



# The Beachcomber



HMC Newsletter

May 2006



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

With the upcoming June Annual Membership Meeting, I will have completed my last year on the Board and according to the by-laws must leave. I have enjoyed working with the many volunteers, the Island staff, and those who have served their terms on the Board. While there have been issues and problems that needed to be solved, the community by and large has come together to resolve them. The membership has been responsive when we needed special assessments for the water tank and the North Beach dock extension. Volunteers and the Boosters have undertaken many projects on the Island and made it a better place for all of us. I would like to thank the members that stepped forward to run for the Board and fill Bill Zazzo's and my positions. Without members willing to serve on the Board and volunteer on the various committees, the Island could not operate. I have been asked and will continue to serve on the finance committee to support the new Board.

In this issue of the Beachcomber, there are resumes of the three candidates for the Board. Please consider them carefully and vote so we get a good representation. Also in this issue is the proposed budget for our next fiscal year starting in October. More detail and discussion will take place at the annual meeting in June and you will then have the opportunity to vote to approve the budget in the extension of the annual meeting in July. Providing we get the project costs, we may also ask on a separate ballot in July for authorization to install generators at both docks so we can operate the ferry safely when there are power outages (and they do occur quite often). We would use the dock reserve funds to pay for the project and rebuild the reserves over three years. The proposed budget does extend some of the reserve funds because of increased costs and use (like the water tank project). We have lowered contributions to some like the ferry dry-dock fund as we have accepted the recommendation of the transportation committee and ferry crew to change the schedule of work. We will rebuild the engines every three years rather than every two (that is within the recommendations of the manufacturer) and are having the ferry crew do some maintenance like oil changes. As expected, many of the categories saw significant increases. The recommendation of the transportation committee to increase the wages of the ferry crew to partially keep up with similar crews on other islands in Washington was accepted. We have been operating on a five year program that essentially ended

this year. After more study is completed, we will propose a new multi-year program next year. We also increased wages of other staff based on cost-of-living and job parity. A big increase for fuel was included but we still don't know if it will be sufficient. Fuel costs are hitting us both directly and indirectly with higher costs for the many suppliers to the Island. We included funding for increased road maintenance costs and the widening and paving of the ferry street.

With all the cost increases, the proposed budget only resulted in a \$60 increase in the assessment. This is due to the final increase in the phase-in of the assessment method, cost reductions in some administrative areas, and in cost offsets due to ferry maintenance and sale of some HMC properties. We realize that no one likes to see the assessments go up but it is a fact of life that to keep the Island facilities and operations going, we are going to see cost increases.

Fred Fath  
President

### **Want Less Dust?**

With the dust season here, we need volunteers to drive our water truck. If you would be willing to train for filling the tank from the salt-water pump at the small boat dock and spraying the roads, please contact the office.

### **HMC Activities Calendar**

Saturday, June 10th  
10:00 am, Monthly Board Meeting  
12:00 noon, Annual Membership Meeting  
6:00 pm, Boosters potluck

### **Ferry Cancellations**

The spring low-tide ferry cancellations began April 27th. For details, please check Page 22.

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

Doug Allen (253) 884-9350

**HMC Board of Trustees**

Fred Fath, President (206) 246-7016

Bill Zazzo, VP &amp; Water (425) 823-1902

Kathy Fennell, Treasurer (206) 987-5737

Clarrie E. Jones, Secretary

Al Moren, Land Use &amp; Roads (253) 884-2721

**Additional Responsibilities**

Nick Huff, Transportation (253) 884-4663

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

Dick Zottman, Water Field Examiner (253) 884-9920

Scott Schultz, Water Field (253) 884-3196

Bill Zazzo, Acting Chair Rules (425) 823-1902

Tracy Anspach, Parks (253) 588-1921

Patty Haenen Jones, 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 May 16, 2006**

ANDERSEN - BALDWIN - COPELAND - FLADAGER -  
KIRK, L. - KIRK, M. Estate of - LEHMAN-DROUILLARD  
- O'NEILL - OVERLAND, Estate of - ROBERTS -  
RUCKS - TITZLER - TCHOCHIEV - WAGEMANS -  
WAKEFIELD - WINNEBRENNER-NELSON

**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 need to be submitted by the Friday after the Monthly Meeting. Items MUST be emailed in electronic format. Your name and phone number are to be included in case there are any questions. Paid advertisements are to be arranged through 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  
Board Meeting Summary  
May 13, 2006**

Administration

- The Board clarified policy concerning what constitutes a “Tenant” as it applies to when such tenant can use Member rates on the ferry. The definitions section of the “Addendum to Lease/Rental Agreement” will be updated. Contractor personnel, as has been the case previously, will not be accorded Member rates.

Information items

- HMC’s insurance broker has eliminated one player involved in our property insurance that covers the ferry docks. This resulted in \$1500.00 reduction in annual premium.
- HMC will update the docks coverage amount to stay above 90% of replacement value. Working with the brokerage’s evaluator recently, it was determined that dock coverage should be increased approximately 40% from the original amount, which has been unchanged since 1995. The Board also decided to increase the deductible amount on this policy in order to keep the premium level down somewhat.
- The Red Cross will make a field trip to the island to do disaster planning.

Transportation

- We are closer to having the ferry crew perform the monthly oil changes instead of an outside vendor as is now the case. A permanent shed will need to be purchased and installed on a foundation. It will store new and used oil, the various filters used on the ferry and some spare parts for the ferry and ramps.
- The generator program at Peninsula Light Company has been terminated. They recommend going to Cummins NW generator division for the ramp generators.

