

2023 Audit Report

Sedgefield Homeowners Association (SHOA)

Audit Team

Auditors: Tessa Faddis, Tom Hilton, Cortney Wanca

Board Member & Audit Liason: Michelle Lukosi

- Tom Hilton reviewed the financial statements, bank statements and reconciliations, and income (dues, interest, and late fees).
- Cortney Wanca reviewed the expenses from January 2023 through June 2023, pool permit, and state of Tennessee annual report.
- Tessa Faddis reviewed the expenses from July 2023 through December 2023, insurance policy, and federal tax filing.

Audit Summary

Documents Reviewed for 2023 Audit:

- | | |
|---------------------------------------|------------------------------------|
| • Financial statements | • Pool permit |
| • Bank statements and reconciliations | • State of Tennessee annual report |
| • Income | • Insurance policy |
| • Expenses | • Federal tax filing |

Financial Statements, Bank Statements and Reconciliations

- The 2023 audit included review of all financial records, including financial statements, bank statements and reconciliations. These statements and reconciliations were available in the records for all twelve months of 2023.
- The financial statement for December 31, 2023 was reviewed and tied back to the year-end bank statements.
- All checks included two signatures.
- There were no checks issued with only a single signature.

Income

- The 2023 audit included review of all deposits from interest, late fees, and dues.
- Income from interest and late fees were reconciled with no exceptions.
- Income from dues was reconciled with financial statement and bank statements with no exceptions, but not all homeowners' dues were paid in 2023.
- 135 of 138 homeowners paid their dues in 2023 totaling \$40,200 dues income of \$41,100 expected dues income. It is recommended the 2024 audit include review of any outstanding 2023 dues.

Expenses

- Lenoir City Utilities Board (LCUB) Electric and First Utility District of Knox County (FUD Knox) water bills were missing from the records for January and February 2023.
- Reimbursement request of \$125.63 for the replacement of the solar lights on bridge for had no approval signature; however it was noted in the April 2023 board meeting minutes that the board discussed and vote to approve their replacement.
- Invoice from Sebas Lawncare Service for payment made on 5/12/2023 was missing from the records. Payment of \$1,380 for 4 mowings and clean-up matched invoice totals and payments in June and August 2023. Payments & Invoices for April, July, and September ranged from \$1,060 to \$1,700.

Pool Permit, TN Annual Report, Insurance Policy, and Federal Tax Filings

- Pool permit was paid to Knox County Health Department in March 2023.
- State of Tennessee Annual Report was completed and filed.
- Insurance Policy was paid in September 2023.
- 2022 Federal Tax Return was completed and filed for 2023.

Recommendations

- A complete printed file of monthly financial statements, bank statements, and reconciliations should continue to be provided to the audit team each year.
- All payments should have supporting invoices and documents retained in the financial records. This should include the request for payment or reimbursement, appropriate approvals, invoice, receipts, and the check stub.
- The person requesting payment or reimbursement should not also approve the same request. Only one instance of this was seen in the 2023 audit and the payment was to a vendor and not the requestor/approver.
- The audit committee recommends the audit of 2024 include review of outstanding 2023 dues payments.
- Make sure all checks are clearly voided.

Final Comment

- The financial condition of the SHOA was strong at the end of 2023 with a bank balance of \$26,122.38 on December 31, 2023.
- The ending bank balance in 2023 was similar to the December 31, 2022 balance of \$26,088.79.
- The 2023 budget was exceeded by \$121.41.

Respectfully submitted,

Audit team - Tessa Faddis, Tom Hilton, Cortney Wanca