

FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.

AGREED-UPON PROCEDURES REPORT

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LEWIS, KAUFMAN, REID, STUKEY, GATTIS & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Flintrock at Hurst Creek Property Owners Association, Inc.
Lakeway, Texas

We have performed the procedures enumerated in the attached supplement, which were agreed to by management and the board of directors of Flintrock at Hurst Creek Property Owners Association, Inc. The sufficiency of these procedures is solely the responsibility of management and the board of directors of Flintrock at Hurst Creek Property Owners Association, Inc. Consequently, we make no representations regarding the sufficiency of the procedures enumerated in the attached supplement either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively on the matters enumerated in the attached supplement. 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 Flintrock at Hurst Creek Property Owners Association, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

Lewis, Kaufman, Reid, Stukey, Gattis & Co., P.C.

Lewis, Kaufman, Reid, Stukey, Gattis & Co., P.C.
November 13, 2019



Flintrock at Hurst Creek Property Owners Association, Inc.
Lakeway, Texas

Supplement to Independent Accountant's Report
Agreed-Upon Procedures and Findings

The procedures and associated findings are as follows:

- Obtained bank statements and bank reconciliations from January 2019 through August 2019. Reviewed the bank reconciliations for any unusual reconciling items and traced the clearing of reconciling items to subsequent clearing in the following month's bank statements.

Findings and Comments:

- January 2019 Reconciliations:
 - Account #7253: A check to C & A Builders dated 10/06/16 still reported as outstanding. This was voided 02/28/19 (28 months later). Checks outstanding for more than six months should be investigated and either voided or reissued. Check #1576 to Compound Security Specialist for \$13,371.95 was dated 12/31/2018 and based on notes to the related invoices, the check was to be held and it did not clear the bank until March 12, 2019. The correct accounting should have been to add the \$13,371.95 to accounts payable as of 12/31/18, and not write the check until the amount was ready to be paid.
 - Account #4416: A \$6,353.92 reserve transfer recorded in the books 01/31/19 as a check but was not actually transferred until 03/11/19. Bank account transfers should only be recorded when they occur.
 - Account #4432: A \$6,353.92 reserve transfer recorded in the books 01/31/19 as a deposit but was not actually transferred until 03/11/19. Bank account transfers should only be recorded when they occur.
 - Account #2565: Insurance checks totaling \$17,620.00 were recorded as a deposit on 12/31/18 in the books but these checks were not received/issued/deposited until February 2019. These amounts should not have been recorded as a deposit but should have been entered as a receivable from the insurance company. This overstated year-end cash.
 - Account #7500: No bank statement provided with reconciliation.
- February 2019 Reconciliations:
 - Account #7253: The book balance per the reconciliation was \$14,077.94, however the actual balance per the general ledger was \$705.99. The difference was \$13,371.95, check #1576 dated 12/31/18, that was not included in the reconciliation. See comment above about this same check.
 - Account #4264: No bank statement provided with reconciliation.
 - Account #7500: No bank statement provided with reconciliation.

Flintrock at Hurst Creek Property Owners Association, Inc.
Lakeway, Texas

Supplement to Independent Accountant's Report
Agreed-Upon Procedures and Findings
(continued)

