



**WHAT: State Income Taxes**

*Budget Category: Taxes, and subcategory AZ Income Tax*

Must-pay item.

**\$50.00** (\$0.37 per Lot)

Corporation minimum tax is \$50. Tax increases if the association's profit exceeds \$100. In 2021, \$50 was budgeted and \$50 was spent.

**WHEN:** Tax is normally due 15 April.

**WHERE:** NA

**WHY:** Mandatory.

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**WHAT: County Property Taxes**

*Budget Category: Taxes, and subcategory Cochise County Taxes*

Must-pay item. The association owns three properties comprising the common areas.

**\$35.00** (\$0.26 per Lot)

The cost varies from year to year. The cost for 2020 was \$22.56 (\$7.52 per parcel). In 2021, \$30 was budgeted and \$22.86 (\$7.62 per parcel) was spent.

**WHEN:** Full or first-half payment normally due in October.

**WHERE:** NA

**WHY:** Mandatory.

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**WHAT: Arizona Corporation Registration**

*Budget Category: Taxes, and subcategory AZ Corp Commission*

This is a must-pay item. Our association is a corporation and must be registered.

**\$15.00** (\$0.11 per Lot)

Past few years have been \$10 per year. In 2021, \$10 was budgeted and \$10 was spent. Additional \$5 should preclude additional authorization should there be a price increase.

**WHEN:** This fee is usually due in the Spring.

**WHERE:** NA

**WHY:** Mandatory.

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**WHAT: Tax Preparation Costs**

*Budget Category: Taxes, and subcategory Tax Prep*

Pay for tax-preparation software, or to an individual/business to complete our tax forms.

**\$0.00** (\$0.00 per Lot)

In past years, \$100-\$200 has been budgeted for tax preparation and/or tax software. Unless our finances become more complicated, the completion of the forms can be accomplished by the treasurer.

**WHEN:** Tax is normally due 15 April.

**WHERE:** NA

**WHY:** Mandatory.

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**WHAT: Meeting Venue Rental**

*Budget Category: Administrative, and subcategory Meetings*

Pays for use of an indoor facility for association meetings.

**\$0.00** (\$0.00 per Lot)

Schieffelin Hall is free and is not the default meeting location. In 2021 \$50 was budgeted and \$0 has been spent.

**WHEN:** For board meetings

**WHERE:** Schieffelin Hall

**WHY:** Protection from inhospitable weather.

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**WHAT: Post Office Box**

*Budget Category: Administrative, and subcategory PO Box*

USPS post office boxes in Elfrida. Same address the association has used for years. Advance-purchased envelopes are stamped with this address.

**\$75.00 (\$0.55 per Lot)**

Annual cost for 2020 was \$56. In 2021, \$80 was budgeted and \$64 was spent (14.3% increase). Additional \$11 should preclude additional authorization should there be a price increase.

**WHEN:** Annual renewal occurs in the summer (July).

**WHERE:** Elfrida USPS.

**WHY:** We must have a mailing address to comply with the law and to provide services to our members. We do not have a physical mailing address exclusively for the association.

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## WHAT: **Website License**

*Budget Category: Administrative, and subcategory Website*

Provide host site for HLR.

**\$180.00** (\$1.32 per Lot)

Cost increased significantly from 2019 to 2020 (from \$96 to \$119, 24%) and from 2020 to 2021 (from \$119 to \$142, 18%) and may increase significantly again for 2022. If the 2022 increase ranges between the 18% and 24%, the cost will be \$168 to \$176. In 2021, \$150 was budgeted and \$141.87 was spent. Additional \$4-\$12 should preclude additional authorization should there be a price increase.

WHEN: Early 2021

WHERE: NA

WHY: The HLR website provides a lot of historical and current information for association members and the public. The association emails are included.

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## WHAT: **County Recording Fees - Liens and Governing Documents**

*Budget Category: Administrative, and subcategory Accounting*

Liens exist once an assessment is overdue, whether or not recorded. After a prudent period, it is appropriate to record the lien with the county recorder. Changes to our governing documents whether the vote of the membership or vote of the Board need to be recorded with the county.

