

**ASSOCIATION OF UNIT OWNERS OF KIHEI KAI NANI**  
**BOARD OF DIRECTORS MEETING**

DATE: WEDNESDAY, JANUARY 23-2019  
PLACE: DESTINATION MAUI, INC., Conference Room  
380 HUKU LI'I PLACE, SUITE 103, , KIHEI, HI  
TIME: 9:00 a.m. (HST)

**OPEN SESSION AGENDA**

- 1. Roll Call and Determination of Quorum - DMI**
- 2. Call to Order by President – Ethel**
- 3. Reading of Certificate of Notice of Meeting - DMI**
- 4. Approval of Meeting Minutes** from meeting held on October 10, 2018
- 5. Homeowners Open Forum**
- 6. Officer's Report**
  - a. **President's Report** - Ethel
  - b. **Treasurer's Report** – Financial Snapshot – Jose
  - c. **Secretary's Report** – DiAnne
- 7. Committee Reports:**
  - a. Re-Roof Committee - Jeff
  - b. Site Manager – Johnny
  - c. Landscape Committee – Pat
  - d. Website - Wayne
- 8. Unfinished Business**
  - a. Inspections Continue on Hi Risk Components, progress- Building 1-8 finished.
    - a. Charges of \$85 with results being sent to owners.
  - b. Re-roof office-building plans.
  - c. . Ratification of board actions.
    - a. replace water heater in unit 118
    - b. Ramp at building 7 installation
    - c. New south side well pump and north side Pressure switch \$7836.25
    - d. Approve base fee payment on 2" water meter for Lot 1A  
Aug. 17 to Dec.2018 of \$2,242.23
- 9. New Business**
  - a. Lot 1A, 2 inch water meter. Remove or keep.
  - b. House Rule changes, House rule fines,
  - c. Walking Deck repair 343
  - d.. Increase laundry machine fees
  - e,. Electronic voting
  - f. Portable air-conditioners in bedrooms. Noise
  - g. Audit Report
- 10. With no further general business to go before the Board Meeting Adjourns to Executive Session (if needed)**
- 11. Meeting Adjourns**

**“DRAFT”**

**ASSOCIATION OF APARTMENT OWNERS OF  
KIHEI KAI NANI  
BOARD OF DIRECTORS MEETING  
October 10, 2018**

**DIRECTORS PRESENT:** Ethel Belway, President; Barry Ewing, Vice President; DiAnne Durossette, Secretary; José Placencia, Treasurer; Wayne Braid, Patricia Hoskin, Jeff Kern, Directors.

**OTHERS PRESENT:** Johnny Johnson, Site Manager; Rena Tamura, Account Executive, Destination Maui, Inc.; Sue Linder, Recording Secretary, Aloha Office Services.

**OWNERS PRESENT:** Cindy Kern (101, 207, 217); Bette Belanger; Carol Nowlin; Carol Esierloh; Scott Harvey (363).

**CALL TO ORDER:**

The Board of Directors Meeting was called to order at 9:00 a.m. at the offices of Destination Maui, Inc., 380 Huku Li'i Place, Suite 206, Kihei, Maui, Hawaii. A quorum was established.

**CERTIFICATION OF MEETING NOTICE:**

Notice of the Meeting was emailed to all Directors of record, filed in the office of the Managing Agent and posted on property in accordance with the Hawaii Revised Statutes.

**APPROVAL OF PREVIOUS MINUTES:**

**Motion:**        *To approve the minutes of the Board of Directors Meeting dated April 18, 2018 as presented. (Ewing/Placencia)*

**CARRIED** unanimously.

**REPORTS OF OFFICERS:**

**President's Report**

President Belway presented her written report, highlighting the following items:

- The KKN Rental Pool has moved out of the KKN office. The office pool was not making enough commissions to pay their expenses because of the new trend that owners are renting through Airbnb and Home to Go.
- Three (3) hurricanes have passed by Maui during the last two months. KKN has not sustained any damage or flooding from the storms. Our manager stayed on property during the storms to be ready for any emergency that would occur. Other areas of the island experienced damage, flooding and fires.
- The trees and overgrown foliage were trimmed on Lot 1A as the previous owners had not done any landscaping.
- A ramp was installed by the side of the stairs of Building 7 to enable the golf carts to carry supplies to Buildings 6 and 7.

- The trees overhanging the driveway and mansards were trimmed before the hurricane.
- The installation of new light fixtures at each unit entrance was completed. The new fixtures take LED bulbs that will increase the light in the entrances and reduce house lighting electrical costs.
- Unit 118, which is owned by the Association, was upgraded after the previous tenants vacated. A new stove and microwave were installed and the unit was painted.

#### Treasurer's Report

Treasurer Placencia presented his report. As of September 30, 2018 the Association over-spent by \$6,400 which was due to the rental. By the end of November, the Association will be inline or under-spent.

#### Secretary's Report

Secretary Durossette reported that the newsletters have been completed and new information has been posted on the website.

### **COMMITTEE REPORTS:**

#### Re-Roofing Committee

Mr. Kern reported receipt of bids for the re-roofing of the Office Building but have yet to receive bids for the Rafter System to incorporate the solar feature. The committee is working on obtaining bids.

#### Landscape Committee

Ms. Hoskin reported the following items:

- The forms which were previously created for landscaping jobs will continue to be used.
- Owners are encouraged to participate in the program with the three (3) approved plants which are Pikake, Ti, and Ginger.
- The front door lights at the office were replaced due to rotting.
- A fire glass safety door was installed at the office.
- A new maintenance person has been hired and is performing well.
- The dryer has not been fixed due to the to the inability to find the correct replacement belt for the machine.

#### Website Committee

Mr. Braid stated that the website has received 2,865 visits in total with 318 visits per month and favorable feedback.

### **OTHER REPORTS:**

#### Site Manager's Report

Mr. Johnson provided his report which highlighted the following items:

- The property was prepared for Hurricanes Lane and Olivia with no damage reported.
- A new computer was purchased for the front office.
- Unit #118 was painted and is ready for new tenants. In addition, a new stove/microwave was purchased and the previous unit disposed. The drapes were cleaned.

