



# The Beachcomber



HMC Newsletter

March 2011

## President's Message

After the March regular board meeting, we held the special membership meeting to count the ballots on how to proceed with the water system upgrade. The members overwhelmingly elected to retain our water system and to proceed using a USDA loan to finance the upgrade. We are now in the process of establishing a Herron Island Water Utility and proceeding to creating the documents needed for the design and construction of the distribution system. The new distribution system will contain water meters as will be required by State Law and be useful in determining water leaks both in the distribution system and on members own properties. In this era of water conservation, this will be most beneficial. Many members have worked over multiple years to arrive at this point and need our thanks for all their efforts. The Water Project Committee headed by Steve Chapin and supported by our Island Manager Claudia Ellsworth is now working on the next steps.

Included in this Beachcomber is the auditor's report for our fiscal year October 2009 through September 2010. The report is based on standard accrual accounting practice and shows HMC operating at a loss. That is, it shows expenses exceeding revenue by about \$17,000. This is an artificial deficit based on the fact that HMC does not fund depreciation (which is currently at \$75,000). At the end of the day HMC's accounts balance and do not reflect a deficit condition. Since HMC does not fund depreciation, there is no cash outlay for this expense. Thus, removing the \$75,000 from expense yields cash increase of about \$58,000, which is close to the \$61,000 we put into reserves. Overall, we ended with reserves of \$423,000 and cash-on-hand of almost \$100,000. Parts of the reserves have been used in this fiscal year as both ferry shipyard and engine overhaul occurred this year. Also, the expense for replacing the pilings at North Beach started this year. The next audit for this fiscal year, which takes place toward the end of the calendar year, will show expenses exceeding revenue by a large amount. HMC uses reserves to cover expense over multiple fiscal

years and withdrawals from reserves are not counted as revenue. Finally, one needs to look at the audit report realizing that revenue includes some items like delinquent accounts and billed amounts in addition to cash. Some of these sources are offset by allowances for bad debt in the expense portion of the audit. Our accounting reports using billed amounts for expenses are augmented in the audit by accrued expense known but not yet billed. This is why sometimes the expense reported exceeds what has been actually been billed and paid. On a cash basis shown in the audit report, HMC is operating very close to our budget with revenue and reserve withdrawals covering our actual expenses.

The finance committee met this last month and started work on the next budget to be presented at the annual meeting in June. As much as we would like to keep our assessments as flat as possible, several factors are going to cause an increase. Most notable is the ferry fuel costs. With the increase in the price of oil, our fuel costs for this year are going to exceed our budget and we see no possibility of a decrease for next year. Another issue we face is the requirement to replace the engines on the ferry. It is likely that the EPA will dictate that our ferry meet new emission standards in the near future, which will only be met with newer technology engines. There are other advantages to using newer engines like better fuel economy and lower noise (much desired by our mainland neighbors). We are in the process of getting estimates and will probably have to increase our engine overhaul reserve contributions to cover the possible replacement.

A reminder that those who may wish to support our community by running for a position on the HMC Board of Directors, we need your nominations in by the May Board meeting.

Fred Fath  
President

### Delinquency List as of March 22, 2011

MARCINKO - MCNALLY - RUCKSTEIN - SMITH II -  
TCHOCHIEV - WORDEN

### Important Phone Numbers

#### Island Manager

Claudia Ellsworth (253) 884-9350

#### HMC Board of Trustees

Fred Fath, President/Treasurer (206) 246-7016  
Mark Anderson, Vice-President (253) 677-3900  
Janet Podell, Secretary (253) 874-2452  
Gary Wanzong, Assistant Treasurer (253) 884-9350  
Judy Greinke, Member-at-Large (253) 857-5463

#### Additional Responsibilities

Mike Shettlesworth, Transportation Chair (253) 884-6919  
Washington Water Svc., Water Repair (253) 851-4060  
Dick Mowry, Water Field Examiner (253) 884-7663  
Steve Chapin, Water Project Chairman (253) 884-1967  
Max Hochanadel, Rules Chairman (253) 884-1948  
Tracy Anspach, Parks Chairman (253) 588-1921  
Allen Moren, Roads Chairman (253) 884-2721  
Mike Davis, Emergency Prep. Chair (253) 884-1423  
Kathy Deuster, Land Use Chair (253) 884-6898  
Eric Bergson, Technology Chair (253) 830-4413  
Carolyn Snyder, Office Manager (253) 884-9350  
Ken Freeman, Beachcomber/Webmaster (231) 544-2456

**Herron Island Office Hours: Tuesday, Thursday, Friday  
8:30 am to 4:30 pm. The office is CLOSED Monday,  
Wednesday, Saturday, Sunday, and after 2:00 PM on Fri-  
days before board meetings.**

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.)*

### 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. BLANK GUEST PASSES ARE AVAILABLE TO MEMBERS AT THE OFFICE, BY MAIL, AND ON THE FERRY.**

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.

### **Be Aware of your Property Lines**

Members are encouraged to know the exact location of their property boundaries. Here is one example of why this is important: In the past, several Members have incorrectly believed that their property extended right up to the road surface. In truth, however, the HMC roadway is in most places wider than the surfaced road itself, and the Member's actual boundary is not at the edge of the road.

## Island Manager Report March 19, 2011

### Administration:

**CenturyLink Service:** Workers came out to repair the cable last week. According to Doug Culbert, Area Plant Supervisor for CenturyLink, the outage was longer than planned, but the job went well. There is another engineering project in the works to provide additional high speed internet service to the island. According to Mr. Culbert this should improve speeds and is scheduled to be completed by the end of this month.

**Volunteers:** Many thanks to the volunteers who put together the Water Ballot – Nancy Wells, Sandra Davis, Jean Melior, Sabra Duback, and Mike Shettlesworth. These volunteers, and the ballot counters, are among the many that reduce the HMC Management election expense by contributing their time and energy.

**Standby Deck Hand:** We have had just a few applications for standby deck hand and after this round of interviews, may post the job announcement again, locally in the Key Center area. John Farris and I have conducted one interview so far, and hope to set another. At present, we have only one available standby deck hand.