**\$150.00 (\$1.10 per Lot)**

Cochise County Recorder charges a fee of \$30 per document. In recent years, we have had a number of delinquent accounts in a year, plus occasional changes to governing documents. Though five is not the maximum total per year, it is a reasonable expectation. In 2021, \$150 was budgeted and \$0 was spent (however a fee for recording the revised bylaws is expected).

**WHEN:** After reasonable collection efforts have failed to move the owner to satisfy their obligation, or upon revision to governing documents.

**WHERE:** Cochise County Recorder Office.

**WHY:** The recording of the lien ensures title companies will find the liens during a title search, and recordation of governing documents precludes any confusion regarding version validity.

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**WHAT: External Financial Review**

*Budget Category: Administrative, and subcategory Financial Review*

HLR POA governing documents require a financial audit or review each year.

**\$125.00 (\$0.92 per Lot)**

The review of 2020 financial records was done by CNJ Bookkeeping of Hereford, AZ for \$100.00. In 2021, \$100 was budgeted and \$100 was spent. Additional \$25 should preclude additional authorization should there be a price increase.

**WHEN:** 1st quarter of 2022

**WHERE:** NA

**WHY:** Mandatory. Required by governing documents. Provides a level of confidence to association members regarding the handling of association funds.

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## WHAT: **Nominations and Elections Committee Fund 2022**

*Budget Category: Administrative, and subcategory Supplies*

Soliciting Nominations Letter -- approx. 100 sheets of paper, 100 stamps and 100 #10 Envelopes  
Ballots -- 1 -page for information as to how the voting works, 1 -page for Votes per lot and 1- page for the nominee's information (total, three pages/possible double sided) approx. 300 sheets of paper, 200 stamps, 100 # 10 and 100 #9 envelopes

**\$392.49 (\$2.89 per Lot)**

Material costs:

500 sheets of paper - \$29.99

325 Stamps (\$0.58) - \$188.50

Ink - \$125

Envelopes (200 #10 security and 100 #9 security) - \$42.00

Case of water - \$7.00

In 2021, \$0 was budgeted and \$0 was spent--expenses were included in the general 'Mailing' budget request.

WHEN: January-March 2022

WHERE: NA

WHY: To conduct annual election in accordance with governing documents.

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## WHAT: **Governing Documents Committee Fund 2022**

*Budget Category: Administrative, and subcategory Mailings*

As the GDC prepares to make recommendations to the Board about proposed changes to our governing documents, the need may exist to keep our members informed of proposed or approved changes. The best way to inform our neighbors is often by mail. Funds requested will support two independent mailings/printing.

**\$300.00 (\$2.21 per Lot)**

1st mailing \$100, 2nd mailing \$200. In 2021, \$0 was budgeted and \$0 was spent--expenses were included in the general 'Mailing' budget request.

WHEN: Likely Spring and Fall timeframe

WHERE: NA

WHY: To inform our HLR PO/neighbors

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## WHAT: **Printing and Postal Expenses**

*Budget Category: Administrative, and subcategory Mailings*

Pays for mandatory and optional postage, paper, envelopes, and printing.

**\$50.00** (\$0.37 per Lot)

Costs are based on the rates of \$0.58 for first-class postage, \$0.15 for additional-ounce postage, \$6.95 for return-receipt postage, \$0.03 for printing per page, \$0.02 per sheet of paper, and \$0.06 per envelope. Costs are also based on the volume of reaching 94 owners and 136 lots, plus businesses and agencies as needed. Cost is 1/4 of previous years due to:

- The 2020 buy-down to acquire stamped envelopes in advance. Current supply should last at least through 2024.

- NEC and GDC costs previously included are now requested separately.

- Costs of mailing welcome (disclosure) packages is not included because costs are covered by the disclosure fee.

In 2021, \$550 was budgeted and \$279.48 has been spent.

WHEN: Throughout the year.

WHERE: NA

WHY: Arizona HOA statues mandate that some items be in hard copy and mailed to owners. When not mandated, some items need to be mailed out in hard copy because we do not have email addresses for many members.

