

ANNUAL MEETING NOTICE
FOR THE
ASSOCIATION OF APARTMENT OWNERS OF KALANIKAI

You should find the following documents in this mailing. Please check right away to make sure you have all of them:

1. President's Newsletter, Pgs. 2-3
2. Meeting agenda and rules, Pgs 4-5
3. Proxy form and proxy explanation, Proxy Fillable Form Pgs 6-8
4. Statements by Board candidates (None at time of printing-watch emails)
5. Minutes of 2017 Annual Meeting, Pgs 9-13
6. Budget and Insurance Summary, Pgs 14-21
7. Auditor's Report 2016, Pgs 22-27
8. Reserve Planning, Pgs 28-33

You can also get copies of all of this information at: www.kalanikaicondos.com

The Board is asking you to please complete a proxy form and return it as instructed on the form. **Please do so, even if you plan to attend the meeting.** This will allow the association to establish a quorum and conduct business as required, even if you are unable to attend or have a sudden change in plans. **This is very important.**

In addition to sending in your proxy, it would greatly benefit the Board and our managing agent if you would please indicate on the proxy form, or by email, that you do plan to attend in person or attend by proxy. It will help us make sure we can attain the number of owners required for a quorum.

Please call the Managing Agent, Cindy Kuhlman Low, 808-566-4100 or the Board President, Bruce Gainer, 541-270-0734, if you have any questions.

Your Board of Directors is hoping you can attend the meeting in person, but realizes that isn't always possible. Your participation in this important meeting is appreciated, even if it needs to be done through your proxy.

Thank you.

For the Board of Directors:

Cindy Kuhlman Low, Managing Agent
Bruce Gainer, Board President

Date of this Notice: January 15, 2018

THE PRESIDENT'S NEWSLETTER

www.kalanikaicondos.com

January 15, 2018

Aloha to All and Welcome to 2018!

ANNUAL MEETING-FEBRUARY 18, 2017, POOLSIDE
9:00AM – REGISTRATION AT 8:30AM

President's Personal Message

As I write another message to the owners of Kalanikai, I find it difficult not to repeat the same message that has gone out a few times previously. Maybe I'm not creative enough to fix that, or perhaps the same message still isn't always hitting the mark with some people. The management continues to battle some of the same old battles. There are times when it feels like we've hit a dead end and Board members and the Resident Manager are wasting their time. Most of what it takes to make life at Kalanikai more livable is taking care of your home and being good to your neighbors.

That's my wish for 2018, a wish shared by all of us Board members!



YOUR FEES-THE SAME FOR 2018

You must be tired of hearing the same old tune about the management fees at Kalanikai. Except for the first two years when we started and finished the photo voltaic solar system and lowered the fees, the message has been the same. Your fees are remaining the same for the coming fiscal year. And the important part of that circumstance is that we haven't kept fees at the same level without doing necessary work on our infrastructure. I'll highlight those major project accomplishments on the [next page](#).

We're all in this together, good or bad. For 7 years, it's been for the good. We'll keep working to keep it that way and invite you to help out along the way.

The Checklist

This year's list of "to-do" accomplishments isn't as long as some years, but they were significant none-the-less.

✓ We continued to work on the irrigation. That proved somewhat challenging with the nearly year-long water restrictions that were in effect. The work will be ongoing for the foreseeable future.

✓ We went through a number of landscaper/gardeners this year. That is always a challenge for the RM, but we have gotten a good one that we hope will stick around. We get a lot of compliments for our grounds.

✓ The cabana buildings got a facelift in the way of new paint. The color scheme now matches that of the cement buildings.

✓ The cabanas also got new carpeting for the walks and stairs.

✓ The entryways to the cement buildings got carpet to match that of the cabana buildings.

?

Farewell

We lost our Resident Manager, Chuck Williams, to sudden death on September 29th. His passing caught us all by surprise and many of us miss his smile and friendly personality.

Hail and Farewell. Chuck

Have you found the Kalanikai website? Here is a link to it: [Kalanikai Condominiums](#)

Welcome to the new Resident Manager.

Craig Cunningham

Craig comes to us from just down the road at Kona Bali Kai as resident manager. He is a longtime resident of Hawaii and has experience in construction as well as the RM role.

Craig's hours are 0700-1530. He has the same RM phone number. Stop in and introduce yourself

THANK YOU

To this year's owners and residents that have contributed time at Kalanikai. I'm hoping I don't leave any names off, and if I do, I apologize ahead of time for my memory.

Bob-115, Elmer-306, Dick-111, Bernice-209, Pierre-303, Alice & Jerry-321, Maria-219, Jean-206, Roma-S207, Sheryl-S204, Mark-203

Major Projects/Infrastructure 2011-2017

Photovoltaic System-New Roof-Removal of Gas, Addition of 240v to Cabanas-Complete Plumbing Replacement in A & B Bldgs.-Wasteline & Freshwater Supply Replacement in Cabana Bldgs.-New Walkways At Cabana Bldgs.-New Pool Deck-Repair & Replace of Pool Drain-New Rockwall Along Cabanas-New Walks Between Bldgs.-New Carpet on Cabana Walks-New Carpet at A & B Bldg. Entries-Painting of Cabanas-Overhaul of Irrigation Delivery System-Implementation of Recycling-Significant Landscape Changes-Pool leaks repaired

Owner Responsibility

I have left this section as a re-run from 2017. These same issues continue to need our attention to enhance the livability at Kalanikai.

- ✿ **Garbage:** Follow the posted instructions and rules. People living here have left a large mess far too many times recently. This attracts rodents and creates unnecessary work for the RM and the trash company. You pay for this with your cash and living conditions.
- ✿ **Recycle:** Overall, the recycling has gone pretty well. Just a little more attention to it and we would not only make things better for Kalanikai, but for the island of Hawaii too.
- ✿ **Wi-Fi Usage:** be considerate of your neighbors. If you want to watch Netflix, do it at low usage times. If you must do it in the evenings, get your own Wi-Fi. If you want to Skype with people, get your own Wi-Fi. Our Wi-Fi system is now working at the targeted level. As has been stated from the beginning, the system will handle regular web browsing and emails. Large data transfers will work as well, but NOT video streaming on a large scale. If you have multiple devices hooked to the internet, turn them off or shut off the Wi-Fi connection when not in use. Otherwise, you are just taking up bandwidth at the expense of others.
- ✿ **Electrical Usage:** be aware of your electrical power consumption. If you don't have the LED bulbs from the association, contact the RM and get them installed. It saves \$\$\$. If you are not in your apartment, turn off the air conditioning! If you are buying appliances, get energy efficient (Energy Star) rated ones. Our solar is doing everything we hoped it would in cost savings. It is now up to YOU to reduce further costs, or at least hold them steady.

Is Your HO-6 Insurance Up-to-date?

The Resident Manager has regular in-office hours. Monday through Friday, 7:00a.m. to 8:00a.m. and 3:00p.m. to 3:30p.m. He can be reached at 808-430-0909 any other time.

Like to help the association? Like to paint? Have we got a deal for you! Volunteer for projects or special assignments. Contact any Board member in person or send an email.

[Click here for addresses:](#)

AGENDA

ANNUAL MEETING – KALANIKAI AOA

February 17, 2018 – 9:00 A.M. at Kalanikai

1. ROLL CALL- CALL TO ORDER - DETERMINATION OF A QUORUM
2. PROOF OF NOTICE OF MEETING
3. INTRODUCTION OF BOARD MEMBERS AND GUESTS
4. CONDUCT OF BUSINESS
5. AGENDA REVISION – With Owner Approval (if needed)
6. APPROVAL OF MINUTES OF PRECEDING ANNUAL MEETING
7. REPORTS OF OFFICERS
 - A. President's Report
 - B. Treasurer's Report
 - C. Committee Reports or Board Reports
 - D. AUDITOR'S REPORT
8. APPOINTMENT OF INSPECTORS OF ELECTION
9. ELECTION OF (2) DIRECTORS
 - a. NOMINATIONS by submission.
 - b. NOMINATIONS from the floor.
10. EXPLANATION OF SYSTEM OF VOTING
11. EXPLANATION OF BALLOT
12. VOTING (Meeting in recess while voting)
13. QUORUM UPDATE
14. UNFINISHED
 - a. Recycling – Follow-up to trial.
 - b. Attic Insulation – Follow-up to research.
15. NEW BUSINESS
 - a. Resolution on Assessments
 - b. Any new business to be brought before the membership from the floor?
16. ELECTION RESULTS
17. ADJOURNMENT
18. ORGANIZATIONAL AND SHORT BUSINESS MEETING OF NEW BOARD
 - a. Approval of minutes, bill payment, manager's report.
 - b. OWNERS' FORUM

Meeting Rules

1. Please ask to be recognized by the chair before speaking.
2. You must speak clearly, using the microphone so everyone can hear.
3. You must state your name and unit number.
4. Please confine your initial comments to 2 minutes, and 1 minute when approved for rebuttal.
5. Please be courteous, don't interrupt a speaker, and please don't conduct side discussions while someone else is speaking.
6. Everyone will be given an opportunity to speak, on any subject, at the appropriate time.