- Bids have been requested for the roofing of the office building. The project has been rescheduled for next year.
- The trees along the driveway have been trimmed.
- Spalling work has been completed on the lanai of Unit #268.
- A wooden bench has been added by the laundry room in memory of Larry Lowery.
- Aloha Waste is the trash disposal vendor effective the end of September.
- A golf cart was donated by Kihei Akahi and with minor repairs, is now operating. This golf cart will replace the old cart that broke and could not be repaired.
- Rising Sun Solar will do an evaluation of the solar system/
- A report was submitted that there is a roof leaking into unit #244 from the walking deck of unit #343.

### **OLD BUSINESS:**

#### **Inspections on High Risk Components**

Mr. Johnson stated that inspections have been completed on two (2) additional buildings and up to unit 5 is finished. The company ceased due to the hurricanes but will continue working on the project until completed.

#### **Lot 1A Landscaping, Fencing, and Reduction of Taxes**

A letter was received stating that the Association owes \$5,028 in back taxes (\$4,739 plus interest penalty). President Belway advised DMI to pay the taxes prior to August 20, 2018 to avoid additional penalties. Lot 1A is now part of the common element so the taxes for Lot 1A is included in each unit's taxes.

**Motion:**        *To speak with the Escrow Company involved in the sale of Lot 1A and request payment of the previous taxes owed on the property. (Ewing/Braid)*

**CARRIED** unanimously.

#### **Smoking Policy Amendment Passed/Vote on Signage**

The smoking policy was passed and a sign will be posted to indicate that Kihei Kai Nani is a non-smoking property. Guests will be advised of the designated smoking areas.

**Motion:**        *To approve the new green sign stating, "This is a Non-Smoking Property" with the House Rules as attached. (Kern/Hoskin)*

**CARRIED** unanimously.

#### **New Office Computer Purchase**

**Motion:**        *To ratify the Board's approval to purchase a new office computer. (Placencia/Kern)*

**CARRIED** unanimously.

**NEW BUSINESS:**

2019 Budget

Treasurer Placencia reviewed the proposed 2019 budget as follows:

- Increase in operations mainly due to an increase of 14% in the insurance expense.
- The coupon is increasing by \$9.
- Reserve expenditures are \$360,315 and include walking deck, contingency, two (2) large dryers installed in the laundry room, asphalt and sealing and installation of the office building roof.

**Motion:**            *To ratify the Board's approval of the 2019 Budget as presented.  
(Placencia/Kern)*

**CARRIED** unanimously.

Re-roof Office Building

**Motion:**            *To ratify the Board's approval of the plans for the re-roofing of the  
office building and to accept the contract with the architect at the  
cost of \$4,000 and \$1,500 for new drawings. (Placencia/Kern)*

**CARRIED** unanimously.

House Rule Changes regarding Flags and Comfort Dogs

The Board reviewed changes to the House Rules including:

- Change "service" to "emotional support" animals per state requirements.
- Change handicap to disabled.
- Add that service dogs must not be left alone in the apartment.
- Change "certified" to "service".
- Kihei Kai Nani is a smoke free property.
- Change the blind size to 8 x 8 feet as the 8 x 6 feet are no longer available.
- Resident Manager changed to Site Manager.
- Add any light fixtures on the lanai must be matched with the existing style and replaced with a white or opaque globe.
- Objects such as signs and flags shall not be hung from windows or lanai railings.
- Fines will be discussed at the next meeting.

**Motion:**            *To ratify the Board's approval of the House Rules with changes as  
discussed. (Placencia/Hoskin)*

**CARRIED** unanimously.

Rental Contract for Unit 118

The Association has engaged in a rental contract for Unit 118 with Amira Lockwood for \$1,700 a month for a one-year lease.

**Motion:** *To ratify the Board's approval for the rental contract of Unit #118.  
(Placencia/Durossette)*

**CARRIED** unanimously.

**Parking Passes and Registration**

Mr. Kern stated that guests of short-term rentals (one (1) and two (2) days) are not able to register their vehicle(s) and the guards are issuing parking passes as long as the guests give them their paper work for the rental. A suggestion was made to have the owners distribute the passes for short-term rentals upon arrival.

**Posting Bylaws and Governing Documents on the Website**

Mr. Braid suggested that a direct link to the DMI website be posted to indicate a Bylaw amendment.

**Walking Deck Repair**

**Motion:** *To accept the proposal from Nielsen Construction Company for  
\$28,685.66. (Kern/Placencia)*

**CARRIED** unanimously.

**Increase in Laundry Fees**

**Motion:** *To increase the fees for the small dryers to \$1.50 for thirty (30)  
minutes and the larger dryers to \$0.25 for five (5) minutes.  
(Kern/Braid)*

**CARRIED** unanimously.

**Electronic Voting**

Mr. Braid suggested that all homeowners be allowed to vote online and noted that a software program called Quorum is available for this function. President Belway requested that Mr. Braid research the software program for presentation to the Board. Ms. Tamura will also investigate the legalities involved in allowing owner to vote electronically.

**OWNERS' FORUM:**

- 1) Carol Nowlin stated that the dumpsters have been placed behind her unit from the adjoining complex and she has noticed rodents and cockroaches with the lids being slammed constantly. This issue was brought to President Belway's attention and the County will do a full inspection of the site. Ms. Tamura has spoken to the account executive for the complex and will further investigate.

- 2) A homeowner suggested that the newsletter include a reminder that the batteries in the door lock need to be checked and changed. She requested that the rusted air conditioners be removed and that the banana trees not be cut down.

**RECESS TO EXECUTIVE SESSION:**

The meeting was recessed to Executive Session at 11:44 a.m. The regular meeting was reconvened at 12:15 p.m.

**ADDITIONAL ITEM:**

Wage Increase

**Motion:**        *To ratify the Board's approval to increase the fees wages for all employees by 2.5%. (Kern/Braid)*

**CARRIED** unanimously.

**ADJOURNMENT:**

The meeting was unanimously adjourned at 12:26 p.m.

Respectfully submitted,  
Sue Linder  
*Aloha Office Services*  
Recording Secretary

Approved for distribution by \_\_\_\_\_.

Kihei Kai Nani  
Managers Report  
Recap of 2018

1. This is just a partial list of projects and repairs over the past year.

We have changed all the lighting throughout the property to LED Big savings.

