

**INDEPENDENT AUDITOR'S REPORT**  
**FOR**  
**HMC MANAGEMENT - 2016**

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HMC FINANCIAL STATEMENTS AUDITED BY:

MICHAEL KANDER CPA

# MICHAEL KANDER CPA

7406 27<sup>TH</sup> Street West Suite 14, University Place, WA 98466

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## INDEPENDENT AUDITOR'S REPORT

August 31, 2017

To the Board of Directors of HMC Management  
Herron Island (Lakebay), WA

We have audited the accompanying financial statements of HMC Management, which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of activities, functional 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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.


Independent Auditor's Report continued:

***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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Reserve Studies dated April 14, 2016 on pages 9 and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 statements. 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.

  
Michael Kander, CPA  
University Place, WA

**HMC MANAGEMENT**  
**Balance Sheet**  
As of September 30, 2016 and 2015

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and Cash Equivalents (See Note A)		
Checking (Operating Account)	\$ 44,529	\$ 324,865
Checking (Water Account)	37,401	31,868
Certificate of Deposit	1,059	1,057
<b>Total Cash and Cash Equivalents</b>	<u>82,989</u>	<u>357,790</u>
Accounts Receivable (Current)		
General Operating Assessments Receivable	17,665	17,515
Base Fees Receivable (Water System)	28,082	23,216
<b>Total Accounts Receivable</b>	<u>45,747</u>	<u>40,730</u>
<b>Total Current Assets</b>	<u>128,737</u>	<u>398,520</u>
<b>Long Term and Other Assets</b>		
Investment in Vanguard Funds (See Note B)	958,426	748,302
Land Acquired (use not determined)	30,000	30,000
Delinquent Members Assessments (See Note D)	78,228	73,333
(Net Realizable Value)		
Accrued Dry Dock Expenses	54,792	
Prepaid Drydock Expenses (See Note E)		37,734
Prepaid Engine Maintenance Expenses (See Note E)	90,927	121,235
<b>Total Long Term Assets</b>	<u>1,212,373</u>	<u>1,010,604</u>
<b>Plant, Property and Equipment</b>		
Land - Common Use (See Note A)	25,600	25,600
<b>Fixed Assets</b>		
Ferry/Docks	2,426,821	2,426,821
Water System	1,826,357	1,826,357
Small Boat Dock (Parks)	269,944	269,944
Roads	110,869	110,869
Office/Equipment	40,127	38,559
less Accumulated Depreciation	(1,966,010)	(1,847,079)
<b>Total Net Fixed Assets</b>	<u>2,708,108</u>	<u>2,825,471</u>
<b>Total Plant, Property, and Equipment, net</b>	<u>2,733,708</u>	<u>2,851,071</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,074,817</u>	<u>\$ 4,260,195</u>

Continued

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See Independent Auditor's Report  
The Accompanying Notes are an Integral Part of these Financial Statemen

**HMC MANAGEMENT**  
**Balance Sheet**  
As of September 30, 2016 and 2015

**LIABILITIES AND MEMBERS' EQUITY**

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
<b>Short Term Liabilities</b>		
Accounts Payable - Trade	\$ 22,176	\$ 4,597
Short Term Portion of USDA Loan (See Note H)	22,200	21,655
Dock Repairs and Painting		298,883
Dry Dock Payable, Accrued	54,792	-
Prepaid Assessments - General and Water System	44,149	31,738
Security Deposits	10,181	7,817
<b>Total Short Term Liabilities</b>	<u>153,498</u>	<u>364,691</u>
 <b>Long Term Liability (See Note H)</b>		
USDA Loan for Water Distribution System less		
Short Term Portion	1,226,453	1,248,653
<b>Total Long Term Liability</b>	<u>1,226,453</u>	<u>1,248,653</u>
 <b>TOTAL LIABILITIES</b>	 <u>1,379,951</u>	 <u>1,613,344</u>
 <b>MEMBERS' EQUITY</b>		
Unrestricted Balance	1,590,513	1,739,584
Board Designated for Engine Maintenance	90,927	121,232
Board Designated for Dry Dock	54,792	37,734
Board Designated for Capital and Major		
Repairs and Maintenance (See Note B)	958,634	748,302
<b>TOTAL MEMBERS' EQUITY</b>	<u>2,694,866</u>	<u>2,646,852</u>
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	 <u>\$ 4,074,817</u>	 <u>\$ 4,260,196</u>

