

HERITAGE ESTATES PROPERTY OWNERS ASSOCIATION
ANNUAL MEMBERSHIP MEETING MINUTES
SATURDAY, OCTOBER 8, 2022
WEST JEFFERSON MUNICIPAL PARK

Welcome and Call to Order:

Members present: Duane Esarey, President, Gay Cass, Secretary, Janet Johnson, Treasurer, Kay Shepherd, Claude Shepherd, Janice Landen, Robert Landen, Ginger Jordan, and Jerry McIver (representing a total of 16 lot-based memberships. Proxies (representing 11 lot-based memberships) were properly presented for: Timothy & Lisa Coggins, Shelia Helms, Mitzie McCurdy, Brad and Emily McNeely, Pryor and Lauren Milner, Joe and Michele Nowak, Michael and Paula Shepherd and the Stroup family. With a total of 27 lot-based votes present, a quorum was declared.

President Esarey cordially welcomed the attendees and called the meeting to order at 1:00 p.m. He started with remarks informing the membership of activities and progress accomplished since the previous annual meeting. The members were also made aware of items on the agenda to be considered, especially the election of two (2) Board Members and the 2023 Proposed Budget.

President's Remarks:

Purposes and Obligations: North Carolina Planned Community Act states North Carolina HOAs must hold member meetings at least once per year. HEPOA holds staggered, cyclical votes to elect Board of Directors to three (3) year terms. HEPOA is obligated to vote per acceptance/rejection of the annual budget, which was provided to the members August 23.

Association Status: Heritage Estates presently consists of 30 members, currently exercising 49 votes on HOA matters. Board members serving so far in 2022 have been from six (6) families.

Changes in last eighteen (18) months: In 2021 while consulting with a lawyer we learned that many procedural errors had occurred in establishing the HOA, especially in carrying out votes and drafting/revising our governing documents, rendering only the original Restrictive Covenants valid.

Elections and Governing Documents: The first procedurally valid elections were held at the annual meeting in 2020. Then the first order of business was filing a valid revision of the Restrictive Covenants. The BOD was especially fortunate to be able to work with the Developer, Eloise Stewart, on Heritage Estates, Incorporated's "unfinished business". These Restrictive Covenants by the Board but invoking the Developer's role were revised, properly notarized/witnessed, and filed in November 2021. Of course, we can still revise these Covenants at any time, but hereafter their amendment will require a 2/3rds of the organization's total votes.

Finances: In reviewing our procedures for doing business we looked at all HEPOA historical financial record, accounts, and fiscal procedures and made changes where needed. In the 2021 annual meeting the membership approved our first Proposed Annual Budget (for 2022). In the Spring of 2022, a Pilot Reserve Study was made (an initial road finances study executed by the President in 2012 can no longer be located). This pilot study was based on historical financial records.

Insurance and various governing directives: In the Summer of 2022 we reviewed our insurance status. We revised our liability insurance, replaced our Board & Directors insurance, and

procured fidelity insurance (as required in our Bylaws and by state law once we hold \$100,000). As part of the process, we generated four (4) policies/directives: fiscal procedures, conflict of interest, anti-fraud and anti-harassment. These directives were enacted to meet the requirements of these valid insurance policies, and because actions and governing documents of all NC Planned Community associations must comply with applicable state and federal laws (for example, the Federal Fair Housing Act, the Americans with Disabilities Act, and the Fair Debt Collection Act). Copies of relevant documents are now on our website and on display at the membership meeting. Hard copies will be mailed to members requesting them.

Annual HEPOA notifications: All HEPOA's records are archived and available for member examination upon demand. Per state statutes 47F-3-118 and 55A-16, a list of all HEPOA members is on display here at the Annual Meeting. We also frequently update the copy of this list available on the (password protected) website. We are also notifying members that, in case of a dispute, HOA members have a right to initiate a mediation under NC Gen. Statute [7A-38.3F, (j) and (b)].