Roads

- It is time to start watering the roads. Only a few truck drivers are currently available. If you want to be trained to drive the water truck please contact the office.

Water

- Work is again underway on completion of the Small Water System Management Program.
- HMC is in contact with the USDA in Olympia regarding obtaining a loan to replace the distribution system. The program manager there is planning a site visit to the island soon.

Parks

- A contract has been signed to have the additional small boat docks built. They will be installed by HMC volunteers.

## **Notice of Annual Membership Meeting of HMC Management**

**Notice is hereby given pursuant to Article 4 of the Bylaws of HMC Management that the annual meeting of the membership will be held on Saturday, June 10, 2006 at the hour of 12:00 Noon at the HMC Community Building. At the meeting, filling of two (2) vacancies on the Board of Directors will be voted on.**

**Members may vote in person at the meeting or by mailing or delivering the enclosed absentee ballot to the HMC Office so that it is received prior to the time of the meeting. *Ballots will not be counted unless your name and signature appear on the large envelope.***

<b>BOARD CANDIDATE RESUMES</b>
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Board candidates are listed in alphabetical order with the wording as received from the candidate.

**NAME:** Kathy Deuster

**YEARS AS A MEMBER OF HMC:** 15

**OCCUPATION:** Retired Army Nurse

**PROFESSIONAL OR VOLUNTEER EXPERIENCE:**

At the time of my retirement, I was the Deputy Commander for Nursing at the Army Medical Center in Landstuhl, Germany. I was responsible for military nursing care in all of Europe. Prior to moving to Herron Island full time, I was very active in the San Antonio Homeowners Association.

**EDUCATION OR TRAINING:**

School/College	Major	Years
University of Arkansas	BS Nursing	1969
Baylor University	MS Health Care Administration	1984

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

I have volunteered on numerous projects and work parties since 1996. I was Booster President 1 year; I am currently Booster Vice-President. I am currently on the Rules and Emergency Preparedness Committees (over 3 years) and the Finance Committee (2 years).

**GOALS:**

1. New water system.
2. Maintain island assets and island safety.
3. Promote communication and dissemination of information.

**CANDIDATE STATEMENT:**

I have been an active Herron island member since 1996. I now live full time on the island. Our island is unique and I care very much about it. I want to do my part to keep the island a great place to live or spend weekends.

**NAME:** Beth Owen

**YEARS AS A MEMBER OF HMC:** 3

**OCCUPATION:** Veterinarian

**PROFESSIONAL OR VOLUNTEER EXPERIENCE:**

I have owned and managed two veterinary businesses and have been involved with many volunteer committees connected with neighborhood associations, veterinary associations, and my children's schools.

**EDUCATION OR TRAINING:**

School/College	Major	Years Attended
Kansas State University	Veterinary Medicine	1982 - 1986
Kansas State University	Dairy Cattle Management	1978 - 1982

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

I am currently involved with the Herron Island Land Use committee.

**GOALS:**

- (1) To improve communication between the board and HMC members.
- (2) To facilitate island projects "moving forward" instead of seeing them languish because of inaction.
- (3) To continue previous HMC board work updating the island's infrastructure.
- (4) To make sure that future island development is done in a responsible manner.

**CANDIDATE STATEMENT:**

I believe that I would be a good candidate for the HMC board, most importantly because I like Herron Island and I like the people who live here. We have a variety of goals & personalities, but I think I can help find common ground. I also think I could help find that balance for Herron Island between modernizing it's infrastructure and policies, yet maintaining it's unique environment. My experience with other volunteer committees and with owning two businesses would be an asset to the board, and I would do my best to work hard for our island community.

**NAME:** Mike Shettlesworth

**YEARS AS A MEMBER OF HMC:** 5

**OCCUPATION:** Retired

**PROFESSIONAL OR VOLUNTEER EXPERIENCE:**

USCG 20 years retired as Senior Chief, Administrated two SAR, Law enforcement stations and first deck Chief on the Polar Star. 13 years at Boeing, 10 years as a tool maker, 3 years as a tool design engineer. With a few exceptions I have been on every volunteer project on the Island since I moved here. I am a member of the emergency preparedness team.

**EDUCATION OR TRAINING:**

School/College	Major	Years Attended
High School	College Prep	4
Everett Community College	Tooling	1

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

Herron Island Boosters, current President. Member Emergency Preparedness committee.

**GOALS:**

I would like to see the water distribution system completed and any other project that would enhance the living conditions for Island residents both part time and full.

**CANDIDATE STATEMENT:**

I enjoy my life on the island and would like to make a contribution to my island home.

## Official Ballot and Voting Instructions

1. Vote for up to two (2) candidates.
2. Insert your ballot in the envelope marked “Official Ballot” and seal the envelope. Do not put your name on this envelope. Do not place anything other than one Ballot in this envelope.
3. Place the small envelope marked “Official Ballot” in the large envelope. **You must sign the large envelope and make sure that your name and address appear on the large envelope. *If your name and signature do not appear on the outside of the large envelope, your vote will not be counted.***
4. To be considered a member in good standing and have your vote counted, all delinquent charges and assessments must be paid in full before the Ballots are counted.
5. Please make sure that your name is legible on the large envelope. If your name cannot be read, the Ballot will not be counted.
6. Your absentee Ballot must be received in the HMC Office by 12:00 Noon, Saturday, June 10, 2006 to be counted. If you prefer to vote in person, please attend the annual meeting. The Ballots will be counted at that time.