**HMC MANAGEMENT**  
**Statement of Activities**  
For the Years Ended September 30, 2016 and 2015

OPERATING and CAPITAL ACCOUNTS	2016	2015
<b>OPERATING REVENUES AND OTHER SUPPORT</b>		
Member Assessments, gross (See Note A)		
General Operations	\$ 686,932	\$ 607,554
Quarterly Water Assessments	85,860	100,269
Total Assessments	772,792	707,823
Ferry Fees	188,173	183,083
Attorney Fee Invoicing, net	4,474	14,962
Miscellaneous Water Fees	7,501	2,892
Property Transfer Fees	3,850	3,958
HMC Interest & Handling Charges	19,072	17,382
Water Interest & Handling Charges	12,096	10,393
Miscellaneous HMC	3,246	2,671
Interest Earned (All Accounts)	2,575	148
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>1,013,778</b>	<b>943,312</b>
<b>OPERATING EXPENSES BY DEPARTMENT (See Schedule 1)</b>		
Ferry	594,583	519,218
Administration	160,852	184,715
Water	134,593	107,964
Roads	36,767	29,733
Ferry Docks	30,008	56,293
Parks	24,599	23,086
<b>TOTAL OPERATING EXPENSES</b>	<b>981,401</b>	<b>921,009</b>
<b>OPERATING REVENUES EXCEEDING EXPENSES</b>	<b>32,377</b>	<b>22,303</b>
<b>OTHER INCOME/(EXPENSE), CAPITAL ACCOUNT</b>		
Annual Reserve Assessment (Capital)	69,750	69,750
USDA Loan Semi-Annual Assessment	54,440	54,410
USDA Loan Interest, current year	(32,155)	(32,673)
Supplemental Assessments (Dolphins and Ramps)	108,167	191,500
Capital Expenses: Dolphin Engineering & Permit	(184,565)	-
<b>TOTAL OTHER INCOME/(EXPENSE), CAPITAL ACCOUNT</b>	<b>15,637</b>	<b>282,987</b>
<b>TOTAL REVENUES EXCEEDING EXPENSES</b>	<b>\$ 48,014</b>	<b>\$ 305,290</b>

# HMC MANAGEMENT

## Statement of Functional Expenses by Department - Schedule 1

October 2015 - September 2016 with Comparative Totals for Prior Period (2015)

2016 EXPENSE	-Department-						2015 Total
	Ferry	Ferry Docks	Administration	Water	Parks	Roads	
Payroll (See Note Below)							
Wages	\$ 284,371		\$ 81,572	\$ 30,260	\$ -	\$ 1,710	\$ 397,914
Taxes	28,594		12,469	2,981		867	44,912
Benefits (Retirement and Medical)	59,824		13,904	690			74,418
Total Payroll	372,789	0	107,946	33,932	0	2,577	517,243
Major Repairs and Maintenance:							
Ferry Amortized (See Note E)	67,977						67,977
Routine Repairs and Maintenance	10,905	6,154	9,284		5,031	19,799	51,173
Equipment	5,492		1,547				7,039
Insurance	59,683		3,800	1,292		811	65,586
Ferry Fuel	46,559						46,559
Professional Services	927	13,698	21,020	7,575			43,221
Miscellaneous Service & Supplies	6,928		3,355	3,753	2,568		16,604
Taxes, Licenses, and DNR Lease	5,187	142	1,225	11,199			17,752
Postage, Printing, Copying	1,669		3,091	1,137			5,897
Utilities and Information Technology	564	6,311	3,893	2,649	3,775		17,191
Bad Debt Expense			5,165				5,165
Total Expenses by Department before Depreciation	578,679	26,305	160,326	61,538	11,374	23,187	861,408
Depreciation	15,904	3,703	526	73,055	13,225	13,580	119,993
Total Expenses by Department after Depreciation	\$ 594,583	\$ 30,008	\$ 160,852	\$ 134,593	\$ 24,599	\$ 36,767	\$ 981,401
							\$ 921,008

Note: Administrative Payroll Costs have been allocated to the water department at approximately 20% of wages, taxes, and benefits.