Administrative communications since the previous annual meeting: A letter to membership concerning decorative fences and ROW was mailed April 20, 2022. This year's mowing contract bid went to Shape Up Lawn care, reflecting an annual saving of approximately \$1,000/year. To meet our obligation under Statute 47F-3-118, the Annual Financial Overview was distributed within seventy-five (75) days of the close of the fiscal year. A 2022 lot owners map was added to our website. A letter from the President detailing all this review and changes was sent out in August 2022,

Common areas maintenance since previous annual meeting: The following outdoor chores have been completed by volunteers, at no cost to the association. The front common area split rail fence was repaired. All the culverts that are a part of our road system and common areas were checked. A series of subsidence holes over a culvert at the riverfront common area and Lot # 47 were filled. Culvert outfalls were unblocked on Lot#3 and the riverfront Common Area. There was major brush clearing at the entrance to the riverfront common area. All members and visitors were invited to visit Heritage Springs trail on Lot #9. Silted in ditch channels were reestablished at Lot #19 and riverfront common area, creating a small waterfall near the gazebo. Overhanging limbs at the entrance to the front common area and mailboxes were trimmed back. Brush along ditches on Highway 163 was cut both directions, providing clear views exiting the subdivision. A picnic table gifted to HEPOA was reconditioned and installed at Gazebo area. Heritage River Road ditch had blockages removed, gravel packed where erosion was undercutting the roadbed, and the stone lining restacked. Volunteers routinely kept the Gazebo area policed of all litter. Firewood and kindling were routinely donated keeping the common area fire pit stocked for all members to use.

President Esarey made special mention about the child friendly social environment at the common area this year (games, evening fires, swimming, and rock painting). A water feature and play sand area were added as part of the drainage and culvert clearing operation. Family activities included numerous neighborhood kids, visiting kids and grandkids. Although aware this high level of activity has caused some natural wear and tear, we feel this level of family social environment is a sign of healthy and happy community. Cleaning and repainting the gazebo is on the schedule.

President Esarey noted that (in line with getting our annual budgets on a smooth operating basis) all of the above listed effort was achieved with community volunteer labor and at no cost to HEPOA. For material donations, financial contributions, physical labor President Esarey expressed credit to Chris and Ginger Jordan, Jerry McIver, Dean Moore, Jimmy and Jackie Copeland, Carlos and Berta Garcia, David and Tyra King, Claude and Kay Shepherd, RJ Bowers and April Stout, Joe and Michele Nowak, Brad and

Emily McNeeley, Mitzi McCurdy, Janet Johnson and Duane Esarey. Additional mention was made of Kathy Rogers, of Southport, NC – Kathy’s rock painting operation helped with the family friendly social environment, as she joined us for three months this summer while renting from Chris and Ginger Jordan.

Upcoming Fall and Spring Projects (all volunteer labor): We will continue to trim overhanging limbs on the neighborhood roads, as Dean Moore and Duane Esarey did on the lower River Sound last Fall. All resident members have been notified. We will also remove the large dead pine at the Gazebo and large dead locust on ROW at Lot #23. The Lot 13 culvert drop pit is receiving too much sediment and leaf slurry (which causes the sedimentation problem at the Gazebo, so its basin needs cleaned out). Volunteers will clean and paint Gazebo (This is in the 2022 budget). Some of the River Sound creosote guard rail posts require treated post replacement and hardware (This is in the 2022 budget but may not be done until Spring).

Secretary’s Report

Copies of the 2021 Annual Membership Meeting were distributed for attendee review (these minutes were posted on the website immediately following the annual meeting last year). Janet Johnson made a motion these minutes be accepted as presented; motion was seconded by Robert Landen. The motion passed.

The secretary announced that all reports and Annual Meeting and Board minutes are posted on our website for members to review. Kay Shepherd motioned we accept the Secretary’s report, seconded by Janet Johnson. Motion passed.