**Election of Members of the 2006-2007 Board of Trustees**  
**Sample Ballot - Use ballot received by USPS for voting.**

**Vote for up to two (2) candidates.**

☐

**Kathy Duester**

☐

**Beth Owen**

☐

**Mike Shettlesworth**

☐

**Write In\*** \_\_\_\_\_

**\*Write In candidates must be members in good standing.**

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## PROPOSED 2006-2007 HMC BUDGET

Budget Year	2005-2006	2006-2007
Assessable Units	378	397
Units minus delinquents	368	387

### SUMMARY / INCOME

<i>Non-Assessment Income</i>		
Ferry User Fees	130,000	140,000 User fees unchanged; anticipate construction-related increase
Interest	1,000	4,000 Interest rates increasing
Payments/Delinquent Accts	2,000	2,000
Carryover from previous year	10,000	20,000 Reflects partial excess of revenue over expenses for last year
Miscellaneous	5,000	4,000
Required Assessment Income	404,746	448,850
<b>Total Income</b>	<b>552,746</b>	<b>618,850</b>
<b>Total Expenses</b>	<b>552,746</b>	<b>618,850</b>
<hr/>		
Charge/assessable unit If Everyone Paid	<b>\$1,071</b>	<b>\$1,131</b> Based on # of assessable units with 100% phase in.
Charge/assessable unit considering uncollectables	<b>\$1,100</b>	<b>\$1,160</b> Based on # of assessable units adjusted for uncollectables

### EXPENSES

<i>ADMINISTRATION</i>		
Office Equipment	800	1,000
Emergency Preparedness	700	3,000 Includes defibrillator
Community Associations Institute	575	550
Accountant	4,000	3,300 Plan to change audit firm in 2007
ADP Payroll Service	2,500	2,750
Bank Fees	200	250
<i>Insurance</i>		
Directors/Officers	3,000	3,000
Facilities and general liability	20,000	20,000
Employee Dishonesty	600	600
Auto/Truck	1,000	850
<i>Legal Fees</i>		
Collection Costs	2,000	3,000 Some collection costs charged to delinquent members
General	4,000	4,000
Liens	100	0
Legal Reserve	0	5,000 Rebuild reserve to \$25,000 over 3 yrs.
<i>Other</i>		
Ferry Fees	0	0
Ads for New Employees	400	400

Website	350	50	
Misc.	1,500	1,500	
<b>Postage</b>			
Bulk Mail Permit	200		
Meter Rental & Box Fee	500		
Stamps & Meter Filling	3,000	4,000	Total mailing expenses
<b>Printing</b>			
Copier Contract	2,800	2,800	
Printing - Other	2,500	3,500	Includes ferry stickers/passes
<b>Wages / Benefits</b>			
Admin Dept. Wages	53,705	63,000	Wage/ hr. adjustments for job parity/COLA
Payroll Taxes	5,400	6,400	
Retirement	1,350	1,700	
Health Insurance		4,600	Coverage for office manager
Federal, State & County Taxes	2,200	2,200	
Office Supplies	800	800	
Telephone/Long Distance	2,000	3,000	DSL added
<b>Total Administration</b>	<b>116,180</b>	<b>141,250</b>	
<b>DOCKS</b>			
Repairs/Maintenance	2,000	2,000	
<b>Other</b>			
Parts & Supplies	1,200	1,500	
Inspection	3,000	1,000	Plan to add \$1,000/yr. x 3 yrs for required county inspections of mainland dock
Annual DNR Lease	2,000	1,700	
Utilities	1,200	1,200	
Reserves		10,000	Build reserves to \$100,000
<b>Total Docks</b>	<b>9,400</b>	<b>17,400</b>	
<b>FERRY</b>			
Ferry Dry Dock	45,000	30,000	Defer engine rebuild until 2008
Major Repairs		5,000	Allowance for unanticipated repairs
Fuel	38,000	47,500	Fuel costs escalating
Insurance	41,000	43,000	Assumes moderate increase
Equipment	1,000	1,000	
Routine Maintenance	11,000	3,500	Crew to do routine maintenance
Ferry Dept. Wages	168,336	193,750	Wage adjustments for job/parity/COLA
Payroll Taxes	16,250	18,700	
Medical/Life Insurance	20,700	20,000	Changed to less expensive health plan in 2006
Retirement	9,815	11,350	
Supplies	1,400	500	Actual costs less than budget
Personal Property & Excise Tax	3,400	4,000	Based on ferry revenue
<b>Other</b>			
Ferry Cell Phone	600	600	
Drug Testing	1,000	1,000	
Inspection & Licensing	1,400	1,200	
Pension Administration	600	500	
Tickets, Passes & Stickers	1,000	0	Expense moved to Admin budget
Uniforms	1,200	1,200	

Ferry Fees	0	0
Passenger Vessel Assoc. Dues	350	350
Misc.	1,500	1,200
<b>Total Ferry</b>	<b>363,551</b>	<b>384,350</b>

#### **PARKS**

Parks Dept. Wages	1,000	1,150	
Payroll Taxes	165	200	
Maintenance	1,000	1,000	
<i>Small Boat Dock</i>			
Maintenance	300		
Supplies & Repairs	500	800	Combined supplies/repairs/maintenance
Utilities	400	200	
Equipment reserve	1,000	1,000	Target is \$8,000 over several years
<i>Other</i>			
Playground Improvement	0	400	
Misc.	3,000	0	South Beach parking project and signs to be completed in 2006
Sanikans	5,200	6,500	Rates have increased
Garbage Pick Up	1,200	800	
<b>Total Parks</b>	<b>13,765</b>	<b>12,050</b>	