February 2018

Kalanikai Association Meeting Rules

1. Smoking is prohibited.
2. This is a private meeting and attendance is restricted to owners and proxy holders representing owners, staff, and other persons who have been specifically invited by the board. All others are required to leave.
3. Owners desiring to speak must stand and be recognized by the Chair. Owners must state their **name and unit each time**. The owner must **use the microphone**, so that everybody else can hear.
4. All remarks must be **directed to the Chair**, not directly to other members. Personal attacks, vulgarity, or offensive language can result in loss of debate privileges.
5. Discussion is normally limited to the motion being considered. The chair may disallow discussion not related to the motion at hand.
6. In order to ensure that everybody has a chance to speak, each individual ~~may~~ have a limit of 2 minutes per speech.
7. Nomination and election debate for elected office shall be limited to one speech per nominee (or his/her delegate) for a maximum of 2 minutes per speech.
8. Any board member whose removal is proposed shall have a debate limit of 10 minutes for each of the two speeches. The board member may choose to speak last after all other debate has concluded.
9. Ballot voting on any motion (including the election) will remain open for 10 minutes, (or until the results are announced) unless extended by the owners.
10. Video-taping or other electronic recording is permitted if approved by the members present. There will be an audio recording for production of the minutes, which may be obtained by members if requested.
11. The board of directors is authorized to approve the minutes of the Association meetings in draft form if authorized by the members present.

Association Meeting Rules

ASSOCIATION OF APARTMENT OWNERS OF KALANIKAI
PROXY

Note: Please check **ONLY ONE** of the following boxes. If no proxy holder is designated, or if no box is checked, or if more than one box is checked, the proxy shall be given to the Board of Directors as a whole. If you are not present at the meeting, this proxy designates your proxy holder as your substitute for any proxies assigned to you unless you designate another substitute in writing subsequent to this proxy.

The undersigned, being the owner(s) of the apartment(s) shown below, does hereby constitute and appoint

☐ The Board as a whole, to be voted on the basis of the preference of a majority of the Directors present at the meeting, or

☐ The Directors present at the meeting and the vote to be shared with each Director receiving an equal percentage, or

☐ _____ the individual whose name is printed on this line (to be used for quorum if absent and if the individual has not assigned his proxy)

as the undersigned's attorney and agent, with full power of substitution, to act in the undersigned's name, place, and stead, and to vote the undersigned's proxy at the February 17, 2018 annual Association meeting to be held on site, and at any and all adjournments thereof, for the transaction of any and all business that may properly come before the meeting, including the election or re-election of directors, according to the proportional interest in the common elements that the undersigned would be entitled to vote if then personally present, hereby revoking any proxy or proxies heretofore given, and ratifying and confirming all that said attorney and agent may do by virtue hereof, or

☐ For quorum purposes only.

This proxy is valid only for the meeting cited above and any and all adjournments thereof. If I/we attend the meeting in person, I/we may request a ballot to vote in person thereby voiding this proxy (if not previously exercised). Receipt of notice of said meeting is hereby acknowledged.

PRINTED NAME(S) OF OWNER(S) [REQUIRED BY LAW]:

SIGNATURE(S) OF OWNER(S) [REQUIRED BY LAW]:

UNIT NO(S): _____ DATE SIGNED: _____
[REQUIRED BY LAW] [REQUIRED BY LAW] Do Not Post Date

Sign and print your name as it appears in the Association's records, and provide your unit number(s) and the date. Persons signing in a representative capacity (personal representatives, executors, administrators, trustees, guardians, conservators, partners, members of a member-managed LLC, managers of a manager-managed LLC, and corporate officers) are to add their titles and, if requested, are to submit evidence of their authority to act in that capacity.

For this proxy to be valid, the proxy must be received by the Association's Managing Agent or Secretary/President no later than **4:30 p.m., on February 15, 2018**. Please return this written consent to: Touchstone Properties, Ltd, c/o Cindy Kuhlman Low, 680 Iwilei Road, Suite 777, Honolulu, Hawaii 96817. You may also fax this proxy to: (808) 556-4110 or scan and e-mail this proxy to: Cindy Kuhlman Low at: cindy@touchstoneproperties-hawaii.com and/or Board President Bruce Gainer at: president@kalanikaicondos.com

☐ IF NOT PROVIDED PRIOR TO OR TOGETHER WITH THE NOTICE OF MEETING, I WISH TO OBTAIN A COPY OF THE ANNUAL AUDIT REPORT IF ACCOMPLISHED.

Date Received, _____ by Managing Agent/Board President

PROXY FORM EXPLANATION SHEET

1. THE BOARD OF DIRECTORS AS A WHOLE, TO BE VOTED ON THE BASIS OF THE PREFERENCE OF A MAJORITY OF THE BOARD PRESENT AT THE MEETING.

If marked, this gives your proxy (vote) to the Board of Directors as a whole based on a vote of the board members present at the meeting. An example would be: if 3 members of a total of 5 board members were present at the meeting and 2 of the 3 voted for a particular motion, your vote will be for that motion.

2. THE DIRECTORS PRESENT AT THE MEETING AND THE VOTE TO BE SHARED WITH EACH BOARD MEMBER RECEIVING AN EQUAL PERCENTAGE.

If marked, this gives an equal percentage of your vote to each of the directors attending the meeting. Using the above example: 2/3 of your vote will be for the motion, and 1/3 will be against it.

3. THE INDIVIDUAL WHOSE NAME IS PRINTED ON THIS LINE.

If marked, this gives your vote to an individual (owner or non-owner of the association) that you have designated. He (or she) casts your vote. You may direct your proxy holder how to vote. The direction must be in writing, and can be hand written on the proxy form. This selection provides the greatest assurance that your voice will be heard, even though you cannot be physically present at the meeting.

4. NO ONE; FOR QUORUM PURPOSES ONLY.

If marked, your proxy will be issued to establish a quorum only. This option allows the meeting to be held and regular business conducted. Votes taken that require a majority of members present can be held. Votes that require total individual votes to total more than 65% may not be able to be taken. To assure that all business can be conducted, you should select one of the first three options. It is important to at least select this option , otherwise the association may incur expenses needlessly.

PLEASE TURN IN YOUR PROXY EVEN THOUGH YOU PLAN TO ATTEND THE ANNUAL MEETING. YOU MAY REVOKE YOUR PROXY WHEN YOU REGISTER FOR THE MEETING.

ASSOCIATION OF APARTMENT OWNERS OF KALANIKAI
PROXY

Note: Please check **ONLY ONE** of the following boxes. If no proxy holder is designated, or if no box is checked, or if more than one box is checked, the proxy shall be given to the Board of Directors as a whole. If you are not present at the meeting, this proxy designates your proxy holder as your substitute for any proxies assigned to you unless you designate another substitute in writing subsequent to this proxy.

The undersigned, being the owner(s) of the apartment(s) shown below, does hereby constitute and appoint

☐ The Board as a whole, to be voted on the basis of the preference of a majority of the Directors present at the meeting, or

☐ The Directors present at the meeting and the vote to be shared with each Director receiving an equal percentage, or

☐ _____ the individual whose name is printed on this line (to be used for quorum if absent and if the individual has not assigned his proxy)

as the undersigned's attorney and agent, with full power of substitution, to act in the undersigned's name, place, and stead, and to vote the undersigned's proxy at the February 17, 2018 annual Association meeting to be held on site, and at any and all adjournments thereof, for the transaction of any and all business that may properly come before the meeting, including the election or re-election of directors, according to the proportional interest in the common elements that the undersigned would be entitled to vote if then personally present, hereby revoking any proxy or proxies heretofore given, and ratifying and confirming all that said attorney and agent may do by virtue hereof, or

☐ For quorum purposes only.