Treasurer’s Report

In March 2022 Janet Johnson took over the treasurer’s responsibilities from Jean Moore. All association records are now curated at the home of Janet Johnson, 165 River Sound, West Jefferson, NC.

Janet Johnson, Treasurer, presented Jean’s 2021 Financial Report (attached to these minutes and posted on website). Then Janet explained the fiscal procedures now in use. The membership was updated on income and expenses year to date and, with hard copy of the report, were able to compare budgeted amounts to actuals. Janet also noted that since July 2022 these fiscal procedures are listed on the website and hard copies are available upon request. The Treasurer announced all assessments that were invoiced for 2022 have been paid in full.

Status of 2023 proposed budget: The proposed budget for 2023 was prepared by Treasurer Janet Johnson and Board members Michele Nowak and Gay Cass. After review, comments, and corrections by the Board, it was sent to the membership in preparation for the annual meeting vote. A vote was taken to accept or reject the proposal. A copy of the proposed 2023 Budget is attached to these minutes and may be found on our website.

Overview of the Agreed Upon Procedures review: A contracted accountant checked figures on the tax returns to verify they matched the accounts, and that receipts matched reimbursement checks and balances as expected.

Property insurance: The Treasurer explained that we do not have property insurance. Our property primarily consists of the mailboxes, gazebo, and picnic tables. The security lights are owned by Blue Ridge Electric, and HEPOA pays a monthly leasing fee. Anything in the flood plain cannot be insured against floods but can be insured against fire or other means of damage. This insurance, however,

would not be cost effective, so the Reserve Study will be updated to include self-insuring our property so that we would be able to repair or replace these assets if damaged.

Records: The Treasurer made note of availability of all historical Association financial records, as well as all current financial records, are available by request and many documents may be read/downloaded at the Association website.

Reserve: The Treasurer presented the reserve budget to the members for review, and pointed out that currently, maintenance of HEPOA properties and common areas relies on volunteer labor and the least expensive methods of road resurfacing, due to underfunding of this account.

The Treasurer reviewed financial issues that have been rectified, and those that are yet to be resolved. The Board will seek expert advice from a CPA and from an HOA lawyer for these unresolved issues. The handout outlining these is attached to these minutes.

Motion approved: At this point the attendees voted per carrying over remaining 2022 operating funds to 2023. Gay Cass made a motion to approve carrying over any remaining 2022 operating funds to be used for unanticipated costs or legal fees in 2023, and then any remaining portion of 2022 funds shall be redesignated as reserve funds, with the goal of better road resurfacing options in future years. Kay Shepherd seconded the motion. Motion passed unanimously.

The total financial report was accepted as approved by the membership.

Old Business

Bylaws revisions have not been completed; however, they will be submitted to the membership when ready. We will need to call a special (probably virtual) meeting for the purpose of voting on the bylaws. A simple majority is required to accept the bylaws. Completion of the Bylaws revisions has been delayed because of the number of other issues that had to be resolved.

New Business

It was noted that the Association mailbox records, and keys have also been transferred. To keep track of mailboxes assignments and secure the spare keys, a revised and updated spreadsheet has been created and the extra keys inventoried and placed in the safe at the President's house.

Board size: Adjusting the size of the Board: At the May 2008 initiation meeting of HEPOA, nine families in attendance had decided to create the nine (9) member Board of Directors that has served the association until this time. President Esarey explained that, although widespread representation remains a goal, the Directors unanimously voted at their May 28, 2022 meeting to reduce Heritage Estates Board to seven (7) seats to better deal with the complexities of compliance with governing documents and state and federal laws. In that meeting the authority to enact this change was cited as NC state statute 55A-8-03-b. The change in Board size will be reflected in the upcoming bylaw revisions. To adjust the size of the Board, it was decided to retire one (1) position by the end of this year and one position by the end of 2023. Therefore, today we will elect two (2), rather than three (3), members to the Board.

