HMC MANAGEMENT

Independent Auditor's Report
And
Financial Statements

Years Ended September 30, 2018 and 2017

Hearthstone CPA Group
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HMC Management

Report on the Financial Statements
We have audited the accompanying financial statements of HMC Management which comprise the balance sheets, as of September 30, 2018 and 2017, and the related statements of revenues, expenses changes in members' equity and cash flows for the years 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and the maintenance of internal control relevant to the preparation and fair presentation of the 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 our audit to obtain reasonable assurance about whether the financial statements are free of 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 HMC Management as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on pages 12 and 13 be presented to supplement the basic financial statements. Such information, although not a required 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. Information in the required supplementary information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information, and we do not express an opinion, a conclusion, nor provide any assurance on it.

Hearthstone CPA Group

Hearthstone CPA Group
Bremerton, WA
March 31, 2019, except for Notes 3 and 12,
as to which the date is September 16, 2019

HMC MANAGEMENT
BALANCE SHEETS

	September 30, 2018	September 30, 2017
ASSETS		
Cash		
Operating account	$ 142,651	$ 114,860
Water account	67,206	68,762
	209,857	183,622
Investments - designated	773,900	1,027,101
Assessments receivable (Notes 2, 3 and 4))		
General operating assessments	109,007	142,068
Special loan assessment receivable - Water	1,266,232	1,280,733
Special loan assessment receivable - Dolphins	513,000	-
Prepaid expenses	30,311	60,619
Capital assets, net of depreciation (Note 5)	3,785,168	3,384,374
Total assets	$ 6,687,475	$ 6,078,517
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable	$ 23,477	$ 305,236
Accrued liabilities	32,553	20,536
Interest payable	5,669	-
Prepaid member assessments	65,401	53,525
Key Bank construction loan - Dolphin project (Note 6)	-	454,745
Deposits	11,530	11,888
Notes payable - USDA: Water System (Note 7)	1,226,595	1,248,794
Notes payable - USDA: Dolphins (Note 7)	494,794	-
Total liabilities	1,860,019	2,094,724
Members' equity		
Undesignated	2,274,324	1,675,959
Board designated		
Investments	773,900	1,027,101
Special loan assessments receivable	1,779,232	1,280,733
Total members' equity	4,827,456	3,983,793
Total liabilities and members' equity	$ 6,687,475	$ 6,078,517

The accompanying notes are an integral part of these financial statements

HMC MANAGEMENT
STATEMENTS OF REVENUES, EXPENSES AND MEMBERS' EQUITY

	Years Ended September 30, 2018	2017
REVENUES		
General assessments	$ 746,858	$ 732,439
Special assessment - Dolphin project		
Option 1 - cash	360,943	-
Option 2 - finance	513,000	-
Ferry fees	200,565	197,401
Water	151,117	152,170
Investment income	11,716	5,683
Other income	41,152	45,379
	2,025,351	1,133,072
EXPENSES		
Operating expenses		
Ferry	566,984	617,305
General and administrative	198,834	184,362
Water system	145,525	136,014
Piles, dolphins and ferry ramps	106,208	112,075
Parks	36,351	32,676
Roads	56,868	22,554
	1,110,770	1,104,986
Excess of revenues over expenses from operations	914,581	28,086
Non-operating expenses		
Write-off bad debt assessments	(70,918)	-
Excess of revenues over expenses	843,663	28,086
Beginning members' equity	3,983,793	2,694,866
Prior Period Adjustment (Note 12)	-	1,260,841
Beginning members' equity, as restated	3,983,793	3,955,707
Ending members' equity	$ 4,827,456	$ 3,983,793