2. We have repaired some major ground light shortage building #2
3. There has been 4 new dryers installed in the laundry they are electric.
4. We have added another surf board storage and moved them both to lot 1-A area.
5. We have replaced all but one of the old wooden pick nick benches with new plastic ones.



6. We have had all of the large trees on the property trimmed to include Lot 1-A.
7. We have had 4 coconut palms removed and replaced.
8. We have replaced 2 hand rails one at the back stairs building #6 the other is leading to building #10
9. We have added 2 new cement walkways one to building #10 the other to building #7
10. We have replaced part of the part of the main gas line to the laundry room dryers.
11. We have replaced 4 old papaya trees with new ones.
12. Unit #118 association owned unit has been painted inside a new microwave, new stove and a new water heater has been installed and is now rented to a new tenant

13. We have gotten ready for both Hurricane Lane and Olivia they were close but no damage .
14. There has been Spalding work done on for of the buildings for cracks on the Lanais
15. I have added a new bench at the east end of the laundry with a plaque for Larry Lowery.
16. We have changed from Maui Disposal to Aloha waste at a big savings.
17. I have replaced the front door to the office building.
- 18.

Ethel [redacted] - Thu, 01/17/19 07:55:21 -1000

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**From:** [redacted]  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** Re: Water Meter for Lot 1A  
**Date:** Thu 01/10/19 10:37 AM

Aloha,

I vote to remove the water meter it could be years before we decide on what to put on Lot1A. Will save lots of money!

Mahalo,  
DiAnne

-----Original Message-----

[redacted] in

Sent: Thu, Jan 10, 2019 11:02 am  
Subject: Water Meter for Lot 1A

Aloha Board,

As some of you may know or not, the former owner of Lot 1A Mr Beily installed a 2 inch water meter before he sold the lot to Victory Development to shew that Lot 1 A had water as an enticement to sell the property. Since Victory Development didn't investigate before they bought if the lot had water to it, they were surprised when the topic came up. Right now the 2 inch water meter is not being use but since we bought the property and it is incorporated into our common element, it has become our responsibility to pay the water department the base fee.

There is a charge for August 2017 to December 2018 of \$2,242.23, which will be billed to us. If we keep the water meter installed there will be a base charge of \$137 a month for the water meter.

I called the water department and they said there is no fee to remove it. If it was to be installed in the three years following the removal the installation fee would be \$190. After that it could be more expensive.

I talked with a Water Department engineer about changing our existing 1 1/2" water meter for KKN to the 2" water meter and he does not see any benefit to that change. I also talked to Andy and he said the same thing.

I need a vote:

Do we remove the 2 " water meter to save us money on the base fee since it is not being used?

Ethel

[redacted] - Thu, 01/17/19 07:55:21 -1000

[REDACTED] - Thu, 01/17/19 08:12:07 -1000

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**From:** [REDACTED]  
**To:** [REDACTED]  
**Subject:** Phone Call Follow Up\_Water Meter Issue  
**Date:** Tue 01/08/19 02:45 PM

Hi Ms. Belway,

Per our phone conversation yesterday (1/7/2019), you have questions regarding the existing but no consumption 2-inch water meter which is for Parcel Lot 1A (TMK: 2-3-9-020:032). You also mentioned that there is a 1-1/2" water meter is serving the parcel with TMK 2-3-9-020:003 currently, and you would like to request to use the 2-inch water meter to serve the parcel in lieu of the 1-1/2" water meter.

Per my research, the parcel 032 was dropped into the condo master to the parcel TMK 2-3-9-020:003 based on the RPT office records. Thus, you are acceptable to use the 2" water meter to serve the parcel, and please fill up the Application for Water Service (see attached) so that we can update the TMK number for the 2" water meter in our system. Please fill up the line with the check mark as much as you can.

However, I don't see any benefit that not keeping 1-1/2" water meter. Do you have any particular reason that considering not keeping the 1-1/2" water meter?

If you have any additional questions, please feel free to let me know. Thank you.

Rongchao Bi,  
Civil Engineer III  
County of Maui  
Department of Water Supply, Engineering Division  
Phone: (808) 270-7940  
Email: [Rongchao.Bi@co.maui.hi.us](mailto:Rongchao.Bi@co.maui.hi.us)

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**Attachment: [Save View](#)**

Name: Attachment 16 - Water Service Application Check Marks.pdf  
Type: application/pdf

[REDACTED] - Thu, 01/17/19 08:12:07 -1000

## **KIHEI KAI NANI CHECKLIST FOR UNIT UPGRADES**

**Updated May, 2015**

*NOTE: Any repair or remodel work done to an individual's unit that is in excess of \$5,000 in labor and/or materials requires a Maui County building permit.*

Should you decide to do some extensive remodeling inside your unit, please remember the following:

1. Work hours are from 9:00 a.m. to 6:00 p.m.
2. Sundays are quiet days. Use of power tools and loud pounding are not allowed on Sundays.
3. Make your own plans for debris disposal. Do not use our complex dumpsters.
4. Owner's employees and or subcontractors are not allowed to use other common facilities, pool or laundry room.
5. No construction materials to be left exposed on property during construction.
6. Contractors coming on property must notify the office which unit they will be working in and the approximate length of time.
7. If construction work requires approval, that approval must be obtained before contractor begins work. If approval is not obtained, contractor cannot begin work until approval is issued to the owner.
8. Debris and discarded appliances must not be placed in the Association's dumpsters or common areas.
9. Waste materials from concrete, paint, grout, Thinset etc. may not be disposed of on KKN property or poured down drains inside units. This includes washing of paint brushes.
10. To temporarily place items/debris in a common area, a written approval must be attained from the Site Manager.

### **General Rules:**

In general any request for exception to the KKN condominium rules must comply with the Kihei Kai Nani Horizontal Property Regime condominium rules which state that any **“change must conform in continuity, color and appearance.”** Any exception must also meet the following criteria:

1. Any change must be safe and pose no increased risk to the health and safety of anyone on KKN property. It cannot be detrimental to the use and enjoyment of the other KKN units or common areas.
2. Any change to a structural building common element must be designed by a licensed structural engineer and approved by the KKN Board of Directors. Owner must obtain required building permits and inspections, including final inspection. Completed copies of permit cards and plans must be submitted to Board.