Construction: A driveway has been constructed for Lot #50. The road edge was slightly damaged during construction and will be repaired (repair was completed several days after the meeting). An extension for the construction of the house on Lot 53 was extended because of unforeseen problems with the contractor. Steady progress in being made.

Election and Annual Budget vote

Members voted on two (2) available Board seats and the 2023 Proposed Annual Budget. In addition to the 16 lot-based votes present, proxies for 11 votes were in the hands of attendees.

During the advertised nomination period, the Nominating Committee had nominated Ginger Jordan and Janet Johnson to the open Board seats. Following an announcement of these nominations, the President called for any further nominations from the floor.

Prior to this meeting, the Treasurer had submitted (August 23, 2022) the 2023 Proposed Budget to the entire membership. And comparison sheets of the 2022 and 2023 Budget were made available at this meeting. The Proposed Budget was also posted on HEPOA website when it was sent to the membership. Questions and concerns about the Budget had been addressed during the Treasurer's report. There being no additional nominations or comments, the membership was instructed to cast their anonymous ballot(s).

A printed ballot bearing the association seal, the nominated slate, a space for any nominations from the floor, and a space for write-in candidates, and the option to accept or reject the proposed 2023 Annual Budget was then distributed to members in attendance (one (1) vote per lot). Attendees were instructed to cast their vote for as many as two Director seats and accept or reject 2023 Annual Budget.

Ballot results: Gay Cass and Kay Shepherd tallied the ballots and reported that the membership elected Janet Johnson and Ginger Jordan to the BOD. The 2023 Budget was accepted by a majority. These anonymous ballots and proxies will be added to our historical archive at the home of the President and are open to inspection by any member. Results will also be posted on our website along with these minutes. Gay Cass and Kay Shepherd's tally of the ballots was signed and dated. Unused sealed ballots were documented and destroyed on the spot.

After a call for any other business, a motion was passed at 2:45 p.m. that we adjourn.

Respectfully submitted,

Gay T. Cass

Gay T. Cass, Secretary

Documents on display at 2022 Annual HEPOA meeting – 8 October 2022

Comparison sheet of 2022 and 2023 annual budgets (handout)

Current HEPOA Membership list (Version October 2022)

Enumeration of Members/Lots/Votes (Version September 2022)

Conjoined 1999 and 2021 Restrictive Covenants/Declaration

HEPOA 2022 Pilot Reserve Study

HEPOA history and validity of governing documents (Version Aug 18)

Heritage Estates Property Owners Association

Agenda – Members Annual Meeting

West Jefferson Municipal Park, 201 S. Church Street – 1:00 pm, 8 October 2022

Declaration of quorum and call to order

Welcome and news from President:

- Review purposes and obligations
- HEPOA projects since previous annual meeting
- Upcoming Fall and Spring projects (all volunteer labor)

Secretary's report

- Reading and approval of last year's minutes
- Availability of all historical Annual Meeting and Board minutes for member review.
- Motion to accept Secretary's report

Treasurer report

- Took over from Jean Moore in March. All association records now curated in our home.
- End-of-2021 report (also on web site)
- Current status of 2022 dues
- Current status of accounts
- Fiscal procedures (listed on web site and can be mailed)
- Status of 2023 proposed budget (was supplied my mail/email and on display here)
- Overview AUP review
- Availability of all historical Association financial records
- Motion to accept final 2021 financial report
- Motion per carrying over funds
- Motion to accept Treasurer report

Old business

- Bylaws status
- Call for other old business.

New business

- Board of Directors size adjustment
- Association mailbox records and keys transferred.
- Note Millner construction of Lot 50 driveway.
- Extension granted for Lot 53 construction deadline.
- Call for other new business

Director positions Election and Annual Budget vote

- Votes being taken today.
- Explanation of votes and proxies.
- Explanation of annual budget vote
- Election
- Announce Board and Budget voting results.