#### **ROADS**

Repairs & Maintenance	13,000	21,200	Increase in hours and labor costs; includes Ferry Rd. improvements
Supplies & Materials	5,800	10,500	
<i>Maintenance</i>			
Other	200	500	E.g. tree trimming
Tansy Weed Control	500	600	Wages and payroll taxes
Dust Control Truck	1,500	2,700	Includes \$1200 for pump, hose, nozzle
Utilities	200	150	
<b>Total Roads</b>	<b>21,200</b>	<b>35,650</b>	

#### **WATER**

Contract Manager	1,400	800	
Water Dept. Wages	6,250	6,000	Includes salary adjustment COLA; total hrs decreased slightly
Payroll Taxes	875	950	
Water Reserve	12,000	12,000	Build reserves to \$100,000
Supplies/Repairs	2,000	2,500	
Utilities	3,000	3,500	
<i>Other</i>			
Membership-Evergreen Water	150	150	
Misc	275	300	
Permits & Licenses	900	500	
Water Samples	1,000	700	Number of samples decreased with tank replacement
Excise Tax	500	750	
Truck Expenses	300	0	
<b>Total Water</b>	<b>28,650</b>	<b>28,150</b>	

# HMC MANAGEMENT

## AUDITED FINANCIAL STATEMENTS

*For the Fiscal Year Ended September 30, 2005*

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### CONTENTS

Independent Auditors' Report.....	1
Balance Sheet.....	2
Statement of Revenue, Expenses and Changes in Members' Equity .....	3
Statement of Cash Flows .....	4
Notes to the Financial Statements .....	5-7

# DOUG COLLIER CPA & ASSOCIATES, P.S.

5800 Soundview Drive  
Suite E-104  
Gig Harbor, WA 98335  
Telephone 253-851-1794  
Fax 253-851-3997  
Doug@gigharborcpa.com

April 24, 2006

To the Board of Directors and Members  
**HMC Management**  
Herron Island, Washington

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Balance Sheet of **HMC Management** as of September 30, 2005 and the related Statements of Revenues, Expenses and Changes in Members' Equity, and Cash Flows for the year then ended. These financial statements are the responsibility of the Association's 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, 2005, and the results of its activities and its cash flows for the years then ended in conformity with generally accepted accounting principles. This report is intended solely for the information and use of (the specified parties) and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

  
Doug Collier and Associates, P.S.



# HMC MANAGEMENT

(A Homeowners' Association)

## BALANCE SHEET

September 30, 2005

### ASSETS

Cash and cash equivalents	\$	169,757
Accounts receivable		30,416
Note receivable		19,942

#### Restricted Funds (Vanguard)

Docks/Dolphins reserves	\$	79,952
Dry dock reserves		25,223
Legal and insurance reserves		25,882
Road reserves		8,188
Water reserves		71,803

Total Restricted Funds 211,048

Certificate of deposit 1,047

#### Property & Equipment

Ferry	729,711
Ferry major repair and dry dock	48,650
Ferry steering system	19,435
Ferry dock and repairs	1,232,386
Ferry dock dolphins	37,838
Equipment and office improvements	41,985
Small boat dock	30,459
Major road repairs	40,245
Water system tank	108,217
Less accumulated depreciation	(1,048,621)

Total Property & Equipment 1,240,305

Land 27,300

**TOTAL ASSETS** \$ 1,699,815

### LIABILITIES & MEMBERS' EQUITY

Accounts payable	\$	34,014
Prepaid assessments		91,790
Security deposit		2,148
Deferred gain		19,942

**TOTAL LIABILITIES** \$ 147,894

Members' Equity 1,551,921

**TOTAL LIABILITIES & MEMBERS' EQUITY** \$ 1,699,815



# HMC MANAGEMENT

(A Homeowners' Association)

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY

For the Fiscal Year Ended September 30, 2005

### REVENUES

Annual assessments	\$	409,269	
Special assessments		75,733	
Ferry fees		142,116	
Interest income		20,274	
Contract principal received		58	
Miscellaneous		3,672	
<b>TOTAL REVENUES</b>			\$ 651,122

### EXPENSES

Administrative			
Accounting and payroll service	\$	5,544	
Amortization and depreciation		8,132	
Bad debt		428	
Insurance		22,292	
Legal and collection fees		3,129	
Miscellaneous		6,266	
Office, printing and postage		14,251	
Salaries, payroll taxes, and benefits		55,432	
State and county taxes		1,687	
Telephone		2,221	
<b>Total Administrative Expenses</b>			119,382
Ferry Docks			
Depreciation		35,200	
Repairs and maintenance		2,477	
Parts and supplies		1,151	
Utilities		1,101	
<b>Total Ferry Docks Expenses</b>			39,929
Ferry			
Depreciation		43,854	
Equipment		207	
Fuel		37,427	
Insurance		40,871	
Major repairs and dry dock		63,715	
Routine maintenance		15,147	
Salaries, payroll taxes and benefits		198,785	
Taxes- personal property and excise		3,978	
Utilities, supplies and other		6,005	
<b>Total Ferry Expenses</b>			409,989
Park Expenses			12,269
Road Expenses			20,275
Water Expenses			
Salaries and payroll taxes		4,808	
Repairs, supplies, utilities and other		15,932	
Water tank project		21,979	
<b>Total Water Expenses</b>			42,719

**TOTAL EXPENSES** 644,563

**Revenues over expenses before infrequent item** 6,559

**Gain on sale of common property** 16,317

**Revenues over expenses after infrequent item** 22,876

**Members' Equity on September 30, 2004** 1,590,440

**Prior Period Adjustments (Note E )** (61,395)

**Members' Equity on September 30, 2005** \$ 1,551,921

The accompanying notes are an integral part of the financial statements.

