

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.
AGREED-UPON PROCEDURES
JUNE 30, 2023

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Independent Accountant's 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, 2023. 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, 2023.

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, 2023. 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, 2023. 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
March 20, 2024

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

EXHIBIT A: PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

1. Cash Testing Procedures:

- a. Obtain the June 30, 2023 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 2023 bank statements and ensure that they are properly included or excluded from the June 30, 2023 outstanding check listing.
- d. Vouch and agree all deposits in transit as of June 30, 2023 to the July 2023 bank statement.

Conclusion: No exceptions were noted.

2. Property And Equipment Procedures:

- a. Perform a rollforward of the cost basis and accumulated depreciation of property and equipment balances from June 30, 2022 to June 30, 2023 and agree to the trial balance.
 - i. Select any fixed asset additions greater than \$5,000 from the 2023 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, 2023 and agree to the trial balance.
- b. Obtain the subsequent check registers for July 2023 and August 2023.
 - i. Select a sample of cash disbursements greater than \$5,000 from the subsequent check registers to verify the payments are recorded in the proper period.
 1. Agree the supporting invoice(s) to the check disbursement.
 2. Determine if 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, 2023.

Conclusion: We noted the following items:

- a. Check #19229 written on August 10, 2023 to Triggs Plumbing covered service work prior to June 29, 2023 related to special assessments. This invoice was not included in accounts payable as of June 30, 2023, but recorded in the general ledger when paid to match assessments receivable.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

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

- b. Check #19259 written on August 29, 2023 to AT&T reflects charges for services incurred prior to June 30, 2023 and was improperly excluded from accounts payable as of June 30, 2023.

4. *Accrued Expense Procedures:*

- a. Compare the June 30, 2022 and June 30, 2023 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. 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. Such information is the result of timing of those transactions.

5. *Equity Procedures:*

- a. Prepare a rollforward of the equity account balances from June 30, 2022 to June 30, 2023 and agree to the trial balance.
- b. Obtain the cash account analysis report as of June 30, 2023 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 other than a \$312 immaterial variance to the opening equity account balance due to an entry recorded back in 2022. With regards to classification of restricted cash, a reclass entry on the trial balance of \$85,644 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, 2022 and June 30, 2023 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, 2023 and the first 5 sales invoices in July 2023.
 - i. Document date of sale.
 - ii. Conclude whether the sales were properly included or excluded from the June 30, 2023 trial balance.
- c. Obtain fiscal year to date payroll journals and analytically test payroll expense for reasonableness.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

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

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 operating maintenance fee increase of \$1 per unit and the per unit monthly fireplace reserve fee increase of \$9 per unit. In addition, there was a \$47 per unit increase in the monthly operating maintenance fees for all units.
- b. Contract services income decrease due to no carryover unearned income of unused hours from the prior year. Additionally, we noted a change in the monthly rate from \$6,698 to \$7,219, as well as additional service hours worked during the fiscal year in excess of the budgeted hours of approximately 43 hours paid at a rate of \$60.92 per hour.
- c. Utilities expense increase due to rate increases for water and sewer services in the current year, due to the increasing costs to provide these services in the Madison area, along with fluctuations in overall usage.
- d. Insurance expense increase due to purchasing new and additional policies with a new insurance carrier, and general rate increases experienced by the market.
- e. Depreciation expense increase due to various fixed asset additions placed in service during the year.
- f. Repairs and maintenance expense increase due to expenses incurred for maintenance of fire alarms, chimney and other masonry repairs, carpet cleaning, replacement of name plates for homes and mailboxes, increases in elevator maintenance costs, landscaping and repairs incurred in excess of insurance reimbursement relating to water sprinkler damage.
- g. Payroll expense increase due to more hours worked by hourly employees and fluctuations in number of employees year over year.
- h. No bad debt write offs incurred during the year ended June 30, 2023. In addition, we noted that amounts written off as bad debt in the prior year (\$14,186) were recovered from the decedents estate during the current year.