Call for any other business

Call for motion to adjourn

HEPOA Members: Voting List (N=31 members = 49/54 votes) Sept 2022			2022 Annual Election Use	Votes at meeting
Members	Votes per Owner	Lots Owned		
Bowers, Jr., Randy D.	1	Lot 21	not present	
Cass, Gay	1	Lot 23	Present	1
Coggins, Timothy & Lisa	3	Lots 18, 39, 40	Proxy	3
Copeland, Jimmy & Jackie	2	Lot 32, 33	not present	
Copeland/EsareyJohnson	1	Lot 9	Present	1
Edwards, Sherrie	1	Lot 51	not present	
Esarey, Duane & Janet Johnson	8	Lots 13, 14, 15, 16, 22, 24, 25, 43	Present	8
Garcia, Carlos & Berta	1	Lot 8	not present	
Grayson Susan Wall & John Sheldon	1	Lots 54, 55, 56	not present	
Hamby, Gary & Judy	2	Lots 10, 11	not present	
Helms, Shelia	1	Lot 4, 5/6, 7	Proxy	1
Jordan, Chris & Ginger	3	Lot 17, 41, 42	Present	3
King, David & Tyra	1	Lot 47	not present	
Landen, Robert & Janice	1	Lots 26, 27	Present	1
Marrero, Raul & Evelyn	1	Lot 38	not present	
McCurdy, Mitzie	1	Lot 46	Proxy	1
McIver, Jerry	1	Lot 44	Present	1
McNeely, Brad & Emily	1	Lot 19	Proxy	1
Milner, Pryor & Lauren	1	Lot 50	Proxy	1
Moore, Dean & Gloria Jean	1	Lot 1	not present	
Murray, Thomas & Pamela	2	Lots 2 and 20	not present	
Nowak, Joe & Michele	1	Lot 53	Proxy	1
Rice, Christopher & Carolyn	2	Lots 12, 45	not present	
Shepard, Claude & Kay	1	Lot 37	Present	1
Shepherd, Michael & Paula	2	Lots 48, 49	Proxy	2
Sipple, Michael/Bobbit, Karen F.	1	Lot 31	not present	
Stroup Family (Alice Butler)	1	Lot 3	Proxy	1
Swan, Ryan & Michelle	2	Lot 28, 29	not present	
Tanseer, Tracy & Grace Fortune	1	Lot 30	not present	
White, Ricky & Ann	2	Lot 35, 36	not present	
Yow, Richard & Kathleen	1	Lot 52	not present	
TOTAL = 30 members	49	54		27



Proposed Budget for 2023

(to be ratified by membership at annual meeting)

Status of 2022 Budget

Relevant Updates

With the new Treasurer having received our bank accounts, insurance policies, governing documents, tax requirements, Board review identified some things that needed to be modified, corrected, or brought into closer compliance with law.

Bank Accounts

We now have two new bank accounts. We have a checking account for our annual Operating Fund, and a savings account for a Reserve Fund. The Operating Fund will be used for predictable annual expenses, new projects, and managing our annual budget cycle. The Reserve Fund will be used for maintenance of property that HEPOA owns, such as the gazebo, mailboxes, guard rails, lights, roads, tending the right-of-way etc. The treasurer recently transferred \$18,000 from the Operating Fund to the Reserve Fund. This included from the 2022 dues: 40% of the original \$200 assessments and 100% of the 2013 fee increase. Additional funds were transferred to balance out maintenance and assessments consistent with past financial records. As of August 1, 2022, HEPOA has \$75,492.37 in our Reserve Fund and \$7,691.16 in our Operating Fund.

Reserve Study

Reviewing HEPOA documents and financial records, we were able to draft our first Reserve Study, predicting schedule and costs for what we will need to maintain our existing property. Pending better information for long-term road maintenance, these records enabled us to predict our needs and the costs. We had budgeted \$1,000 to pay for a professional Reserve Study, but Board members find this initial study sufficient while gathering historical information together. The funds budgeted for a professional study will remain in the Reserve Fund until we hire professional advice on long-term road maintenance. This initial Reserve Study is available upon request and is posted on our website.

