

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.
AGREED-UPON PROCEDURES
June 30, 2020

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HONKAMP KRUEGER & CO, P.C.

CPAs & Business Consultants

Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Board of Directors
Cherokee Garden Condominium Homes, Inc.
Madison, Wisconsin

We have performed the procedures described in Exhibit A of this report, which were agreed to by the management of Cherokee Garden Condominium Homes, Inc. (the "Association") on certain balance sheet, income and expense accounts as of or for the year ended June 30, 2020. Cherokee Garden Condominium Homes, Inc.'s management is responsible for the propriety of the Association's balance sheet, income and expense accounts as of or for the year ended June 30, 2020. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

Included in Exhibit A of this report are our findings and administrative matters that came to our attention in connection with the application of the agreed-upon procedures described in Exhibit A.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on evaluating the propriety of the Association's balance sheet, income and expense accounts of Cherokee Garden Condominium Homes, Inc. as of or for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the board of directors of Cherokee Garden Condominium Homes, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

HONKAMP KRUEGER & CO., P.C.

Honkamp Krueger & Co., P.C.

Dubuque, Iowa
January 4, 2021

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

As Of Or For The Year Ended June 30, 2020

1. Cash Testing Procedures:

- a. Obtain the June 30, 2020 bank reconciliation and agree to the trial balance.
- b. Document long outstanding reconciling items.
- c. Select and agree a sample of cleared checks greater than \$5,000 within the first 10 business days from the July 2020 bank statements and ensure that they are properly included or excluded from the June 30, 2020 outstanding check listing.
- d. Vouch and agree all deposits in transit as of June 30, 2020 to the July 2020 bank statement.

Conclusion: No exceptions were noted. The outstanding check list does not indicate the check date; therefore, we recommend that the outstanding check listing include the check date, in addition to check number and amount, for ease of determination of long outstanding reconciling items.

2. Property And Equipment Procedures:

- a. Perform a rollforward of the cost basis and accumulated depreciation of property and equipment balances from June 30, 2019 to June 30, 2020 and agree to the trial balance.
 - i. Select any fixed asset addition greater than \$5,000 from the 2020 fiscal year.
 1. Obtain the invoice and agree the dollar amount to ensure that it was properly capitalized.
 2. Assess the reasonableness of the useful life assigned to the asset.
- b. Analytically test depreciation expense for reasonableness.

Conclusion: HK noted one instance where the Association capitalized a fixed asset addition that was under \$5,000 due to the De Minimis Safe Harbor I election. We recommend the Association update its capitalization policy to reflect a capitalization threshold of \$2,500 to coincide with the IRS De Minimis Safe Harbor I election.

3. Accounts Payable Procedures:

- a. Obtain the accounts payable aging report as of June 30, 2020 and agree to the trial balance.
- b. Obtain the subsequent check register for July 2020 and August 2020.
 - i. Select a sample of cash disbursements greater than \$5,000 from the subsequent check register to verify recorded in the proper period.
 1. Agree the supporting invoice(s) to the check disbursement.
 2. Determine the disbursement was authorized and recorded to the proper general ledger account.
 3. Document when the service was performed or when the product was received and conclude if the subsequent disbursement was properly included or excluded from accounts payable as of June 30, 2020.

Conclusion: No exceptions were noted. Amounts were recorded in the proper period for the proper amount.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS (*Continued*) As Of Or For The Year Ended June 30, 2020

4. *Accrued Expense Procedures:*

- a. Compare the June 30, 2020 and June 30, 2019 accrual account balances.
 - i. Investigate any year over year differences greater than \$5,000 and document the reason for change.

Conclusion: Maintenance fees paid in advance fluctuated by more than \$5,000. Per discussion with Rick Lenart, the fluctuation is primarily due to an increase in the amount of roof repair prepayments received compared to that of the prior year. No other differences greater than \$5,000 were noted.

5. *Equity Procedures:*

- a. Prepare a rollforward of the equity account balances from June 30, 2019 to June 30, 2020 and agree to the trial balance.
- b. Obtain the cash account analysis report as of June 30, 2020 to determine what amounts need to be classified as restricted cash and agree total to trial balance.

Conclusion: No exceptions were noted in the rollforward of the equity account balances. With regards to classification of restricted cash, a reclass entry on the trial balance of \$215,265 should be made to a restricted cash general ledger account from Waunakee Community Bank Money Market (general ledger account #1033).

6. *Income and Expense Procedures:*

- a. Compare the June 30, 2020 and June 30, 2019 income and expense balances.
 - i. Investigate any year over year differences greater than \$5,000 and document reason for change.
- b. Obtain the last 5 sales invoices for the fiscal year ended June 30, 2020 and the first 5 sales invoices in July 2020.
 - i. Document date of sale.
 - ii. Conclude whether the sales were properly included or excluded from the June 30, 2020 trial balance.
- c. Obtain fiscal year to date payroll journals and analytically test payroll expense for reasonableness.

Conclusion: All sales invoices were recorded in the proper period. The following account balances fluctuated by more than \$5,000 and explanations were provided by Rick Lenart as follows:

- a. Maintenance fee income increase due to the per unit monthly maintenance fee increase of \$2 per unit, an increase in the monthly fireplace sub charge of \$1 for eligible units, an increase in monthly elevator operating maintenance fees of \$1 for eligible units, an increase in monthly elevator reserve fund contributions of \$1 for eligible units and the reactivation of the monthly enclosed stall electric fee of \$10 as documented in the May 2019 Board Minutes.
- b. Contract services income increase due to an increase in rate to \$6,878 as noted in the amendatory agreement beginning July 1, 2019.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS (*Continued*) As Of Or For The Year Ended June 30, 2020

- c. Utilities expense decrease is due to a decrease in electricity costs resulting from the switch to LED light bulbs in the common areas of buildings 1-38 and a milder winter in 2019-2020 leading to a decrease in gas costs. These decreases are offset by an increase in the usage rate for water and sewer of 8%.
- d. Insurance expense increase due to premium increases from vendors.
- e. Depreciation expense increase due to various fixed asset additions placed in service during the year.
- f. Legal and other professional fees decrease is due to the reduction in service level from a full audit to an agreed upon procedures engagement by outside accountants as well as a decrease in legal representation needed from Stafford Rosenbaum for litigation issues.
- g. Payroll expense reasonable year over year based on the number of hourly and salary employees, as well as pay rate fluctuations approved by the board of directors.