HMC MANAGEMENT
STATEMENTS OF CASH FLOWS
SEPTEMBER 30, 2018 AND 2017

	Years Ended September 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 843,663	$ 28,086
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities		
Depreciation	120,838	112,612
Change in operating assets and liabilities		
General assessments receivable	33,061	(18,093)
Loan special assessment receivable - water	14,501	17,906
Loan special assessment receivable - dolphin	(513,000)	
Prepaid expenses	30,308	30,308
Accounts payable	4,623	(3,322)
Accrued liabilities	12,017	4,533
Interest payable	5,669	-
Prepaid member assessments	11,876	9,376
Deposits	(358)	1,707
Net cash provided (used) by operating activities	563,198	183,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Designated investments	253,202	(68,675)
Dolphin project	(787,898)	(446,896)
Truck	(17,079)	-
Office equipment	(3,038)	-
Net cash provided (used) by investing activities	(554,813)	(515,571)
CASH FLOWS FROM FINANCING ACTIVITIES		
KeyBank Dolphin construction loan - borrowed	40,049	454,745
USDA note payable - water system	(22,199)	(21,654)
Net cash provided (used) by financing activities	17,850	433,091
Net increase in cash and cash equivalents	26,235	100,633
Cash and cash equivalents at beginning of year	183,622	82,989
Cash and cash equivalents at end of year	$ 209,857	$ 183,622
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for loan origination fees and interest		
USDA water distribution note interest	$ 31,079	$ 31,624
Dolphin project interest	27,538	13,371
Dolphin project loan origination fees	-	11,250
	$ 58,617	$ 56,245
Non cash investing and financing activity		
USDA payoff KeyBank Dolphin construction loan	$ 494,794	$ -
Dolphin Project costs included in accounts payable	$ -	$ 286,382

The accompanying notes are an integral part of these financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Association and Activities
HMC Management (the Association) was incorporated on May 1, 1958, in the State of Washington, as a not-for-profit corporation. The Association operates and maintains the common property (including roads, parks, and water service) on Herron Island and the associated private ferry service and wharfs.

Basis of Accounting
The Association prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Association considers all highly liquid investments whose original maturity is three months or less to be cash equivalents.

Investments
Reserve assets have been invested in the Vanguard Treasury Money Market Fund (the fund) and are not considered a cash equivalent because management intends to hold these for more than one year. The fund invests solely in U.S. Treasury Securities which are backed by the full faith and credit of the U.S. Government. The average maturity typically ranges from 30-60 days and the fund maintains a dollar-weighted average maturity of 60 days, and the fund maintains a dollar-weighted average life of 120 days or less.

Capital Assets and Depreciation
The Association's policy for capitalizing assets in its balance sheet is to recognize (a) certain real and personal property to which it has title. The Association recognizes as capital assets the ferry, docks, equipment, and roads.

The Association owns certain lots that are for common use by the Association and by members and four lots for undetermined future use or sale. Original acquisition costs were not available therefore the Association used lowest assessed values for 2001 through 2005 to fairly value the property. Additionally, HMC Management owns four tracts of land and beach front property for common use, but valuations are unknown.

Capitalized assets, except land, are being depreciated over their estimated useful lives using the straight-line method of depreciation.

Taxes
Homeowners' associations' may be taxed either as homeowners' associations' (Form 1120H) or as a regular corporation (Form 1120) by selecting the tax form that will yield the lowest tax. For the years ended September 30, 2018 and 2017, the Association elected to file its income tax returns as a homeowners' association (Form 1120-H).

In 2018 the 2017 the Association's net investment income and other nonexempt income were subject to tax at a 30% rate. For the year ended September 30, 2018, there was a net taxable investment income of $133 resulting in a $40 tax liability. For the year ended September 30, 2017, there were no net taxable investment or nonexempt income.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes – (CONTINUED)

The Association has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association has analyzed tax positions taken for filing with the Internal Revenue Service and all states where it operates. The Association believes that income tax filling positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2018.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in any tax periods in progress. The Association believes it is no longer subject to income tax examinations for fiscal years prior to fiscal year end 2014.

Subsequent Events

Subsequent events were evaluated through the report date, which is the date the financial statements were available to be issued. As of the report date, there were no additional subsequent events requiring disclosure.

NOTE 2 – GENERAL ASSESSMENTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on the properties of homeowners' whose assessments are delinquent in accordance with the Association's by-laws and delinquent policies. It is the opinion of the board of directors that the Association will ultimately prevail against the homeowners whose assessments are delinquent unless the property is in foreclosure. In 2018 the Board of Directors determined that $70,918 of assessments were in foreclosure and were written off to bad debt expense.

The Association's member assessments receivables were as follows:

	2018	2017
Member assessments - current	$ 4,002	$ 4,403
Member assessments - delinquent	105,005	137,665
	$ 109,007	$ 142,068

Any excess assessments at year end are retained by the Association for future use. If assessments are not sufficient, the Board of Directors, subject to the limitations of their authority described in the Association's governing documents, may have to increase regular assessments or pass special assessments.

