

At the 11/9/2019 Budget meeting the issue of "Write-Offs" was discussed and it was stated by several people that the Board should have notified the community of this action. Write-offs are a normally accepted accounting practice to write off uncollected funds when there is no doubt that all collection efforts have failed so as to properly reflect the income and balance statements for an organization.

So, going forward we will announce any future Write-Offs being planned and the amount involved.

It is a subject that could not be properly explained at the Budget meeting because time would not allow since it came up as a byproduct of the 2020 detailed Budget explanation. However, I will try to explain it now.

I need to clarify some points to insure we are all on the same page as follows:

A Receivable Account identifies funds that are due to the Association for a variety of reasons such as maintenance fees, administration fees, late fees, fines, interest, transfer fees and miscellaneous fees, etc.

An Aged Receivable Report identifies delinquent accounts that have not paid the expected fees and lists accounts according to calendar history showing the time period an account has been in the arrears.

We don't expect to collect every last penny every year so we establish a Delinquent/Interest Receivable Account which is an allowance for bad debt accounting procedure for future write-offs for truly uncollectable funds.

What is done to collect:

Original bills are sent to the property owner by the Glen Office staff and most pay on time directly to NEPA and only as a convenience to the Glen Office but some do not pay at all for varying reasons.

Several attempts are made to contact the delinquent party or parties but we receive no response.

Some reasons are that people moved with no forwarding address, people refuse to pay, bankruptcy, non-payment of County Real Estate Taxes and then the

County takes control of the property and places it into a County Repository; the County does not pay any fees, etc.

We attempt to reach the delinquent party; our accounting firm (NEPA) attempts to collect as well and then we file a civil complaint which is brought to the Magistrate (\$395 per filing). All of the owner's privileges to the amenities are turned off. If there are contents in a home, we schedule sheriff sales (Fees are required) to sell the contents and recover funds when possible.

Reasonable thought must be applied to evaluate the next course of action.

We determine if the costs to collect is more expensive than the cost we may recover.

The costs consist of the attorney and court costs (in excess of \$500 depending upon circumstances), placing a lien for (Prothonotary Office \$132.50 + \$29.50 = \$162.00), paying NEPA \$65 per attempt so 2 attempts for the same party becomes \$130 and on and on.

An evaluation is made to determine what is impossible to recover and then the write-offs begin.

The write-off occurred on 2/15/2018 for uncollectable funds totaling \$231,792.16. This involved property write-offs (\$213,332.26) and County acquisitions (\$18,459.90). It should be noted that our Glen Office Staff is doing everything possible to collect the 2019 outstanding amount in excess of \$59,000 currently.

Some Reasons for Write-Offs:

The state of Pa. limits our maintenance recovery to a maximum of 6 months for foreclosures even though the amount of the delinquency far exceeds that; therefore, the amount in excess has to be written off since it is never going to be collected.

Property taken over for non-payment of Real Estate taxes goes into a County Repository and after many years they too get written off.

Delinquent amounts less than the cost to place a lean and legal costs, after a long period of time also gets written off.

Detail Evidence available for review:

To further show and identify the actual details of these transactions, we will make available in the office on Tuesday, Wednesday or Thursday for your review the following however, no copies will be allowed since names of corporations and individuals are shown on the detailed reports.

- a) **2018 Annual Audit Review provided by Zavada & Associates** which said “Based on our review, we are not aware of any material modifications that should be made to accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.” It should also be noted that Zavada & Associates were aware of the Write-Offs prior to executing the transactions.
- b) A listing of the **14 lots placed into the County Repository** amounting to \$18,459.90. We will have for your review the documented transaction’s initiation and execution of same by NEPA.
- c) An Aged Report dated 2/1/2019 amounting to \$213,332.26 shows one investment firm owning 6 properties and not paying \$110,759.40 which represents 52% of the uncollectable funds written off. Listed also, are 8 individuals that stiffed the Association for \$102,572.86 or 48% of the uncollectable funds written off. Interest on the outstanding funds accumulated to \$73,551.91; Late fees equal \$2,250.00; Admin Fees equal \$4,000; Violations = \$7.50; Transfer Fees = \$3,840.00; Resale Certificates = \$1,260; Misc. = \$940.00. Realize that \$85,849.41 or 40% were add on charges.

Clearly, this conversation could have become the overarching discussion in a meeting that was set for the 2020 Budget explanation and several other important topics.

I hope this satisfies the question of “Where are the funds?”; bottom line, we never received the payments and we never will, therefore these receivable accounts were written off our books to comply with normal accounting

practices. However, again I repeat that we will announce write-off actions in the future.

Sincerely,

Joe Bellantoni President