This proxy is valid only for the meeting cited above and any and all adjournments thereof. If I/we attend the meeting in person, I/we may request a ballot to vote in person thereby voiding this proxy (if not previously exercised). Receipt of notice of said meeting is hereby acknowledged.

PRINTED NAME(S) OF OWNER(S) [REQUIRED BY LAW]:

SIGNATURE(S) OF OWNER(S) [REQUIRED BY LAW]:

UNIT NO(S): _____ DATE SIGNED: _____
[REQUIRED BY LAW] [REQUIRED BY LAW] Do Not Post Date

Sign and print your name as it appears in the Association's records, and provide your unit number(s) and the date. Persons signing in a representative capacity (personal representatives, executors, administrators, trustees, guardians, conservators, partners, members of a member-managed LLC, managers of a manager-managed LLC, and corporate officers) are to add their titles and, if requested, are to submit evidence of their authority to act in that capacity.

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☐ IF NOT PROVIDED PRIOR TO OR TOGETHER WITH THE NOTICE OF MEETING, I WISH TO OBTAIN A COPY OF THE ANNUAL AUDIT REPORT IF ACCOMPLISHED.

Date Received, _____ by Managing Agent/Board President

ANNUAL MEETING – KALANIKAI AOA

February 18, 2017 – 9:17 A.M. at Kalanikai

CALL TO ORDER – 9:17a.m.: Bruce Gainer

DETERMINATION OF A QUORUM: Quorum established: Present: 35.285% Proxy: 38.36%

Total: 73.645%

PROOF OF NOTICE OF MEETING: 1/13/17 & 2/1/17 notices sent to owners

INTRODUCTION OF BOARD MEMBERS 7 GUESTS: Maria Lopez-Fisher, Sheryl Weinstein, Jean Mallion, Roma Johnson, & Bruce Gainer. Guests: Resident Manager, Chuck Williams, Cindy Kuhlman-Low, Touchstone Properties, Mouser(aka Pepper), Volunteer helpers: Bernice Barnett & Sharyn Holliday.

CONDUCT OF BUSINESS: Roberts Rules of Order if not covered by Association governing documents.

AGENDA REVISION: With Owner Approval: New Business: Replace carpets on entryways in cement building. No one opposed: Approved.

APPROVAL OF MINUTES OF PRECEDING ANNUAL MEETING: Wilda James sited correction of minutes in Item: she was not acting as TELLER.

Minutes will be available within 90 days of the meeting. No objections. Minutes amended and approved.

REPORTS OF OFFICERS:

A. President's Report:

1. Reserve funding & plan for 2017-2036. Touchstone has been working on accounts received from Associa. Reserve Plan is healthy at this time.

2. All plans completed cast iron reline in cement buildings, build-outs on wooden buildings, replacement of wooden buildings carpeting, wifi upgrades done, replace sidewalk at wooden buildings & new sidewalks & locks to pool area, LED lighting for most condos & common areas & grounds, replacement of irrigation system & change to drip system. \$49,000 to complete all these projects. Replaced backflow preventer in front water supply, +\$3500.

3. 2017 Reserve Plan emailed to everyone: Two major projects for 2017:

- i. Re-line main cast iron waste lines for Cement Bldgs. A & B. Approximately 11 lines= \$90,000.(2016 estimate)

- ii. Paint cabanas same color scheme as cement buildings. \$30,000
- 4. 20 year Plan available, Board will formulate 50 year plan this year.
- 5. Plan to buy out PV solar system. When lease is up & replace with battery system to get completely off HELCO grid. We are at almost 100% solar production vs. usage.
- 6. Reserves are healthy at this time. Three years time we should be well over 100% funded.

B. Treasurer's Report:

1. **Laundry Account:** \$4124.18. \$2000 will be deposited in Reserve Account.

2. **Fiscal Year 2016 Summary Ending 12/31/2016:**

Operating Cash: \$73,594.77

Reserve Cash: \$122,242.77

All Other Receivables: \$133,562.19

Total Assets: \$321,167.46

Less Cash in Associa transfer: (-8232.27)

Prepaid Maintenance Fees: \$3032.36

Estimated Total Net Worth: \$318,135.10

Total Receipts: \$541,399.19

Total Operating Disbursements: \$504,444.57

COMMITTEE OR BOARD REPORTS: see New Business:

AUDITOR'S REPORT: Dan Sullivan, CPA: The auditor's report, which is for 2015, was not received until Jan 16, 2017. This audit will be on the website and mailed to owners as soon as the information in it is confirmed. 2015 report showed up this year & is on website. October report 7 months late from Associa.

1. **APPOINTMENT OF INSPECTORS OF ELECTION:** George Royce & Sharyn Holliday
2. **ELECTION OF (3) DIRECTORS:** Move for vote for Bruce Gainer, Sheryl Weinstein & Alice Schack due to unopposed ballot and proceed with election by acclamation: Moved by George Royce, 2nd by Bernice Barrett.

No opposition: Bruce Gainer, Sheryl Weinstein, & Alice Schack elected by acclamation.

3. **UNFINISHED:** None.

4. NEW BUSINESS:

- a. Resolution on Assessments: Enable proper filing of Tax Filings. If there is a balance which will be carried forward to next year deposit into Reserves or be taxed. Funds must be resolved & approved to move funds by Kalanikai AOA . No objections; resolution is adopted.
- b. Recycling Discussion-Advise and/or Vote: Maria Lopez Fisher. Company will pick up 1 bin for HI-, 2 bins for mixed glass, paper, plastic, and pallets for cardboard. Kalanikai looks to become more green/recycle Hana Hou Recycling 2x/week. Pilot plan 1x/week. 3 yards of rubbish from bins \$1100/month \$6/per unit + \$533/month. Will reduce total rubbish pick-up by regular refuse company which already comes 2X/week. May install security cameras to monitor compliance. Carol Souther: Question x1 week for rubbish pick-up. Lawrena Hunt also to 1x week & homeless raid the bins. John Bauer: suggest security surveillance in place first. Carol: Renters need to be monitored of vacation rentals about 7 or 8 units. Owners need to require renters to recycle. Maria suggests on-demand water heater to replace water heaters. George: Do we get money back from recycled goods? Answer: No. Aim is to have regularly scheduled pick-ups of recycle. George: Suggest trial basis. Vote by show of hands: In favor of pilot Recycle Program.
- c. Attic Insulation-Advise and/or Vote: Ed Gibbons: Energy efficiency: \$187,000 electric bill last year. If we insulate ceilings 38 units. Estimate \$1,000 per unit to insulate. Addition venting would be desirable-but expensive venture. New venting systems are available that will work with the solar systems in place. Sharon: Air conditioners need to be mounted up high to be more efficient & she personally fines her tenants for leaving the A/C's running when they aren't home. John: Solar panels already doing the job of absorbing sun/heat? Maria: Fiberglass sheets are 3x the cost. Bernice: Based on Reserves account perhaps allow individual owners to fund their own insulation systems. Opposed 3 Approve 16: Plan to get insulation for 3rd floor ceilings in the cement buildings, 2nd floor ceilings(attic) in cabanas "at some point in the future when reserve accounts allow."
- d. Gardens Update: Maria: In previous 2 years: add more color & cover/block the space under the cement buildings. Owners are donating plants, like Ed Gibbons. More tropical plants added, Ficus trees removed from pool area. Bougainvillea, Areca palms & other plants replaced in areas where homeless people frequent in front sidewalk area/wall. Tree of Life tree plants by

mailroom with impatiens. Trees to be trimmed are autograph & mango trees. Mike #117 renter has donated a lot of plants, hibiscus, etc. Thanks so much to all who have donated time & plants. Puna has been fertilized & irrigation systems also helping .

