	<u>\$ 265,854</u>	<u>\$ (3,151)</u>	<u>\$ 262,703</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purpose of maintaining and preserving the common property of the Association. It is located in Annandale, Virginia and consists of 377 homes. The Association's Board of Directors administers the Association operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the cash basis of accounting in which revenues are recognized when received and expenses when paid, rather than when earned or incurred. The Association's statement of revenue and expenses is divided into two columns to separately reflect the activity for the general operations of the Association and the recreational facilities. Those categories are as follows:

- THA (Truro Homes Association) - This fund is used to account for financial resources available for the general operations of the Association.
- TCC (Truro Community Center) - This fund is used to account for financial resources available for the general operation of the recreational facilities of Truro Community Center.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

C) Common Property - Common real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land and recreational facilities.

D) Cash Equivalents - The Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements; however, the Association has elected to set aside funds for replacement reserves. Accumulated funds are generally not available for expenditures for normal operations.

TRURO HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES: (CONTINUED)

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. in 2009. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution to reserves of \$58,562 for 2011. For 2011, the Association budgeted to contribute \$70,660 to reserves. In addition, the Association contributed interest income of \$2,023 to reserves, and transferred \$17,103 from replacement reserves to unappropriated members' equity.

Funds are being accumulated in replacement reserves based on the replacement reserve study. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2011 and 2010, the Association had designated \$265,854 and \$243,188, respectively, for replacement reserves. These designated reserves were not fully funded due to a deficit in unappropriated members' equity.

NOTE 4 - INCOME TAXES:

The Association is a non-stock, nonprofit association that holds tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. No provision for income taxes is required, since the Association has no unrelated business income.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2011 and 2010, the Association did not incur any penalties and interest related to income taxes. The Association's federal tax returns for the past three years remain subject to examination by the Internal Revenue Service.

NOTE 5 - CASH AND CASH EQUIVALENTS:

As of December 31, 2011, the Association maintained its funds in the following manner:

TRURO HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS: (CONTINUED)

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>
PNC	Checking	\$ 11,173
PNC	Money Market	6,722
ING Direct	Savings	<u>244,808</u>
	Total	<u>\$ 262,703</u>

NOTE 6 - RELATED PARTY TRANSACTIONS:

During 2011 and 2010, the Association paid two members of the Association for their services as treasurer and record keeper. The treasurer also performed other miscellaneous services for the Association. For 2011 and 2010, the Association paid approximately \$5,646 and \$4,140, respectively, for treasurer and other services. In addition, for 2011 and 2010, the Association paid \$6,000 per year for record keeping. No amounts were owed for these services as of December 31, 2011 and 2010.

NOTE 7 - SPECIAL ASSESSMENT:

For 2011, the Association approved a special assessment in the amount of \$50 per home, total of \$18,850, for air conditioning replacement in the club house. The special assessment was collected with regular assessments in March 2011. The cost of the air conditioning project was \$22,112.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 4, 2012, the date the financial statements were available to be issued.

Subsequent to year end, the Association contracted various pool projects for approximately \$15,000, playground mulch in the amount of approximately \$7,700, and bridge repair for approximately \$7,500. These projects will be funded by replacement reserves.

TRURO HOMES ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2011
(UNAUDITED)

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. during 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated replacement costs do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2009 Estimated Remaining Useful Life (Years)</u>	<u>2009 Estimated Replacement Cost</u>
Site Improvements	0-25	\$ 522,494
Swimming Pool	0-31	595,768
Club House Exterior	0-28	121,333
Club House Interior	0-27	100,221
Club House Extension Exterior	7-47	30,642

Representation Letter

This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.

Truro Homes Association

Date _____

GOLDKLANG GROUP CPAs, P.C.
1801 Robert Fulton Drive, Suite 200
Reston, Virginia 20191

Dear Auditors:

We are providing this letter in connection with your audits of the financial statements of **Truro Homes Association** as of **December 31, 2011 and 2010**, and for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the statements of Assets and Equity arising from cash transactions and the related statements of Revenue and Expenses and Changes in Members' Equity. These statements are presented in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We confirm that we are responsible for the fair presentation in these financial statements. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material 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**, the following representations made to you during your audits:

1. The financial statements referred to above are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.
2. We have made available to you all -
 - A) Financial records and related data.
 - B) Minutes of meetings of the Board of Directors.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in accounting records underlying the financial statements.
5. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Association's accounts, if appropriate.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Association involving:
 - A) management,

- C) others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, owners, regulators, or others.
 9. The Association has no undisclosed plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
 10. The following have been properly recorded or disclosed in the financial statements -
 - A) Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangement, and guarantees.
 - B) Guarantees, whether written or oral, under which the Association is contingently liable.
 - C) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB Accounting Standards Codification 275, *Risks and Uncertainties*.
 11. Except as made known to you, there are no:
 - A) violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording as a loss contingency.
 - B) Inter-equity transfers that were not properly authorized and approved, or that have not been properly reflected in the financial statements or disclosed to you.
 - C) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, *Contingencies*.
 - D) 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 FASB Accounting Standards Codification 450, *Contingencies*, and we have not consulted a lawyer concerning litigation, claims, or assessments.
 12. 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, except as made known to you and disclosed in the notes to the financial statements.
 13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 14. We acknowledge our responsibilities for presenting the required supplementary information (RSI). 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 Association had a study conducted in 2009. Amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. We have reviewed the transactions affecting replacement reserves (including inter-equity transfers). We are in agreement with them and they are properly authorized and approved.
 15. The Association is a non-stock, nonprofit organization, which holds tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Association's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

