

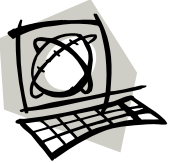


# The Beachcomber



HMC Newsletter

April 2007



<http://www.herronisland.org>  
**President's Message**

The vote regarding the land swap with the Gallucci's highlights the fact that our homeowners association is a democratic organization. You, the member, get a chance to express your opinion by ballot. This will be important when electing new board members and will be especially critical when we are able to present a ballot to make a choice about the way to upgrade the water distribution system. Much effort has gone into defining the best way to offer long term financing. The actual task; installing new lines, fire hydrants, and meters plus the ancillary equipment, is pretty well defined. This is pretty standard stuff. We are not re-inventing the wheel in this work. Design follows codes and engineering criteria. Permits are issued on the plan that is developed. Contractual terms are worked out with the selected contractor and financing entity. It seems that there are four major pathways that we could take. Two involve using the USDA Rural Development financing and the other two would come from arranging our own financing. In pursuing the different choices, it has become clear that one of them offers a unique feature totally alone in its method of pay-back. That path would be the one offered by the Peninsula Light Company if we chose to let them turnkey the project, from start to finish. The difference from all other choices we have been able to identify is that each account (hooked up member) is responsible for his payments of the capital costs, administrative fee, and water charges. That is, HMC Management, does not have the responsibility for collecting the money to make the payments. This is between Peninsula Light Company and the individual account. If this is the chosen path, then HMC Management gets out of the utilities business by relinquishing ownership of the water system to Peninsula Light Co. who will operate and manage the system totally. All the other choices put the onus on HMC Management, and thus the owners, to insure payments are made in agreement with the terms of the outside financing, whatever they may be. Obviously, in a loan situation, collateral is required from the lender. The last two major projects which required financing were the Ferry and the ferry docks. Both of these were funded by Key

Bank. We will be contacting them and perhaps other lending institutions to see what the current terms and conditions of a loan in excess of two million dollars might be should we choose to do our own financing. There would be no HMC collateral required if Peninsula Light Co. owns the system. The collateral would be held by the lender until the debt is satisfied. The term would most likely be 15-30 years that HMC's assets would be encumbered like the title to your home is held until the mortgage is paid off. In the two paths through USDA RD, one would be a direct loan from them (= U.S. Govt) the other, a guaranteed loan through a commercial bank. The process has a lot of conditions and requirements that relate to the Federal Government way of doing business and currently is perceived as not the way to go until all other options have been exhausted.

We continue to define the possible ways to get the project done. To that end, there was an informational meeting held after the April board meeting with another one scheduled after the May meeting. We are extending an invitation to Peninsula Light Company to attend that meeting to get member input and answer questions that will help when the time comes to prepare a ballot to commit to the work.

I believe there is no other matter of greater consequence to the membership than having this project move forward. Get involved. Attend the meetings. Get your questions prepared. (Best way to get them on the table is to send them by mail or email to the office). This project has been under some review since at least 1990. The State Dept of Health mandate to have meters installed will eventually result in having to do it. Let's get it done while we can control the process.

I would like to thank Patty Haenan-Jones, our recently retired office manager, for her great work provided to the membership. She and her husband will be leaving the island to travel and visit family in Europe. We appreciate her energy and efficiency in doing the many, many tasks we ask her to do in support of the well being of the membership and wish her well in the future.