# HMC MANAGEMENT

(A Homeowners' Association)

## STATEMENT OF CASH FLOWS

*For the Fiscal Year Ended September 30, 2005*

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### Cash Flows from Operating Activities

Revenues over expenses	\$	22,876
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### Adjustments to reconcile Revenue over Expenses to Cash Flows from Operating Activities:

Amortization and depreciation	\$	84,845
Increase in accounts receivable		(1,547)
Decrease in delinquent accounts receivable		(25,433)
Increase in notes receivable		(19,942)
Increase in security deposit		2,148
Decrease in accounts payable		(672)
Increase in prepaid assessments		7,751

<b>Net Cash Provided by Operating Activities</b>		<b>47,150</b>
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### Investing Activities

Purchase of equipment	(108,217)
Disposal of assets	3,667
Deferred gain on sale of property	19,942

<b>Net Cash Used by Investing Activities</b>		<b>(84,608)</b>
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<b>Net Decrease in Cash</b>		<b>(14,582)</b>
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<b>CASH AND CASH EQUIVALENTS ON SEPTEMBER 30, 2004</b>		<b>396,434</b>
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<b>CASH AND CASH EQUIVALENTS ON SEPTEMBER 30, 2005</b>	<b>\$</b>	<b>381,852</b>
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**HMC MANAGEMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended September 30, 2005*

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**NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

**Nature of Organization**

HMC Management was incorporated on May 1, 1958, in the state of Washington. HMC Management is responsible for the operation and maintenance of the common property on Herron Island and the wharf of the corporation located at Herron, including the specific purpose of maintaining and operating the private ferry between the wharf at Herron and Herron Island. All island lot owners are members of HMC Management. There are approximately 369 members.

**Accrual Basis**

HMC Management's financial statements present financial position and results of operations on the accrual basis of accounting. Accrual accounting is the method of recording transactions, by which revenues and expenses are reflected in the accounts in the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of cash or its equivalent.

**Cash and Cash Equivalents**

The Association considers cash on deposit, cash on hand, money market funds (if any) to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the board of directors 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 reporting period. Actual results could differ from those estimates.

**Member Assessments**

HMC Management's members are subject to annual assessments to provide funds for HMC Management's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represents fees due from lot owners. HMC Management's policy is to retain legal counsel and place liens on the properties of lot owners whose assessments are 30 days or more delinquent. Any excess assessments at year-end are retained by HMC Management for use in the succeeding year.



# **HMC MANAGEMENT**

## **NOTES TO THE FINANCIAL STATEMENTS** *For the Fiscal Year Ended September 30, 2005*

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### **Income Taxes**

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. HMC Management has elected to be taxed as homeowners' association. Under that election, the association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

### **Property and Equipment**

Property, plant, and equipment are stated at cost. All assets purchased for over \$500 are capitalized and depreciated over their useful life. Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation. At acquisition, the estimated useful life of the ferry and ferry docks were 20 years and 40 years respectively. The estimated useful lives of capitalized equipment are five to seven years.

Assets acquired when the organization was first formed were not capitalized. This is a departure from generally accepted accounting principles. Its effect on HMC Management's financial position has not been determined, but it is considered immaterial due to the age of the assets.

### **Land**

HMC Management has several lots that have either "Park" status or are held for possible park use. We used the lowest assessed value for 2001-05, as a method to fairly value the property.

## **NOTE B - ASSESSMENTS RECEIVABLE**

Assessments receivable consists of general assessments which are used to maintain operations of HMC Management property and the ferry dock assessment, which was used to build the new ferry dock.

## **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 conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. HMC Management currently sets aside funds for dry dock, docks and dolphins, legal and insurance, water system, roads, and a few other planned and unplanned expenses. If these funds are drained the corporation plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

**HMC MANAGEMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended September 30, 2005*

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**NOTE D – INSURANCE**

HMC Management is an accrual basis corporation. Insurance is reported on cash basis. In prior years HMC Management has used the pure accrual method for reporting insurance by use of a prepaid insurance asset account. The Board of Directors has determined that they would like to see the insurance when paid for ease in budgeting for future periods. The amounts have been determined to be immaterial when looking at the financial statement in its entirety.

**NOTE E – PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were made to financial statements to reflect the following:

- 1) Valuation of land at its lowest average assessed value per Pierce County Assessors Office. A date range from 2001 through 2005 was used to come up with the average value. This ended in an adjustment to increase equity for \$10,370.
- 2) Delinquent accounts were written down by \$71,765 to better reflect those accounts that we feel to be reasonably collectable at year ended September 30, 2005.



**LOW-TIDE FERRY CANCELLATIONS****MAY**

Thursday	25th	12:00 leaves late
Friday	26th	12:00/12:30
Saturday	27th	No runs 11:00 to 2:00
Sunday	28th	No runs 11:30 to 2:30
Monday	29th	No runs 12:30 to 3:30
Tuesday	30th	3:30 leaves late