3. Owners who make changes which impact the exterior of the building are responsible for all expenses associated with restoring the building to original or better condition. These changes must comply with current Maui County Building Codes.
4. All engineering or permit costs required are the responsibility of the owner.
5. The owner must sign a legal document,( Agreement-II) consisting of 4 pages, which binds him/her, heirs, and assignees to maintain any improvements and comply with these procedures.

**Air Conditioners:** For approved location, see lists attached.

1. Only one air conditioner per unit will be approved. If owners want air conditioners in both their living room and bedroom areas, a “split air conditioner” can be installed. Consult the Site Manager before doing this.
2. Only an approved low noise model (45 dB max) may be installed. You must install it in the approved area for your building.
3. It is recommended that air conditioners be installed in the living room be installed in the window on the kitchen side of the unit. The electrical circuit on the opposite wall cannot handle any load in excess of the a/c, (Example: a hair dryer used in the bathroom while ac is running will cause the breaker to trip.)
4. You must have it professionally installed. The unit must be inside your unit and should not project out from the building more than an approved distance.
5. Loud and malfunctioning air conditioners may not be used.
6. Air conditioning units must be installed with drain into existing downspout.

**Change to Structural Walls:**

1. Any work which involves cutting an existing, solid wall or enlarging any opening requires the design and supervision of a licensed structural engineer as well as an architectural rendering of the proposed change. These shall be presented to the KKN Board of Directors before approval. This usually requires a vote by all homeowners if a common element is involved.
2. All required permits, engineering study, and architectural design shall be obtained at the owner’s expense and posted prominently.
3. Work shall be done expeditiously and the owner shall post bond, which will cover any possible damage or work left undone, or if the work continues beyond the designated time. The owner shall agree to daily fines if the work is not completed within a reasonable amount of time as specified by the committee. The amount of the bond shall be determined by the KKN Board of Directors.

**Lanai Tiles:**

1. For 2<sup>nd</sup> and 3<sup>rd</sup> floor units soundboard with a minimum STC 20 II rating or an equivalent (or better) sound barrier must be installed.

2. The tile you install is considered outdoor tile and is white or neutral in color.
3. The tile is slip resistant, high density with a low absorption rate of 5% or less.
4. A sealer on the spalling should be applied before tiling with thinset. Each tile must be fully grouted to avoid air spaces.
5. The end tiles (along the outer edge of the lanai) should be true end tiles and not field tiles. Or as an option, if trim tile is not used, the end tile must be set back from the edge at least 1". See attached drawing.
6. Bull nose tile or cut field tile creating a cap out, over and down the outside edge of the concrete must be fully and neatly grouted. See attached drawing.

**Lanai Carpet:** Only an approved indoor/outdoor carpet in a neutral color may be used to carpet the lanai floor.

**Lanai Blinds:** Roll-up shades for bright sun exposure will be considered, but permission to install them should be obtained before purchase. One or two beige sunscreens a maximum of 8' x 6' are allowed. Care must be taken when installing wedge anchors and hooks into the concrete slab above to avoid fracturing the concrete. Drill holes a maximum 1" depth using a ¼" drill bit, at a minimum 1-1/2" away from concrete edge. See attached drawing.

**Lanai Furniture:** Please refer to KKN House Rules on this topic.

**Lanai Storage Lockers:** Please refer to sample plans for building specifications.

1. All framing lumber shall be pressure treated Douglas fir footboard 1,500 psi.
2. All plywood shall be ¾" ACX. P.T.
3. All exposed screws shall be brass or stainless steel. Matched paint (flat or semi-gloss) will be furnished by KKN. All hardware shall be painted.
4. Locker doors shall be kept in closed position when not in use.
5. No deviation shall be permitted without the expressed written consent of the Kihei Kai Nani Board of Directors.
6. Adjustable shelving is recommended for the interior of the locker.
7. Locker to be mounted on the wall opposite of the light and reroute EL box if necessary to outside from of new locker.
8. Locker shall go from floor to ceiling.

**Walking Sundeck Lanais:** Please refer to the KKN House Rules on this topic.

The owner must diligently guard against any abrasion, or puncture risks to the waterproof membrane. The approved neutral indoor/outdoor carpet or similar product may be used on the floor surface, but will not be attached. No appliances, wiring, piping, or non-approved structures will be allowed. These decks are the waterproof membrane for the units below and as such must be protected from wear and damage.

**Interior Tiling:** It is required that soundboard with a STC 20 II C rating or better be installed between the concrete and ceramic tile on all 2<sup>nd</sup> and 3<sup>rd</sup> floor units. You may be asked to provide a photo of the installed soundboard prior to tile installation.

**Windows and Screens:** These shall remain in the style as originally built. Windows may not be altered with a tinting process. Approved windows for replacement can be found of KKN AOAO website.

**Windows Coverings:** All window coverings such as draperies will have a white lining which faces out so that there is a uniform look throughout the property.

**This checklist covers the basic upgrading any owner may wish to do. Should there be other upgrading projects, which involve a common or limited common element of the property, please seek approval from the Board. The House Rules and By-Laws were developed in the interest of ALL owners, keeping in mind safety, aesthetics, and structural integrity.**



## **List of Approved Air Conditioner Locations**

Note: Only one A/C per unit is allowed. Air conditioners should be installed in window on the kitchen side of unit.

**Building 1:** Living room lanai window.

**Building 2:** Bedroom window. Units 106 and 206 also allowed end wall facing parking lot.

**Building 3:** Living room lanai window.

**Building 4:** Living room lanai window.

**Building 5:** Living room lanai window.

**Building 6:** Units 151 and 251, end wall windows. All other units living room lanai window.

**Building 7:** Living room lanai window.

**Building 8:** Living room lanai window. Units 163, 263 and 363 may also use end wall window.

**Building 9:** Living room lanai window. Units 175, 275 and 375 may also use end wall window.

**Building 10:** Living room lanai window. Units 169, 269 and 369 may also use end wall window.

**Building 11:** Living room lanai window.

**Building 12:** Living room lanai window.

**Building 13:** Living room lanai window.

**REQUEST OF KKN UNIT UPGRADE**

I, \_\_\_\_\_, the legal registered owner of Unit \_\_\_\_\_,  
Building \_\_\_\_\_, on this date \_\_\_\_\_, do hereby formally request permission from the Board  
of Directors and/or a representative of the Board of Directors to do the following upgrade(s):

- Air Conditioner \_\_\_\_\_
- Interior tile in 2<sup>nd</sup> or 3<sup>rd</sup> floor Unit \_\_\_\_\_
- Lanai Tiles \_\_\_\_\_
- Lanai Carpet \_\_\_\_\_
- Lanai Blinds \_\_\_\_\_
- Lanai Storage Locker \_\_\_\_\_
- Changes to Structural Walls \_\_\_\_\_
- Other \_\_\_\_\_

Describe work to be done, conforming to the Kihei Kai Nani Non-Material Improvements Checklist for  
upgrade(s):

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\_\_\_\_\_ I have read and understand the KKN House Rules and KKN Checklist for Unit Upgrades.