- e. TV service Discussion-Advice and/or Vote. Cable bill keeps increasing rates increased %13 in two years. \$33 paying /month. If people bought their own service it would be on open market- basic TV is same price. If your want more internet service/ Kalanikai can't provide and you would want to bundle with phone or TV. Kalanikai wifi is about \$3/month. The Board is considering removing service & amount on your maintenance fees. The internet system would stay in place. Bernice: Having the satellite dishes everywhere would be unsightly. Majority of owners not interested in idea.
- f. New entryway carpet for cement bldgs. A & B: Board already approved common areas outdoor carpet selection. (The carpet should match the carpet recently placed in Cabana walkways/lanais). Approximately \$2500 for both buildings to carpet both buildings entryways. Discussion: Association will provide the carpeting. Sharyn Holliday: to we need the carpeting at all? Less maintenance. Bernice Barnett: Scrape down/removal of all glue & prep is big cost. John Bauer: change all at once so all unit look same color scheme. Limited common element so owners have option of replacing sooner.
Vast majority (only 3 opposing) want full replacement at same time.

5. Owner's Forum:

A. Ed Gibbons: Double glazed window instead of jalousies for energy efficiency. Owner option. Bernice Barnett: Parts aren't available for jalousies & are old & need repairs.. Energy efficiency not that great, but noise is reduced. Suggest the copper color. Board should select style. Dawn Gauslin: Bedroom needs to be private. Bernice: Sliding glass window with frosted glass Sharon: We need conformity of units no matter what. Board will research options.

B. John Bauer: Rubbish hauling company taking dumpsters for hours at a time. RM has complained at least x5. RM & Bruce continue diligently to correct this.

Adjourned at 11:00a.m. By President Bruce Gainer.

Reconvene in 10 minutes for ORGANIZATIONAL AND SHORT BUSINESS MEETING OF NEW BOARD
Re: Appointment of Officers, Approval of minutes, set date for next BOD meeting.

***Meeting Rules**

- 1. Please ask to be recognized by the chair before speaking.*
- 2. You must speak clearly, using the microphone so everyone can hear.*
- 3. You must state your name and unit number.*
- 4. Please confine your initial comments to 2 minutes, and 1 minute when approved for rebuttal.*
- 5. Please be courteous, don't interrupt a speaker, and please don't conduct side discussions while someone else is speaking.*
- 6. Everyone will be given an opportunity to speak, on any subject, at the appropriate time.*

February 18, 2017 Recorded by Kalanikai Board Secretary, Sheryl Weinstein.



December 2017

Dear Kalanikai Owner:

Attached is the 2018 Cash Operating Budget approved by your Association's Board of Directors. Your Board of Directors approved an operating budget with **NO INCREASE IN MAINTENANCE FEES**, effective January 1, 2018. Your Board makes every effort to keep operating expenses to a minimum. The Reserve Study will be finalized and presented at the Annual Association meeting to be held in February 2018. A copy will be e-mailed to all owners following the meeting.

Reserves will continue to be funded utilizing the "Cash Flow" method, which provides for contributions to the reserves over a 20 year period that do not result with a special assessment in any given year. Any questions pertaining to the budget information enclosed may be addressed by contacting the undersigned or any member of the Board of Directors.

MAINTENANCE FEE REMITTANCE

Touchstone Properties offers you the convenience of making your monthly maintenance fee payments through the AutoPay Automatic Payment Service, with the use of coupons or by online credit card payments.

If you have authorized AutoPay Automatic Payment Service, you need do nothing further. Your payment will be adjusted to reflect any change in monthly maintenance fees and will continue to be deducted from your designated checking or savings account on or after the 10th day of each month.

If you make your own payments, your Coupon Payment Booklet is being mailed to you. Follow the "*Payment Instructions*" on the back of the coupon and use the pre-addressed mailing envelopes provided. Your check must be made payable to "*Kalanikai*" and the coupon must accompany the payment check to ensure your account is properly credited.

Payment of maintenance fees by credit card can be made online through our website at www.touchstoneproperties-hawaii.com. Walk-in or telephone payments by credit card are not accepted. Please note that a nominal fee will be charged by the card processing company. If you are an agent, please forward all pertinent information to the owner of the unit.

As a reminder, maintenance fee payments are due on the first day of each month. Your Association allows a grace period of ten (10) days. Any owner whose payment is not received and deposited by the Bank Remittance Center on the 10th of the month will incur a late fee of 1% of the outstanding balance. All payments received shall be first applied in the order of legal fees, late fees, fines, special assessments, etc., if outstanding, and lastly to maintenance fees. To avoid late payment handling charges and to reduce the payment processing cost charged to your Association, we encourage all owners to consider authorizing automatic payment of their maintenance fees through the AutoPay Automatic Payment Service. This method of remittance assures that your monthly payment will be automatically made on the tenth of the month, every month, and NEVER LATE.

INSURANCE SUMMARY

Enclosed is an insurance summary from Aloha Insurance Services, Inc. providing a brief description of insurance applicable to both property and liability coverage. Use this summary to review with your insurance agent for determining adequate contents and liability coverage of your apartment and personal needs. Remember every owner is required to maintain a homeowner's policy (HO-6) at all times during ownership.

OWNER CORRESPONDENCE

Your written comments are welcome. Owners are encouraged to submit their written questions, suggestions, and/or concerns to the Board of Directors. Please note, however, that to ensure receipt of your letter, all correspondence must be mailed to the Board of Directors, c/o Touchstone Properties Ltd., 680 Iwilei Road, Suite 777, Honolulu, HI 96817. **DO NOT mail correspondence to the P.O. Box with your maintenance fee payments.** Since all payments mailed to the P.O. Box remittance center are received directly by HomeStreet Bank Lockbox, your correspondence could get delayed or even lost.

Sincerely,

TOUCHSTONE PROPERTIES, LTD., AAMC®
Agent for AOAO Kalanikai



Cindy Kuhlman Low
Property Manager

- Attachments:
- 1) 2018 Cash Operating Budget
 - 2) Coupon Payment Booklet with Envelopes (if applicable)
 - 3) AutoPay Application (if applicable)
 - 4) Insurance Summary

2018
The Kalanikai
CASH OPERATING BUDGET

| A | | B | C | | D | E | F | G | H |
|-------------|------------------------|----------------|-------------------------------|--|----------------|-----------------|-----------------|------|----------------------|
| Acct No. | ACCOUNT DESCRIPTION | M O N T H L Y | | | | | | | Budget |
| | | BOARD | | | APPROVED | | ACTUAL AVERAGES | | Variance / Apt |
| | | BUDGET 2018 | Adjust + / (-) Change % | | BUDGET 2017 | Jan-Jul 2017 | 2016 | 2015 | 2018 from 2017 |

OPERATING RECEIPTS:

| | | | | | | | | |
|------|----------------------------|-----------|----------|---------|-----------|-----------|------|-------------|
| 4139 | * FEES & DUES | 46,300 | | | 46,300 | 46,673 | | |
| 4209 | * ASSESSMENTS | | | | | | | |
| 4319 | * REIMBURSEMENTS | | | | | | | |
| 5809 | * TAXABLE RECEIPTS | 397 | (530) | -57.18% | 928 | 50 | | (6.47) |
| 6995 | * TOTAL OPERATING RECEIPTS | \$ 46,697 | \$ (530) | -1.12% | \$ 47,228 | \$ 46,723 | \$ 0 | \$ 0 (6.47) |