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**WHAT: Attorney Subscription / Retainer**

*Budget Category: Services, and subcategory Legal Fees*

Provides unlimited Q&A (15- minute limit per item and no research).

**\$600.00** (\$4.41 per Lot)

Cost has been \$50 per month on an annual contract basis over the past few years. In 2021, \$600 was budgeted and \$600 was spent.

**WHEN:** Normally, the invoice arrives in late summer or early autumn for the next calendar year.

**WHERE:**

**WHY:** Ensures legal advice is available to the association.

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**WHAT: Additional Legal Services**

*Budget Category: Services, and subcategory Legal Fees*

This item pays for additional legal services, such as researched questions, correspondence regarding compliance or collection or other, etc.

**\$900.00** (\$6.62 per Lot)

Cost is based upon the need for three demand letters, using the rates recently charged for demand letters. In 2021, \$500 was budgeted and \$277.50 was spent.

**WHEN:** As needed.

**WHERE:** NA

**WHY:** Past experience indicates we should anticipate a few delinquencies and that some may warrant a demand letter.

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## WHAT: **Foreclosure Processing**

*Budget Category: Services, and subcategory Legal Fees*

The collection agency does not demand payment per action for collection actions, except for pursuing foreclosure. These costs are paid by the association, the cost is levied against the account(s) being foreclosed and are paid back by the owner to stop the foreclosure action; or if the action concludes with foreclosure, the proceeds from the Sheriff's Action will be used to pay back taxes, back assessments and fees, foreclosure costs, and other (external) claims, with any excess going to the foreclosed owner.

**\$3,750.00** (\$27.57 per Lot)

Foreclosure can be approached on a per-action basis where each step of the process accumulates, or on a flat-fee basis.

**WHEN:** After reasonable collection efforts have failed to move the owner to satisfy their obligation and the board specifically determines to foreclose.

**WHERE:** NA

**WHY:** The association has a fiduciary responsibility to all members to ensure all members pay their share of the association's expenses (see attached 'Burden of Delinquency'). Foreclosure provides a means of collecting those obligations that have not been satisfied using less drastic measures.

We can foreclose after one year of delinquency, whereas tax foreclosures require 3 years of delinquency. In past tax foreclosures, we have not been fully successful in collecting all back assessments and fees due to the added time for debts to grow and accumulate.

In many foreclosure actions, the owner is moved to satisfy their account to preclude foreclosure. (Foreclosure sometimes motivates the owner where late fees, interest, liens, and collection letters have failed.)

Foreclosure is a drastic action and therefore the last option in our 'quiver' of measures in seeking satisfaction of debt to the association. The sequence of measures/consequences of delinquency are:

- 1 - Due date reminder (email 15-10 days before due date)
- 2 - Overdue Notice (Letter 10-20 days after due date)
- 3 - Delinquency and Late Fee Notice (Letter 10-20 days after delinquency date (55-65 days after due date))
- 4 - Interest Charge Notice (Letter 146-156 days after delinquency date)
- 5 - Interest Charge Notice (Certified Return-Receipt Letter 237-247 days after delinquency date)
- 6 - Record lien with Cochise County (variable - recommend 7-12 months after delinquency)
- 7 - Last Notice (Certified Return-Receipt Letter variable - recommend 9-12 months after delinquency)
- 8 - Demand Letter (or turn over to collections agency) (30 or more days after #7 above)
- 9 - Recommend collection agency foreclose (variable - recommend 18-27 months after delinquency)