\_\_\_\_\_ I have provided my contractor with a copy of the KKN Checklist for Unit Upgrades.

\_\_\_\_\_  
Owner Signature

\_\_\_\_\_  
Date



**Approved by:** \_\_\_\_\_  
**Site Manager**

\_\_\_\_\_  
**Date**

**Final Review:** \_\_\_\_\_  
**Site Manager**

\_\_\_\_\_  
**Date**

Dear Kihei Kai Nani Homeowners:

When fellow homeowners make the decision to upgrade their unit(s), we are always pleased!

In order to help you in your approved upgrade, we have assembled a packet of general information and guidelines. This attached packet includes:

1. **Request for Unit Upgrade:** Please complete this form and return it to the KKN office.
2. **Kihei Kai Nani Checklist for All Unit Upgrades:** Please read and abide by directions for all upgrades you wish to make.
3. For those wishing to install air conditioners, please see attached **Kihei Kai Nani Approved Air Conditioners and List of Approved Air Conditioner Locations**. Other low-noise models will be considered.
4. **Agreement II.** If required, this legal document **must be completed and signed by all parties. The owner will sign, complete his portion, and return it to the KKN office.**

When all papers are in order, you will receive a **signed confirmation** that your proposed work is approved. Copies of all documents will be filed in your permanent unit file.

Thank you for your cooperation in following the procedures we have outlined. Whenever you make an improvement, the entire complex benefits!

**KIHEI KAI NANI BOARD OF DIRECTORS**  
**UPDATED: May, 2015**

August 5, 2018

To the Board of Directors of  
The Association of Apartment Owners of Kihei Kai Nani

We have audited the financial statements of Association of Apartment Owners of Kihei Kai Nani for the year ended November 30, 2017, and have issued our report thereon dated August 5, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

*Business Advisory Comment:* During the course of our audit, certain items came to our attention that did not rise to the level of a material weakness or a significant deficiency but we feel warrant attention to the Board of Directors as business advisory comments.

- We noted in revenue testing no contractual agreement exist regarding the rental of the office on the premises to an outside entity. We recommend avoiding verbal agreements such as this and maintaining adequate documented contracts to properly substantiate all transactions.
- Upon our review of the Association's debt, we noted payments were not being separating between principle and interest payments according to the amortization schedules. Rather, the total payment is being applied to the principle balance each month with nothing allocated to interest expense. We have suggested the correcting adjusting entry, and suggest regular monitoring of payment schedules for accuracy to ensure the correct amounts are being applied to the principle and interest amounts.
- We noted a board member is reviewing bank statements which is a very good internal control. A level of control to include in that review is the review of cancelled checks or copies of cancelled checks. We recommend the board investigate a way that would allow a board member to include the copies of cancelled checks in their review of transactions to prevent any errors or unauthorized disbursements. It is also a way for the board member to verify the vendors which are being paid from the Associations accounts.
- We noted the final payroll for fiscal year was not properly accrued. We recommend management review all payroll reports at each period end and make sure the proper accrual is recorded.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Association of Apartment Owners of Kihei Kai Nani are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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310 Ohukai Road, Suite 305 – **Kihei**, Hawaii 96753  
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- The Allowance for doubtful accounts estimate is appropriate compared to the related accounts receivable balances but should be evaluated on a continuing basis.
- Management's estimate of accumulated depreciation is based on the useful lives of capitalized assets. We evaluated the key factors and assumptions used to develop the useful lives and determined it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of future major repairs and replacements in the notes to the financial statements. The disclosure describes the Association's responsibility to meet State requirements with respect to future major repairs and replacements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 5, 2018.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### *Supplementary Information Accompanying the Audited Financial Statements*

This information is intended solely for the use of management and the Association of Apartment Owners of Kihei Kai Nani and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

*Carbonaro CPAs & Management Group*

**ASSOCIATION OF APARTMENT OWNERS OF  
KIHEI KAI NANI**

**AUDITED FINANCIAL STATEMENTS  
(With Independent Auditors' Report)**

**FOR THE YEAR ENDED NOVEMBER 30, 2017**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Association of Apartment Owners  
Kihei Kai Nani  
Kihei, Hawaii 96753

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Association of Apartment Owners of Kihei Kai Nani, which comprise the balance sheet as of November 30, 2017, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association of Apartment Owners of Kihei Kai Nani as of November 30, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Repairs and Replacements on pages 12-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Carbonaro CPAs & Management Group*

Wailuku, Hawaii  
August 5, 2018



**Association of Apartment Owners  
Kihei Kai Nani  
Balance Sheet  
As of November 30, 2017**

**ASSETS**

	2017		
	Operating	Reserves	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents (Note 2)	\$ 406,706	\$ 662,542	\$ 1,069,248
Accounts Receivable, Net of Allowance (Note 2)	200,046	-	200,046
Prepaid Expenses	21,166	-	21,166
Interfund Balance	(1,897)	1,897	-
<b>Total Current Assets</b>	<b>626,021</b>	<b>664,439</b>	<b>1,290,460</b>
<b>PROPERTY AND EQUIPMENT (Note 2)</b>			
Land (Note 9)	1,500,000	-	1,500,000
Unit 118	32,894	-	32,894
Photovoltaic Panels	112,165	-	112,165
Less Accumulated Depreciation	(49,719)	-	(49,719)
<b>Net Property and Equipment</b>	<b>1,595,340</b>	<b>-</b>	<b>1,595,340</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,221,361</b>	<b>\$ 664,439</b>	<b>\$ 2,885,800</b>

