

WALKER LAKESHORES LANDOWNERS ASSOCIATION

MANAGEMENT ADVISORY LETTER

DECEMBER 31, 2017

Zavada & Associates

Certified Public Accountants

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1089 Wyoming Avenue
Forty Fort, PA 18704-4002
Telephone: 570-288-3201
Fax: 570-288-3203
E-mail: ZavadaandAssoc@aol.com

Board of Directors
Walker Lakeshores Landowners Association
Shohola, PA

Members of the Board:

We have audited the financial statements of Walker Lakeshores Landowners Association for the year ended December 31, 2017 and have issued our report thereon dated December 3, 2018.

We noted the following:

Irregularities

We noted in last years' Management Advisory Letter that there were various irregularities regarding unrecorded/unauthorized ATM cash withdrawals, checks payable to cash, and various payments to vendors that appear to be of a personal nature. To a smaller degree, these continued into March of 2017.

These are enumerated as follows:

- ATM withdrawals of \$2,114.00 were made through March of 2017.

All withdrawals were made with the debit card issued to former President/Treasurer Art Politano.

- In addition to the ATM withdrawals, we noted an instance of a check payable to Cash in the amount of \$1,000.00 for Miscellaneous Funding and endorsed by Howard Drake. In general, checks should never be made payable to cash.
- There appears to be unrecorded/unauthorized transactions for several different vendors using the debit card issued to former President/Treasurer Art Politano. These vendors include: Blue Ridge Communications, PPL Electric, StraightTalk, Walmart, Staples, ProFlowers, MyHeritage, Laurel Grove, LogMeInInc.com, BeenVerified.com, Life Line Screening, Perpersopo.com, and Instant Check. For some, the account number noted for the vendor does not match that of Walker Lakeshores Landowners Association, while others are not vendors associated with Walker Lakeshores Landowners Association at all. The total for these transactions amounts to \$5,386.65.

Social Income and Expenses

We noted that in 2017, income collected and deposited for social events totaled \$17,712, whereas expenditures paid for social events totaled \$32,095. For most of the other Community Associations we audit, social income and expenses normally approximate breakeven. With a disparity as large as the \$14,383 deficit between collections for social events and the related expenses, the membership is effectively subsidizing the events. Policies and procedures surrounding these activities should be reviewed and modified accordingly.

Settlement with Hinkel Estates Property Owners Association

On April 8, 2016, the Association agreed to a settlement agreement regarding litigation brought against it by Hinkel Estates Property Owners Association. As part of the settlement, Walker Lakeshores Landowners Association was to reimburse the lake fund the sum of \$100,000 by making sixty payments at \$1,666 per month. We have noted only 3 payments for 2017.

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Cash Basis Audit Report

Because of the situations noted above, it still was not feasible to conduct the audit on anything other than a cash basis for 2017. An approach to cleaning up Accounts Receivable balances should be discussed. There is a potential for accrual basis financial statements going forward, starting in 2018.

We would be glad to answer any additional questions or assist in any other items that might arise in the future.

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

Forty Fort, Pennsylvania
December 3, 2018

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