Allen Moren  
President

**Important Phone Numbers****Island Manager**

Doug Allen (253) 884-9350

**HMC Board of Trustees**

Al Moren, President (253) 884-2721

Kathy Deuster, Vice-President (253) 884-6898

Kathy Fennell, Secretary/Treasurer (206) 987-5737

Beth Owen, Board Member (253) 851-2677

Mike Shettlesworth, Board Member (253) 884-6919

**Additional Responsibilities**

Nick Huff, Co-Transportation Chairman (253) 884-4663

Mike Shettlesworth, Co-Transp. Chairman (253) 884-6919

Mike Davis, Water Chairman (253) 884-1423

Dick Mowry, Water Field Examiner (253) 884-7663

Dick Zottman, Water Field Examiner (253) 884-9071

Scott Schultz, Water Repair (253) 884-3196

Merry Kogut, Rules Chairperson (253) 884-8484

Tracy Anspach, Parks Chairman (253) 588-1921

Al Moren, Roads Chairman (253) 884-2721

Carole Crowley, Emergency Prep. Chair (253) 884-5288

Kathy Deuster, Land Use Chair (253) 884-6898

Carolyn Snyder, Office Manager (253) 884-9350

**Herron Island Office Hours: Tuesday, Thursday, Friday  
9:30 am to 5:30 pm. The office is CLOSED Monday,  
Wednesday, Saturday, and Sunday.**

Office Phone: (253) 884-9350

Office Fax: (253) 884-5047

**Website: <http://www.herronisland.org>**

Office Email: [Office@herronisland.org](mailto:Office@herronisland.org)Manager email: [HMCManager@herronisland.org](mailto:HMCManager@herronisland.org)Beachcomber: [beachcomber@herronisland.org](mailto:beachcomber@herronisland.org)

**Emergency 911  
Ferry Cell phone (253) 691-1457**

*(Cell phone to be used for scheduling heavy loads, big vehicles or having something in tow, and for information regarding ferry services.)*

**Delinquency List as of April 5, 2007**

ASHE - AUTRY - BALDWIN - MARCINKO - O'NEILL -  
OVERLAND (Estate of) - RUCKS - TITZLER

**Ferry Business**

- **Call ahead if you are planning to use the ferry for a trailer, boat, or large vehicle!**
- **Only those guests with valid passes will be allowed on the ferry.**
- **Plan your arrival at the dock at least 5 minutes before the scheduled time of departure.**
- **Walks-ons are not to be on the dock or ramp when cars are being loaded. Watch crew for permission to board.**
- **Only service and delivery people may charge fares.**

**WE HAVE EXPERIENCED GUESTS AND SERVICE PEOPLE EXPECTING TO COME OVER TO THE ISLAND WITHOUT GUEST PASSES. THIS VIOLATES THE ACCESS POLICY THAT WAS PUT IN PLACE FOR ALL OF OUR SECURITY. PLEASE MAKE SURE YOUR GUEST HAS A VALID GUEST PASS SIGNED BY YOU TO ENSURE THEY ARE ABLE TO RIDE THE FERRY. PROVIDING GUEST PASSES IS NOT PART OF THE DECKHAND'S JOB.**

Beachcomber news items must be submitted by 5:00 PM on the Wednesday after the monthly Board meeting on the second Saturday of the month. Items **MUST** be emailed in electronic format to [beachcomber@herronisland.org](mailto:beachcomber@herronisland.org). Include your name and phone number in case any questions arise. Paid advertisements are to be arranged with the HMC office **PRIOR TO PUBLICATION.**

**Online Beachcomber**

If you wish to read your Beachcomber online at [www.herronisland.org](http://www.herronisland.org) and save HMC the price of paper and postage, please notify the office.

**HMC Management  
Island Manager Report  
Board Meeting  
April 14, 2007**

Administration

- Carolyn Snyder, who has worked with Patty Haenen-Jones for the past two months while being oriented to the job, has taken over the Office Manager position effective April 1<sup>st</sup>. Patty retired on March 31.
- With Patty retired, it will be necessary to have Carolyn get her Notary Public commission. Staff also recommends that Carolyn be sent to a Microsoft Access class. Access is increasingly being used to handle recordkeeping.
- Staff recommends adding a new category of “Notary Services” to the fee schedule when finalizing the next budget.

Information

- A member reported to the office that his boat was stolen from his bulkhead.

Legal

- The Sarah Martin delinquency case went to court in March. HMC was awarded a substantial amount, but not all of what was due. The judge gave no reason for not awarding the full amount of HMC administrative and legal costs.

Land Use

- The licensing agreement for property adjacent to Ferry Road is nearly finalized.