**LIABILITIES AND FUND BALANCES**

<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 26,158	\$ -	\$ 26,158
Accrued Payroll Liabilities	13,712	-	13,712
Prepaid Owner Assessments (Note 2)	41,379	-	41,379
Current Portion of Note Payable (Note 10)	71,926	-	71,926
<b>Total Non-Current Liabilities</b>	<b>153,175</b>	<b>-</b>	<b>153,175</b>
<b>NON - CURRENT LIABILITIES</b>			
Long Term Debt (Note 10)	367,282	-	367,282
<b>TOTAL LIABILITIES</b>	<b>520,457</b>	<b>-</b>	<b>520,457</b>
<b>FUND BALANCES (Note 2)</b>			
Reserve Fund (Note 3)	-	664,439	664,439
Operating Fund Balance	1,700,904	-	1,700,904
<b>Total Fund Balance</b>	<b>1,700,904</b>	<b>664,439</b>	<b>2,365,343</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,221,361</b>	<b>\$ 664,439</b>	<b>\$ 2,885,800</b>

**Association of Apartment Owners  
Kihei Kai Nani  
Statement of Revenues, Expenses, and Changes in Fund Balances  
For the Year Ended November 30, 2017**

	2017		
	Operating	Reserves	Total
<b>REVENUES</b>			
Maintenance Assessments	\$ 876,231	\$ 283,149	\$ 1,159,380
Special Assessment (Note 9)	1,521,500	-	1,521,500
Other Income	58,799	-	58,799
Interest Income	900	2,836	3,736
Total Revenues	<u>2,457,430</u>	<u>285,985</u>	<u>2,743,415</u>
<b>EXPENSES</b>			
Reserve Expenditures (Note 11)	-	316,673	316,673
Utilities	271,506	-	271,506
Payroll	223,735	-	223,735
Repairs and Maintenance	217,113	-	217,113
Professional Fees	72,260	-	72,260
Management Fees (Note 4)	60,523	-	60,523
Employee Benefits	42,182	-	42,182
Insurance	33,070	-	33,070
Administrative	32,542	-	32,542
Taxes	26,270	-	26,270
Bad Debt	14,697	-	14,697
Depreciation	5,608	-	5,608
Interest	9,139	-	9,139
Supplies	289	-	289
Total Expenses	<u>1,008,934</u>	<u>316,673</u>	<u>1,325,607</u>
<b>Changes in Fund Balances</b>	<b>\$ 1,448,496</b>	<b>\$ (30,688)</b>	<b>\$ 1,417,808</b>
Fund Balances, Beginning of the Year	<u>252,408</u>	<u>695,127</u>	<u>947,535</u>
Fund Balances, End of the Year	<u><u>\$ 1,700,904</u></u>	<u><u>\$ 664,439</u></u>	<u><u>\$ 2,365,343</u></u>

**Association of Apartment Owners  
Kihei Kai Nani  
Statement of Cash Flows  
For the Year Ended November 30, 2017**

CASH FLOWS FROM OPERATING AND RESERVE ACTIVITIES:	2017		
	Operating	Reserves	Total
Cash Received From Owner Maintance Fees	\$ 855,969	\$ 283,149	\$ 1,139,118
Cash From Owner Special Assessments	1,338,487	-	1,338,487
Cash Received From Other Operating Activities	58,799	-	58,799
Cash Received From Interest	900	2,836	3,736
Cash Paid for Interest	(3,162)	-	(3,162)
Cash Paid To Employees and Vendors	(980,823)	(316,673)	(1,297,496)
Net Cash Provided (Used) by Operating and Reserve Activities (Note 7)	1,270,170	(30,688)	1,239,482
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Land (Note 9)	(1,500,000)	-	(1,500,000)
Interfund Transfers	1,897	(1,897)	-
Net Cash Used by Investing Activities	(1,498,103)	(1,897)	(1,500,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan Proceeds	462,486	-	462,486
Loan Payments	(153,222)	-	(153,222)
Net Cash Provided by Financing Activivties	309,264	-	309,264
<b>Increase (Decrease) in Cash and Cash Equivelents</b>	<b>81,331</b>	<b>(32,585)</b>	<b>48,746</b>
CASH AT BEGINNING OF YEAR	325,375	695,127	1,020,502
CASH AT END OF YEAR	<u>\$ 406,706</u>	<u>\$ 662,542</u>	<u>\$ 1,069,248</u>

**Association of Apartment Owners  
Kihei Kai Nani  
Notes to the Financial Statements  
November 30, 2017**

Note 1. ORGANIZATION

The Association of Apartment Owners of Kihei Kai Nani (the "Association") is an organization of owners of 180 fee simple units in a condominium complex located in Kihei, Maui, Hawaii. The Association was organized in 1976 and incorporated in 1994 for the purpose of providing for the management, maintenance and care of the common areas of the condominium as required by the State of Hawaii Revised Statutes, Section 514-A.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Method of Accounting:* The Association uses the accrual method of accounting for both financial statement reporting and tax return preparation. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

*Common Areas:* Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association.

*Member Assessments:* Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Prepaid Maintenance Assessments on the balance sheet represent advance payments by owners for future assessments. Any excess assessments at year-end are retained by the Association for future years. Maintenance assessments charged to unit owners is based on their percentage common interest which is calculated by dividing the net square footage of each individual unit by the total net square footage of all units within the condominium complex.

*Fund Accounting:* The Association uses fund accounting, which requires that funds, such as the operating fund and funds designated for future major repairs and replacements (or reserve fund), be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and the Managing Agent. Disbursements from the reserve fund generally may be made only for designated purposes with prior review and approval by the Board of Directors. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating fund: This fund is used to account for financial resources available for the general operations and maintenance of the Association.

Reserve fund: This fund is used to accumulate financial resources designated for future major repairs and replacements as required by Chapter 514B of the Hawaii Revised Statutes.

**Association of Apartment Owners  
Kihei Kai Nani  
Notes to the Financial Statements  
November 30, 2017**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Cash and Cash Equivalents:* For the purpose of the statement of cash flows, cash is defined as demand deposits, savings accounts and certificates of deposit with maturities of three months or less.

