

GUY B. SHEPARD, V  
P. O. BOX 2311  
PAHOA, HI 96778-2311  
(808) 965-1607  
FAX: (808) 965-1455

Custom Tax, Bookkeeping, & Accounting Services

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Independent Auditor's Report

To the Board of Directors of  
Kalapana Seaview Estates Community Association

I have audited the books of KSECA according to the generally accepted auditing standards.

There are a few errors, which I will list below. But, in general, the Minutes Book was in disarray to some extent. It goes like this: 1. Agenda, if you have one, 2. Minutes, 3. Everything else. There were invoices, minutes, and other papers in the wrong months. Invoices go in the book in the month in which they were paid; not two-three months later. Quite a bit of my time was spent putting the Book in its proper order.

Since the bank is no longer giving back cancelled paper checks, I had to use the Minutes Book in conjunction with the check register - not separately as I had done in the past.

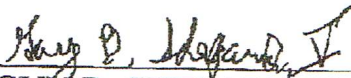
A strong suggestion: put check numbers on all paid invoices, especially the phone bill. I cannot assume that something is paid when there is no check # on the invoice. Several phone bills did not get paid in a timely manner.

In the minutes of 3/10, under New Business, there is a statement that KSECA is a non-profit. I thought we had already clarified that KSECA is a for-profit corporation. It is not a non-profit!

For the General Meeting, some items were purchased from Paul's Repair, and gasoline was listed under food. That should be changed.

Other than these relatively minor errors, I found no intentional deception on the part of the Board of Directors of KSECA.

This is my opinion according to generally accepted auditing procedures.

  
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GUY B. SHEPARD, V