Transportation

- The second new generator (for the mainland ferry terminal) is in place in a new fenced enclosure.
- Member, and past Board President, Fred Fath has been researching more up to date and faster methods for collecting, recording and reconciling ferry fees. He recommends setting aside an as-yet-undetermined amount in the next budget for purchase of tablet (hand-held) computers. Fred is writing a program that is intended to streamline the process.
- A meeting was held with a number of staff persons from the state Department of Ecology and from our fuel supplier to assist in formulating an alternative approach to preventing oil spills during fueling that would save HMC considerable money over time. Work on the necessary documents continues.

Water

- Discussions with various entities continue regarding the upcoming project to replace the island water distribution system.

Roads

- We are still waiting for the barge operator to deliver gravel for the roads.
- It will soon be time to begin watering the roads to keep down the dust. Volunteer drivers who can drive a heavy truck are always appreciated. Training and check-off on the truck are available, but ability to drive a standard shift vehicle is required.

### Treasurer's Note

This issue of the Beachcomber includes a report from our independent auditor for Fiscal Year 2006. This report reflects HMC Management's financial position as of Sept 30, 2006 and breaks down expenses for the year by functional department. I'm pleased to report that we are in the fortunate position of having excess funds due to higher than anticipated revenue from assessments, ferry fees, and collections on long delinquent accounts. This surplus provides an opportunity to fund some worthy unbudgeted projects without any special assessments. In addition to the ballot measures that were approved in March by the membership (i.e. gravel for the roads, and authorization to spend funds to start the USDA loan application process) the Board has approved projects including the purchase and installation of generators to run the docks safely during power outages, improvements to the Community Building, road cleanup following the severe winter storms, and new wood planks for the small boat dock. The Finance Committee, Department Chairs and the Board are now beginning the budget process for Fiscal Year 2008.

### Ballot Results

Swap of HMC/Gallucci lots:

Yes:	87
No:	46

### Welcome, New Islanders!

HMC welcomes the following new members to Herron Island:

- Jean Mellor
- Matthew and Brenda Brenden
- William and Mary Jane McCrea
- Larry Cook
- T.E.C.P. Inc.

### Board Candidates Needed!

Three Board of Directors' vacancies need to be filled at the June 9th Annual Membership Meeting. The ballot for these positions will be published in the May Beachcomber. Please consider serving on the Board. The application is included in this issue.

### Attention All Baseball Players Need your help!

Baseball field needs to be groomed on Saturday, April 28th, around 9:15 AM to get our field ready for play.

Thanks,  
Dallas, Baseball Chairman

**BOARD CANDIDATE APPLICATION**

(Please complete and return to HMC office)

**NAME** (as you would like to have it listed on the ballot): \_\_\_\_\_

**YEARS AS A MEMBER OF HMC:** \_\_\_\_\_

**OCCUPATION:** \_\_\_\_\_

**PROFESSIONAL OR VOLUNTEER EXPERIENCE:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EDUCATION OR TRAINING** (including school, military training, and professional courses)

Institution

Type of Training

_____	_____
_____	_____
_____	_____

**HMC EXPERIENCE ON THE BOARD, COMMITTEES OR OTHER ACTIVITIES:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**GOALS:** *Please list goals you would have for HMC and Herron Island during your term on the Board.*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CANDIDATE STATEMENT:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Candidate's Signature:* \_\_\_\_\_

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## Annual Burn

HMC has requested a permit from the Key Peninsula Fire Department to hold our annual community burn at the North Beach in May. For the burn to take place, the following conditions *must* be met:

- Only non-commercial clean yard waste will be accepted. This would consist of brush and small-diameter branches that would not take excessive time to burn.
- No land-clearing material, such as dug-up stumps and roots, is allowed. Such material smolders excessively, pollutes the air, and would violate the terms of our permit.
- No trash or building materials of any kind are allowed. This includes lumber, clean or not. Only natural vegetation is accepted.
- No trunks or branches greater than six inches in diameter are allowed. Material must be of a size that would be consumed in a short enough time so that the fire will burn down by early evening.
- Materials may be deposited at the North Beach parking lot from Saturday, May 5th to noon on Friday, May 18<sup>th</sup> *or until posted*. The fire department will inspect the pile on Friday afternoon, and, if the permit is granted, the burn will take place on Saturday, May 19th.
- If illegal material is found during the inspection, the permit will not be granted and all material will have to be hauled off the island at membership expense.
- Although no material may be accepted on Saturday, May 19th, volunteers are needed to man the fire.