*Assessments Receivable:* The Association's members are subject to monthly assessments to provide funds for the Association's operating expenses and future major repairs and replacements. Members' receivables at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel if certain other collection efforts have failed and to place liens on those unit owners whose assessments are delinquent. The Board of Directors evaluated the potential collectability of all receivable balances due and concluded that \$6,197 was not collectable. An allowance was established for \$6,197 as of November 30, 2017. The Association continues to pursue collection proceeding on all receivable balances due.

*Rental collection policy:* The Association adopted and implemented a rental collection policy under Chapter 514Bb-145 of the Hawaii Revised Statutes which states "If the owner of a unit rents or leases the unit and is in default for thirty days or more in the payment of the unit's share of the common expenses, the board, for as long as the default continues, may demand in writing and receive each month from any tenant occupying the unit or rental agent renting the unit, an amount sufficient to pay all sums due from the unit owner to the Association, including interest, if any, but the amount shall not exceed the tenant's rent due each month. The tenant's payment under this section shall discharge that amount of payment from the tenant's rent obligation, and any contractual provision to the contrary shall be void as a matter of law."

*Prepaid Assessments:* Assessments received in advance (or next year's assessments) consisted of prepaid maintenance fees received by the Association from unit owners prior to December 1, 2017. At November 30, 2017, prepaid maintenance and resort fees were \$41,379.

*Income Taxes:* The Association files its Forms 1120 in the U.S. federal jurisdiction and Form N-30 in the office of the Department of Taxation for the State of Hawaii. Under income tax regulations relating to owners associations, the Association has elected to carry forward to subsequent years the excess of revenue over expenses related to the management, maintenance, and care of the common areas. Under that election, the Association is generally taxed only on non-membership income, such as rental income, interest and miscellaneous earnings, at regular federal and state corporate tax rates.

**Association of Apartment Owners  
Kihei Kai Nani  
Notes to the Financial Statements  
November 30, 2017**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

*Property and Equipment:* Property that is designated as common elements by the Association's governing documents and Association owned equipment used to maintain the common elements is not capitalized unless the Association, at the discretion of the Board of Directors, can dispose of the property for cash or claims to cash and retain the proceeds, or use the property to generate significant cash flows from member or from nonmembers on the basis of usage. Property and equipment assets that are considered depreciable assets would be stated at cost and depreciated over the estimated useful lives of the assets using straight-line method of depreciation. For the year ended November 30, 2017, the Association had \$1,595,340 in net property and equipment that met this criteria recorded on the balance sheet.

*Use of Estimates:* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to members' receivables and the related allowance for doubtful accounts, income taxes, reserve contributions and reserve component replacements. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant, and could result in a material change in the near term, the period within one year of the date of the financial statements.

Note 3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

Chapter 514B of the Hawaii Revised Statutes requires that the Association determine the estimated replacement reserves required to maintain the property. The Association's Board of Directors engaged an independent contractor to conduct a Reserve Study in September 2017. The Association is funding for major repairs and replacements based on the Study's estimates of current replacement costs, considering amounts previously spent on reserve components. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in replacement reserves and savings accounts may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. See unaudited supplemental information of future repair and replacements on pages 12-13 for additional information.

**Association of Apartment Owners  
Kihei Kai Nani  
Notes to the Financial Statements  
November 30, 2017**

Note 3. FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)

Chapter 514B-148 of the Hawaii Revised Statutes requires associations to assess the unit owners to either fund a minimum of 50% of the estimated replacement reserves when using the percent funding method, or fund 100% of the estimated replacement reserves when using the cash flow plan. Estimated replacement reserves means funds which an association's reserve study indicates must be collected during a budget year to establish a full replacement reserve for the association by the end of the budget year.

The Board has adopted a "cash flow" plan to determine Association's reserve funding requirements during the years ended November 30, 2017. Chapter 514B-148 states a percent funded plan means a minimum twenty-year projection of an association's future income and expense requirements to fund its replacement reserves requirements (except in an emergency), and are generally not available for operating purposes. It is also the Association's practice that interest earned on the reserve fund is not available for operating purposes.

Note 4. CONTRACT FOR SERVICES

The Association has an agreement with Destination Maui, Inc. for agency and property management. The agreement will continue on a year-to-year basis after the first contract term; however it may be terminated on sixty days' written notice by either party prior to the expiration date of each contract period. The Managing Agents advised the Board of Directors on Chapter 514B of the Hawaii Revised Statutes and provided administrative, accounting and management services during the year. For the year ended November 30, 2017, property management fees were \$60,523.

The Association also has various contract services including electricity, elevator, internet, pool, refuse collection, sewer, television cable, and water services.

Note 5. UNCERTAIN TAX POSITION

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of revenue and expenses and changes in fund balance. As of November 30, 2017, the Association has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination. The Association is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

**Association of Apartment Owners  
Kihei Kai Nani  
Notes to the Financial Statements  
November 30, 2017**

Note 6. CONTINGENCIES

The Association may be involved from time to time in various legal actions normally associated with the collection of delinquent assessments, foreclosure issues and general legal consulting matters that arise in the normal course of business, the aggregate effect of which, in management's opinion, would not have a materially adverse effect on the Association's business, financial condition and operating results.

Note 7. RECONCILIATION OF CHANGE IN FUND BALANCE WITH NET CASH PROVIDED (USED) BY OPERATING AND RESERVE ACTIVITIES

	2017		
	Operating	Reserves	Total
Changes in Fund Balances	\$ 1,448,496	\$ (30,688)	\$ 1,417,808
Bad Debt	14,697	-	14,697
Depreciation	5,608	-	5,608
Adjustments to Reconcile:			
Change in Accounts Receivable	(201,535)	-	(201,535)
Change in Prepaid Expenses and Other Assets	(704)	-	(704)
Change in Accounts Payable and Other Accrued Expenses	5,348	-	5,348
Change in Deferred Revenue	(1,740)	-	(1,740)
Net Cash Provided (Used) by Fund Activities	<u>\$ 1,270,170</u>	<u>\$ (30,688)</u>	<u>\$ 1,239,482</u>

Note 8. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 5, 2018, the date the financial statements were available for use.

