

2008/audit

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Board of Directors  
Association of Apartment Owners of:  
**ATKINSON TOWERS, INC.**

Independent Auditor's Report

I have audited the accompanying statement of cash receipts and disbursements, and change in cash balance of the Association of Apartment Owners of ATKINSON TOWERS, INC. for the year ended December 31, 2008. This financial statement is the responsibility of the Association's management. My responsibility is to express an opinion on this financial statement based upon my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurances about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the statement mentioned above presents fairly, in all material respects, the cash receipts and disbursements, and change in cash balance of the Association of Apartment Owners of ATKINSON TOWERS, INC. for the year ended December 31, 2008 on the basis of accounting described in Note 1.

*Daniel J Sullivan CPA*

Honolulu, Hawaii  
May 5, 2009

Association of Apartment Owners of  
**ATKINSON TOWERS, INC.**  
Statement of Cash Receipts and Disbursements  
and Changes in Cash Balance  
For the Year Ended December 31, 2008

Cash Receipts:		
Maintenance Fees	\$ 553,938	
Lease Rent Receipts	65,835	
Land Purchase Assessments	21,167	
Interest and Dividends	4,243	
Late Fees and Other	2,937	
Parking and Services	<u>2,936</u>	
Total Cash Receipts		\$ 651,056
Cash Disbursements:		
Repairs and Maintenance:		
Repairs, Purchases and Other	31,846	
Resident Manager's Unit	26,079	
Elevator	25,469	
Painting	20,447	
Refuse	<u>7,779</u>	111,620
Utilities:		
Sewer	46,310	
Cable TV	44,815	
Electricity	25,613	
Water	10,630	
Telephone	<u>3,785</u>	131,153
Personnel:		
Wages	44,878	
Contract Custodial	9,431	
Payroll Taxes, Benefits and Other	<u>16,711</u>	71,020
Administration:		
Management Fee	16,028	
Office and Administrative	<u>15,010</u>	31,038
Other:		
Real Property Tax	70,446	
Lease Rent	66,000	
Insurance	61,968	
Professional Fees - Condo Conversion	14,578	
Federal Income Tax Estimated Payment	2,400	
Hawaii General Excise Tax	2,306	
Professional Fees - Other	<u>1,924</u>	<u>219,622</u>
Total Cash Disbursements		564,453
Increase (Decrease) in Total Cash		86,603
Cash Balance: January 1, 2008		<u>226,198</u>
Cash Balance: December 31, 2008		<u>\$ 312,801</u>

Association of Apartment Owners of  
*ATKINSON TOWERS, INC.*  
Notes to the Statement of  
Cash Receipts and Disbursements  
and Change in Cash Balance  
December 31, 2008

NOTE 1. Organization and Accounting Policies:

This 111 unit residential condominium association, located on the island of Oahu, Hawaii, is organized for the purposes of maintaining and preserving common property of the association.

In accordance with industry practice, the financial statement is presented on the basis of cash receipts and disbursements; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

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.

The Association completed the process of converting from a cooperative association to a condominium association in 2008.

NOTE 2. Ending Cash Balance:

The balance at December 31, 2008 is comprised of:

Operating Cash	\$ 12,997
Reserves	<u>299,804</u>
Total	\$ <u>312,801</u>

NOTE 3. Federal and State Income Taxes:

ATKINSON TOWERS, INC. is required to file federal and state income tax returns annually. The Association has the option each year to file its federal income tax return using either an 1120 corporation income tax return, or filing as a homeowner's association in accordance with Internal Revenue Service Code section 528 using form 1120-H. The Auditor selects whichever option he judges to be most beneficial for the Association. In either case, a State of Hawaii form N-30 is used. For this year, no income taxes are due.

NOTE 4. Surprise Cash Confirmation:

Hawaii State Law, Act 195, requires all Hawaii condominium associations with twenty or more units to have an annual surprise cash verification in addition to the annual audit. In conformity with this law, I performed a surprise cash confirmation as of September 30, 2008. Balances shown on Certified Management Company's books were confirmed directly with ATKINSON TOWERS, INC'S financial institutions who responded that the balances indicated were in agreement with their records.

NOTE 5. 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.

ATKINSON TOWERS, INC'S board of directors conducted a study in 2007 to estimate the remaining useful lives and replacement costs of the components of common property. The resulting Supplemental Information on Future Major Repairs and Replacements which accompany these financial statements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which primarily consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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  
**ATKINSON TOWER, INC.**  
 Supplementary Information on Future Major Repairs and Replacements  
 December 31, 2008

The board of directors updated the reserve study in 2008 to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements consider an annual inflation rate and interest, net of taxes, on amounts funded for future major repairs and replacements. Associations are allowed to choose either the straight-line method or the cash-flow method to fund their replacement reserve requirements. Associations that select the straight-line method are required to have accumulated at least 50% of anticipated full replacement reserves. Associations that select the cash-flow method must currently fully fund their reserves, using cash-flow requirements. The following table is based upon the study, and presents significant information about the components of the common property.

	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs
Exterior Doors	0	\$ 60,331
Exterior Paint	0	258,947
Roof Fans for Bathroom Vents	0	27,117
Security System	0	13,534
Asphalt Overlay	1	58,180
Wet/Dry Standpipes	1	19,555
Window-Kitchen	1	94,840
Drainage Pipes	2	36,490
Booster Pump System	2	22,288
Trash Chute Re-line	3	35,800
Elevator Modernize/Cabs	4	270,926
Others (Under \$10,000)	0-4	5,434
Lobby Refurbishment	5	11,426
Security System	5	17,110
Pool Replaster	7	18,824
Exterior Paint	8	379,792
Others (Under \$10,000)	5-9	14,176
Drainage Pipes	10	53,096
Security System	10	23,756
Others (Under \$10,000)	10-14	12,876
Lobby Refurbishment	15	18,261
Pool Replaster	15	27,391
Security System	15	32,984
Exterior Paint	16	876,202
Wet/Dry Standpipes	16	39,507
Booster Pump System	17	45,028
Roofing	17	430,895
Drainage Pipes	18	77,259
Elevator Cabs	19	50,485
Others (Under \$10,000)	15-19	<u>13,792</u>
		<u>\$ 3,046,302</u>