The Association's members are subject to annual assessments for years ended September 30, 2018 and 2017, was $1,968 and $1,928 per assessable unit (AU), respectively. Assessments are used for general operating expenses, future capital acquisitions, and major repairs and replacements. The annual base assessment for water for years ended September 30, 2018 and 2017, was $220 and $216, respectively. Assessments and accounts receivable at the balance sheet date represent fees and other charges due from owners.

NOTE 3 – SPECIAL ASSSESSMENT RECEIVABLE – WATER SYSTEM CAPITAL PROJECT

During 2012, the Board set up a special assessment to provide necessary funding in order to meet their semi-annual loan obligations on the USDA loan for the water system capital project. The special assessment included two options as follows:

Option 1

Members could pay a one-time cash fee of $4,475 per each assessable unit (AU). A total of 92 members chose this option totaling $411,700.

Option 2

Members could make installment payments of $44.55, payable quarterly, which includes interest 2.5%, over the life of the USDA loan of 40 years. There were 304 members that elected to finance under this option totaling $1,329,650.

The Association's member special assessment receivables were as follows:

	2018	2017
Member special assessments - current	$ 23,450	$ 14,500
Member special assessments - long-term	1,242,782	1,266,233
	$ 1,266,232	$ 1,280,733

NOTE 4 – SPECIAL ASSSESSMENT RECEIVABLE - DOLPHIN CAPITAL PROJECT

During 2018, the Board set up a special assessment to provide necessary funding in order to meet their semi-annual loan obligations on the USDA loan for the Dolphin Project which was completed in May of 2018. The special assessment included two options as follows:

Option 1

Members could pay a one-time cash fee of $2,299 per each assessable unit (AU). A total of 157 members chose this option totaling $360,943.

Option 2

Members could make installment payments of $48.03, payable semi-annually, which includes interest at 2.75%, over the life of the USDA loan of 40 years. There were 221 members that elected to finance under this option totaling $513,000.

The Association's member special assessment receivables were as follows:

	2018	2017
Member special assessments - current	$ 7,168	$ -
Member special assessments - long-term	505,832	-
	$ 513,000	$ -

NOTE 5 – CAPITAL ASSETS

Capital assets in the financial statements consist of the following:

	Estimated Useful Lives	Years Ended September 30, 2018	2017
Land		$ 55,600	$ 55,600
Ferry and docks	15-60 years	3,660,614	2,426,820
Water system	40-80 years	1,826,357	1,826,357
Small boat docks	5-40 years	269,944	269,944
Roads	10-20 years	127,948	110,869
Office equipment	3-6 years	43,165	40,128
		5,983,628	4,729,718
Less accumulated depreciation		(2,198,460)	(2,077,622)
		3,785,168	2,652,096
Dolphin project construction completed (2018)		-	732,278
		$ 3,785,168	$ 3,384,374

Depreciation expense for the year ended September 30, 2018 and 2017, totaled $120,890 and $111,612, respectively. Depreciation expense has been allocated to the departmental categories reported on the statement of revenues, expenses, and members' equity.

NOTE 6 – CONSTRUCTION LOAN PAYABLE – DOLPHIN PROJECT

The Association secured a $1,500,000 interim construction loan on April 12, 2017 from KeyBank National Association. Funds from this loan were used to pay for the dolphin replacement project that commenced during the summer of 2017. Beginning on June 1, 2017, payments of interest only were made for 11 months until the loan was paid in full on April 25, 2018. The interest rate was variable based on the prime rate plus .075%. The initial interest rate was 4.75%, subsequently increasing to 5.5% in April 2018. Construction was completed in the winter of 2018 and the interim construction loan was subsequently paid off with proceeds from the Association's special assessment and permanent financing from USDA Natural Resources in the amount of $494,794. See Note 7 Dolphin Project for repayment terms of the USDA note payable.

NOTE 7 - USDA NOTES PAYABLE

Water Distribution System

The Association signed a promissory note on March 22, 2013, with USDA Natural Resources for financing a new water distribution system to comply with state regulations. The note is payable semiannually (beginning September 2013) at 2.5% interest over 40 years. The amount payable semiannually is $26,639 which includes interest and principle. The note as of September 30, 2018 and 2017, was $1,226,595 and $1,248,794, respectively.

The loan is secured by the Association's property which includes land, roads, and improvements. Such property is recorded as community property and does not have an associated value in Pierce County public assessor records. Therefore, this property does not appear on the Association's financial statements.