**HMC Mainland Parking Lot:** The mainland parking lot has been surveyed by Thornton Survey of Gig Harbor, and is marked with rebar. The recorded survey will be available online with Pierce County next week.

**July 4 Security:** During Labor Day weekend HMC Management hired a Pierce County deputy to provide security overnight. Perhaps we should hire again, for July Fourth weekend, to help avoid the disturbances that occurred last year and resulted in two rules complaints. If so, we can approach the same deputy to see if he is available.

**Island Cleanup:** Pierce County sponsors a Community Assistance & Public Education (CAPE) program, under which the County will arrange a meeting to discuss cleanup assistance programs – waste disposal, storage and recycling, provide handouts and discuss County rules and regulations related to land use and junk vehicles. This can be followed by a community cleanup day, and Pierce County will assist with paperwork needed to remove junk and trash. If properties are qualified, litter credits can be issued to dispose of one ton of trash for free. We are hoping that there will be a volunteer group interested in pursuing this. The alternative would be to contact the same recycle firm that came out last year and follow the same procedure, which resulted in at least one truckload of recyclable metals leave the island, at no charge to the HMC Management.

**Derelict Vehicles:** Two new letters have been sent out regarding derelict vehicles. We hope that the response from members this year will be as positive as it was last year, when four of the five contacted responded positively. Removal of vehicles on West Herron seems to have stalled, and we are in touch with Pierce County Code Enforcement regarding when it will resume.

**General:** There have been recent reports of contractors and members/guests exceeding the island speed limit, and killing a deer. Vandalism continues to be a problem at the ball field and any witnesses should report to the police and/or to the office for follow-up. Finally, some island properties are being defaced by stickers. Feel free to remove these.

**Assessments:** Spring assessments will go out in the mail April 1, and are due back in the office no later than April 30.

### Water System:

Member discussion has been active and the office has been contacted a number of times for additional information. The actual ballot count will take place at a special meeting following this, and results posted on the web site. We've continued working through the USDA process in the event that members approve this alternative and have completed all requirements to date.

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Island Manager Report  
(Continued)

**Water Maintenance and Operation:**

This most recent coliform test was taken January 24, 2011 at 901 W. Yew Blvd. Results are satisfactory.

Along with continuing with rat traps at the pump house for another month, we have ordered screens to keep bats out of the building.

**Fire Department Liaison: Spring Burn:** Questions have been raised about having a spring burn this year, because of difficulties with the way that materials were deposit at the burn site, and unhappiness on the part of a few members about the early start on the burn pile. The Fire Department is willing to issue a \$30 permit, as in the past, but the discounted equipment and labor offered to handle the burn may not be available.

Anyone interested in volunteer fire fighting should contact the fire district.

**Land Use:** As general reminder, members should check their properties to determine if they might be encroaching on HMC rights of way. This question becomes more critical as water system replacement approaches and surveys for the new line begin. Questions should be referred to the Roads or Land Use Committee.

**Emergency Preparedness:** Mike Davis will report. The Committee is requesting a new location for the emergency radio transmitter, which is now at Mike Davis' house. The request to use the pump house instead raises questions of security at the pump house, and we would recommend that the transmitter stay in the Community Building, or perhaps be placed in the ferry shed.

**Legal Liaison:** Three delinquencies are being resolved by the island's collection attorneys: Marcinko, Ruckstein, and Tchochiev. Two of these are making payments; one is in foreclosure. Three others recently forwarded are McNally, Smith, and Worden.

The Board and the Island Manager have reviewed the legal services provided to HMC Management and have decided to obtain new legal representation for the island. Members of the Board and the Island Manager interviewed several law firms and, based on those interviews, the Board has selected the Tacoma firm of Davies Pearson as our island attorneys for general representation and for collection matters. The Strichartz Law Firm will continue to represent HMC Management with respect to a handful of outstanding delinquencies but, once those are resolved, HMC Management will no longer be using the services of that firm.

As a side note, the volume of delinquencies has declined dramatically over the past ten years, and now stands at about 2% annually. In 2001, the HMC Management was dealing with 26 delinquencies, contrasted to the 6 outstanding today, and only 5 in 2010. Law firms we interviewed were surprised by this low volume, which speaks to the overall efficiency of the system, and the resolve of the Board and members to pursue delinquencies.

Recently, the Board received a complaint regarding business use of residential property. The members were requested twice by letter to provide information as to how their business met the requirements of HMC Bylaws Section 11.2. The members retained an attorney to lodge a complaint, but have not responded to the HMC letter, and so the issue remains unresolved at this point. Because they communicated through their attorney, the attorney for HMC is responding via legal counsel.

**Parks:** Parks Appreciation and Earth Day is April 16, and docks will go back in the water April 23. There will be plenty of volunteer opportunities both days. The Parks Committee will meet again March 26<sup>th</sup>.

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Island Manager Report  
(Continued)

**North Beach Marina:** KPFF has completed survey and bathymetry work at the marina. The next phase of work will involve permit application, review and approval and may take several months.

**Roads:** Committee Report.

**Rules:** There are no open complaints.

**Transportation:**

A new Coast Guard rule regarding Passenger Weight and Vessel Stability goes into effect December 1, 2011. The Coast Guard has adjusted the average estimated weight of Americans from 160 lbs. to 185 lbs. and has directed that passenger vessels adjust their passenger/crew loads accordingly. This could have meant a significant reduction in passenger load for the Charlie Wells; however, Capt Farris suggested that we review the original weight and stability data for the ferry. This revealed that the builders, Nichols Bros. used 165 lbs originally to determine passenger load. As a result, the passenger load for the Charlie Wells will be reduced from 49 passengers and 2 crew to 45 passengers and 2 crew.

