

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.
AGREED-UPON PROCEDURES
JUNE 30, 2022

Table Of Contents***Page(s)***

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

Exhibit A: Procedures Performed And Associated Findings	2 – 4
--	--------------



2345 JOHN F. KENNEDY ROAD DUBUQUE, IA 52002
563.556.0123 888.556.0123 FAX 563.556.8762

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, 2022. 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, 2022.

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, 2022. 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 AICPA. 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, 2022. 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, P.C.

Honkamp, P.C.

Dubuque, Iowa
February 6, 2023

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

1. Cash Testing Procedures:

- a. Obtain the June 30, 2022 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 2022 bank statements and ensure that they are properly included or excluded from the June 30, 2022 outstanding check listing.
- d. Vouch and agree all deposits in transit as of June 30, 2022 to the July 2022 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, 2021 to June 30, 2022 and agree to the trial balance.
 - i. Select any fixed asset additions greater than \$5,000 from the 2022 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, 2022 and agree to the trial balance.
- b. Obtain the subsequent check registers for July 2022 and August 2022.
 - 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, 2022.

Conclusion: No exceptions were noted.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

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

4. *Accrued Expense Procedures:*

- a. Compare the June 30, 2021 and June 30, 2022 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. Accrued payroll & taxes decrease due to time of last payroll of the fiscal year, as well as timing of payment of payroll at year-end. In fiscal year 2021, a full pay period plus four days was accrued. In fiscal year 2022, only 5 days was accrued as funds for the June 12, 2022 to June 25, 2022 pay period were remitted to ADP on June 30, 2022.
- b. Unearned income decrease due to the number of maintenance service hours incurred exceeding the expected contract hours outlined in the amendatory agreement, resulting in all payments to be recognized to income. In the prior year, hours incurred were fewer than the number of contracted service hours, resulting in deferred revenue.
- c. While not representing an accrued expense, but rather a deferred revenue, we noted net insurance proceeds decrease due to the usage of insurance proceeds received in the prior year for the payment of a ServPro invoice for water damage cleanup expenses incurred in the current year.
- d. Maintenance fees paid in advance and prepaid special assessments balance increase due to timing and receipt of assessments made for roof replacements. Assessments were assessed and collected from a number of unit sellers at the time the unit was sold and when the roof is replaced in the future, the balance due, if any, will be assessed to the current owner. If there was an overpayment by the selling party, the amount overpaid will be returned to the seller.

5. *Equity Procedures:*

- a. Prepare a rollforward of the equity account balances from June 30, 2021 to June 30, 2022 and agree to the trial balance.
- b. Obtain the cash account analysis report as of June 30, 2022 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 \$84,676 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, 2021 and June 30, 2022 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, 2022 and the first 5 sales invoices in July 2022.
 - i. Document date of sale.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

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

- ii. Conclude whether the sales were properly included or excluded from the June 30, 2022 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 \$1 per unit and the per unit monthly elevator reserve fee increase of \$5 per unit for those units with elevators. In addition, there was a \$14 per unit increase in the monthly operating maintenance fees for all units.
- b. Contract services income increase due a change in the monthly rate from \$6,349 to \$6,698, as well as additional service hours worked during the fiscal year in excess of the budgeted hours of approximately 435 hours paid at a rate of \$56.40 per hour.
- c. Utilities expense increase due to the cost per therm (to heat) increasing due to the nation-wide price increases in natural gas in fiscal year 2022 compared to fiscal year 2021, as well as fluctuations in 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 the non-occurrence of repair items present in fiscal year 2021 relating to water valves and water loss damages and foundation. In addition, the cost of only 1 alarm inspection occurred and costs for mulch and asphalt crack repairs decreased by approximately \$8,000 in fiscal year 2022.
- g. Payroll expense decrease due to fewer hours worked by hourly employees (one employee was noted to only work part time in the fiscal year 2022) and smaller bonus amounts paid.
- h. Bad debt expense increase due to the write of unpaid assessment fees for a deceased resident.