**JUNE**

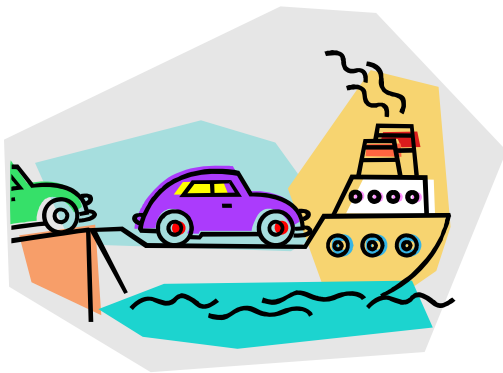
Saturday	10th	No runs 10:30 to 12:00
Sunday	11th	11:00 early, 11:30/12, 1:30 late
Monday	12th	12:00/12:30
Tuesday	13th	12:00/12:30
Wednesday	14th	12:00/12:30 no shuttles, 3:30 late
Thursday	15th	3:30/4:00
Friday	23rd	12:00 late
Saturday	24th	10:00 no shuttle, no runs 10:30 to 12:00
Sunday	25th	No runs 10:30 to 12:00, 1:30 late
Monday	26th	12:00/12:30
Tuesday	27th	12:00/12:30

**JULY**

Saturday	8th	No runs 9:30 to 11:00
Sunday	9th	10:00 early, no runs 10:30 to 12:00
Monday	10th	12:00/12:30
Tuesday	11th	12:00/12:30
Wednesday	12th	12:00/12:30
Friday	14th	2:30/3:00
Friday	21st	8:30/9:00 no shuttles
Saturday	22nd	No runs 9:30 to 12:00
Sunday	23rd	No runs 10:30 to 12:00
Monday	24th	12:00/12:30
Tuesday	25th	12:00/12:30
Wednesday	26th	12:00/12:30 no shuttles

**AUGUST**

Sunday	6th	9:30/10:00
Monday	7th	9:30/10:00
Tuesday	8th	12:00/12:30
Wednesday	9th	12:00/12:30
Thursday	10th	12:00/12:30



**SUMMER 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
9:30	10:00									9:30	10:00	9:30	10:00
										10:30	11:00	10:30	11:00
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
												1:30	2:00
2:30	3:00							2:30	3:00	2:30	3:00	2:30	3:00
3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00	3:30	4:00	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				

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

# Tides-McMicken Island, Case Inlet

based on Seattle, Washington (NOAA)