Insurance

The Board reviewed our insurance policies and updated them. Our Directors and Officers insurance was found to be invalid. To qualify for Directors and Officers insurance, the Board had to draft and adopt Anti-Harassment and Ethics-and-Conflict-of-Interest policies. These policies are available upon request and are posted on our website. We also purchased the Fidelity insurance as required in our long-term Bylaws. This required that we adopt specific fiscal procedures and have an anti-Fraud policy. An outline of the procedures is available upon request and posted on our website.

Annual assessments

The Developer combined some lots at sale and then buyers built on them. Dues for two lots were extinguished by the formula provided for in the Restrictive Covenants. Other lots were extinguished inconsistently with the Restrictive Covenants, yet the dues for those lots have not been collected, which is apparently contrary to North Carolina court rulings on fee extinguishments. The Board will need legal advice on how to proceed with this situation. (See further discussion of this issue in the President's Letter to Members.)

2022 Operating Expenses

The following table shows that our actual costs for 2022 are likely to be slightly less than budgeted. After transferring \$18,000 to the Reserve Fund, we have about \$4,300 for legal and other unexpected expenses. We intend to leave this as a reasonable operating expense surplus to provide flexibility when needed.

2022 Proposed Budget vs. Actual Costs

	2022 Approved Budget	2022 Actual Cost	Remaining to pay as of 8/1/2022
Utilities	\$1,200.00	\$1,203.00	\$518.88
Mowing	\$3,010.00	\$1,920.00	\$640.00
Snow Removal	\$500.00	\$300.00	\$300.00
Theft Insurance	\$300.00	\$220.00	\$220.00
D&O Insurance	\$725.00	\$1,138.00	\$1,138.00
Liability Insurance	\$300.00	\$300.00	\$300.00
Office Supplies	\$250.00	\$200.00	\$200.00
Meetings	\$150.00	\$ -	\$ -
Legal	\$500.00	\$787.00	
Agreed Upon Procedure (AUP)*	\$800.00	\$1,170.00	\$
HEPOA meeting	\$150.00	\$50.00	\$ 50.00
Total	\$7855.00	\$7288	\$3,366.88
In Operating Account			\$7,691.16
Balance			\$4,324.28

* "An Agreed Upon Procedures (AUP) audit of prior finances and tax filings was completed in February.

We have yet to paint the gazebo this year, as outlined in the Reserve Study. The funds for doing this will come from the Reserve Fund.

Proposed 2023 Operating Budget

The following budget is proposed for 2023. As reflected in the governing documents and Board minutes, 40% of the original \$200 assessments and 100% of the 2013 fee increase will be transferred to the Reserve Fund. The final amount will be determined by the legal advice we receive regarding dues extinguishments.

Proposed 2023 Budget

	2023 Proposed Budget
Utilities	\$1,203.00
Mowing	\$1,920.00
Snow Removal	\$300.00
Theft Insurance	\$220.00
D&O Insurance	\$1,138.00
Liability Insurance	\$300.00
Office Supplies	\$200.00
Meetings	\$ -
Legal	
AUP	
HEPOA meeting	\$50.00
Total	\$5281.00

We propose to pay any legal fees from the additional funds kept in the Operating Fund. This flexibility is provided for in the original bylaws. The Reserve Study calls for maintenance of some of the guard rails in 2023, which will come out of the Reserve Funds.