OPERATING DISBURSEMENTS :

| | | | | | | | | |
|------|---------------------------------|-----------|----------|---------|-----------|-----------|------|-------------|
| 7119 | * WAGES & BENEFITS | 5,766 | 469 | 8.86% | 5,297 | 5,506 | | 5.72 |
| 7159 | * OFFICE & ADMIN | 353 | (388) | -52.34% | 740 | 277 | | (4.73) |
| 7189 | * PROPERTY MGMT & ACCTG | 1,361 | | | 1,361 | 1,361 | | |
| 7198 | * OTHER PROFESSIONAL FEES | 306 | | | 306 | 1 | | |
| 7219 | * ELEVATOR | | | | | | | |
| 7229 | * ELECTRICITY | 15,187 | (448) | -2.87% | 15,635 | 14,053 | | (5.46) |
| 7239 | * WATER & SEWER | 3,375 | 492 | 17.06% | 2,883 | 3,638 | | 6.00 |
| 7249 | * GAS | | | | | 15 | | |
| 7259 | * EXTERMINATING | 426 | 290 | >100% | 136 | 170 | | 3.54 |
| 7269 | * RUBBISH REMOVAL | 1,335 | 186 | 16.17% | 1,149 | 1,798 | | 2.27 |
| 7289 | * TELEVISION / OTHER MISC | 2,619 | 1 | 0.04% | 2,618 | 3,310 | | 0.01 |
| 7298 | * SECURITY | 25 | 25 | >100% | | | | 0.30 |
| 7329 | * GROUNDS | 4,312 | 263 | 6.49% | 4,049 | 2,549 | | 3.20 |
| 7339 | * CUSTODIAL / WINDOW CLEANING | 20 | | | 20 | 12 | | |
| 7369 | * GENERAL MAINTENANCE | 810 | (465) | -36.49% | 1,275 | 1,193 | | (5.67) |
| 7389 | * HEAT - VENT - A/C | | | | | | | |
| 7395 | * PAINT MAINTENANCE | 42 | 42 | >100% | | 69 | | 0.51 |
| 7449 | * AMENITIES | 200 | 75 | 60.00% | 125 | 152 | | 0.91 |
| 7459 | * VEHICLE / OTHER M&R | 16 | 4 | 34.72% | 12 | 6 | | 0.05 |
| 7519 | * TAXES | 66 | (88) | -57.18% | 153 | 2 | | (1.07) |
| 7539 | * INSURANCE | 2,594 | (842) | -24.51% | 3,437 | 5,139 | | (10.27) |
| 7549 | * OTHER FIXED EXPENSES | 52 | | | 52 | | | |
| 7997 | * TOTAL OPERATING DISBURSEMENTS | \$ 38,865 | \$ (384) | -0.98% | \$ 39,249 | \$ 39,251 | \$ 0 | \$ 0 (4.68) |

2018 The Kalanikai

CASH OPERATING BUDGET

| A | | B | C | | D | E | F | G | H | |
|-------------|------------------------|----------------|-------------------|----------|----------------|-----------------|-----------------|------|--|--|
| Acct No. | ACCOUNT DESCRIPTION | M O N T H L Y | | | | | | | Budget Variance / Apt 2018 from 2017 | |
| | | BOARD | | | APPROVED | | ACTUAL AVERAGES | | | |
| | | BUDGET 2018 | Adjust + / (-) | Change % | BUDGET 2017 | Jan-Jul 2017 | 2016 | 2015 | | |

RESERVE CONTRIBUTIONS :

| | | | | | | | | | |
|------|----------------------------------|-------|-------|--------|-------|-------|--|--|--------|
| 7998 | * TRANSFER to RESERVES from CHKG | 7,832 | (146) | -1.83% | 7,978 | 7,987 | | | (1.78) |
|------|----------------------------------|-------|-------|--------|-------|-------|--|--|--------|

| | | | | | | | | | |
|------|---|-----------|----------|--------|-----------|-----------|------|------|--------|
| 7999 | * TOTAL RESERVE CONTRIBUTIONS & OPERATING DISBURSEMENTS | \$ 46,697 | \$ (530) | -1.12% | \$ 47,228 | \$ 47,238 | \$ 0 | \$ 0 | (6.47) |
|------|---|-----------|----------|--------|-----------|-----------|------|------|--------|

| | | | | | | | | | |
|------|---|------|------|--|------|----------|------|------|--|
| 8002 | * NET OF TOTAL RESERVE CONTRIBUTIONS, OPERATING DISBURSEMENTS, & OPERATING RECEIPTS | \$ 0 | \$ 0 | | \$ 0 | \$ (515) | \$ 0 | \$ 0 | |
|------|---|------|------|--|------|----------|------|------|--|

NON-OPERATING RECEIPTS & DISBURSEMENTS :

| | | | | | | | | | |
|------|----------------------------------|---------|--|--|---------|----------|--|--|--|
| 8639 | * CAPITAL / EXCEPTIONAL DISB | (8,750) | | | (8,750) | (10,026) | | | |
| 9279 | * TRANSFER from RESERVES to CHKG | 8,750 | | | 8,750 | 9,543 | | | |

| | | | | | | | | | |
|------|--------------------------|--|--|--|--|--|--|--|--|
| 9000 | * OTHER COLLECTIONS (+) | | | | | | | | |
| 9020 | * OTHER TRANSMITTALS (-) | | | | | | | | |

| | | | | | | | | | |
|------|----------------------------|------|------|--|------|----------|------|------|--|
| 9295 | * NET NON-OPERATING EFFECT | \$ 0 | \$ 0 | | \$ 0 | \$ (483) | \$ 0 | \$ 0 | |
|------|----------------------------|------|------|--|------|----------|------|------|--|

| | | | | | | | | | |
|------|---|------|------|--|------|----------|------|------|--|
| 9521 | * NET OF RESERVE CONTRIBUTIONS, OPERATING DISBURSEMENTS, OPERATING RECEIPTS, & NON-OPERATING EFFECT | \$ 0 | \$ 0 | | \$ 0 | \$ (998) | \$ 0 | \$ 0 | |
|------|---|------|------|--|------|----------|------|------|--|

2018

The Kalanikai

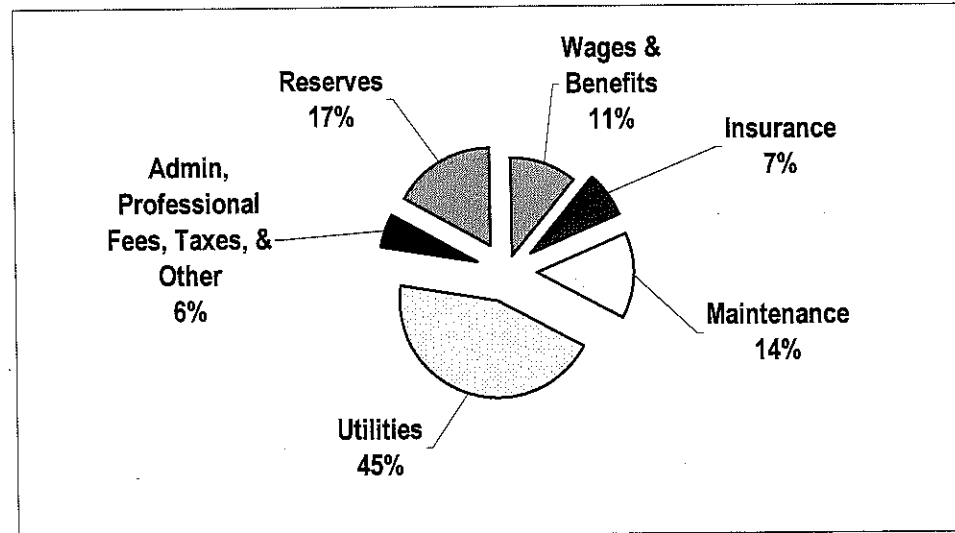
CASH OPERATING BUDGET

| APT / UNIT TYPE | NO. OF APTS | PERCENT COMMON INTEREST | BOARD APPROVED 2017 | BOARD APPROVED 2018 | Increase / Decrease 2017 - 2018 | APT / UNIT | |
|-----------------------|-------------------|-------------------------------|---------------------------|---------------------------|---------------------------------------|-----------------|--------------------------|
| | | | | | | TYPE TOTAL % | COLLECTION TOTAL \$\$ |
| BLDG A | 24 | 1.28000% | \$ 592.64 | \$ 592.64 | \$ 0.00 | 30.72000% | \$ 14,223.36 |
| BLDG B | 42 | 1.28000% | \$ 592.64 | \$ 592.64 | \$ 0.00 | 53.76000% | \$ 24,890.88 |
| CABANAS 2,3 | 8 | 1.21000% | \$ 560.23 | \$ 560.23 | \$ 0.00 | 9.68000% | \$ 4,481.84 |
| CABANAS 1 | 7 | 0.72500% | \$ 335.68 | \$ 335.68 | \$ 0.00 | 5.07500% | \$ 2,349.76 |
| UNIT S101 | 1 | 0.76500% | \$ 354.20 | \$ 354.20 | \$ 0.00 | 0.76500% | \$ 354.20 |
| | 82 | | | | | 100.00% | \$ 46,300.04 |