**Technology:** Fred Fath continues to work on an iPod application which may satisfy our electronic ticketing needs.

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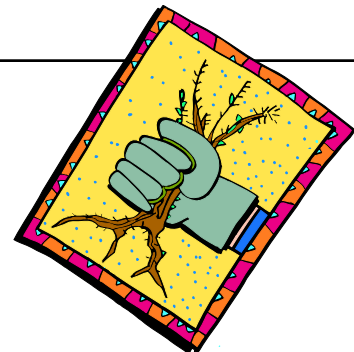
**TANSY RAGWORT RETURNS!**

Spring is here, bringing with it warmer days, a beautiful array of new flowers, and...weeds.

One especially pernicious noxious weed, *Tansy Ragwort*, has made beautiful Herron Island its home. Each plant sets 150,000 + seeds and colonizes rapidly. The effort and cooperation made by Herron Island property owners in the control of Tansy Ragwort has steadily increased, and we are making progress!

Field Inspector's from the Pierce County Noxious Weed Control Board will begin making routine inspections on the Island beginning the last week in May.

If Tansy Ragwort plants are discovered on your property, please eradicate them as soon as possible. Any questions concerning Tansy Ragwort, control methods, a list of herbicide spray professionals, or compliance with the Noxious Weed Laws, please call the County Office at 253-798-7263; or to leave a message with the Field Inspector call 253-798-6844.



### Board Candidates Needed!

Please consider running for the Board of Directors. An application is printed on Page 10 of this issue and must be turned in to the office by 10:00 AM on May 14th. Two vacancies will be filled at the Annual Membership Meeting on June 11th.

### Board Member Email Addresses

HMCFredFath@herronisland.org

HMCMarkAnderson@herronisland.org

HMCJanetPodell@herronisland.org

HMCGaryWanzong@herronisland.org

HMCJudyGreinke@herronisland.org

Please use these email addresses for all future communications to board members. They can be accessed on our website (herronisland.org) under the HMC Board tab.

### Water Ballot Results

	<u>Retain</u>	<u>Transfer</u>
Ballot No. 1	189	23
	<u>USDA</u>	<u>Commercial Financing</u>
Ballot No. 2	183	21

### The vote is in, what happens now?

HMC has successfully completed all requirements for USDA funding. Now, we need to await Congressional action on the federal budget before funds can be committed. Although everything looks good, we aren't able to proceed until the President signs the new budget into law.

### Tide Tables

Plots of the monthly tide tables are available on our website (herronisland.org). The plots are for nearby McMicken Island, which is the NOAA data point closest to Herron Island.

### Assessment Reminder

Second half assessments (\$825.00) will be billed on April 1<sup>st</sup>. Payments are due no later than 4/30/11. Payments postmarked/received after April 30<sup>th</sup> will incur a \$30.00 handling fee.

## FREE CLASSIFIED ADS

I have a classic older GE refrigerator FREE to someone for pickup. Runs good. Contact Tim 253-225-0721

I would like to see if there is any interest in forming a quilting group here on the island but don't know how to start. My name is Sharon Glenn and I live at 309 E Madrona ave . My phone number is 884-5992

*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, Subject: Beachcomber Ad. The ad must be resubmitted for each issue in which it is to be printed.*

### Community Garden News

By the time you read this Beachcomber, regular gas will probably be over \$4.00 a gallon AND food prices increasing by 25 cents or more per item with each store visit. So if you want to remedy some of those hardships...consider requesting a Community Garden plot. Returning gardeners must confirm their desire to use their last year's plot by calling Dana 253-884-6898 (walogcabin@yahoo.com) by 4/15/11. Any gardener not returning should clean up their plot for the next gardener. After 4/15/11, new gardeners will be assigned a plot on a first-come basis. Multiple plots will be assigned when there are less than 20 requests. Consequently, no one will have multiple plots when there are 20 requests.

Annual expenses, as they occur, will be shared by all gardeners. Last year we replaced our hose and locks. We will need to fix our pathways this year.

We lock the garden to deter vandalism/theft. Keys are available by notifying Dana.



### Derelict Vehicle?

Do you have a car, truck or trailer that's no longer usable, or maybe one was dumped on your property? Let's keep Herron Island beautiful. Contact the Island Manager at [hmcmanager@herronisland.org](mailto:hmcmanager@herronisland.org) or PCResponds at 253-798-INFO. If you have title to the vehicle you can also donate it to one of the many charitable organizations that will take old cars.



### HOW IS OUR WEBSITE WORKING FOR YOU?

The HMC website ([www.herronisland.org](http://www.herronisland.org)) has been unchanged since its inception in 2000. (That's 11 years ago!) We are looking for member input on how it is working for you. Is it user-friendly? Easily accessible? Is there anything we can do to make it better? Please mail your input to [memberinput@herronisland.org](mailto:memberinput@herronisland.org) to have your voice heard.



### HMC TO STOP MAILING BEACHCOMBERS

In an effort to save the cost of printing and mailing of Beachcomber newsletters, HMC has decided to discontinue the process of mailing Beachcombers to members. Each edition is published on the HMC website ([www.herronisland.org](http://www.herronisland.org)) in a format that can easily be viewed and/or printed. It is anticipated that this will save members approx. \$4100 per year. Effective with the October 2011 edition of the Beachcomber, the newsletter will only be available on line unless a member specifically requests in writing that they be mailed a copy. A subscription fee of \$18/yr (\$2 per copy) will be imposed if members still want their copies mailed. A limited number of printed copies will also be available at the office. HMC has been developing a master email distribution list to inform members when the Beachcomber has been published on line. The email provides each member a clickable link to access the newsletter. The distribution list will also be used to notify members of power outages, ferry service status, disaster alerts, Water System upgrade alerts, and so on. If you wish to be included on this email distribution list please send a note to the office. Please note that your email address will be kept completely confidential and emails sent from the office will not reveal your personal address to other recipients.