## Burden of Delinquency per Lot

Individual Lot Assessment	Income 8 Non-Payers	Income 6 Non-Payers	Income 4 Non-Payers	Income 2 Non-Payers	Income 0 Non-Payers
\$160	\$9.41	\$7.06	\$4.71	\$2.35	\$0.00
\$165	\$9.71	\$7.28	\$4.85	\$2.43	\$0.00
\$170	\$10.00	\$7.50	\$5.00	\$2.50	\$0.00
\$175	\$10.29	\$7.72	\$5.15	\$2.57	\$0.00
\$180	\$10.59	\$7.94	\$5.29	\$2.65	\$0.00
\$185	\$10.88	\$8.16	\$5.44	\$2.72	\$0.00
\$190	\$11.18	\$8.38	\$5.59	\$2.79	\$0.00
\$195	\$11.47	\$8.60	\$5.74	\$2.87	\$0.00
\$200	\$11.76	\$8.82	\$5.88	\$2.94	\$0.00
\$205	\$12.06	\$9.04	\$6.03	\$3.01	\$0.00
\$210	\$12.35	\$9.26	\$6.18	\$3.09	\$0.00
\$215	\$12.65	\$9.49	\$6.32	\$3.16	\$0.00



## WHAT: **Insurance**

*Budget Category: Services, and subcategory Insurance*

Protects the association from severe and unexpected damage and liability.

**\$1,900.00** (\$13.97 per Lot)

Funds pay for Farm Bureau membership, liability insurance, and litigation insurance as required by our governing documents. The board president conducted a price comparison study and concluded that the existing insurance providers were the most cost effective. In 2021, \$1,850 was budgeted and \$1,764 was spent. Additional \$136 should preclude additional authorization should there be a price increase.

WHEN: Sep-Oct 2022

WHERE: NA

WHY: Mandated by governing documents.

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## WHAT: **Hazard Insurance**

*Budget Category: Common Areas, and subcategory Insurance*

Hazard / Property insurance to repair or replace improvements upon the common areas; specifically the windmill and entry gate.

**\$325.00** (\$2.39 per Lot)

While researching insurance, the board president discovered that hazard insurance should cost 'a couple of hundred dollars' with the actual cost being determined by what is insured (we can specify which improvements to include).

WHEN: ASAP

WHERE: NA

WHY: We have 3 options to plan for damage to the windmill or entry gate:

- Hazard insurance.
- Self insure with the reserve fund.
- Remove the improvement rather than repair or replace.

Hazard insurance would pose a cost of \$2.39 per lot. Self insuring would pass the cost on to the members, either through a series of annual assessment increases or through a special assessment (the estimated cost of replacement is \$110 per lot for the entry gate, \$60 per lot for the windmill, and \$45 per lot for the water tank). Removal costs would depend on whether any of the materials could be sold to defray removal and clean-up expenses.

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**WHAT: Windmill**

*Budget Category: Common Areas, and subcategory Windmill*

\$500 estimate funds needed in 2022 to have the windmill inspected by a trained/qualified individual and repaired. It has been several years since our system was inspected, so very likely it will need attention. Cost above this estimate would require separate approval and com from the reserve fund.

**\$500.00 (\$3.68 per Lot)**

For 2021, \$450 was requested, \$250 was approved, \$0 was spent (as of 15 Oct 2021).

**WHEN:** One time in 2022 plus as needed repairs.

**WHERE:** Common area windmill.

**WHY:** No expectation for work on the windmill. If there is any work required, it should be no more than minor maintenance.

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**WHAT: Caution Signs**

*Budget Category: Common Areas, and subcategory Supplies*

9 more signs matching that already exists at both entrances with horse back rider, drive safely.

**\$711.00** (\$5.23 per Lot)

Est. cost of 79.00 each with plus hardware. Treasure has the original cost. est. cost \$711.00

**WHEN:**

**WHERE:**

**WHY:** The 'SLOW' on this sign may get most drivers on our roads to use caution and watch their speed.

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# Proposed Locations of Additional 'Please Drive Carefully' Signs



Version 1 (23 May 2021)



## WHAT: **Road Grading**

*Budget Category: Common Areas, and subcategory Road Grading*

One full grading augmented by repair grading as needed has replaced the strategy of previous years where the long, medium, and short gradings were used.

**\$11,500.00** (\$84.56 per Lot)

The requested amount pays for one full grading and allows for additional hours and 15% inflation (though the overall inflation rate is 6%, factors such as fuel and vehicles have increased by 51% and 24%, respectively). In 2021, \$14,000 was budgeted and \$12,950 has been spent.