47° 14.80 N 122° 51.70 W

## Average Tides

Mean Range: 10.0 ft

MHHW: 14.0 ft

Mean Tide: 8.0 ft

May, 2006

June, 2006

July, 2006

1 (PDT) Mo	2:58a 7:31a 3:04p 10:36p	7.5L 12.8H -1.9L 14.2H	16 (PDT) Tu	2:42a 6:48a 2:37p 10:12p	8.2L 12.7H -2.5L 14.7H	1 (PDT) Th	4:52a 8:36a 4:07p 11:46p	7.6L 10.5H -0.2L 14.3H	16 (PDT) Fr	4:28a 8:37a 4:13p 11:12p	7.1L 11.2H -1.3L 15.6H	1 (PDT) Sa	5:05a 9:29a 4:13p 11:18p	6.0L 9.7H 1.5L 14.1H	16 (PDT) Su	4:57a 10:12a 4:22p 10:58p	3.6L 10.6H 1.9L 15.4H
2 (PDT) Tu	3:56a 8:11a 3:52p 11:36p	7.9L 11.9H -1.1L 13.9H	17 (PDT) We	3:36a 7:31a 3:24p 11:03p	8.4L 12.2H -2.2L 14.7H	2 (PDT) Fr	6:01a 9:42a 4:55p 5:45p	7.0L 9.6H 1.0L 2.2L	17 (PDT) Sa	5:32a 9:57a 4:46p 11:50p	5.9L 10.2H 0.3L 15.5H	2 (PDT) Su	5:57a 10:44a 4:56p 11:46p	5.0L 9.1H 2.9L 13.8H	17 (PDT) Mo	5:56a 11:42a 5:15p 11:36p	2.2L 10.1H 3.9L 15.0H
3 (PDT) We	5:07a 8:59a 4:44p 5:41p	8.0L 10.9H -0.1L 0.8L	18 (PDT) Th	4:40a 8:25a 4:15p 11:53p	8.2L 11.5H -1.5L 14.8H	3 (PDT) Sa	12:26a 7:08a 11:07a 5:45p	14.0H 6.1L 8.8H 2.2L	18 (PDT) Su	6:35a 11:31a 5:41p 6:42p	4.4L 9.6H 2.1L 4.0L	3 (PDT) Mo	6:48a 12:12p 5:44p 6:39p	3.9L 8.9H 4.4L 5.9L	18 (PDT) Tu	6:56a 1:24p 6:17p 7:31p	0.9L 10.3H 5.8L 7.3L
4 (PDT) Th	12:36a 6:38a 10:02a 5:41p	13.7H 7.7L 10.0H 0.8L	19 (PDT) Fr	5:54a 9:39a 5:11p 5:11p	7.6L 10.5H -0.5L -0.5L	4 (PDT) Su	1:02a 8:02a 12:44p 6:40p	13.8H 4.9L 8.6H 3.5L	19 (PDT) Mo	12:29a 7:35a 1:14p 6:42p	15.3H 2.6L 9.6H 4.0L	4 (PDT) Tu	12:15a 7:37a 1:51p 6:39p	13.4H 2.8L 9.2H 5.9L	19 (PDT) We	12:17a 7:57a 3:06p 7:31p	14.5H -0.2L 11.2H 7.3L
5 (PDT) Fr	1:31a 8:06a 11:31a 6:42p	13.6H 6.9L 9.2H 1.8L	20 (PDT) Sa	12:41a 7:08a 11:14a 6:11p	14.9H 6.4L 9.7H 0.7L	5 (PDT) Mo	1:33a 8:45a 2:22p 7:39p	13.5H 3.7L 9.0H 4.8L	20 (PDT) Tu	1:07a 8:31a 2:55p 7:50p	15.0H 0.9L 10.4H 5.7L	5 (PDT) We	12:44a 8:24a 3:29p 7:45p	13.1H 1.7L 10.1H 7.2L	20 (PDT) Th	1:01a 8:55a 4:28p 8:56p	14.0H -1.1L 12.3H 8.2L
6 (PDT) Sa	2:18a 9:03a 1:12p 7:45p	13.5H 5.9L 8.9H 2.6L	21 (PDT) Su	1:24a 8:11a 12:58p 7:16p	14.9H 4.8L 9.5H 2.1L	6 (PDT) Tu	2:01a 9:22a 3:47p 8:40p	13.2H 2.4L 9.9H 5.9L	21 (PDT) We	1:46a 9:21a 4:21p 9:03p	14.7H -0.6L 11.7H 7.0L	6 (PDT) Th	1:15a 9:08a 4:44p 8:57p	12.8H 0.5L 11.3H 8.1L	21 (PDT) Fr	1:50a 9:49a 5:29p 10:16p	13.5H -1.7L 13.3H 8.5L
7 (PDT) Su	2:55a 9:42a 2:44p 8:43p	13.4H 4.8L 9.3H 3.4L	22 (PDT) Mo	2:03a 9:03a 2:37p 8:21p	14.9H 2.9L 10.1H 3.5L	7 (PDT) We	2:27a 9:56a 4:53p 9:39p	13.0H 1.1L 11.0H 6.8L	22 (PDT) Th	2:26a 10:09a 5:29p 10:13p	14.4H -1.7L 12.9H 7.8L	7 (PDT) Fr	1:49a 9:50a 5:40p 10:05p	12.7H -0.5L 12.4H 8.7L	22 (PDT) Sa	2:41a 10:39a 6:19p 11:22p	13.1H -2.0L 14.0H 8.4L
8 (PDT) Mo	3:24a 10:14a 3:58p 9:36p	13.3H 3.5L 10.0H 4.2L	23 (PDT) Tu	2:40a 9:49a 4:03p 9:26p	14.8H 1.0L 11.2H 4.8L	8 (PDT) Th	2:53a 10:30a 5:47p 10:34p	12.9H 0.0L 12.1H 7.5L	23 (PDT) Fr	3:07a 10:54a 6:25p 11:17p	14.0H -2.5L 13.9H 8.2L	8 (PDT) Sa	2:27a 10:32a 6:24p 11:04p	12.7H -1.5L 13.4H 8.9L	23 (PDT) Su	3:33a 11:24a 7:00p 7:00p	12.7H -2.2L 14.5H 14.5H
9 (PDT) Tu	3:47a 10:43a 4:56p 10:24p	13.1H 2.3L 10.9H 5.0L	24 (PDT) We	3:15a 10:32a 5:14p 10:27p	14.7H -0.6L 12.5H 5.9L	9 (PDT) Fr	3:21a 11:03a 6:32p 11:24p	12.8H -1.1L 13.1H 8.1L	24 (PDT) Sa	3:49a 11:37a 7:13p 7:13p	13.6H -2.9L 14.5H 14.5H	9 (PDT) Su	3:10a 11:14a 7:02p 11:55p	12.9H -2.4L 14.2H 8.9L	24 (PDT) Mo	12:13a 4:24a 12:05p 7:36p	8.1L 12.5H -2.1L 14.6H
10 (PDT) We	4:07a 11:10a 5:46p 11:08p	13.0H 1.2L 11.9H 5.7L	25 (PDT) Th	3:50a 11:13a 6:15p 11:24p	14.5H -1.9L 13.6H 6.8L	10 (PDT) Sa	3:51a 11:39a 7:13p 7:13p	12.9H -1.9L 13.9H 13.9H	25 (PDT) Su	12:14a 4:32a 12:19p 7:56p	8.3L 13.2H -3.0L 14.9H	10 (PDT) Mo	3:57a 11:55a 7:37p 7:37p	13.0H -3.0L 14.8H 14.8H	25 (PDT) Tu	12:56a 5:11a 12:42p 8:07p	7.7L 12.3H -1.9L 14.7H
11 (PDT) Th	4:27a 11:38a 6:30p 11:49p	12.9H 0.1L 12.7H 6.4L	26 (PDT) Fr	4:25a 11:54a 7:08p 7:08p	14.2H -2.8L 14.4H 14.4H	11 (PDT) Su	12:11a 4:24a 12:16p 7:53p	8.4L 13.0H -2.7L 14.5H	26 (PDT) Mo	1:05a 5:15a 12:59p 8:35p	8.3L 12.8H -2.8L 15.0H	11 (PDT) Tu	12:42a 4:47a 12:38p 8:10p	8.6L 13.2H -3.4L 15.3H	26 (PDT) We	1:35a 5:57a 1:18p 8:34p	7.2L 12.0H -1.5L 14.6H
12 (PDT) Fr	4:48a 12:08p 7:12p 7:12p	12.9H -0.9L 13.4H 13.4H	27 (PDT) Sa	12:18a 5:01a 12:35p 7:58p	7.4L 13.9H -3.2L 14.8H	12 (PDT) Mo	12:57a 5:02a 12:55p 8:32p	8.6L 13.1H -3.1L 15.0H	27 (PDT) Tu	1:52a 5:58a 1:37p 9:12p	8.1L 12.4H -2.3L 15.0H	12 (PDT) We	1:29a 5:41a 1:21p 8:42p	8.1L 13.1H -3.3L 15.6H	27 (PDT) Th	2:11a 6:42a 1:52p 8:59p	6.7L 11.7H -0.8L 14.5H
13 (PDT) Sa	12:30a 5:13a 12:41p 7:53p	7.0L 12.9H -1.7L 13.9H	28 (PDT) Su	1:09a 5:39a 1:15p 8:46p	7.8L 13.4H -3.1L 15.0H	13 (PDT) Tu	1:44a 5:45a 1:37p 9:12p	8.6L 13.0H -3.3L 15.3H	28 (PDT) We	2:38a 6:43a 2:16p 9:46p	7.8L 11.8H -1.7L 14.8H	13 (PDT) Th	2:16a 6:39a 2:04p 9:15p	7.3L 12.8H -2.7L 15.7H	28 (PDT) Fr	2:48a 7:30a 2:26p 9:21p	6.0L 11.3H 0.0L 14.3H
14 (PDT) Su	1:11a 5:40a 1:16p 8:36p	7.5L 12.9H -2.2L 14.3H	29 (PDT) Mo	2:00a 6:17a 1:57p 9:32p	8.0L 12.8H -2.7L 14.9H	14 (PDT) We	2:34a 6:33a 2:21p 9:52p	8.4L 12.7H -3.1L 15.5H	29 (PDT) Th	3:25a 7:32a 2:54p 10:18p	7.3L 11.2H -0.9L 14.6H	14 (PDT) Fr	3:07a 7:43a 2:48p 9:48p	6.3L 12.1H -1.6L 15.7H	29 (PDT) Sa	3:27a 8:22a 3:01p 9:44p	5.2L 10.9H 1.2L 14.0H
15 (PDT) Mo	1:54a 6:12a 1:55p 9:22p	7.9L 12.9H -2.5L 14.5H	30 (PDT) Tu	2:52a 6:58a 2:39p 10:18p	8.0L 12.2H -2.1L 14.7H	15 (PDT) Th	3:29a 7:29a 3:06p 10:32p	7.9L 12.1H -2.4L 15.6H	30 (PDT) Fr	4:14a 8:26a 3:33p 10:48p	6.7L 10.5H 0.2L 14.4H	15 (PDT) Sa	4:00a 8:53a 3:34p 10:22p	5.0L 11.3H 0.0L 15.6H	30 (PDT) Su	4:08a 9:19a 3:38p 10:08p	4.4L 10.4H 2.5L 13.7H
			31 (PDT) We	3:49a 7:43a 3:22p 11:03p	7.9L 11.4H -1.2L 14.5H										31 (PDT) Mo	4:51a 10:25a 4:17p 10:34p	3.6L 9.9H 3.9L 13.3H



