

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.
AGREED-UPON PROCEDURES
June 30, 2021

Table Of Contents

Page(s)

**Independent Accountants' Report On Applying
Agreed-Upon Procedures 1**

Exhibit A: Procedures Performed And Associated Findings 2 – 4



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 on certain balance sheet, income and expense accounts as of or for the year ended June 30, 2021. Cherokee Garden Condominium Homes, Inc.'s management is responsible for certain balance sheet, income and expense accounts as of or for the year ended June 30, 2021.

Cherokee Garden Condominium Homes, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of certain balance sheet, income and expense accounts as of or for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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.

We were engaged by Cherokee Garden Condominium Homes, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with 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 certain balance sheet, income and expense accounts as of or for the year ended June 30, 2021. 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.

We are required to be independent of Cherokee Garden Condominium Homes, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

HONKAMP KRUEGER & CO., P.C.

Honkamp Krueger & Co., P.C.

Dubuque, Iowa
March 8, 2022

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

1. *Cash Testing Procedures:*

- a. Obtain the June 30, 2021 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 2021 bank statements and ensure that they are properly included or excluded from the June 30, 2021 outstanding check listing.
- d. Vouch and agree all deposits in transit as of June 30, 2021 to the July 2021 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, 2020 to June 30, 2021 and agree to the trial balance.
 - i. Select any fixed asset addition greater than \$5,000 from the 2021 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.
- c. Analytically test repair and maintenance expense to determine properly expensed.

Conclusion: No exceptions were noted.

3. *Accounts Payable Procedures:*

- a. Obtain the accounts payable aging report as of June 30, 2021 and agree to the trial balance.
- b. Obtain the subsequent check registers for July 2021 and August 2021.
 - i. Select a sample of cash disbursements greater than \$5,000 from the subsequent check registers 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, 2021.

Conclusion: No exceptions were noted for item 3a above. With respect to items sampled greater than \$5,000 in item 3b, Honkamp Krueger (HK) noted an invoice for softener salt dated in July was improperly included within inventory and accounts payable as of June 30, 2021. The softener salt was not expensed on the income statement, resulting in a balance sheet only entry. Therefore, there is no impact on the income statement due to this error. No other exceptions were noted for item 3b.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS (*Continued*)

4. *Accrued Expense Procedures:*

- a. Compare the June 30, 2020 and June 30, 2021 accrual account balances.
 - i. Investigate any year over year differences greater than \$5,000 and document the reason for change.

Conclusion: The following account balances fluctuated by more than \$5,000 and explanations were provided by Rick Lenart as follows:

- a. Unearned income increases due to monthly payments received outlined in the amendatory agreement for expected contract hours to be worked. However, per review of the maintenance service hour summary, there were fewer hours worked than expected, resulting in a deferral of revenue.
- b. While not representing an accrued expense, but rather a deferred revenue, HK noted net insurance proceeds increase due to Farmers Insurance proceeds of approximately \$100,000 received based on claims filed that were unspent as of the balance sheet date.

5. *Equity Procedures:*

- a. Prepare a rollforward of the equity account balances from June 30, 2020 to June 30, 2021 and agree to the trial balance.
- b. Obtain the cash account analysis report as of June 30, 2021 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 \$210,629 should be made to an unrestricted cash general ledger account from a restricted cash general ledger account for presentation purposes.

6. *Income and Expense Procedures:*

- a. Compare the June 30, 2020 and June 30, 2021 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, 2021 and the first 5 sales invoices in July 2021.
 - i. Document date of sale.
 - ii. Conclude whether the sales were properly included or excluded from the June 30, 2021 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 elevator maintenance fee increase of \$5 per unit as documented in the May 2020 Board Minutes.
- b. Contract services income decrease due to fewer service hours actually worked during the fiscal year, resulting in unearned income noted in item 4 above.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS *(Continued)*

- c. Utilities expense increase due to COVID-19 causing fewer residents to leave for winter. This resulted in increased water, sewer and gas usage.
- 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. Repairs and maintenance expense decrease due to no significant repair and maintenance projects occurring in the current year.
- 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.