

# *Report of Internal Control*

February 23, 2015

To the Board of Directors and Management  
The Mediterranean Villas Homeowners Association  
Pasco, Washington

Dear Board of Directors:

In planning and performing our audit of the financial statements of The Mediterranean Villas Homeowners Association as of and for the year ended December 31, 2014, 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.

## **The Standards of Field Work**

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- ***An accrual basis Balance Sheet and Income Statement that agrees with the accrual basis General Ledger should be provided to the auditor at year-end. Although the Board currently reviews a financial packet, at least quarterly, the Board should ensure that they are reviewing an Accrual Basis Balance Sheet and Income Statement.***

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

*Cagianut & Company, CPA*

Bellevue, Washington