### NOSTALGIA FROM LONGTIME MEMBER

Email from Brenda Henry to the Island Manager  
March 8, 2011

Thanks, Claudia.....Mary, Beth and I are really appreciative of the help you gave us in getting rid of our trailer from hell and that pesky boat that our neighbors left on our property. It has been a concern of ours for quite a while. We are now trying to determine which way to vote on the new water system. Ever since 1955, we, as a family, have owned the lot on top of the island. Every time we take the ferry over to the island, we feel the spirit of our dad coming right along with us. He got such a kick out of owning a piece of land on an island in Puget Sound. Originally from Chicago, he joined the FBI in 1942 and was one of several agents in the Seattle office to buy a lot on the island after the owner died in the mid-fifties. Obviously, retaining ownership of the lot has been an act of love, rather than investment for his heirs. We would be very lucky to get out of it what we have put in over the years. HMC has grown from a few people like my dad into a mature community that has managed to stay self-governed all this time, truly a feat of massive effort on the part of a small percentage of people. As a psychologist, I find it hard to believe that the HMC Board of Directors has always been one big, happy family. However, I need to commend all of you who have served on the board throughout the years for your loyalty to Herron Island. The island is now a community to be congratulated for its growth and development over the span of fifty plus years. Our vote will take all of this into consideration and will reflect our respect for those of you who have been long-time residents.....Brenda Blastic Henry.



**5th Annual  
Parks Appreciation and Earth Day Event  
Saturday, April 16th, 2011  
10:00 am to 1:00 pm**

**The Herron Island Parks Want You!!**

We plan to use this time to clean up our parks of any downed branches, high-tide debris etc, to do some ball field preparation, refresh our playgrounds and to prepare the small docks for their installation. We need to perform some general maintenance and do clean-up to get ready for our island's busy summer schedule.

**Support Our Community!**

We need all the helpers we can get!

Bring your family and friends!

We will **meet at 10:00 am** at the **Fire Hall/Community Center**.  
Dress warmly and bring gloves for your group. Hot lunch provided for all helpers upon completion of tasks.

**It's that time again. All hands on dock!**



**Small Dock Installation  
Saturday, April 23, 2011**

**Meet at the N. Beach Marina at 8:30 am**

Hot lunch provided to all helping hands  
following project completion!

**BOARD CANDIDATE APPLICATION**

(Please complete and return to HMC office by 10:00 AM, May 14, 2011)

**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:** *Please do not include statements campaigning for or against other candidates.*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

**HMC OWNED PROPERTIES FOR SALE**

<b>HMC MAP LOCATION</b>	<b>ADDRESS</b>	<b>Parcel No. 4450-</b>	<b>Assessed Value 2010</b>
D3 B4 L6	1219 W Herron Blvd KP N	301140	\$1,700
D4 B2 L22 (50 ft)	1123 Yew Blvd KP N	400402	\$9,100
D4 B2 L22 (1/2 lot)	1201 Yew Blvd KP N	400401	\$9,400
D3 B3 (&B2) L1	1203 & 1205 Yew Blvd KP N	301053	\$10,800
D5 B4 L19	315 E Madrona Blvd KP N	500910	\$21,900
D5 B4 L18	317 E Madrona Blvd KP N	500900	\$3,400
D4 B2 L3	816 E Madrona Blvd KP N	400200	\$21,300
D1 B3 L26	1001 E Madrona Blvd KP N	000620	\$18,500
D1 B2 L10	1119 E Madrona Blvd KP N	000350	\$21,800

**HMC OWNED PROPERTIES NOT FOR SALE**

<b>HMC MAP LOCATION</b>	<b>ADDRESS</b>
<i>*Nature Park</i>	
*D5 B1 L16	705 West Yew Blvd KP N
*D5 B1 L17	703 West Yew Blvd KP N
*D5 B1 L18	701 West Yew Blvd KP N
*D5 B1 L19	621 West Yew Blvd KP N
*D5 B1 L19 (parking/water hookup)	621 West Yew Blvd KP N
*D5 B1 L20 (donated for N. Park)	619 West Yew Blvd KP N
D4 B1 L32 (next to office)	903 West Yew Blvd KP N
D6 B3 L 19 (S Beach Trail)	22710 S Herron Blvd KP N
D4 B2 L1 (donated for GP Park)	728 E Madrona Blvd KP N
Goodpastor Park & Fire Hall	
D5, B4 L19	315 E Madrona Blvd KP N
D1 B13 L 27 (Garden Lot)	1003 E Madrona Blvd KP N
Water Dept lots	
N. Beach	

**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				
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5:30	6:00	5:30	6:00	5:30	6:00	5:30	6:00						
6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	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

**WINTER FERRY SCHEDULE (10/1 through 3/31)**

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
9:30	10:00			9:30	10:00					9:30	10:00	9:30	10:00
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12:00	12:30	12:00	12:30	12:00	12:30	12:00	12:30	12:00	12:30	11:30	12:00	11:30	12:00
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3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00
4:30	5:00	4:30	5:00	4:30	5:00	4:30	5:00	4:30	5:00	4:30	5:00	4:30	5:00
5:30	6:00	5:30	6:00	5:30	6:00	5:30	6:00						
6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00	6:30	7:00
								7:30	8:00	7:30	8:00	7:30	8:00
								8:30	9:00				

Thanksgiving and  
New Years:

