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SUMMARY OF SUNSETLAKE ASSOCIATION 2017 FINANCIAL AND MANAGEMENT AUDIT

NOVEMBER 13, 2018

The preliminary results of the 2017 Audit were presented at a Board Workshop on September 27, 2018 and the final results were presented at the SLA Annual Meeting on October 20, 2018 by auditing firm Sikich of Springfield, IL. Copy of the Independent Audit Report and the Management Letter are available for SLA member review at the SLA Office. The cost of the audit was \$6,000.00.

There were several areas that were recommended to improve the following areas

1. Financial Reporting Process
2. Revenue and Receipts Processes
3. Disbursement Process
4. Bank Reconciliation
5. Payroll Process
6. Escrow Deposits
7. Property and Equipment
8. Policies and Procedures

Most of the items discussed in the recommendations have been implemented and the Board will continue to refine the various processes to strive for improved efficiency and transparency.

The audit also uncovered several areas of discrepancies with Bylaws and Rules and Regulations that could result in additional revenues to SLA. These include the following:

1. Annual assessments were not being invoiced or paid by all leaseholders. It appears that 17 lots that were leased by members with two or more leases were not being assessed as other multiple leaseholders. This correction could result in \$8,500.00 in additional revenue in 2019. The SLA Board will be contacting each of the affected leaseholders to review their leases and resolve the inconsistencies.
2. Maintenance (mowing and leaf removal) fees were not being billed correctly (or sometimes at all) when SLA completed maintenance on non-compliant leaseholders. A review of 2017 maintenance reports indicated an "under charge" of \$1,965.00. The SLA Board will contact those involved in these activities to inform that in 2019 fees of \$100 minimum will be charged. The Board would prefer to not be in the lot maintenance business and will encourage leaseholders to make other arrangements for lot maintenance.
3. Ordering of office supplies, maintenance and repair parts, fuel and other commodities had no control by the Board and resulted in an unknown amount of additional costs. Closer control between staff and Board committees will insure proper ordering of supplies and repair.

4. During the review the audit firm needed to understand the receivable listed as a \$17,600 asset in the trial balance for the firehouse and how the depreciation of the firehouse was being calculated. The entire firehouse construction file was not housed in the SLA office. Once it was provided for review several issues were pointed out. Included in the file was a recorded lease by the Macoupin County Recorder's Office dated 6/4/2013. The lease was executed by the Girard Fire Protection District (President and Secretary) and the SLA (President and Office Manager). There is no indication that this lease was presented to the SLA Board for approval which would be required by SLA Bylaws. The lease indicated that the building was donated and conveyed to the District by SLA and that SLA is responsible for all costs associated with the construction and will hold the District harmless from any construction cost claims. The SLA Board is seeking to work with District to review this lease and attempt to resolve all outstanding issues.

The Board feels that the cost of the audit was well worth the potential cost savings and additional revenue that were identified as a result of the audit. The end of year 2017 balance was not resolved until the audit was completed. The 2018 budget and bookkeeping in QuickBooks is currently being reconciled month by month so that the actual 2018 starting and ending balances can be correctly stated. Many expense entries in 2017 and early 2018 were incorrectly allocated to wrong budget line items and must be corrected prior to the end of 2018. It has been a long and tedious process to get to this point. We appreciate the patience of the membership while we continue to implement recommendations and we look forward to much happier and less complicated 2019.