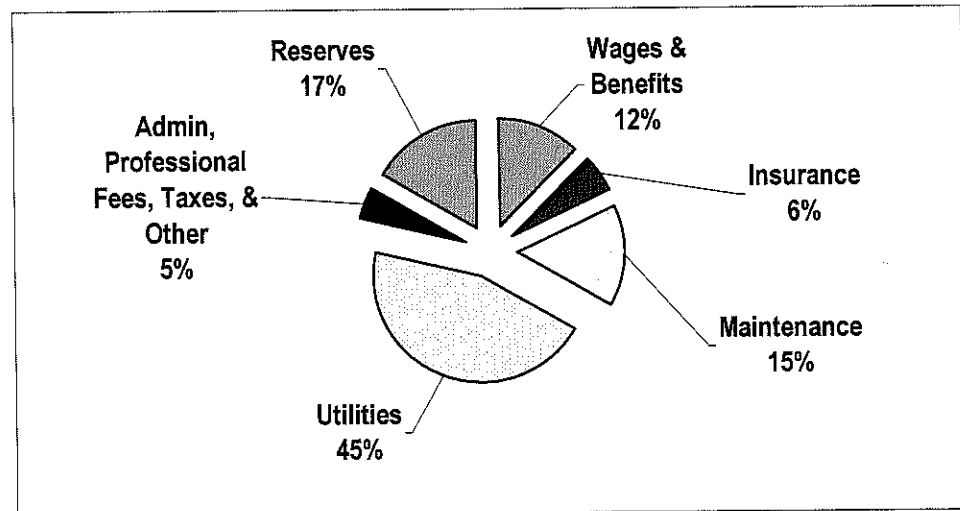
The Kalanikai

CASH OPERATING BUDGET

| Present Year 2017 | vs | Budget Year 2018 |
|----------------------|--|---------------------|
| \$ 5,297 | Wages & Benefits | \$ 5,791 |
| \$ 3,437 | Insurance | \$ 2,594 |
| \$ 6,767 | Maintenance | \$ 7,161 |
| \$ 21,136 | Utilities | \$ 21,181 |
| \$ 2,613 | Admin, Professional Fees, Taxes, & Other | \$ 2,138 |
| \$ 7,978 | Reserves | \$ 7,832 |



2017 Budget Expense Distribution



2018 Budget Expense Distribution

Aloha Insurance Services, Inc.
75-5931 Walua Road
Kailua-Kona, HI 96740

**KalaniKai Condominiums AOA
Summary of Insurance**

| COVERAGES | LIMITS | DATES | CARRIER/POLICY NO. | NOTES | 2015 | 2016 | 2017 |
|---|---------------|-------------|--|--|--------------------|--------------------|--------------------|
| <u>Property Insurance</u> | | 3-1-17/18 | Golden Bear Insurance Company Policy No: FS53050 | All Risk Policy with exception of flood and earthquake \$5,000 deductible per claim 2% hurricane deductible Replacement Cost Valuation | \$23,187.67 | \$20,175.71 | \$19,342.10 |
| Building Coverage | | | | | | | |
| Blanket Building Coverage | \$ 13,457,567 | | | | | | |
| Ordinance or Law | \$ 1,000,000 | | | | | | |
| Agreed Amount- Blanket Limit | | | | | | | |
| <u>Commercial Liability</u> | | 3-1-17/18 | Great Divide Insurance Co. Policy No: GC970553 | Occurrence Policy form Condo Owners as Insureds Property Mgr as Add Insured Hired & Non-owned Auto Liability | \$1,786.00 | \$1,786.00 | \$2,166.00 |
| Each Occurrence (Bodily Injury or Property Damage) | \$ 1,000,000 | | | | | | |
| Personal & Advertising Inj Limit | \$ 1,000,000 | | | | | | |
| General Aggregate | \$ 2,000,000 | | | | | | |
| Fire Damage (Any one fire) | \$ 100,000 | | | | | | |
| <u>Non-Owned Auto Liability</u> | | 3-1-17/18 | Great Divide Insurance Co. Policy No: GC970553 | Non-owned autos only (no vehicles scheduled) | included | included | included |
| Bodily Injury and Property Damage | \$ 1,000,000 | | | | | | |
| <u>Crime</u> | | 3-1-17/18 | Great American Insurance Policy No: SAA55438215569-08 | \$1,000 deductible | \$310.00 | \$310.00 | \$310.00 |
| Employee Dishonesty | \$ 50,000 | | | | | | |
| <u>Directors and Officers Liability</u> | | 3-1-17/18 | CNA-Continental Casualty Policy No: 0251363147 | Claims made form Prior acts coverage \$1,000 retention | \$1,538.00 | \$1,538.00 | \$1,583.00 |
| Each claim | \$ 1,000,000 | | | | | | |
| Annual Aggregate | \$ 1,000,000 | | | | | | |
| <u>Umbrella Liability</u> | | 3-1-17/18 | Great American Insurance Policy No: UM30087823 | Occurrence form | \$1,679.40 | \$1,747.60 | \$2,085.00 |
| Each Occurrence | \$ 5,000,000 | | | | | | |
| Annual Aggregate | \$ 5,000,000 | | | | | | |
| <u>Workers Compensation</u> | | 08-28-17/18 | HEMIC Policy No: 27593 | One Employee Payroll \$35,000 | \$2,450.00 | \$2,629.00 | \$3,220.00 |
| Coverage A- Workers Compensation | Statutory | | | | | | |
| Cov B - Bodily Injury each Accident | \$ 100,000 | | | | | | |
| - Bodily Injury Disease / limit | \$ 500,000 | | | | | | |
| - Bodily Injury Disease / emp | \$ 100,000 | | | | | | |
| <u>Temporary Disability Insurance</u> | | 7-24/17/18 | Pacific Guardian Life Policy No: 70817 | Rate: .380 / \$100 covered payroll | \$133.00 | \$133.00 | \$180.67 |
| Statutory | | | | | | | |
| <u>Total Premiums:</u> | | | | | \$31,084.07 | \$28,319.31 | \$28,886.77 |

Aloha Insurance Services, Inc.
75-5931 Walua Road
Kailua-Kona, HI 96740

**KalaniKai Condominiums AOA
Summary of Insurance**

| COVERAGES | | LIMITS | DATES | CARRIER/POLICY | NOTES | Premium | | |
|------------------------------------|---------|--------------|------------|------------------------------|---------------------|---------------------|--------------------|-------------------|
| <u>Flood Insurance</u> | | | | First Insurance Co of Hawaii | | | | |
| Building C-1 | Zone AE | \$ 488,000 | 7-24-17/18 | Policy No: 0002023250 | \$25,000 deductible | \$1,510.00 | \$1,348.00 | \$807.00 |
| Building C-2 | Zone AE | \$ 488,000 | 7-24-17/18 | Policy No: 0002023252 | \$25,000 deductible | \$970.00 | \$777.00 | \$419.00 |
| Building C-3 | Zone AE | \$ 488,000 | 7-25-17/18 | Policy No: 0002023251 | \$25,000 deductible | \$970.00 | \$777.00 | \$419.00 |
| Building B4 | Zone AE | \$ 3,840,300 | 7-25-17/18 | Policy No: 0002023256 | \$25,000 deductible | \$4,296.00 | \$3,911.00 | \$1,701.00 |
| Building A5 | Zone AE | \$ 2,215,200 | 7-25-17/18 | Policy No: 0002023255 | \$25,000 deductible | \$3,630.00 | \$3,370.00 | \$1,148.00 |
| <u>Total Flood premium:</u> | | | | | | \$ 11,376.00 | \$10,183.00 | \$4,494.00 |

The summary above is a listing of policies, coverages and deductibles, however, it does not reflect all the terms and conditions of the policies. See the actual policies for complete coverages, deductibles and exclusions of coverage.

| | | |
|-------------------------|--------------|--|
| Tad Nottage - President | 808 334-0044 | tad@alohainsurance.com |
| Elly Johnson - CIC | 808-334-4065 | mike@alohainsurance.com |

Daniel J. Sullivan CPA, MBA

*5389 Kahalakua Street
Honolulu, Hawaii 96821
res1cfdl@hawaiiantel.net*

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
The Association of Apartment Owners of
THE KALANIKAI

Report on the Financial Statement:

We have audited the accompanying financial statement of cash receipts and disbursements and changes in cash balances of the Association of Apartment Owners of THE KALANIKAI, for the year ended December 31, 2016, and the related notes to the financial statement.