**HMC MANAGEMENT**  
**Statement of Changes in Members' Equity**  
**As of September 30, 2016 and 2015**

	Capital Account	Operating Account	2016	2015
<b>MEMBERS' EQUITY BEGINNING OF YEAR</b>	\$ 748,302	\$ 1,898,550	\$ 2,646,852	\$ 2,341,562
<b>Excess of Revenues over Expenses (Loss) before Other Income and Other Items, adjusted</b>		32,377	32,377	92,053
<b>Other Income (Capital Fund)</b>	15,637		15,637	213,237
<b>Transfers from Operating Account to Capital Account, adjusted</b>	194,695	(194,695)	-	-
<b>MEMBERS' EQUITY END OF YEAR</b>	<u>\$ 958,634</u>	<u>\$ 1,736,232</u>	<u>\$ 2,694,866</u>	<u>\$ 2,646,852</u>



**HMC Management**  
**Statement of Cash Flows**  
For the Years Ended September 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 32,377	\$ 92,053
Adjustments to reconcile Net Income to net cash provided by operations: Increase/(Decrease)		
Depreciation	119,913	104,212
Delinquent Accounts Receivable (SEE NOTE D)	(4,895)	(4,821)
Assessments/Base Fees Receivable	(151)	3,418
Base Fees Receivable (Water System)	(4,866)	5,038
Prepaid Engine Overhaul Expenses (See Note E)	30,308	30,308
Miscellaneous	-	(256)
Accounts Payable	17,579	(14,034)
Accrued Payables	54,792	24,371
Dock Repairs Payable (SEE NOTE H)	(298,883)	298,883
Dry Dock Maintenance Payable	-	(75,398)
Engine Maintenance Payable	-	(56,647)
Prepaid Assessments and Fees	(14,775)	(5,826)
Net cash provided by Operating Activities	(68,601)	401,301
<b>INVESTING ACTIVITIES</b>		
Prepaid Periodic Engine Maintenance	(54,792)	-
Capital Additions/Improvements	(2,628)	(371,466)
Net cash used by Investing Activities	(57,420)	(371,466)
<b>FINANCING ACTIVITIES</b>		
Transfer (to) Capital Account	(128,045)	59,412
Payment on Long Term Debt (Principle)	(22,285)	(20,605)
Net cash provided by Financing Activities	(150,330)	38,807
Net cash increase(decrease) for period	(274,801)	68,642
Cash at beginning of period	357,790	289,148
Cash at end of period	<u>\$ 82,989</u>	<u>\$ 357,790</u>

**HMC MANAGEMENT**  
**RESERVE STUDY - April 14, 2016 (Update)**  
**as of September 30, 2016**

Dept.	Component	Useful Life	Remaining Useful Life	Current Cost Estimate
<b>Site/Grounds</b>				
	Ashpalt Roads - Repair/Resurface	25	2	\$ 42,000
	Gavel Roads/Lots - Maintenance	5	3	45,000
<b>Small Boat Marina</b>				
	Docks/Floats - Replace	30	15	123,600
	Docks Pilings - Replace	50	45	206,000
	Trestle/Ramp - Replace	30	15	85,000
	Gangway - Replace	30	15	7,475
<b>Picnic/Recreation</b>				
	Play Equipment - Replace	10	1	10,000
	Basketball Court - Repair/replace	30	27	18,550
	Pavilion Roof - Replace	25	12	7,620
<b>Community Building</b>				
	Siding - Replace	50	39	22,150
	Roof - Replace	40	26	17,500
	Septic - Replace	50	16	10,000
<b>Equipment</b>				
	Dust/Water Truck - Replace	12	1	15,500
<b>Ferry System</b>				
	Ferry Terminals - Inspect/Repair	2	0	18,550
	Ferry Terminals - Paint	12	11	175,000
	Ferry Terminals Cables - Replace	6	4	28,350
	Ferry Terminals Wood Decks - Replace	24	23	172,000
	Ferry Terminal Structure - Replace	60	35	2,317,500
	Ferry Ramp Dolphins - Future Replace	50	50	1,700,000
	Ferry Ramp Generators - Replace	20	11	37,600
	Ferry Vessel - Shipyard	2	0	95,300
	Ferry Vessel - Overhaul Engines	5	2	37,650
	Ferry Vessel - Replace Engines	50	47	162,250
	Ferry Vessel - Overhaul Transmissions	5	2	13,950
	Ferry Vessel - Replace Transmissions	25	22	32,450
	Ferry Vessel - Replace	60	33	1,545,000
<b><u>Legal Contingency Fund</u></b>		NA	NA	\$ 35,000