Since the supply pile will not be monitored as material is added, we depend on members to voluntarily honor the above conditions. Any violators may cause this and future burns to be prohibited. Please help to make this burn a success for our community.



# Booster Memorial Day Weekend

## Saturday, May 26<sup>th</sup>: Goodpastor Park

- 12:00 to 12:30 pm Registration for all baseball players
  - 12:30 pm to 1:00 pm Adult baseball warm-up/practice
  - 1:00 pm to 2:30 pm Adult baseball game
  - 3:00 pm to 4:30 pm Kids baseball game
- Hot dogs, chips, soda, bottled water for sale



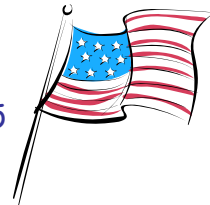
## Saturday, May 26<sup>th</sup>: North Beach

- 2:00 pm Sailboat Race Monohull/Multihull
- The start and finish point is the line of sight between North Beach flag pole and the outboard end of the mainland ferry dock.  
*Note: Racers please plan to return your trailers to your property during the race or make other arrangements due to recent rule changes.*



## Sunday, May 27<sup>th</sup>: North Beach

- 9:00 am Cinnamon Rolls and coffee
- Individual Flea Market (\$5 user fee for table or tailgate)
- Apparel, novelties and HI directories
- Membership Drive \$2.50 per person
- Rubber Duck Presales \$3 each or 2 for \$5
- 10:15 am Kids Games
- 10:30 am Kayak Race around the island
- 12'6" and under/12'7" and over (starting line due East from the flag pole.)
- 11:00 am Flag raising ceremony
- 11:30 am Kevin's Burgers and Brats
- 1:00 pm Rubber Duck Race
- 2:00 pm Blind Man Dinghy Race
- Trophies and ribbons for Blind Man Dinghy Race and Kayak Race



*Mark your calendar: Saturday, June 30<sup>th</sup> and Sunday, July 1<sup>st</sup> we will celebrate Independence Day with the 4<sup>th</sup> of July parade at 12:30 pm Sunday.*





# AUCTION! AUCTION AUCTION!



This event is always fun, so put  
**RESERVED** on Saturday, August 18th—  
 it will be the highlight of the summer!



We need donations! Here is your chance  
 to do something good for our island.  
 Get creative! Almost anything is accepted!  
 E-mail: [djolympicsun@centurytel.net](mailto:djolympicsun@centurytel.net) or call  
 Carla V. at 206-633-2822 or Judy G. at 253-857-5463

## FREE CLASSIFIED ADS

Kohler kitchen sink. 22/33" almond \$ 25.00 253-884-4467 Steve McNair

Islander seeking level parking space to store 13' boat on trailer (total length @ 18'). Covered parking even better! Please e-mail Robert at [haymanrs98@msn.com](mailto:haymanrs98@msn.com) should you have available space and rental rate. Rent to be paid 6 months in advance. Thanks!

For sale by Owner: 2 Bedrooms, 1 bath, sunken living room, dining room, den and kitchen located near Goodpastor Park with partial view of Case Inlet and the Olympic Mountains. All new appliances included. Price: \$179,250. Serious inquiries only please at 253-884-5395.

For sale: 20.6 cubic ft. Sears Kenmore Refrigerator/Freezer Model #77174 - \$400. On Herron Island and in very good condition. Still under Sears warranty. Upper freezer, lower refrigerator, 4 1/2 years old, with ice maker. White, with glass sliding shelves & 3 humidity control drawers. It's too big for our new kitchen floorplan. Contact: Peter Ruckstein at 253-884-3554 or 360-509-8317 or [pwr@maisonimports.com](mailto:pwr@maisonimports.com).

Wanted : Used boat trailer in good condition for 9 foot Sorenson. Call Kathy Fennell (206) 365-9492 or email [kathyfenn@aol.com](mailto:kathyfenn@aol.com).