NOTE 7 - USDA NOTES PAYABLE (continued)

Dolphin Project
The Association signed a promissory note on April 25, 2018, in the amount of $494,794 with USDA Natural Resources for financing of the ferry landing dolphins. The note is payable semiannually (beginning October 2018) at 2.75% interest over 40 years. The amount payable semi-annually is $10,238 which includes interest and principle. The note payable is secured by the Association's ferry named the Charlie Wells.

Future principal maturities of the note's payable are as follows for both USDA loans:

Years Ending September 30,

	Water	Dolphin	Total
2019	$ 22,760	$ 7,010	29,770
2020	23,330	7,200	30,530
2021	23,920	7,400	31,320
2022	24,520	7,610	32,130
2023	25,140	7,820	32,960
Thereafter	1,106,925	457,754	1,564,679
	$ 1,226,595	$ 494,794	$ 1,721,389

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances in one financial institution. The cash on deposit is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Association may at times exceed the insured amounts however management does not believe it is not exposed to any significant credit risk to cash.

NOTE 9 – FAIR VALUE INSTRUMENTS

The Association adopted ASC 820 (formerly known as FASB Statement No. 157, "Fair Value Measurements") as of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transactions to sell the asset or transfer the liability occur in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The fair value hierarchy prioritized the inputs to valuation techniques used to measure fair value into three broad levels as follows Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access. Level 2 – inputs are inputs (other than quoted prices included within level 1) that are observable for the assets or liability, either directly or indirectly. Level 3 – are unobservable inputs for the asset or liability and rely on management's own assumption about the assumptions that market participants would use in pricing the asset or liability. Investments are valued using Level 1 – inputs.

NOTE 10 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association contracted with Association Reserves to conduct an "update no-site-visit reserve study" to estimate the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The report dated May 2, 2017, covers the period beginning October 1, 2017 and expiring on September 30, 2018. The Association funds major repairs and replacements over the estimated useful lives of the 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 Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 11 – RETIREMENT PLAN

The Association maintains a qualified 401(k) Profit Sharing Plan and Trust (the Plan) covering all employees who satisfy certain eligibility requirements. The Plan provides for those eligible employees to defer their salaries up to the statutory limits. The Association makes non-elective matching contributions on the first 2% of compensation deposited as elective contributions. In addition to the non-elective matching contributions, the Plan provides for elective discretionary contributions. During the year ended September 30, 2018 and 2017 the Association made matching contributions totaling $11,054 and $12,311, respectively.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Beginning member's equity as of September 30, 2016 as previously reported:	$ 2,694,866
During the fiscal year end 2017 audit it was determined, the USDA note balance as of September 30, 2016 was reported to be $1,248,794 and the correct balance was $1,270,448. Therefore beginning member's equity was reduced.	(21,795)
During the fiscal year end 2017 audit it was determined wages in the amount of $16,003 were earned and payable as of September 30, 2016, however they were not accrued as a liability. Therefore beginning member's equity was reduced.	(16,003)
During the fiscal year end 2018 audit it was determined the special assessment receivable for the 2013 Water System Capital Project should be recognized as an asset consistent with the accounting treatment for the special assessment receivable related to the 2018 Dolphin Project Capital Project. Therefore beginning members equity has been increased by $1,298,639.	1,298,639
	1,260,841
Beginning member's equity as of September 30, 2016 as restated:	$ 3,955,707

NOTE 13 – NEW ACCOUNTING STANDARDS AND DEVELOPMENTS

On May 28, 2014, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The ASU introduces a comprehensive, principles-based framework for recognizing revenue. ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, defers the original effective date of ASU 2014-09 by one year. For nonpublic entities, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed for nonpublic entities, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Organization did not adopt this ASU in 2018. The Organization does not anticipate that the standard will have a material effect on how revenues are recognized.

NOTE 13 – NEW ACCOUNTING STANDARDS AND DEVELOPMENTS (continued)

On January 11, 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which makes targeted improvements in the recognition, measurement, presentation, and disclosure of financial instruments. The ASU affects all entities that hold financial assets or owe financial liabilities. Under ASU 2016-01, financial assets are measured and classified as currently required by GAAP with the exception of investments in equity securities. With certain exceptions, investments in equity securities are measured at fair value with subsequent changes recognized in net income. Likewise, financial liabilities generally follow current GAAP for classification and measurement models. The ASU is effective for nonprofit organizations for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization did not adopt this ASU in 2018. The Organization does not anticipate that the standard will have a material effect on the recognition and measurement of Financial Assets and Financial Liabilities.