**HMC WATER SYSTEM**  
**RESERVE STUDY - April 14, 2014 (Update)**  
**as of September 30, 2016**

Function Component	Useful Life	Remaining Useful Life	Current Avg. Cost
<u>Capacity</u>			
Well Pumps and Controls	30	26	\$ 21,270
<u>Storage</u>			
Storage Tank - Replace	80	69	206,250
Storage Tank - Clean	5	3	3,090
<u>Boost</u>			
Booster Pumps, 5 HP - Replace	20	17	15,500
Booster Pumps, 15 HP - Replace	40	37	21,000
Booster Pumps Control - Replace	20	17	15,500
<u>Distribution</u>			
Distribution Lines, 6"-8" - Replace	70	66	1,024,850
Distribution Lines, 2" - Replace	40	36	66,435
Service Connect/Lines - Replace	40	36	252,350
Service Meters - Replace	10	6	123,600
Service Meter Box/Setters - Replace	20	16	123,600
Pressure Reducing Valves - Replace	20	16	12,515
Blow-Out/Isolation Valves - Replace	30	26	37,595
Hydrants - Replace	40	36	154,500
<u>Building/Site</u>			
Building Roofs - Replace	40	37	3,195
Storage Shed - Replace	20	17	3,675
Building Electrical - Replace	30	26	10,405
Chain Link Fence - Replace	3.5	32	16,995
<u>Systems/Equipment</u>			
Generator Emergency - Replace	50	8	42,230
Meter Reader System - Replace	5	1	5,305
<u>Financial/Professional</u>			
SWSMP - Update	6	0	3705
Sanitary Survey - Update	5	3	2065

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2016

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**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

HMC Management was incorporated on May 1, 1958, in the State of Washington, as not-for-profit corporation. HMC Management operates and maintains the common property (including roads, parks, and water service) on Herron Island and the associated private ferry service and wharfs. HMC Management levies annual and special assessments on 383 "assessable" units. For the water service 397 units were billed and assessed. (Assessable units are single or contiguous units that are owned by one member.)

**Basis of Accounting**

The financial statements have been prepared in accordance with generally accepted government accounting principles and accordingly reflect all significant receivables, payables and other liabilities.

Disbursements from the operating account are generally at the discretion of the board. Disbursements from the reserve savings accounts may be generally made only for specific purposes designated by the board. (See Note B)

**Cash and Cash Equivalents**

HMC Management considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The certificate of deposit is included in this asset category because it may be readily redeemed with an immaterial early withdrawal penalty.

**Investments**

The Vanguard Money Market Funds (Reserves) are considered as long-term assets because management intends to hold these for more than one year. The balance exceeds the Federal Depository Insurance Corporation coverage by approximately \$458,000. Management accepts this risk because Vanguard has not defaulted on any known accounts.

**Fair Value of Cash and Investments**

U.S. accounting standards define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in HMC's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2016

HMC's financial instruments are investments which are measured at fair value on a recurring basis as follows:

- Cash and Money Market Accounts are valued at the stated cost which approximates fair value.
- Mutual funds are valued at their net asset value (NAV) of shares held by HMC at year end.

**Fixed Assets**

The Company capitalizes property and equipment over \$1,000 and depreciates fixed assets and improvements over their useful life using straight-line depreciation methodology. At acquisition, the estimated useful life of the ferry and ferry docks were 20 years and 40 years respectively. The estimated useful life of capitalized equipment is five to seven years.

**Land**

HMC Management owns 13 lots that are for common use by the organization and by members and four lots for undetermined future use or sale. Original acquisition costs were not available. The organization 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.

**Member Assessments**

HMC Management's members are subject to annual assessments (\$1705 per assessable unit in 2016) to provide funds for general operating expenses, future capital acquisitions, and major repairs and replacements. Assessments for water connections are \$18 each per month in 2016 (\$21 in 2015). Assessments and accounts receivable at the balance sheet date represent fees and other charges due from owners. Delinquent owners' accounts are reported separately. HMC Management considers these receivables partially collectable and, accordingly, reports at net realizable value. HMC Policy is to classify assessments older than 30 days as delinquent and to begin legal proceedings as soon as practical. See Note D for discussion of delinquent accounts.

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.

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2016

A supplemental, one-time assessment (\$403 per unit) for 2016 was designated for dolphin replacement reserve.

Another, supplemental assessment for 2016 was made for a projected shortfall of \$156 per assessable unit for ramp painting which was completed in September 2015.