**FOR SALE:** 2001 Bayliner Capri 19.5'. Cuddy Cabin, 3.0L Mercruiser (135 HP), bottom paint, depth/fish finder, all canvas incl. winter cover, gull sweep, two batteries, bearing buddies, outboard bracket. Excellent condition. Kept in garage winters. All service records available. Photo available or see at 517 E. Herron Blvd. Price: \$13,000. Will sell to HI resident for \$12,000. Please contact Steve Chapin at 253-884-1967 or 206-232-4160.

Memorial Day Weekend Garage Sale  
 Saturday May 26th, 2007 9am to 4pm  
 At 820 W. Yew Blvd. "The Pink House"  
 Items for sale will include: sofa, night stands, CardioCruiser, hutch, videos, CDs and many more wonderful household items!  
 As usual, no tools or fishing stuff.  
 No earlybirds please!

**FOR SALE:** 2004 Bayliner 19.5' Classic. Open-bow design perfect for Herron Island! Extras include fresh water cooling, dual batteries, heating system, bow shield for beach landings and 4-cylinder, 135 hp inboard/outboard that gets great mileage, but still has lots of power. Includes radio/cassette player, depth/fish finder, skis and tube, life jackets, and all the lines and bumpers. All for \$11,000! NADA Guide lists avg. retail at \$14,235. Take a look under the cover at 418 E. Herron Blvd. or call Pat McCarrell at 206-235-8001.

*Non-commercial ads of 100 words or less will be accepted for inclusion in this section free of charge. Please email your ad to [beachcomber@herronisland.org](mailto:beachcomber@herronisland.org), Subject: Beachcomber Ad. The ad must be resubmitted for each issue in which it is to be printed.*

# Boosters Meeting/Potluck

Saturday, May 12th at 6:00 pm at the Community Center.

Come one! Come All! Everyone welcome!

Are you a bookworm?

Donate your paperback books to the Boosters for Memorial Day book sale!

## STOP ON BY!

The Parks committee is hosting an information table at N. Beach, Sunday, May 27<sup>th</sup> from 9:30 am until 1:30 pm, in the Rose Pavilion. Stop on by to:

- Get your HMC boat/recreational vehicle and boat trailer stickers/decals.
- Pick up a copy of the new HMC rules brochure.
- Learn about Washington's new mandatory Boater Safety Education Program.



### KRAMER'S EXCAVATING

Owner: *Steve Kramer*

#### Excavation, Hauling & Backhoe Services

- Excavation: site prep, septic repair, water & power lines & culverts
- Hauling: driveway rock, topsoil, sand mix & drain rock
- Backhoe Services
- Demolition (dump runs)
- Retaining walls & stone/block walls
- Home remodel & repair
- Carpet, vinyl & laminate installation & removal
- Site Clean-up

**253.884.3671 or  
253.857.9202**

P.O. Box 816  
Lakebay, WA 98349

Resident/Member Since 1959 Licensed, Bonded & Insured



*Photo of first Herron Island vehicle sticker, see Did you know? column for more details.*

## AROUND THE ISLAND

We only have a year before HMC Management celebrates 50 years being incorporated. Several members have volunteered to help document long time members memories of times gone by. We can use your help. Please provide your stories, copies of documents, memorabilia for photo shots, photos and anything about Herron Island you would like to share. We are hoping to put together a booklet "Herron Island ~ The First 50 Years."

Your help with this huge project is welcomed.

Email: [TheHerronIslander@yahoo.com](mailto:TheHerronIslander@yahoo.com)  
 or write: The Herron Islander  
 PO Box 904, Lakebay, WA 98349

## ATTENTION BOATERS

Keep in mind with the recent rule changes you will need to plan to return your boat trailer to your property for storage during Memorial weekend. No boat trailers to be parked at N. Beach area during Herron Island observed holiday weekends. HMC Rule E-4. Thank you!