- Account #4416: A \$6,353.92 reserve transfer recorded in the books 02/28/19 as a check but was not actually transferred until 03/11/19.
- Account #4432: A \$6,353.92 reserve transfer recorded in the books 02/28/19 as a check but was not actually transferred until 03/11/19.
- March 2019 Reconciliations:
 - Account #4416: Check #56 issued 03/18/19 for \$2,000.00 still outstanding as of 08/31/2019.
- April 2019 Reconciliations:
 - Account #4416: \$17,620 was deposited twice (first 02/20/19 then second time 03/28/19). The 03/28/19 was returned by the bank in April. The correcting entry for this original was debited to #43120 Returned Items NSF Fee Expense. Then 06/30/19 this was moved out of this expense account to #53500 Insurance Claim Expense.
- May 2019 Reconciliations:
 - Account #4440: The book balance per the reconciliation was \$24,312.27 however the actual general ledger balance was \$22,812.27 (difference of \$1,500).
- June 2019 Reconciliations:
 - Account #4440: The book balance per the reconciliation was \$24,324.46 however the actual general ledger balance was \$22,824.46 (difference of \$1,500).
- July 2019 Reconciliations:
 - Account #4416: A \$10,426.00 transfer recorded in the books 07/25/19 as a check and is still outstanding as of the 08/31/19 statement.
 - Account #4432: A \$10,426.00 transfer recorded in the books 07/25/19 as a deposit and is still outstanding as of the 08/31/19 statement.
 - Account #4440: The book balance per the reconciliation was \$30,500.84 however the actual general ledger balance was \$29,000.84 (difference of \$1,500).
- August 2019 Reconciliations:
 - Account #7253: Account was closed.
 - Account #4416:
 - The book balance per the reconciliation was \$213,821.01 but the actual balance in the general ledger was \$212,821.01 (difference of \$970).

Flintrock at Hurst Creek Property Owners Association, Inc.
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Supplement to Independent Accountant's Report
Agreed-Upon Procedures and Findings
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- “Deposits in Transit” per reconciliation includes two “negative” deposits labeled as payment reversals.
 - “Deposits in Transit” per reconciliation includes a \$1,500 deposit dated 07/30/19.
 - There is a check that has been outstanding since 03/08/19.
 - “Outstanding Checks” per the reconciliation summary is \$21,113.62 but the supporting schedules total \$21,823.62 (difference of \$710.00).
 - “Unreconciled Debit JEs” contain two journal entries dated 07/25/19 titled “Bank Transfer” for \$10,426 and \$88.91 were still outstanding as of 08/31/19.
 - Account #6043: Account was closed.
 - Account Morgan Stanley: On the reconciliation, there are “Deposits in Transit” and “Outstanding Checks” totaling \$526.41 each outstanding since 06/30/2019. It appears these are offsetting entries and should have been cleared in June.
 - Account #4432: There are two “Unreconciled Debit JEs” dated 07/12/19 and 07/16/19 of \$200.00 each. These were still outstanding as of 08/31/19.
 - Account #2565: Account was closed.
 - Account #6167: Account was closed.
- Obtained a listing of adjusting journal entries made for January 2019 through August 2019. Reviewed the adjusting journal entries for any unusual entries.

Findings and Comments:

- The description “Book Adjustment” is used frequently. We recommend that more descriptive explanations be used on all adjusting journal entries.
- Overall, there does seem to be a large number of reclassification entries for corrections of account coding and/or fund classifications. Multiple adjusting entries makes for difficult tracing of transactions. We recommend that controls be put in place to help insure proper classification at the time of recording.
- Several adjusting journal entries to cash were recorded for transfers between bank accounts well before the transfers were actually made. Adjusting journal entries to cash should be entered only when the transaction has occurred.
- No other large or unusual adjusting journal entries were noted.

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Supplement to Independent Accountant's Report
Agreed-Upon Procedures and Findings
(continued)

- Obtained a general ledger print out from January 2019 through August 2019. Made a cursory review of activity for any unusual or misclassified entries.

Findings and Comments:

- Reimbursements for repairs are not consistently treated. Sometimes reimbursements are credited to Other Income and sometimes credited against repair expense. Recommend that the Association determine how they would like these reimbursements accounted for and consistently treat them that way.
- See comment above under Bank Reconciliations: January 2019: Account #2565.
- As noted above, large numbers of adjusting journal entries for corrections makes it difficult to trace transactions.
- The allocation to the reserve fund is not being made consistently on a monthly basis.
- When the cash account #6043 (a reserve account) was closed, the money went into an operating account instead of a reserve account.