Lv. Island 8:30, 11:30, 6:30  
Lv. Mainland 9:00, 12:00, 7:00

Christmas: Lv. Island 8:30, 6:30  
Lv. Mainland 9:00, 7:00

## Reminder: It is that time again. Our Summer Ferry Schedule begins April 1.

2011 Low Tide Cancellations/Adjustments	
April	
Monday, April 18	12:00 pm – 12:30 pm cancelled
Tuesday, April 19	12:00 pm – 12:30 pm cancelled
Thursday, April 21	3:30 pm – 4:00 pm cancelled
Friday, April 22	3:30 pm – 4:00 pm cancelled
May	
Friday, May 6	2:30 pm – 3:00 pm cancelled
Saturday, May 7	2:30 pm – 3:00 pm cancelled 3:30 pm may leave late
Sunday, May 15	10:30 am – 11:00 am cancelled
Monday, May 16	12:00 pm – 12:30 pm cancelled
Tuesday, May 17	12:00 pm – 12:30 pm cancelled
Wednesday, May 18	12:00 pm – 12:30 pm cancelled
Thursday, May 19	12:00 pm – 12:30 pm cancelled
Friday, May 20	2:30 pm – 3:00 pm cancelled 3:30 pm may leave late
Saturday, May 21	2:30 pm – <b>4:00</b> pm cancelled
Tuesday, May 31	12:00 pm – 12:30 pm may be late
June	
Wednesday, June 1	12:00 pm – 12:30 pm cancelled
Thursday, June 2	12:00 pm – 12:30 pm cancelled
Friday, June 3	12:00 pm – 12:30 pm cancelled 2:30 pm may be late
Saturday, June 4	2:30 pm – 3:00 pm cancelled
Sunday, June 5	1:30 pm – <b>3:00</b> pm cancelled 3:30 pm may be late
Sunday, June 12	*No shuttles 8:30 am – 9:00 am 9:30 am – 10:00 am cancelled
Monday, June 13	9:30 am – 10:30 am cancelled
Tuesday, June 14	12:00 pm – 12:30 pm cancelled
Wednesday, June 15	12:00 pm – 12:30 pm cancelled
Thursday, June 16	12:00 pm – 12:30 pm cancelled
Friday, June 17	12:00 pm – 12:30 pm cancelled 2:30 pm – 3:00 pm cancelled
Saturday, June 18	2:30 pm – 3:00 pm cancelled
Thursday, June 30	12:00 pm – 12:30 pm cancelled

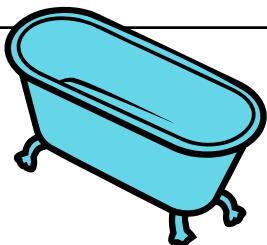


(Continued on next page)

<b>July</b>	
Friday, July 1	12:00 pm – 12:30 pm cancelled
Saturday, July 2	11:30 am – <b>2:00</b> pm cancelled
Sunday, July 3	1:30 pm – <b>3:00</b> pm cancelled
Monday, July 4	1:30 pm – <b>3:00</b> pm cancelled
Monday, July 11	8:30 am – <b>10:00</b> am cancelled
Tuesday, July 12	*No shuttles 8:30 am – 9:00 am 9:00 am departs early
Wednesday, July 13	9:30 am – 10:00 am cancelled 12:00 pm – 12:30 pm cancelled
Thursday, July 14	12:00 pm – 12:30 pm cancelled
Friday, July 15	12:00 pm – 12:30 pm cancelled
Friday, July 29	12:00 pm – 12:30 pm cancelled
Saturday, July 30	11:30 am – 12:00 pm cancelled
Sunday, July 31	11:30 am – 12:00 pm cancelled 1:30 pm may be late
<b>August</b>	
Saturday, August 7	9:30 am – 10:00 am cancelled
*No shuttle means only one trip for that time	

### Did you know...

- There are over 1500 water systems in Pierce County alone.
- The HMC water system is a Group A system with 338 connections.
- In Pierce County, there are 21 Group A water systems owned by associations, and HMC is the sixth largest.



### **Water Leak Problem?**

*If it's on your property, you'll need to find someone to handle your repairs. Washington Water Service Company is contracted to maintain and operate the HMC water system, but they do not service individual homeowners.*

## IDEAS FOR CHANGES TO THE HMC MANAGEMENT BYLAWS

Herron Island Members have requested that the Board consider certain amendments to the HMC Management Bylaws. Here are some changes that have been suggested, along with an explanation for those change ideas. Because approval of these changes will require a vote of the HMC Membership, the Board requests HMC Member input to refine these ideas and perhaps proceed to that vote. To give your feedback on these ideas, or if you have other ideas for changes to our Bylaws, please submit your comments to [memberinput@herronisland.org](mailto:memberinput@herronisland.org).

-----

**Possible Change:** Delete Article 7.

**Comments:** This Article deals with Common Assessment Liability. The phase-in of this protocol was completed in 2006.

-----

**Possible Change:** Delete Bylaw Section 3.4.1.

**Comments:** This Bylaw provision designates votes for the allocated interests during the phase-in years of Article 7. Deletion of Article 7 would render this provision moot.

-----

**Possible Change:** Change Bylaw Section 1.6.4 to revise the method by which assessable units will be administered.

**Comments:** This Bylaw provision addresses how Assessable Units are counted, created, transferred, and eliminated. Numerous HMC Members have expressed concern that the combination of lots sometimes reduces the number of assessable units and, in turn, the annual revenues from those Lots.

In an effort to stop the erosion of Herron Island's assessment base, recommendations have been made to change Section 1.6.4 to state that conveyances of lots will not eliminate Assessable Units, and may, in some circumstances, create Assessable Units. This will apply to all purchasers, regardless of whether the purchaser already owns property on Herron Island. All Assessable Units existing as of the effective date of this change would not be affected by this change.

Here is how it could work:

1. If all lots in an existing Assessable Unit are sold together, the lot or lots sold would retain their status as one Assessable Unit. The purchaser would acquire one vote and would be responsible for one assessment. If the purchaser is already an owner of property on Herron Island, the purchaser would acquire one additional vote but would also be responsible for one additional assessment.

(Continued on next page)

Bylaws Ideas  
(Continued)

2. If a portion of a lot or fewer than all lots of an existing Assessable Unit are sold to a purchaser who already owns a lot that shares a common boundary line with the lot(s) purchased, no new Assessable Unit would be created, but the lot(s) purchased would become part of the existing Assessable Unit already owned by the purchaser.

3. If fewer than all lots of an existing Assessable Unit are sold to a purchaser *other than* one who already owns a lot that shares a common boundary line with the lot(s) purchased, the lot(s) purchased would now constitute a new Assessable Unit. The new owner would acquire one vote and would be responsible for one assessment. If the purchaser is already an owner of property on Herron Island, the new owner would acquire one additional vote but would also be responsible for one additional assessment.