## Did you know?

- **Did you know?** The new Tacoma Narrows Bridge is going to open later this year. For faster, more reliable commuting on SR 16 the key is *Good To Go!* - the new, convenient, easy-to-use electronic toll collection program that gives you the power to pay tolls on the new Tacoma Narrows Bridge span without stopping. For more information visit [www.wsdot.wa.gov/goodtogo](http://www.wsdot.wa.gov/goodtogo) there is a hyperlink on our homepage [www.HerronIsland.org](http://www.HerronIsland.org)
- **Did you know?** 1959 was the first year the island had vehicle decal/stickers. That year the decal read: Herron Island Country Club 1959. This fun fact was provided by long time member Steve Kramer.
- **Did you know?** Board Meeting Minutes are taken during meetings, prepared for publication between meetings, and approved at the following meeting. Next, they are posted at the community center and on our website, in the Island Documents section, usually the week following. Stay informed. Visit: [www.HerronIsland.org](http://www.HerronIsland.org)

This column brought to you as another way to keep you informed. If you have a question, comment or idea to include please e-mail: [TheHerronIslander@yahoo.com](mailto:TheHerronIslander@yahoo.com) or mail to: The Herron Islander  
 PO Box 904, Lakebay, WA 98349

**SUMMER FERRY SCHEDULE (4/1 through 9/30)**

MON		TUE		WED		THUR		FRI		SAT		SUN	
IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.
6:15	7:00	6:15	7:00	6:15	7:00	6:15	7:00	6:15	7:00				
7:30	8:00	7:30	8:00	7:30	8:00	7:30	8:00	7:30	8:00				
8:30	9:00	8:30	9:00	8:30	9:00	8:30	9:00	8:30	9:00	8:30	9:00	8:30	9:00
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6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00
								7:30	8:00	7:30	8:00	7:30	8:00
								8:30	9:00				

Memorial Day, July 4th, Labor Day same as Sunday

**May Ferry Low Tide Cancellations**

Saturday 5/5	2:30—3:00
Sunday 5/6	2:30—3:00, 3:30 may leave late
Tuesday 5/15	12:00 may leave late
Wednesday 5/16	12:00—12:30
Thursday 5/17	12:00—12:30
Friday 5/18	No runs 12:00 to 3:00
Saturday 5/19	No runs 2:30 to 4:00
Sunday 5/20	No runs 1:30 to 4:00
Monday 5/21	3:30—4:00 may leave late
Thursday 5/31	12:00—12:30

**June Ferry Low Tide Cancellations**

Friday, 6/1	12:00 - 12:30
Saturday, 6/2	12:00 no shuttle, 2:30 may be late
Sunday, 6/3	1:30 - 3:00
Monday, 6/4	2:30 - 3:00, 3:30 may be late
Tuesday, 6/5	3:30 may be late
Wednesday, 6/13	12:00 - 12:30
Thursday, 6/14	12:00 - 12:30
Friday, 6/15	12:00 - 12:30
Saturday, 6/16	11:30 - 3:00
Sunday, 6/17	1:30 - 3:00
Monday, 6/18	2:30 - 3:00, 3:30 may be late
Friday, 6/29	12:00 - 12:30
*Saturday, 6/30	11:30 - 12:00
* Note: First day of Herron Island observed Independence Day weekend	

*“Arrive early for the ferry to allow time for loading prior to departure time”*

**Your Complete Auto Repair Facility !!**

**Moreland & Sons**

**Parts & Service**

15317 Key Peninsula Highway North  
Gig Harbor, WA 98329

**New Owner**

Jim Guinn

30 Years in Auto Business

Welcomes Herron Island Residents

Stop in for a warm handshake & friendly service



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**253.884.1159 (fax)**

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**Paradise Awaits !!**

Island 3 BR with Large Fenced Yard

614 W. Yew Blvd KP N

\$227,000

View Home with Large Deck

418 E Herron Blvd KP N

\$294,950

Two Building Lots Available—Call Dallas  
for details

For all your real estate needs call:

**DALLAS AMIDON**, Resident Island Realtor

Cell: **253-606-0972** Home: **253-884-6166**

Web: [www.HerronIsland.com](http://www.HerronIsland.com) E-mail: [HerronIsland@hotmail.com](mailto:HerronIsland@hotmail.com)

