2026 Operating Expenses	Proposed
Utilities	$1,200
Mowing	$2,535
Snow Removal	$425
Theft Insurance	$235
D&O Insurance	$1,359
Liability Insurance	$300
Office Supplies	$300
HEPOA meeting	$175
Repay loan from Reserves over 10 years at 3%.	$940
Replenish contingency	$1000
Total	**$8,469**

Annual Depreciation Calculations

First repair	Item to Maintain	Cost ($)	life years	Annual Share of Depreciation Costs ($)
2011	Gazebo: Pressure wash and stain:	$350	5	$70
2012	Gazebo: Replace Boards:	$200	5	$40
2015	Replace Gazebo roof	$1,632	30	$54
2016	Gazebo Road: Gravel:	$795	8	$99
2016	Supplement Mailboxes	$1,172	25	$47
2016	Concrete for Mailbox installation	$90	20	$5
2016	Trim encroaching foliage on ROW	$6,000	20	$300
2017	Repaint HEPOA Entrance Sign:	$515	9	$57
2025	Guard Rail: Replace rotten parts:	$400	5	$80
2025	Culvert Repair and Cleaning	$200	10	$20
2023	Gazebo: Paint	$112	5	$22
2025	Heritage River patch & Autumn Run pothole repair:	$8,876	16	$555
2033	Road surface - Heritage River Road	$39,128	25	$1,565
2034	Road surface - River Sound	$99,130	26	$3,813
2034	Road surface - Autumn Run	$69,903	32	$2,184
2035	Road surface - Deerfield	$19,636	33	$595
2035	Road surface - Timbersong	$18,902	33	$573
2025	Past Depreciation Adjustment	$44,535	10	4,453
	Total			**$14,532**

Operating costs of $8469 plus annual depreciation costs of $14,532 distributed across 54 lots comes to the annual assessment at **$425**. We have no need to increase the assessment.

When an HOA is established, the initial annual assessment must be calculated based on projected operating costs and depreciation of common property. This amount, along with specific limitations on future increases, should be included in the original Restrictive Covenants.

The Board may only increase assessments for existing budget items within the limits specified in the Covenants. Any new expenses not covered in the original budget—such as additional landscaping projects or capital purchases—require member approval. If members reject a proposed budget containing new items, the HOA must operate under the previous year's approved budget, excluding any new additions.

Since the proposed 2026 budget contains no new items or expenses beyond those in the current budget, member ratification is essentially procedural. Rejecting it would result in the same budget as approving it.

This situation highlights another critical reason for adopting our new covenants. The only valid covenants filed by the original developer state that the HOA will collect enough assessments to operate. However, these developer covenants never established specific operating costs because the developer's company initially covered all expenses. These documents also refer to a "developer's road fee," which has created ongoing confusion. Some members have mistakenly believed this road fee should cover HOA operating and maintenance costs, but these have always been completely separate—the road fee was a developer revenue stream unrelated to HOA operations.

The budget may be ratified without a quorum.