On November 17, 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash - It provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice. It is effective for fiscal years beginning after December 15, 2018 for nonpublic and other entities; early adoption is permitted. It should be applied on a retrospective basis. The Organization did not adopt this ASU in 2018**.** The Organization does not anticipate that the standard will have a material effect on the Statement of Cash Flows.

HMC MANAGEMENT
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
SEPTEMBER 30, 2018 AND 2017
(Unaudited – Water Reserves)

#	Water	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
	Capacity / Storage			
901	Well Pumps/Motors - Replace	30	25	$ 18,000
904	Well Controls - Replace	30	25	5,000
910	Storage Tank, Concrete - Replace	80	68	212,800
912	Storage Tank, Interior - Clean	10	1	4,000
914	Storage Tank, Exterior - Clean	5	1	3,200
	Boost			
920	Booster Pumps, 5 HP - Replace	20	15	16,000
922	Booster Pump, 15 HP - Replace	40	35	22,000
924	Booster Pumps VFD Control - Replace	20	15	16,000
	Distribution			
940	Distribution Lines, 6"-8" - Replace	70	65	1,039,350
941	Distribution Lines, 2" - Replace	40	35	67,500
945	Service Connect/Lines - Replace	40	35	258,050
946	Service Meters - Replace	10	5	127,040
947	Service Meter Box/Setters - Replace	20	15	127,040
950	Pressure Reducing Valves - Replace	20	15	12,600
954	Blow-Out/Isolation Valves - Replace	30	25	38,000
958	Hydrants - Replace	40	35	157,850
	Buildings / Site			
964	Building Roofs - Replace	40	36	3,300
967	Storage Shed, Vinyl - Replace	20	16	2,700
969	Building Electrical - Replace	30	25	10,500
970	Chain Link Fence - Replace	35	31	17,280
	Systems / Equipment			
980	Generator, Emergency - Replace	50	7	50,000
999	Meter Reader System - Replace	6	1	5,500
	Financial / Professional			
1006	SWSMP- Update	6	-	3,000
1013	Sanitary Survey- Update	5	3	2,000
				$ 2,218,710

HMC MANAGEMENT
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
SEPTEMBER 30, 2018 AND 2017
(Unaudited – Management Reserves)

#	Component	Useful Life (yrs)	Useful Life (yrs)		Current Average Cost
	Site/Grounds/Recreation				
200	Asphalt Roads - Repair/Resurface	25	1	$	43,250
204	Gravel Roads/Lots - Maintain/Repair	5	2		46,350
350	Play Equipment - Replace	10	1		10,320
356	Basketball Court - Repair/Replace	30	26		19,100
370	Pavilion - Replace Roof	25	11		7,850
	Small Boat Marina				
302	Small Boat Docks/Floats-Replace	30	14		127,500
306	Small Boat Dock Pilings - Replace	50	44		212,500
320	Small Boat Trestle/Ramp - Replace	30	14		87,500
336	Small Boat Gangway - Replace	30	14		7,700
	Community Building				
410	Community Building Siding-Replace	50	38		22,800
430	Community Building Roof - Replace	40	25		18,000
460	Community Building Septic - Replace	50	15		10,320
	Equipment				
540	Dust/Water Truck - Replace	12	1		16,000
	Ferry System				
700	Ferry Terminals - Inspect/Repair	4	1		19,100
702	Ferry Terminals - Paint	12	10		180,500
704	Ferry Terminal Cables - Replace	6	3		29,200
706	Ferry Terminal Wood Decks - Replace	24	22		177,500
707	Ferry Terminal Structures - Replace	60	34		2,385,000
708	Ferry Ramp Dolphins-Future Replace	50	50		1,300,000
712	Ferry Ramp Generators - Replace	20	10		38,700
740	Ferry Vessel - Shipyard	2	1		92,700
744	Ferry Vessel - Overhaul Engines	5	1		38,800
746	Ferry Vessel - Replace Engines	50	46		167,000
755	Ferry Vessel-Overhaul Transmissions	5	1		14,400
757	Ferry Vessel-Replace Transmissions	25	21		33,400
760	Ferry Vessel - Replace	60	32		1,590,000
	Professional/Special Projects				
940	Legal Contingency Fund	0	0		35,000
				$	6,730,490