Note 9. SPECIAL ASSESSMENT

In May 2017, the Association purchased a vacant parcel of land, 1.438 acres adjacent to the development for the price of \$1,500,000. The purpose of the acquisition was to prevent the development of this property as well as to purchase the Kihei Kai Nani driveway, which was previously an easement. In order to pay for the purchase, the Association implemented a special assessment of the total purchase price, including closing costs, legal and other fees. Each owner was assessed \$8,500 for a total of \$1,521,500. As of November 30, 2017, special assessment billings outstanding from owners were \$183,013.



**Association of Apartment Owners  
Kihei Kai Nani  
Notes to the Financial Statements  
November 30, 2017**

**Note 10. LOANS PAYABLE**

The Association has the following loans outstanding at November 30, 2017:

	2017
The Association has a loan payable which was used to assist with the purchase of land. The loan carries interest at a rate of 3.98% and requires monthly installments of \$4,780. The loan matures on July 26, 2024 and is secured by all the assets of the Association. The loan has certain covenants that have been met by the Association.	\$ 335,448
The Association has a loan payable which was used to purchase a photovoltaic system. The loan carries interest at a rate of 3.86% and requires monthly installments of \$2,533. The loan matures on July 26, 2021 and is secured by all the assets of the Association. The loan has certain covenants that have been met by the Association.	103,760
<b>Total Long-Term Debt</b>	<b>\$ 439,208</b>
<b>Less Current Installments of Long-Term Debt</b>	<b>(71,926)</b>
<b>Net Long-Term Debt</b>	<b>\$ 367,282</b>

Future maturities of these long-term debts are as follows:

2018	\$	71,926
2019		74,809
2020		77,806
2021		68,178
2022		52,729
Thereafter		93,760
<b>Total</b>	<b>\$</b>	<b>439,208</b>

**Note 11. RESERVE EXPENDITURES**

Components of reserve expenditures as of November 30, 2017 were:

Water and Sewer	\$ 153,418
Roofing	133,620
Lighting	15,990
Asphalt	8,950
Contingency	3,445
Laundry Room	1,250
<b>Total Reserve Expenditures</b>	<b>\$ 316,673</b>

**Association of Apartment Owners  
Kihei Kai Nani  
Unaudited Supplementary Information on Future Repairs and Replacements  
November 30, 2017**

The Board of Directors conducted a study in September 2017 to estimate the remaining useful lives and the replacements costs of the components of common property. Replacement costs are based on the future estimated costs to repair or replace the common property components as of the date of the study. Funding requirements assume an annual inflation rate of 3.16% and net after taxes interest earned on invested funds of .20%.

The following table is a summary based on the study and presents significant information about the components of the common property:

Major Component	Estimated Useful Life	Estimated Remaining Life	Estimated Current Cost to Replace
Painting	12	7	\$ 174,996
Termite	8	6	11,290
Spalling Repairs	1	1	5,000
Roofing-Walking Deck - Unit 321	15	12	27,810
Roofing-Walking Deck - Unit 334	15	15	27,810
Roofing-Walking Deck - Unit 337	15	11	27,810
Roofing-Walking Deck - Unit 343	15	3	27,810
Roofing-Walking Deck - Unit 349	15	15	27,810
Roofing-Walking Deck - Unit 360	15	15	27,810
Roofing-Walking Deck - Unit 366	15	5	27,810
Roofing-Walking Deck - Unit 372	15	1	27,810
Roofing	50	35	-
Pool & Deck Resurface	15	4	191,913
Pool & Pavilion Furniture	10	9	15,911
Contingency	1	1	10,000
Laundry Room Equip (3 Stacked Dryers)	10	1	12,360
Laundry Room Equip (6 Washers)	1	1	824
Laundry Room 2 Large Dryers	10	3	18,540
Large Triple Washer Acquired 2013	20	14	8,621
Well Equipment	5	4	6,232
Roof Flat Slabs Building 1	30	8	69,087
PV System	25	22	122,947

**Association of Apartment Owners  
Kihei Kai Nani  
Unaudited Supplementary Information on Future Repairs and Replacements (Continued)  
November 30, 2017**

Major Component	Estimated Useful Life	Estimated Remaining Life	Estimated Current Cost to Replace
Roof Flat Slabs Building 2	30	15	58,974
Roof Flat Slabs Building 3	20	10	58,974
Roof Flat Slabs Building 4	30	15	41,441
Roof Flat Slabs Building 5	30	15	58,974
Roof Sealant Warranty Building 5	10	5	19,182
Roof Flat Slabs Building 6	30	30	41,441
Roof Flat Slabs - Granite Building 7	10	1	41,647
Roof Flat Slabs Building 8	30	15	41,441
Roof Flat Slabs Building 9	30	15	41,441
Roof Building 10	30	15	41,441
Roof Flat Slabs Building 11	30	15	41,441
Roof Flat Slabs Building 12	15	4	60,984
Roof Flat Slabs Building 13	30	15	41,441
Fire Control Pull Station & Alarms	10	10	6,796
Water - Main Line	30	15	245,821
Water & Sewer - Common Element Lines	1	1	75,000
Asphalt-2" Overlay	20	4	155,501
Asphalt -Sealant & Striping	9	1	75,100
Pavilion Deck	10	4	13,707
Painting- Stairways	10	7	7,903
Back Flow Valve	25	11	34,210
Buildings Wall Sealant	1	1	-
Refuse Structures	25	14	24,674
Laundry Room Electrical Panel	25	2	4,332
Pavilion Roof	10	10	16,662
Kiosk	15	7	8,628
Railings	1	1	2,100
Golf Carts	5	5	2,696
Sidewalks	1	1	7,000
Upgrade Association Owned Unit #118	7	7	3,702
Electrical Upgrades	15	15	75,588
Laundry Room Change Machine	10	7	958
Pool Fence Wall	50	50	58,144
Pool Lining	20	18	67,960
Reserve Study	5	4	4,384
Office/Laundry Building	30	2	100,000
Pool Fence	10	9	19,174

Total Replacement Cost:	\$	2,469,063
Estimated Cost for the Year Ending Novemebr 30, 2018	\$	256,841
Estimated Cost for the Year Ending November 30, 2019	\$	193,311
Estimated Cost for the Year Ending November 30, 2020	\$	135,047
Reserve Fund Balance:	\$	664,439