Management's Responsibilities:

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities: We are responsible to express our 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 Association'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 Association'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, well as evaluating the overall presentation of the financial statement.

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

Opinion:

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts and disbursements and the changes in cash balances of the Association of Apartment Owners of THE KALANIKAI for the year-ended December 31, 2016 in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting:

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion on the Required Supplemental Information on Future Major Repairs and Replacements:

Accounting principles generally accepted in the United States of America require that information on Future Major Repairs and Replacements which accompany this financial statement be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statement, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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 statement. 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.

Restriction on Use:

This report is intended solely for the information and use of the Board of Directors and Members of the Association of Apartment Owners of THE KALANIKAI and is not intended to be used and should not be used by anyone other than these specified parties.

Daniel J Sullivan CPA

Honolulu, Hawaii
November 9, 2017

THE KALANIKAI
Statement of Cash Receipts and Disbursements
and Changes in Cash Balance
For the Year Ended December 31, 2016

| | | |
|-----------------------------------|---------------|-------------------|
| Cash Receipts: | | |
| Maintenance Fees | \$ 552,731 | |
| Laundry Receipts | 2,713 | |
| Late Fees | 2,068 | |
| Interest | <u>194</u> | |
| Total Cash Receipts | | \$ 557,706 |
| Cash Disbursements: | | |
| Repairs and Maintenance: | | |
| Landscaping and Grounds | 57,773 | |
| Reserve Disbursements-Sewer/Other | 24,259 | |
| Net Repairs, Purchases and Other | 15,744 | |
| Refuse | 9,938 | |
| Plumbing | 6,847 | |
| Pool | <u>6,390</u> | 120,951 |
| Utilities: | | |
| Electricity | 187,024 | |
| Water and Sewer | 44,635 | |
| Cable TV | 32,065 | |
| Communications | <u>3,337</u> | 267,061 |
| Personnel: | | |
| Wages | 37,803 | |
| Manager's Lodging | 14,400 | |
| Payroll Taxes, Benefits, Other | <u>15,464</u> | 67,667 |
| Administration: | | |
| Management Fee | 16,278 | |
| Office and Administrative | <u>373</u> | 16,651 |
| Other: | | |
| Insurance | 33,651 | |
| Hawaii General Excise Tax | <u>68</u> | <u>33,719</u> |
| Total Cash Disbursements | | 506,049 |
| Increase (Decrease) in Total Cash | | 51,657 |
| Cash Balance: January 1, 2016 | | <u>146,151</u> |
| Cash Balance: December 31, 2016 | | <u>\$ 197,808</u> |

Association of Apartment Owners of
THE KALANIKAI
Notes to the Financial Statements
December 31, 2016

NOTE 1. Nature of Organization:

This 82 unit residential condominium association, located on the island of Hawaii, Hawaii, is organized for the purposes of maintaining and preserving common property of the association.

NOTE 2. Summary of Significant Accounting Policies:

Member Assessments: Association members are assessed monthly to provide for operating expenses, improvements, replacements and major repairs. The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Basis of Accounting: In accordance with industry practice, the accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statement. The cash basis differs from generally accounting principles primarily because the effects of accounts receivable and accounts payable are not reflected in the accompanying financial statement.

NOTE 3. Ending Cash Balance:

The balance at December 31, 2016 is comprised of:

| | |
|----------------|-------------------|
| Operating Cash | \$ 75,565 |
| Reserves | <u>122,243</u> |
| Total Cash | \$ <u>197,808</u> |

NOTE 4. Federal and State Income Taxes:

THE KALANIKAI has the option to file its tax returns either as a homeowners association or as a regular corporation. For the year ended December 31, 2016, they intend to file the tax form that proves to be the most beneficial in minimizing tax payments.

NOTE 5. Surprise Cash Confirmation:

In conformity with Hawaii State law, a surprise cash verification was conducted during the fiscal year. No material discrepancies were encountered.

NOTE 6. Future Major Repairs and Replacements:

Hawaii State law requires condominium associations to prepare a study of Future Major Repairs and Replacements, and also requires funding towards the indicated reserve balances, based upon either straight line or cash flow assumptions. The straight line method requires that reserves for each component be collected in equal annual installments over the life of the component. The cash flow analysis requires that the Association have sufficient cash flow over a twenty year period to fund the replacement of building components without special assessments or loans except in an emergency. The intent is to accumulate the anticipated monies necessary in advance of their being needed, in order to reduce the probability of special assessments, borrowing, or deferring needed major repairs and replacements.

THE KALANIKAI'S board of directors did not update their study in 2016 to estimate the remaining useful lives and replacement costs of the components of common property.

Funds are presently being accumulated for replacements based on estimated future costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors of the Association has the right to increase regular assessments, or pass special assessments, until enough funds are available.

Association of Apartment Owners Of
THE KALANIKAI
 Supplementary Information on Future Major Repairs and Replacements
 (Unaudited)
 December 31, 2016

The board of directors did not update the reserve study in 2016 to estimate the remaining useful lives and replacement costs of the components of common property. The following table is based upon the study, and presents significant information about the components of the common property. Remaining useful lives have been reduced one year from the previous study.

| | Estimated Remaining Useful <u>Lives</u> | Estimated Future <u>Costs</u> |
|------------------------------------|--|-------------------------------------|
| Lighting | 0 | \$ 11,330 |
| Pool Equipment Room | 0 | 5,304 |
| Wood Repairs (50%) | 0 | 26,522 |
| Wood Repairs (50%) | 0 | 27,318 |
| Termite Treatment | 0 | 7,879 |
| Pool Deck Coating/Pool Plaster | 2 | 42,986 |
| Pool Fence and Gate | 3 | 18,448 |
| Wood Repairs (50%) | 3 | 30,747 |
| Fire Alarm Upgrades | 4 | 7,601 |
| Exterior Painting | 4 | 61,494 |
| Wood Repairs (50%) | 4 | 31,669 |
| Others (Under \$5,000) | 0-4 | 9,048 |
| Termite Treatment | 5 | 9,133 |
| Asphalt Slurry Coat | 6 | 40,317 |
| Landscape Lighting | 7 | 6,921 |
| Building Repairs/Waterline Replace | 7 | 50,871 |
| Building Spalling | 8 | 263,766 |
| Wood Repairs (50%) | 8 | 35,644 |
| Exterior Painting | 9 | 220,280 |
| Water Heaters-On Demand | 9 | 8,811 |
| Wood Repairs (50%) | 9 | 36,713 |
| Others (Under \$5,000) | 5-9 | 4,238 |
| Office Roof Replacement | 10 | 15,126 |
| Termite Treatment | 10 | 10,588 |
| Asphalt Slurry Coat | 11 | 46,739 |
| Metal Railings | 12 | 320,941 |
| Pool Deck Coating/Pool Plaster | 12 | 57,769 |
| Wood Repairs (50%) | 13 | 41,321 |
| Fire Alarm Upgrades | 14 | 10,215 |
| Wood Repairs (50%) | 14 | 42,561 |
| Others (Under \$5,000) | 10-14 | 7,993 |
| Photovoltaic System Purchase | 15 | 220,942 |
| Termite Treatment | 15 | 12,275 |
| Asphalt Slurry Coat | 16 | 54,183 |
| Irrigation System | 16 | 361,222 |
| Others (Under \$5,000) | 15-19 | <u>5,986</u> |
| | | <u>\$ 2,164,901</u> |

RESERVE PLANNING - 2018

| | |
|--|--------------|
| 4" Waste Line Reline: Bldgs A&B: 11 stacks | \$120,000 |
| Pool Re-plaster | \$21,000 |
| Termite Treatment: Bldgs 1,2,3 | \$7,879 |
| | |
| | |
| | |
| | |
| Total | \$148,879.00 |

2018

| | |
|--|-------------|
| Washer and Dryer | \$2,319 |
| Wood Bldg. Repairs | \$10,000 |
| Railing Inspection & Repairs | \$10,000 |
| Pool Pump and Chlorinator | \$2,000 |
| PV System Buy-out. Deposit PV buy-out in separate acct. each year. | \$25,000 |
| | \$ |
| | \$ |
| | \$49,319.00 |

