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INDEPENDENT AUDITOR'S REPORT

Board of Directors
MARINER'S COVE ASSOCIATION

Report on the Financial Statement:

We have audited the accompanying financial statement of cash receipts and disbursements and changes in cash balances of MARINER'S COVE ASSOCIATION, for the year ended December 31, 2017, 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 MARINER'S COVE ASSOCIATION for the year-ended December 31, 2017 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. My 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 MARINER'S COVE ASSOCIATION and is not intended to be used and should not be used by anyone other than these specified parties.

Felice Valmas

Felice Valmas, CPA
February 23, 2018

MARINER'S COVE ASSOCIATION
Statement of Cash Receipts and Disbursements
and Changes in Cash Balance
For the Year Ended December 31, 2017

Cash Receipts:		
Community Association Dues	\$ 160,961	
Boat Storage	6,215	
Late Fees	2,620	
Interest	2,361	
Clubhouse Rent	<u>1,571</u>	
Total Cash Receipts		\$173,728
Cash Disbursements:		
Repairs and Maintenance:		
Grounds	6,723	
Pool	5,470	
Parking Repairs	4,293	
Net Repairs, Purchases and Other	3,243	
Reserve Disbursement - Keiki Pool	2,150	
Sewer	<u>1,605</u>	23,484
Utilities:		
Electricity	4,462	
Water	4,062	
Communications	<u>1,153</u>	9,677
Personnel:		
Wages	45,687	
Payroll Taxes, Benefits and Other	<u>8,419</u>	54,106
Administration:		
Management Fee	19,140	
Office and Administrative	<u>11,722</u>	30,862
Other:		
Insurance	9,714	
Net Professional Fees	3,014	
Hawaii General Excise Tax	543	
Real Property Tax	<u>300</u>	<u>13,571</u>
Total Cash Disbursements		131,700
Increase (Decrease) in Total Cash		42,028
Cash Balance: January 1, 2017		<u>323,810</u>
Cash Balance: December 31, 2017		<u>\$365,838</u>

MARINER'S COVE ASSOCIATION

Notes to the Financial Statements

December 31, 2017

NOTE 1. Nature of Organization:

This residential association, located on the island of Oahu, 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, 2017 is comprised of:

Operating Cash	\$ 62,129
Reserves	<u>303,709</u>
Total Cash	\$ <u>365,838</u>

NOTE 4. Federal and State Income Taxes:

MARINER'S COVE ASSOCIATION has qualified under Section 501 (c)(7) of the Internal Revenue Code as a tax-exempt organization. The Association files annual returns and pays federal tax at 15% on its net unrelated business income after a specific deduction of \$1,000.

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:

MARINER'S COVE ASSOCIATION'S board of directors updated their study in 2017 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.

MARINER'S COVE ASSOCIATIONSupplementary Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2017

The board of directors updated the reserve study in 2017 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.

	Estimated Remaining Useful Lives	Estimated Future Costs
Pool Retile	0	\$ 57,977
Pool Furniture/Salt Chlorine Generator	0	10,183
Signage	0	4,571
Stucco Repair	0	9,589
Wading Pool Tile	0	13,915
Wood Surfaces Repaint	0	7,147
Elastomeric Deck Resurface	1	37,580
Kitchen	2	9,102
Pump Shut Offs	2	5,346
Sliding Glass Doors	3	12,305
Vinyl Fence	3	13,728
Solar Hot Water	4	29,677
Others (Under \$4,000)	0-4	16,392
Pole Lights	5	34,657
Pool Salt Chlorine Generator	5	4,722
Wood Surfaces Repaint	5	7,891
Asphalt Seal/Repair	6	18,951
Dock	6	17,900
Pool Furniture	6	6,651
Pool Deck Partial	7	5,032
Kitchen	8	8,406
Others (Under \$4,000)	5-9	11,811
Bathroom	10	8,677
Pool Salt Chlorine Generator	10	5,213
Signage	10	5,573
Utility Doors Partial	10	4,285
Wood Surfaces Repaint	10	8,712
Tile Roof	11	156,884
Chain Link Fence	12	26,702
Elastomeric Deck Resurface	12	4,173
Pool Furniture	12	7,490
Pump Shut Offs	12	6,517
Asphalt Resurface	13	130,077
Asphalt Seal/Repair	13	21,768
Elastomeric Deck Resurface	13	47,661
Electronic Entry	13	4,745
Kitchen	14	11,543
Stucco Repair	14	12,652
Pool Salt Chlorine Generator	15	5,756
Utility Doors Partial	15	4,731
Wood Surfaces Repaint	15	9,619
Elastomeric Deck Resurface	16	4,517
Pool Furniture	18	8,435
Vinyl Fence	18	18,476
CVT Floor Replace	19	4,607
Pool Deck Partial	19	6,381
Solar Hot Water	19	39,942
Others (Under \$4,000)	15-19	<u>5,646</u>
		<u>\$ 914,315</u>