# Booster Memorial Day Weekend



# Activities

## Saturday May 27th Goodpastor Park

- 12-12:30 Registration for all baseball players
- 12:30-1:00 Senior baseball warm-up/practice
- 1:00-2:30 Senior Baseball game
- 3:00-4:30 Junior Baseball game

Hot dogs, chips, soda, bottled water and bagged ice available

## Saturday May 27th North Beach

- 4:00 pm Sailboat Race

## Sunday May 28th North Beach

- 9:00 am Cinnamon rolls
- Booster ceramic pots and paperback books table
- Individual Flea Market (\$5 use table or your tailgate)
- Membership Drive (\$2.50 per person)
- Island Apparel table
- Garden Club Plant table
- Emergency Preparedness table
- Community Garden table
- Deer Information by Nancy
- 10:00am Flag Raising
- 10:30-12:30 Children's Games
- 11:30 Kevin's Burgers and Brats
- 1:00 Kayak Race
- 3:30 Blind Man Dingy Race

*Bagged ice available during activities*



## FREE CLASSIFIED ADS

Price Reduced! \$34,950. Level 1/3 acre lot at 118 E Madrona. Lots of trees and two clearings. Soil analysis indicates that property would probably need a mound septic system. 1995 Aljo trailer that sleeps 6. Bath/shower combo, fridge, stove, micro, heat and A/C. Contact 253-852-5952 for more info.

10' Livingston for sale. Seats need work. \$50  
Fred Fath 206-246-7016 or 206-794-1695.

*Non-commercial ads of 50 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.*

### Garden Club News

We regret to say that our usual plant sale will not be taking place Memorial Day weekend. We have lost our source of free plants, as Dan Jansen, who has so generously supplied them in the past, is no longer able to get them for us. Thank you, Dan, for your support in the past.

We hope to have a sale of hand-made, concrete stepping stones later in the summer and a Fall bulb sale.

If you would like to join us in learning how to make decorative stepping stones, come to Julie Tyson's at 219 West Herron Blvd, on June 12Th at 10am. Bring round or square forms (pans, etc.), broken ceramic pieces, shiny stones, shells, and large leaves (e.g. rhubarb). Gloves are recommended.

Carol McNair  
884-4467

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**DALLAS AMIDON**, Resident Island Realtor

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

E-mail: [HerronIsland@hotmail.com](mailto:HerronIsland@hotmail.com)

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- ▶ House painting
- ▶ Tree removal & trimming
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- ▶ Drain line installation
- ▶ Stump removal
- ▶ Perk holes

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WELCOME ALL NEWCOMERS!



Get involved! We need you! It's fun!

# BOOSTERS

# The Beachcomber

HMC MANAGEMENT

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*Inside this issue...*

- *President's Message*
- *Board Candidate Ballot*
- *FY 05/06 Audit*
- *FY 06/07 Budget Draft*
- *Low-Tide Ferry Cancellations*