Also, it has been recommended that we change how this section of the Bylaws defines “contiguous lots.” As it stands now, lots are characterized as “contiguous” if they have at least one point (such as a corner) in common. The recommended change would define lots as being “contiguous” only if they share a common boundary line, as those boundary lines exist on the date of the change. Contiguous lots would no longer include lots that touch at only one point, i.e., a corner of a lot.

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**Welcome to the Herron Island  
Easter Sunrise Service  
Sunday, April 24, 2011  
North Beach Pavilion**

**There will be a special ferry run from mainland at 7:00 AM for our guests and mainlanders.**

**Service starts at 7:15 AM, with coffee, hot chocolate, and special treats.**

**Come early and visit or help set-up, we thank you.**

**Our guests this year are sharing special music and wonderful old hymns. Pastor John Day will provide a special Easter message and we welcome back Mary Ann & the Key Peninsula Singers.**

**Come and experience a very special and wonderful time.  
We look forward to seeing you.**

**Dallas Amidon and Committee**





## Key Peninsula Fire Department Recreational Fire Guidelines

Recreational fires are allowed in Pierce County Fire District #16, without a permit, in a fire pit only after the following regulations have been followed.

1. Recreational fires are limited to burning of dry, seasoned wood or charcoal briquettes, with a total fuel area of three (3) feet or less in diameter and two (2) feet in height, for the purpose of cooking, pleasure or religious ceremonies.
2. No garbage, dead animals, asphalt, petroleum products, paints, rubber products, tires, plastic, paper products, plywood, finished lumber, or particleboard may be burned.
3. Burning of residential yard waste in a recreational pit is prohibited, including grass clippings, leaves, needles, and brush.
4. No recreational fires shall be allowed during any stage of an air pollution episode or impaired air quality, as directed by the [Puget Sound Clean Air Agency](#).

The fire department is required to report infractions of the above regulations to Puget Sound Clean Air Agency. Non-compliance with these regulations can result in a civil penalty of \$10,000 or more per day.

### **Location:**

- Recreational fires must be 25 feet away from any structure. Recreational fire pits shall be located not less than ten (10) feet from adjoining property lines, fences, or docks.

### **Construction:**

- Recreational fire pits shall be constructed of concrete, stone, or approved noncombustible material. The bottom of the pit may be of sand, or mineral earth. The recreational fire pit shall not exceed three (3) feet in diameter. The depth of the pit shall be a minimum of four (4) inches and capable of containing all burned material.

### **Maintenance:**

- Recreational fire pits shall be maintained in good condition at all times. Fire extinguishing equipment such as buckets, shovels, or garden hoses shall be readily available for use at recreational fires.

### **Attendance:**

- Recreational fire pits shall be constantly attended by a person knowledgeable in the use of fire extinguishing equipment required by this section. An attendant shall supervise a recreational fire until such fire has been completely extinguished.

### **Discontinuance:**

- The fire department may require a recreational fire to be extinguished if atmospheric or local circumstances make such fires hazardous and/or a nuisance, or if it is required to by The Puget Sound Clean Air Agency.

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## **Herron Island Properties**

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1012 Yew Blvd., water view, ready to build on lot.  
Property has septic, water, and electricity, listed at \$79,000.  
Western view sunsets are free!

Full or part time living this 2 bedrooms plus extra room has 1.75 baths, large kitchen and living room.  
Enjoy the large deck to watch evening sunsets. Extra outbuildings for all your "toys".  
611 West Herron Blvd, listed at \$239,000

For these and all other properties we offer, visit our web site [www.herronisland.com](http://www.herronisland.com).  
Call the Herron Team for your family to see these properties.

DALLAS AMIDON, Herron Island Resident Realtor  
Cell: 253-606-0972 Home: 253-884-6166  
JANETTE WEISTER, 253-355-0495  
Partners in Excellence  
Re/Max Town and Country  
Email: [herronisland@hotmail.com](mailto:herronisland@hotmail.com)  
Web site: [herronisland.com](http://herronisland.com)

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**Poor Phone or Internet Service?  
Tired of Getting a Recording?**

Send your complaint to [consumer@utc.wa.gov](mailto:consumer@utc.wa.gov) or write to the Utilities and Transportation Commission at

UTC  
P.O. Box 47250  
Olympia, WA 98504

**May Mobile Marine Tech**

**Monty will be on the island to perform  
maintenance/tune-ups**

**April 29, 30, 2011  
& May 1, if needed  
9 AM – 5 PM**

**Motors, Generators, Boats  
Call for appointment  
Special parts, etc.  
360.621.1239**

**Monty Riley, Owner  
Licensed & Insured**

**Complete Service for Evinrude, Johnson,  
Mercury, Honda, Yamaha, Jet Skis  
Email: [mriley@wavecable.com](mailto:mriley@wavecable.com)**

*(Paid Advertisement)*



**SOLUTIONS by Sharon Stone**

I would like to introduce myself. My name is Sharon Stone (no not the actress). I have resided on Herron Island for nearly three years now. And after speaking to my island neighbors I realize there is a need for household services here. So I have started a business called **SOLUTIONS** *Complete Household Services*.

SOLUTIONS is seeking opportunities to serve the Herron Island community with Property Management, House Checks, Home Organizer, Home Decorating, Decluttering, Party Planner, Housekeeping, Dog-Walking, Gardening, Off-Island Errands, and **Customized** needs.

Please think of SOLUTIONS as a valuable island service. I would love to hear from you. You can reach me at 253-884-1211.

With warmest regards,  
Sharon Stone

*(Paid Advertisement)*

**HERRON ISLAND  
YARD MAINTENANCE**

**ALLEN MOREN  
253-884-2721**

**ESTIMATES BY THE YARD**

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

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*(Note: HMC Management neither endorses advertisers nor vouches for their being properly licensed.)*

**INDEPENDENT AUDITOR'S REPORT**  
**FOR**  
**HMC MANAGEMENT - 2010**

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NOTES TO FINANCIAL STATEMENTS	PAGES 8-11

PREPARED 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

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

Dear President and Members of the Board:

We have audited the accompanying Balance Sheet of HMC Management (a Washington State Homeowners Association) as of September 30, 2010 and 2009, and the related Statements of Revenues and Expenses (including the Functional Expense Schedule) and Cash Flows, and Changes in Members' Equity 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.