**WHEN:** After the monsoon season.

**WHERE:** All roads and easements within the subdivision.

**WHY:** The condition of the roadways have a significant impact upon both quality of life and property values. Residents and service providers use these roadways daily. The first impressions formed by guests and potential buyers are directly impacted by their initial experience on roadways in the subdivision.

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## WHAT: **Road Repair**

*Budget Category: Common Areas, and subcategory Road Repair*

Road damage is due primarily to water erosion during heavy rains, and secondarily by use, abuse, and other reasons. The current road committee strategy relies on one full grading per year and repairs as needed.

**\$8,800.00** (\$64.71 per Lot)

The requested amount is sufficient to pay for eight repair visits at a rate of \$1,100 per visit (pays for approximately 7 hours of repair work per visit). The number of visits, 8, is based upon a bad-case scenario rather than a worst-case scenario. It includes 6 visits during the monsoon season, 1 visit in late winter at the beginning of the year, and 1 visit during early winter at the end of the year.

If road damage is average or less, then we should have excess funds at the end of the year that can be 'rolled over' to defray repeating the 'bad-case' scenario repair funding for 2023.

If additional funds are needed for repair, then we can assume that rain in 2022 has hit a catastrophic level and we can therefore draw from the reserve fund.

In 2021, \$6,500 was budgeted and \$2,985.48 has been spent.

**WHEN:** As needed, but expected to occur in response to monsoons and winter rains.

**WHERE:** As determined by the road committee.

**WHY:** To have sufficient funds to adequately maintain roadways and easements by repairing damage as needed. The condition of the roadways have a significant impact upon both quality of life and property values. Residents and service providers use these roadways daily. The first impressions formed by guests and potential buyers are directly impacted by their initial experience on roadways in the subdivision.

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## WHAT: Road Damage Prevention

*Budget Category: Common Areas, and subcategory Damage Prevention*

Funds to pay for measures to prevent road damage and diminish long-term costs of road maintenance; to adequately maintain roadways and easements by effecting measures to prevent damage (primarily from water erosion) when such measures are advantageous to the association.

**\$6,350.00 (\$46.69 per Lot)**

Materials, delivery, and earthwork will be the primary costs. In 2021, \$2,000 were budgeted and \$1,284 has been spent.

**WHEN:** Likely before the start of the 2022 Monsoon season (before July).

**WHERE:** As determined by the road committee.

**WHY:** Damage-prevention measures are almost always targeted to specific sections of roadways or easements and are chosen based upon consideration of four factors:

1. Vulnerability to damage. How easily does rain degrade the road section?
  2. Criticality of the roadway. Is the section of the roadway used constantly or rarely? Are there alternative routes available?
  3. Return on investment. The cost of the measure is compared to the expected annual repair costs times the number of years the preventive measure is expected to last.
  4. Availability of funds. Are there budgeted funds available to execute the chosen preventive measure?
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**WHAT: Reserve Fund Addition**

*Budget Category: Common Areas, and subcategory Reserve Fund*

Reserve fund is to repair and/or replace common areas and improvements thereon.

**\$1,000.00** (\$7.35 per Lot)

Requested amount is to restore the fund over time. The current reserve fund amount has not been adjusted since 2014. Inflation since 2014 raises the amount to \$23,190.50.

**WHEN:** NA

**WHERE:** NA

**WHY:** The latest estimate for total repair of the roads and easements is \$24,000 which is very close to the inflated amount.

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## WHAT: **Professional Management Services**

*Budget Category: Administrative, and subcategory Management*

Contract an HOA management company to perform routine and/or select administrative services for the association. This input is a placeholder in lieu of researching actual costs via solicitation of bids or other available information.

**\$3,250.00** (\$23.90 per Lot)

Requested amount is based solely upon reported amount paid to our previous management company, Cadden, plus \$250 for inflation.

WHEN: ASAP

WHERE: NA

WHY: Performance of punitive, disciplinary, and otherwise-negative actions by a management company will remove the neighbor-versus-neighbor aspect of the board executing its responsibilities.

Contracted services would significantly reduce the administrative burdens placed on the secretary and treasurer.

Alleviating board position impositions may remove a discouragement for board participation.

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