**Income Taxes**

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. As a homeowner's association, most exempt function income, which consists primarily of member assessments, is not taxable.

In general, the association's tax returns may be selected for examination by tax authorities subject to a three-year statute of limitations for federal returns and four years for state excise tax returns.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires HMC Management to make estimates and assumptions that may affect the 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 reported period. Actual results could differ from those estimates.

**Insurance**

Management has elected to expense insurance costs when paid. This procedure does not significantly change the financial position or operating results.

**NOTE B – Board Designated Savings Reserves**

These reserves are board designated and consist of investments to be held for the purpose of capital projects, major repairs and improvements (docks, ferry, roads, water), and legal and insurance reserves. These assets are held in a Vanguard Money Market account specified for those purposes. (See Note A) Schedule follows.

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2016

**Schedule of Board-Designated Reserves of September 30, 2016**

Piles, Docks, Dolphins	\$363,158
Ship Yard	148,000
Legal	37,050
Parks	13,116
Roads	30,240
Water	229,331
Ferry Hill Blacktop	10,000
Engine	\$30,750

Ferry Replacement	\$4,000
Community Buildings	5,500
Ramp Inspections	19,000
Ramp Cable Replacement	35,000
Ramp Painting	22,964
Road Equipment	7,500
Dividends Unallocated	\$2,817

Total Board Designated Reserves: \$958,425.

**NOTE C – Future Major Repairs and Replacements**

HMC Management's budget includes a portion for reserves to finance estimated future major repairs and replacements. In 2016 HMC Management had studies completed to determine the remaining useful lives of the components of all common property and future associated costs of major repairs and replacement, including the water system. (See supplemental financial data for inventory listing.) These studies concluded the HMC Reserve Fund is 25 percent funded and the Water System Reserve Fund is 77 percent funded as of October 2016. The actual reserve reports should be reviewed to understand the implications of these funding levels. See Note G.

**NOTE D – Delinquent Accounts**

The position of the Board of Directors is that the Association will ultimately prevail against the remaining homeowners whose assessments and accounts are delinquent (without lien filings). Accordingly, these accounts are reported at net realizable value.

**NOTE E – Recurring Scheduled Maintenance**

Recurring ferry maintenance is amortized over a two-year period for scheduled, dry dock maintenance (\$37,664 for FY 2014) and over a six-year period for scheduled engine overhaul (\$30,308 for each FY 2016 and FY 2015). The FY 2016 prepaid scheduled maintenance included three years of engine overhaul for FY2017-2019.

The 2017 – 2019 recurring dry dock maintenance (\$54,792) included as an accrued prepaid expense is reported in this account.

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2016

**NOTE F – Retirement Contributions**

HMC Maintenance matches employees' contributions for their 401(k) retirement plan. In 2016 the company paid \$16,740 and in 2015, \$16,797 for these employee benefits.

**NOTE G – Subsequent Events**

HMC Management has obtained a second USDA Loan for \$1.6M for ferry dolphins replacement for both the island and mainland sides. This is in addition to the Reserve build up. The estimate includes engineering, permits, construction, construction oversight, sales taxes, loan/legal fees, and contingencies.

The payable for the dry dock maintenance was paid in full in November 2016.

Management has evaluated subsequent events through August 31, 2017, the date on which the financial statements were available to be issued.

**NOTE H – USDA Loan**

HMC signed a promissory note on March 22, 2013, with USDA for financing a new water distribution system to comply with state regulations. The note is payable semi-annually (beginning September 2013) at 2.5 percent interest over 40 years. The amount payable semi-annually is \$26,639 which includes interest and principle. The note is for \$1,342,000 adjusted for one-time payments (\$410,780) and is secured by HMC property which includes land, roads, and improvements. This 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 HMC financial statements.

Loan amortization schedule through September 2020 follows:

Annual FY Payment	Amount	Interest	Principal	Ending Loan Balance	
2016	\$53,278	\$32,154.58	\$21,123.42	\$1,270,308.08	
2017	\$53,278	\$31,623.20	\$21,654.80	\$1,248,653.28	
2018	\$53,278	\$31,078.45	\$22,199.55	\$1,226,453.72	
2019	\$53,278	\$30,519.99	\$22,750.01	\$1,203,695.71	
2020	\$53,278	\$29,947.49	\$23,330.51	\$1,180,365.20	