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**HERRON ISLAND  
YARD MAINTENANCE**

**ALLEN MOREN**

**253-884-2721**

**ESTIMATES BY THE YARD**

- \*Also works with Tansy
- \*Appliance Disposal
- \*Deck Cleaning
- \*Restaining

*(Paid Advertisement)*

# MICHAEL KANDER CPA

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
HMC Management  
P.O. Box 119  
Lakebay, WA 98349

Dear President and Members of the Board:

We have audited the accompanying Statement of Financial Position of HMC Management (a Washington State Homeowners Association) as of September 30, 2006, and the related Activity Statement (revenues and expenses) and Changes in Members' Equity (net assets) for the year then ended. These financial statements are the responsibility of HMC management. 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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

HMC Management did not present a statement of cash flows for the year ended September 30, 2006. Presentation of such statement summarizing the organization's operating, investing, and financing activities is required by generally accepted accounting principles.

In our opinion, except that the omission of a statement of cash flows resulted in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of HMC Management as of September 30, 2006, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

HMC Management has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented this information that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements. (See Note C)

Michael J. Kander, CPA  
University Place, WA  
March 1, 2007

**HMC MANAGEMENT  
STATEMENT OF FINANCIAL POSITION  
SEPT 30, 2006 (FY2006)**

<b>ASSETS</b>	<b>FY 2006</b>
<b>Current Assets</b>	
Cash and Cash Equivalents (See Note A)	
Cash	\$96,971
Certificate of Deposit	1,072
Total Cash and Cash Equivalents	98,042
Accounts Receivable from Active Members	665
Total Current Assets	98,707
<b>Long Term Assets</b>	
Investment in Vanguard Funds (see Note B)	220,244
Delinquent Members Receivables, net (see Note D)	109,000
Note Receivable (See Note E)	19,213
Total Long Term Assets	348,457
<b>Plant, Property and Equipment</b>	
Land - Common Use (See Note A)	27,300
Fixed Assets	
Ferry/Docks	2,068,020
Water System	108,217
Small Boat Dock (Parks)	65,003
Roads	40,245
Office/Equipment	34,213
less Accumulated Depreciation	(1,121,928)
Total Net Fixed Assets	1,193,771
Total Plant, Property, and Equipment	1,221,071
<b>TOTAL ASSETS</b>	<b>1,668,235</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>	
<b>LIABILITIES</b>	
Short Term Liabilities	
Accounts Payable - Trade	7,835
Prepaid Assessments	4,812
Security Deposits	4,322
	<b>17,969</b>

See Independent Auditor's Report  
The Accompanying Notes are an integral part of these financial statements

**HMC MANAGEMENT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 Oct 2005 - Sept 2006

FY 2006 EXPENSE	Department					
	Ferry	Ferry Docks	Administration	Water	Parks	Roads
Payroll (Wages, taxes, and benefits)	\$200,144		64,338	5,532	1,091	648
Major Repairs and Maintenance	34,724	24,750				
Repairs and Maintenance	16,583	5,298		11,637	3,218	19,701
Insurance	41,597		21,721			
Ferry Fuel	45,607					
Professional Services			30,521			
Misc Service & Supplies	6,191	780	6,833	8,883	5,757	157
Taxes and DNR Lease	3,424	1,156	3,627	1,565		
Postage, Printing, Copying			8,108			
Utilities		1,170		3,058		
Provision for Uncollectable Assessments - Current Year			6000			
<b>Total Expenses by Department before Depreciation</b>	<b>348,270</b>	<b>33,154</b>	<b>141,148</b>	<b>30,675</b>	<b>10,066</b>	<b>20,506</b>
Depreciation	37,773	35,199	4,051	4,329	785	
<b>Total Expenses by Department after Depreciation</b>	<b>386,043</b>	<b>68,353</b>	<b>145,199</b>	<b>35,004</b>	<b>10,851</b>	<b>20,506</b>

See Independent Auditor's Report  
 The Accompanying Notes are an integral part of these Financial Statements