Heritage Estates Property Owners Association
Financial Statement
for January 01, 2021 through Decembere 31, 2021

	<u>MM Account</u>	<u>Road Maint. Account</u>	<u>Both Accounts</u>
Cash- Money Market Acct.-01/01/2021	\$ 14,681.61		
Cash - Road Maint. Acct.-01/01/2021		\$56,732.37	\$ 71,413.98
Receipts:			
Annual Dues	16,650.00		
Interest Income	1.61		
Transfer from MM Account		5,760.00	
Total Receipts	<u>16,651.61</u>	<u>5,760.00</u>	<u>\$ 22,411.61</u>
Expenses:			
Maintenance			
Landscaping/mowing	(2,818.24)		
Total Maintenance Expenses	<u>(2,818.24)</u>	<u>-</u>	<u>\$ (2,818.24)</u>
Administrative Expenses			
Utilities	(1,165.02)		
Office Supplies	(406.63)		
Insurance	(1,061.00)		
Legal fees	-		
HEPOA Meeting	(100.00)		
Total Administrative Expenses	<u>(2,732.65)</u>	<u>-</u>	<u>\$ (2,732.65)</u>
Other Expenses			
Contribution to Charity	(100.00)		
Transfer to Capital Reserve	(5,760.00)		
Sreet Repairs (fill cracks)		(5,000.00)	
Total Other Expenses	<u>(5,860.00)</u>	<u>(5,000.00)</u>	<u>\$ (10,860.00)</u>
Total Expenses	<u>(11,410.89)</u>	<u>(5,000.00)</u>	<u>\$ (16,410.89)</u>
Net Income	<u>5,240.72</u>	<u>760.00</u>	<u>\$ 6,000.72</u>
Account Balance 09/30/2021	<u>\$ 19,922.33</u>	<u>\$57,492.37</u>	<u>\$ 77,414.70</u>
Total for both cash accounts			<u>\$ 77,414.70</u>

Reserves	Total	Cash Accounting	Total
Revenues		Revenues	
Beginning Cash Balance Jan 2022	\$57,492.37	Balance Jan 1, 2021	\$ 19,922.33
Money Transferred from Operating	\$18,000.00	Interest Income	\$ 0.45
Interest Income	\$2.05	Assessments 2022	\$ 9,690.00
Total Revenues	\$18,002.05	Total Revenues 2022	\$ 9,690.45
Ending Cash Balance Sept 30, 2022	\$75,494.42		

Accounting for Budgeting	Expenses to Date: Jan 1 - Sept 30	2022 Approved Budget	2023 Proposed Budget
Utilities	\$885.95	\$1,200.00	\$1,203.00
Mowing	\$1,920.00	\$3,010.00	\$1,920.00
Snow Removal	\$0.00	\$500.00	\$300.00
Theft Insurance	\$220.00	\$300.00	\$220.00
D&O Insurance	\$1,138.00	\$725.00	\$1,138.00
Liability Insurance	\$300.00	\$300.00	\$300.00
Office Supplies	\$140.16	\$250.00	\$200.00
Meetings	\$85.00	\$300.00	\$50.00
legal	\$787.50	\$500.00	-
Agreed Upon Procedure (AUP)*	\$1,170.00	\$800.00	
Total Expenses Jan - Sept	\$6,966.61	\$7,885.00	\$5,331.00
Cash balance as of Sept 30	\$ 4,646.17		

We propose to pay any legal fees from the additional funds kept in the Operating Fund. This flexibility is provided for in the original bylaws. The Reserve Study calls for maintenance of some of the guard rails in 2023, which will come out of the Reserve Funds.

HEPOA has 56 original lots. Currently, 49 of them pay dues of \$300 per year: \$5880 for operating expenses; \$8820 for maintenance.

100% of dues that were assessed are paid.

2022 HEPOA Reserve Study Report

Starting Reserve Balance (at end of 2021)	\$ 57,492.37
Annual member-voted funding	\$8,820
Transfer from operating for correction	\$9,180
Interest income	\$2.05
Balance on Sept 30, 2022	\$75,494.42