2019

| | |
|--|-------------|
| Spall Repair | \$3,000 |
| Asphalt Slurry Seal & Stripe | \$21,840 |
| Railing Inspection & Repairs | \$20,000 |
| PV System Buy-out. Deposit PV buy-out in separate acct. each year. | \$25,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$69,840.00 |

2020

| | |
|---|-------------|
| Spall Repair | \$3,000 |
| Wood Bldg. Repairs | \$31,000 |
| PV System Buy-out Deposit PV buy-out in separate acct. each year. | \$25,000 |
| | |
| | \$ |
| | \$ |
| | \$ |
| | \$59,000.00 |

2021

| | |
|---|-------------|
| Spall Repair | \$3,000 |
| Wood Bldg. Repairs | \$31,000 |
| PV System Buy-out Deposit PV buy-out in separate acct. each year. | \$25,000 |
| | |
| | \$ |
| | \$ |
| | \$ |
| | \$59,000.00 |

2022

| | |
|-----------------------------------|-------------|
| Spall Repair | \$3,100 |
| Exterior Spot Paint: Bldgs. A & B | \$50,000 |
| Fire Alarm Upgrades | \$7600 |
| Wood Bldg. Repairs | \$31,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$91,700.00 |

2023

| | |
|---|-------------|
| Spall Repair | \$3,100 |
| Garden Shed | \$1,210 |
| Pool Pump and Chlorinator | \$2,815 |
| Pool Sand Filter | \$1,960 |
| Back Trash Enclosure Repairs | \$2,400 |
| PV System Buy-out Deposit PV buy-out in separate acct. each year | \$50,000 |
| | \$ |
| | \$61,485.00 |

2024

| | |
|---------------------------------------|-------------|
| Spall Repair | \$3,100 |
| Landscape Lighting | \$6,920 |
| Misc Bldg. Repairs: Waterline Replace | \$50,900 |
| | |
| | |
| | \$ |
| | \$ |
| | \$60,920.00 |

2025

| | |
|---------------------------------|-------------|
| Spall Repair | \$3,200 |
| Termite Treatment: Bldgs. 1,2,3 | \$9,200 |
| Asphalt Slurry Seal & Stripe | \$25,120 |
| Asphalt Repairs | \$50,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$87,520.00 |

2026

| | |
|--------------------|-------------|
| Spall Repair | \$3,360 |
| Washer & Dryer | \$2,850 |
| Wood Bldg. Repairs | \$35,600 |
| Pool House Repairs | \$5,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$46,810.00 |

| | |
|-----------------------|--------------|
| Spall Repair | \$3,530 |
| Paint Exterior A bldg | \$100,000 |
| Water Heaters | \$8,900 |
| Wood Bldg. Repairs | \$36,700 |
| | \$ |
| | \$ |
| | \$ |
| | \$149,130.00 |

2028

| | |
|--|-------------|
| Spall Repair | \$3,700 |
| Office Roof Replacement | \$15,200 |
| Railing Inspection & Repairs | \$10,000 |
| PV System Buy-out Deposit PV buy-out in separate acct. each year. | \$50,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$78,900.00 |

2029

| | |
|--------------------------------|--------------|
| Paint Exterior B bldg | \$200,000 |
| Railing Inspection & Repairs | \$10,000 |
| Wood Bldg. Repair: Bldgs 1,2,3 | \$20,000 |
| | |
| | \$ |
| | \$ |
| | \$ |
| | \$230,000.00 |

2030

| | |
|------------------------------|-------------|
| Spall Repair | \$4,080 |
| Asphalt Slurry Seal & Stripe | \$32,650 |
| Pool Pump & Chorinator | \$3,900 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$40,630.00 |

2031

| | |
|---------------------------------|-------------|
| Spall Repair | \$4,285 |
| Fire alarm upgrades | \$10,215 |
| Wood Bldg. Repairs: Bldgs 1,2,3 | \$42,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$56,500.00 |

| | |
|--|--------------|
| Spall Repair | \$4,500 |
| Termite Treatment: Bldgs. 1,2,3 | \$13,000 |
| PV Buy-out, Put w/banked \$ = Total of \$325,000 | \$125,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$142,500.00 |

2033

| | |
|--------------------|-------------|
| Spall Repair | \$4,725 |
| Pool Re-plaster | \$26,000 |
| Irrigation System | \$10,400 |
| Washer & Dryer | \$3,500 |
| PV System Upgrades | \$20,000 |
| | \$ |
| | \$ |
| | \$64,625.00 |

2034

| | |
|--------------------------|-------------|
| Spall Repair | \$4,960 |
| Garden Shed Replacement | \$1,500 |
| Pool Storage Replacement | \$800 |
| PV System Upgrades | \$20,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$27,260.00 |

2035

| | |
|------------------------------|-------------|
| Spall Repair | \$5,200 |
| Asphalt Slurry Seal & Stripe | \$37,500 |
| PV System Upgrades | \$20,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$62,700.00 |

2036

| | |
|------------------------------|-------------|
| Spall Repair | \$5356 |
| PV System Upgrades | \$20,000 |
| Railing Inspection & Repairs | \$25,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$50,356.00 |

| | |
|---|--------------|
| Spall Repair | \$5517 |
| PV System Upgrades-Battery Purchase/Install | \$250,000 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$255,517.00 |

2038

| | |
|--------------------|---------|
| Spall Repair | \$5682 |
| PV System Upgrades | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ 0.00 |

2039

| | |
|--------------------|---------|
| Spall Repair | \$5853 |
| PV System Upgrades | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ 0.00 |

2040

| Year | Annual Contribution | Annual Interest | Annual Expenditures | Projected Ending Reserves | |
|--------|------------------------|--------------------|------------------------|------------------------------|-------------------|
| 2017 | | | | \$ 150,000 | ** |
| 2018 | \$ 84,000 | \$ 1,170 | \$ 148,879 | \$ 86,291 | |
| 2019 | \$ 84,000 | \$ 851 | \$ 49,319 | \$ 121,823 | |
| 2020 | \$ 96,000 | \$ 1,089 | \$ 69,840 | \$ 149,073 | Reserve Incr 2020 |
| 2021 | \$ 96,000 | \$ 1,225 | \$ 59,000 | \$ 187,298 | |
| 2022 | \$ 96,000 | \$ 1,416 | \$ 59,000 | \$ 225,714 | |
| 2023 | \$ 96,000 | \$ 3,217 | \$ 91,700 | \$ 233,232 | |
| 2024 | \$ 96,000 | \$ 3,292 | \$ 61,485 | \$ 271,039 | |
| 2025 | \$ 96,500 | \$ 3,675 | \$ 60,920 | \$ 310,294 | Reserve Incr 2025 |
| 2026 | \$ 96,500 | \$ 4,068 | \$ 87,520 | \$ 323,342 | |
| 2027 | \$ 96,500 | \$ 4,198 | \$ 46,810 | \$ 377,231 | |
| 2028 | \$ 96,500 | \$ 4,737 | \$ 149,130 | \$ 329,338 | |
| 2029 | \$ 96,500 | \$ 4,258 | \$ 78,900 | \$ 351,196 | |
| 2030 | \$ 96,500 | \$ 4,477 | \$ 230,000 | \$ 222,173 | |
| 2031 | \$ 96,500 | \$ 3,187 | \$ 40,630 | \$ 281,230 | |
| 2032 | \$ 96,500 | \$ 3,777 | \$ 56,500 | \$ 325,007 | |
| 2033 | \$ 96,500 | \$ 4,215 | \$ 142,500 | \$ 283,222 | |
| 2034 | \$ 96,500 | \$ 3,797 | \$ 64,625 | \$ 318,895 | |
| 2035 | \$ 96,500 | \$ 4,154 | \$ 27,260 | \$ 392,289 | |
| 2036 | \$ 96,500 | \$ 4,888 | \$ 62,700 | \$ 430,976 | |
| 2037 | \$ 96,500 | \$ 5,275 | \$ 50,356 | \$ 482,395 | |
| Totals | \$ 1,902,500 | \$ 66,969 | \$ 1,637,074 | | |

** Estimated beginning balance