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, 2010 and 2009, 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 estimated the remaining lives and replacement costs of only the docks and dolphins but not all 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  
February 15, 2011

# HMC MANAGEMENT

## Balance Sheet

As of September 30, 2010 and 2009

ASSETS	2010	2009
Current Assets		
Cash and Cash Equivalents (See Note A)		
Cash	\$ 98,748	\$ 97,900
Certificate of Deposit	1,030	1,006
Total Cash and Cash Equivalents	99,778	98,906
Accounts Receivable from Active Members	676	625
Prepaid Scheduled Periodic Maintenance	126,470	-
Total Current Assets	226,924	99,531
Long Term and Other Assets		
Investment in Vanguard Funds (see Note B)	423,135	361,739
Land Acquired (See Note D)	30,000	30,000
Delinquent Members Receivables, net (see Note D)	20,754	14,735
Note Receivable (See Note E)	-	11,683
Total Long Term Assets	473,889	418,157
Plant, Property and Equipment		
Land - Common Use (See Note A)	27,300	27,300
Fixed Assets		
Ferry/Docks	2,108,732	2,108,732
Water System	108,217	108,217
Small Boat Dock (Parks)	65,003	65,003
Roads	31,895	31,895
Office/Equipment	35,313	35,313
less Accumulated Depreciation	(1,413,691)	(1,338,509)
Total Net Fixed Assets	935,469	1,010,651
Total Plant, Property, and Equipment, net	962,769	1,037,951
TOTAL ASSETS	\$ 1,663,582	\$ 1,555,639
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Short Term Liabilities		
Future Periodic Maintenance (See Note F)	\$ 126,470	\$ -
Accounts Payable - Trade	16,332	10,227
Prepaid Assessments	18,648	15,869
Security Deposits	9,207	8,207
Total Short Term Liabilities	170,658	34,303
Long Term Liability		
Deferred Gain (See Note E)	-	11,699
Total Long Term Liability	-	11,699
TOTAL LIABILITIES	\$ 170,658	\$ 46,002

**HMC MANAGEMENT**  
**Balance Sheet**  
As of September 30, 2010 and 2009

Continued

	<u>2010</u>	<u>2009</u>
<b>MEMBERS' EQUITY</b>		
Unrestricted Balance	\$ 1,022,643	\$ 1,135,006
Board Designated for Capital and Major Repairs and Maintenance (See Note B)	<u>470,281</u>	<u>374,631</u>
<b>TOTAL MEMBERS' EQUITY</b>	<u>1,492,924</u>	<u>1,509,637</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 1,663,582</u>	<u>\$ 1,555,639</u>

**HMC MANAGEMENT**  
**Statement of Revenues and Expenses**  
**For the Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>REVENUES AND OTHER SUPPORT</b>		
General Assessments, gross (See Note A)		
Operations	\$ 534,400	\$ 535,900
Reserves	61,100	61,100
Total General Assessments	<u>595,500</u>	<u>597,000</u>
Ferry Fees	163,009	165,314
Delinquent Accounts (Other Charges)	15,762	14,519
Miscellaneous	9,061	5,815
HMC Interest & Handling Charges	12,111	11,678
Interest Earned (All Accounts)	1,288	5,499
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>796,732</u>	<u>799,825</u>
<b>EXPENSES BY DEPARTMENT (See Schedule 1)</b>		
Ferry	476,466	516,584
Ferry Docks	86,530	45,589
Administration	194,053	180,224
Water	37,909	41,797
Parks	12,334	12,660
Roads	17,298	35,838
<b>TOTAL EXPENSES</b>	<u>824,590</u>	<u>832,692</u>
<b>REVENUES EXCEEDING EXPENSES (LOSS)</b>	<u>(27,858)</u>	<u>(32,866)</u>
<b>OTHER INCOME</b>		
Gain on Installment Sale (See Note E)	11,146	516
<b>TOTAL OTHER INCOME</b>	<u>11,146</u>	<u>516</u>
<b>UNUSUAL LOSS</b>		
Exchange of land for delinquent accounts	-	(10,746)
<b>REVENUES EXCEEDING EXPENSES (LOSS)</b>	<u>\$ (16,712)</u>	<u>\$ (43,096)</u>



**HMC MANAGEMENT**  
**Statement of Functional Expenses - Schedule 1**  
**October 2009 - September 2010 with Comparative Totals for Prior Period (2009)**

2010 EXPENSE	Ferry	Ferry Docks	--Department-- Administration	Water	Parks	Roads	2010 Total	2009 Total
Payroll (Wages, taxes, and benefits)	\$ 323,559	\$ -	\$ 90,633	\$ 7,524	\$ 2,127	\$ 1,200	\$ 425,043	\$ 373,326
Repairs and Maintenance	12,132	17,980	2,514	5,466	3,427	14,199	55,717	146,927
Insurance	42,110	-	27,454	-	-	-	69,564	67,499
Ferry Fuel	59,845	-	-	-	-	-	59,845	48,082
Professional Services	715	24,689	48,101	1,182	-	-	74,687	36,250
Miscellaneous Service & Supplies	7,307	2,509	5,954	14,609	3,308	180	33,869	39,063
Taxes and DNR Lease	3,575	313	2,853	1,648	-	123	8,512	12,453
Postage, Printing, Copying	-	-	6,795	-	-	-	6,795	6,267
Utilities	691	1,404	3,171	3,151	960	-	9,376	10,404
Bad Debt Expense	-	-	6,000	-	-	-	6,000	6,000
<b>Total Expenses by Department before Depreciation</b>	<b>449,933</b>	<b>46,896</b>	<b>193,474</b>	<b>33,580</b>	<b>9,822</b>	<b>15,703</b>	<b>749,408</b>	<b>746,270</b>
<b>Depreciation</b>	<b>26,533</b>	<b>39,634</b>	<b>579</b>	<b>4,329</b>	<b>2,512</b>	<b>1,595</b>	<b>75,182</b>	<b>86,422</b>
<b>Total Expenses by Department after Depreciation</b>	<b>\$ 476,466</b>	<b>\$ 86,530</b>	<b>\$ 194,053</b>	<b>\$ 37,909</b>	<b>\$ 12,334</b>	<b>\$ 17,298</b>	<b>\$ 824,590</b>	<b>\$ 832,692</b>