**HMC MANAGEMENT**  
**ACTIVITY STATEMENT AND CHANGES IN MEMBERS' EQUITY**  
**OCT 2005 - SEPT 2006 (FY2006)**

**ACTIVITY STATEMENT**

	<b>FY 2006</b>
<b>CHANGE IN MEMBERS' EQUITY (NET ASSETS)</b>	
<b>REVENUES AND OTHER SUPPORT</b>	
General Assessments, net	\$419,416
Ferry Fees	147,796
Small Boat Dock Assessment	38,733
Donation for Bulkhead Repair	20,000
Miscellaneous	3,798
HMC Interest & Handling Charges	3,369
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>633,113</b>
<b>EXPENSES BY DEPARTMENT (See Schedule 1)</b>	
Ferry	386,043
Ferry Docks	68,353
Administration	145,199
Water	35,004
Roads	20,506
Parks	10,851
<b>TOTAL EXPENSES</b>	<b>665,956</b>
<b>CHANGE IN MEMBERS' EQUITY BEFORE OTHER ITEMS</b>	<b>(32,843)</b>
<b>OTHER INCOME</b>	
Collections from Delinquent Accounts (See Note D)	21,319
Interest Earned (all accounts)	18,229
Contract Principal Received	729
<b>TOTAL OTHER INCOME</b>	<b>40,277</b>

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

<b>CHANGE (INCREASE) IN MEMBERS' EQUITY (NET ASSETS) AFTER OTHER ITEMS</b>	7,434
<b>BEGINNING MEMBERS' EQUITY (NET ASSETS)</b>	1,624,619
<b>ENDING MEMBERS' EQUITY (NET ASSETS)</b>	<b>\$1,632,053</b>

See Independent Auditor's Report  
The Accompanying Notes are an integral part of these Financial Statements

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2006

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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 a non-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 approximately 360 members.

**Basis of Accounting**

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

The Organization reports information regarding its financial position according to three classes of assets: unrestricted, temporarily restricted, and permanently restricted, as recommended by the AICPA Statement of Financial Accounting Standards No. 117.

**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 readily be redeemed with an early withdrawal penalty. The Vanguard Money Market Funds (Reserves) are considered as long-term assets because management intends to hold these for more than one year.

**Fixed Assets**

The HMC Company capitalizes property and equipment over \$500 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 16 lots that are for common use by the organization and by members. Original acquisition costs were not available. We used lowest assessed values for 2001 thru 2005 to fairly value the property.

**Member Assessments**

HMC Management's members are subject to annual assessments to provide funds for general operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represents fees due from active owners. HMC Policy is to classify assessments older than 30 days as delinquent and to begin legal proceedings as soon as practical.

# HMC MANAGEMENT

## Notes to Financial Statements

For the Fiscal Year Ended September 30, 2006

### **Income Taxes**

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. In either case, most exempt function income, which consists primarily of member assessments, is not taxable.

### **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.

### **NOTE B – Temporarily Restricted Net Assets**

The temporarily restricted net assets 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 Vanguard Money Market accounts specified for those purposes. (See Note A)

During FY 2006, HMC Management transferred \$45,558 from the water reserve account to the general account to reimburse payments made in FY 2005 for the water tank project.

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

HMC Management's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. HMC Management has not completed a study to determine the remaining useful lives of the components of common property and future associated costs of major repairs and replacement.

To fund future projects, HMC Management maintains reserves designated by the board for specific purposes. (See Note B) Whether these funds are sufficient to finance future major repairs and replacements, either directly or through borrowing, has not been determined.

### **NOTE D – Delinquent Accounts and Related Subsequent Events**

The assessments receivable from delinquent members includes approximately \$20,000 as an estimation of the collectable portion of delinquent accounts, in addition to that received after year end.

In February 2007 HMC Management received \$89,000 from delinquent owners, as a result of litigation, which will be appropriately reflected in the FY 2007 financial statements.

### **NOTE E – Note Receivable**

The seven percent note is for the sale of Herron Island property on July 26, 2005. Terms are monthly payments of \$175 with a balloon payment of \$15,839 due on July 29, 2010.

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HMC MANAGEMENT

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