16. We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on March 26, 2012 and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

SEE SCHEDULE BELOW:

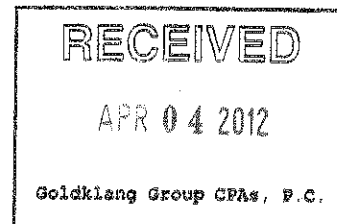
**Truro Homes Association
December 31, 2011 and 2010**

President/Treasurer:

C. W. Roper
Signature

C. W. ROPER
Printed Name

<u>ITEM</u>	<u>DATE CONTRACT SIGNED</u>	<u>CONTRACTOR</u>	<u>\$</u>	<u>WORK DONE Y/N</u>	<u>PAYD Y/N</u>	<u>FUND SOURCE</u>
ADA Pool Access	1/16/12	NV Pools	7396	N	N	Reserve R+M
Replace 2 DIVERBOARDS	2/23/12	NV Pools	7332	Y	Y	Reserve R+M
ARKLAND TREE WORK	3/19/12	JL TREE AFFORDABLE	5130 1990 <u>7130</u>	Y	Y	OPERATING
Zambezi Bridge Replace	3/15/12	STAFFORD SYSTEMS	7490	N	N	Reserve R+M
Mulch Pflanzgeraete	3/30/12	Mulch Solutions	7638	N	N	Reserve R+M



Goldklang Group[®] CPAs, P.C.

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Management Letter

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

March 30, 2012

Board of Directors
Truro Homes Association
Annandale, Virginia

Dear Board Members:

We have audited the financial statements of Truro Homes Association for the year ended December 31, 2011. During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. As a result, we make the following comments and recommendations.

Financial Analysis

As of December 31, 2011, the Association had a deficit of \$3,151 in unappropriated members' equity (operating funds). We recommend the Association accumulate excess operating funds to a level of 10% to 20% of annual assessments. This procedure will ensure that potential operating deficits will not consume funds designated for replacement reserves.

The designated replacement reserves of \$265,854 were not fully funded due to the deficit in unappropriated members' equity.

Swim and Dive Teams

The Association makes annual contributions to the swim and dive teams, which are recorded in the expense section of the Association's financial statements. The swim and dive teams' transactions are not included in the Association's financial statements. In 2011, the Association issued 1099s to swim and dive team contractors and used the Association's federal identification number on the teams' bank accounts. The contractors do not perform services for the Association and the bank accounts are not included in the Association's financial statements. Therefore, the 1099s should not be issued by the Association, and the bank accounts should reflect the federal identification numbers of the teams, rather than the Association. We continue to recommend the Association address this issue.

Detailed Minutes of Board Meetings

Minutes of board meetings are important records of the decisions concerning areas of the Association's business and financial affairs. A review of the Association's minutes for 2011 showed good form. We recommend the Association continue to maintain financially detailed minutes.

Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

Federal Deposit Insurance Corporation (FDIC)

On July 21, 2010, the FDIC insurance limit of \$250,000 per financial institution was extended permanently. Also, effective December 31, 2010 and through December 31, 2012, all non-interest bearing transaction accounts (checking accounts) will have unlimited FDIC insurance. At times throughout the year, the Association's account balances which are not subject to the unlimited FDIC coverage may exceed this limit. We recommend the Association monitor its accounts and immediately transfer funds in excess of the FDIC limit to other institutions or Treasury instruments so all Association funds will be insured. The Association should also periodically check the ratings for all financial institutions used by the Association.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

Goldklang Group CPAs, P.C.

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Communication with Those Charged with Governance under SAS No. 114

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

March 30, 2012

Board of Directors
Truro Homes Association
Annandale, Virginia

Dear Board Members:

We have audited the financial statements of Truro Homes Association as of December 31, 2011 and for the year then ended and have issued our report thereon. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Supplementary Information Other Than Financial Statements

Our responsibility for the supplementary information required by the Financial Accounting Standards Board is to apply certain limited procedures to the information about the Association's methods of preparing the information; however, we will not express an opinion or any assurance on the information.

When we have been engaged to report on supplementary information in relation to the financial statements as a whole, our responsibility, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and through discussions with management or the board of directors.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

The Association is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 the Association and are based on the Association'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. There were no significant accounting estimates for the year under audit.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosures to the financial statements for the year under audit related to subsequent events.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with the Association or 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. The adjusting journal entries have been provided to the Association. The journal entries are material, either individually or in the aggregate, 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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management and Board of Directors Representations

We have requested certain representations from management and the board of directors that are included in the representation letter.

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 the board of directors and management each year. 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 the Association about their methods of preparing the information; comparing the information for consistency with the Association'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 and the board of directors, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Very truly yours,

Goldklang Group CPAs, P.C.

GOLDKLANG GROUP CPAs, P.C.

Principals

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Communication of Significant Deficiencies and/or Material Weaknesses under SAS No. 115

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

March 30, 2012

Board of Directors
Truro Homes Association
Annandale, Virginia

Dear Board Members:

In planning and performing our audit of the financial statements of Truro Homes Association as of December 31, 2011 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 significant deficiencies or material weaknesses and therefore can be no assurance that all such deficiencies have been identified. However, as discussed below, we noted certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

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 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. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Cash Basis of Accounting Used

The Association's books are maintained on a cash basis of accounting throughout the year. The Associations financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Adjusting Entries

We proposed material adjustments to reclassify replacement reserves on the balance sheet and to record current year budgeted contribution to replacement reserves.

Very truly yours,

Goldklang Group CPAs, P.C.

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