**HMC MANAGEMENT**  
**Statement of Changes in Members' Equity**  
As of September 30, 2010 and 2009

	<u>Total Members' Equity</u>			
	<u>Capital Account</u>	<u>Unrestricted Net Assets</u>	<u>2010</u>	<u>2009</u>
<b>MEMBERS' EQUITY BEGINNING OF YEAR</b>	<b>\$ 374,631</b>	<b>\$ 1,135,005</b>	<b>\$ 1,509,636</b>	<b>\$ 1,546,731</b>
 Excess of Revenues over Expenses (Loss) before Other Income and Other Items	 -	 (27,858)	 (27,858)	 (26,866)
 Board Designated Transfers from Operating Account to Savings Reserves	 95,650	 (95,650)	 -	 -
 Allocation of Other Income				
- Unusual Loss	-	-	-	(10,745)
- Gain on Installment Sale	-	11,146	11,146	516
 <b>MEMBERS' EQUITY END OF YEAR</b>	 <b>\$ 470,281</b>	 <b>\$ 1,022,643</b>	 <b>\$ 1,492,924</b>	 <b>\$ 1,509,636</b>

**HMC Management**  
**Statement of Cash Flows**  
For the Years Ended September 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ (27,858)	\$ (32,866)
Adjustments to reconcile Net Income to net cash provided by operations: Increase(Decrease)		
Loss on Acquiring Land (SEE NOTE D)	-	10,746
Depreciation	75,182	86,422
Delinquent Accounts Receivable, net (SEE NOTE D)	(6,019)	4,331
Accounts Receivable	(51)	7246
Prepaid Scheduled Periodic Maintenance (See Note Below)	-	-
Miscellaneous	(110)	1,842
Accounts Payable	6,105	(2,319)
Prepaid Assessments	2,779	9,869
Security Deposits, net	1,000	(50)
Net cash provided by Operating Activities	<u>51,028</u>	<u>77,975</u>
<b>INVESTING ACTIVITIES</b>		
Note Receivable	11,682	5,884
Gain/Deferred Gain on Note Receivable	(501)	(516)
Land Acquired (Exchange)	-	(30,000)
Capital Additions/Improvements	-	(1,100)
Net cash provided by Investing Activities	<u>11,181</u>	<u>(25,732)</u>
<b>FINANCING ACTIVITIES</b>		
Transfers to Investment Account (Reserves)	(61,337)	(58,102)
Net cash used by Investing Activities	<u>(61,337)</u>	<u>(58,102)</u>
Net cash increase(decrease) for period	<u>872</u>	<u>(5,859)</u>
Cash at beginning of period	<u>98,906</u>	<u>104,765</u>
Cash at end of period	<u><u>\$ 99,778</u></u>	<u><u>\$ 98,906</u></u>

**Note:**

The Establishment of the Prepaid Maintenance account is offset by the liability (Future Maintenance), so that the net effect for these years is zero.

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2010

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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 an homeowners' association. 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 396 "assessable" units. (Assessable units are adjacent, contiguous units that are owned by one member.)

**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.

Disbursements from the operating account are generally at the discretion of the board. Disbursements from the reserve savings account 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 \$173,000. Management accepts this risk because Vanguard has not defaulted on any accounts.

**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.

**HMC MANAGEMENT**  
**Notes to Financial Statements**  
For the Fiscal Year Ended September 30, 2010

**Land**

HMC Management owns 16 lots that are for common use by the organization and by members. 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 (\$1500 per assessable unit in 2010) to provide funds for general operating expenses, future capital acquisitions, and major repairs and replacements. Assessments and accounts receivable at the balance sheet date represent fees due from active owners, excluding assessments on delinquent accounts. HMC Management considers these receivables (active members) as fully collectable and, accordingly, does not deem it necessary to establish an allowance for uncollectable accounts (active members). 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.

**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.

**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.

**Prepaid Recurring Maintenance**

Ferry maintenance is amortized over a two year period for dry dock scheduled maintenance (\$91,948 total, \$45,974 each year), beginning FY2011, and over three years for the scheduled engine overhaul (\$34,523 total, \$11,508 each year), beginning FY2011.

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**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, maintenance, 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 and constitute a majority of the board designated members' equity. (See Note A)

**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. However, the budget includes a portion for reserves. HMC Management has not completed a study to determine the remaining useful lives of all 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.

The Board has determined that the water distribution system may need replacing, at an undetermined cost, in order to comply with recent Washington State laws.

A recent marine engineering study concluded:

- The two steel draw spans need repairs at a cost of \$212,000, although a time line was not specified. The report classified these repairs as "high priority."
- The piles at the homeowners dock marina need replacing within the next two years at a cost of approximately \$250,000.
- The dolphins in place have a useful life of 10-15 years from 2010.

**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). However, in 2009 and 2010 the delinquent accounts receivable, because of lien filings, was reported at a net value and included \$6,000 for uncollectible accounts for each year.

**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 \$10,839 which was paid in July, 2010.

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**NOTE F – Subsequent Event**

The scheduled dry dock and engine overhaul maintenance, completed in September 2010, was paid in October 2010.

**Online Beachcomber:** If you wish to read your Beachcomber online at [www.herronisland.org](http://www.herronisland.org) and save HMC the price of printing and postage, please notify the office. The online version is posted several days before the hard copy is mailed.

WELCOME ALL NEWCOMERS!



**HERRON ISLAND**

# The Beachcomber

HMC MANAGEMENT

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