Components List

Component	Useful Life (Years)	Remaining Useful Life (Years from 2022)	Current Average Cost
Mailboxes	15	10	\$1,300
Gazebo: Replace Boards	5	1	\$200
Gazebo: Roof	30	23	\$1,700
Gazebo: Pressure wash and stain	10	0	\$350
Repaint HEPOA Entrance Sign	10	5	\$200
Guard Rail: Replace rotten parts	10	0	\$400
Culvert Repair and Cleaning	20	0	\$200
Asphalt: Edges Repair	15	3	\$5,000
Asphalt: Est. resurface with tar & chip	30	10	\$130,000
Gazebo Road: Gravel	10	4	\$1,000

Computations

September 2022 balance	\$75,494.42
What we need to satisfy Components Table next 10 years	\$ (140,000)
Income next 10 years - with continued reserve adjustment	\$ 88,200
Balance at 10 years after execution of listed components	\$ 23,694

Funds moved to Reserves as per the original member vote to do so in 2009, and member vote on the dedicated fee increase 2012.

Note that most of our labor needs to be done by volunteers, and tar and chip resurfacing may not be desirable.

Insurance

3 Insurance policies:

- D&O Insurance required Ethics, Conflict of Interest, and Anti-Harassment documents adopted by the Board.
- Theft Insurance required that we adopt specific fiscal procedures.
- Liability Insurance

Property Insurance

Our property is insurable, but not cost effective. Therefore, we do not have property insurance.

Need member vote:

Adopt the budget

Any excess funds will be held in the account to cover legal fees or shortfalls.



Correcting Deviations from Policies or Laws

HOAs cannot differentially enforce policies or create new policies that treat new members differently than existing members. However, enforcing existing policies that were not previously enforced may be acceptable. We will seek legal advice as to how to move forward with consistent policies and practices, so that we are following the laws, our governing documents, and do not have differential treatment of members.

Policies or practices followed (BA = Board Approved?, PC = Past Corrected?, and DT = Differential Treatment?)

HEPOA Policy/Practice	Historic Practice	BA?	PC?	Suggested Moving Forward	DT?
Members voted for \$100 fee increase that would be dedicated to the Reserve Fund for road maintenance	Only 40% of the increase went into the Reserve Fund. ¹	No	Yes.	40% of the original \$200 and all of the increase will be deposited into the Reserve Fund annually.	No
10% per annum late fees	About 25% of late assessments paid any late fees. Late fees paid at closings were not computed "per annum." At least \$6,000 involved.	No	No	Annual invoices to members will charge 10% if paid after March 15. If late fees are not paid, they will be included in the next year's invoice at a rate of 10% per annum.	Random
In the event two or more lots are combined, and one residence is constructed on the combined tract, the combined tract shall thereafter be considered as one tract for all voting and annual assessment fee purposes.	Developer combined a tract and a house subsequently built on the combined tract. Dues were extinguished for one of those tracts. Three members have extinguished lots with the county but did not subsequently build a house on the combined	No	No	Various members are in a position to extinguish lots 12 additional lots with the county in hopes of not paying dues. We cannot allow dues extinguishments for some but not for others. Extinguishing assessments other than as in the way specified in the RC&R can easily be challenged as an undue burden on all other lot owners.	?

HEPOA Policy/Practice	Historic Practice	BA?	PC?	Suggested Moving Forward	DT?
	tracts, as specified in the RC&R. About \$7,000 since 2015.				
Tax return 1120-H is filed each year. This requires that 85% of houses are classified as "residential" by IRS definition: "For more than half of the tax year, such unit, or building is occupied by a person or series of persons, each of whom so occupies such unit, or building for less than 30 days." If true, it is NOT residential.	Did not get this information from members.	No	No	<p>We cannot restrict vacation rentals because our governing documents are silent on it, thus giving members the right to have vacation rentals. The condition people bought their lots under cannot be changed.</p> <p>If we do not meet the 85% rule, we are not qualified to file 1120-H and will owe 30% flat tax on assessments.</p> <p>Moving forward, inform owners of our situation and collect information regarding residency when collecting annual assessments. This will provide documentation for having verified whether we meet this 85% residential requirement.</p>	No

1. The funds that should have been deposited in the Reserve Fund have been moved.