

Saddle Ridge Association

Board Member Briefing: Budget & Financial Practices
5-18-25

Overview

Following a review of seven years of Association financial records and budgeting practices, I have identified areas of concern and opportunities for improvement. This document is intended to present solutions, not blame, and to support the Board in strengthening our financial health.

Current Challenges

- **Budget Overages:** Currently **\$109,763 over budget** with two months remaining in the fiscal year.
- **Expense Accounts:** 11 of 26 accounts are over budget, in some cases by as much as **\$40,000**.
- **No Emergency Cushion:** Lack of a dedicated account for unplanned or emergency overages.
- **Reserve Use:** Statutory reserve needs to reflect no capital assets in it's value.
- **Reactive Budgeting:** HOA fee increases used as a patch instead of correcting budgeting practices. These practices need to end this year and fiduciary responsibility enforced for the coming year. Processes and guidance need to be created to guide these spending practices.

Problems & Recommended Fixes

Problem	Recommended Fix
Budget	Adopt a disciplined budgeting process and manage within limits once approved.
No emergency	Establish two reserve accounts: Routine/Budget Emergency and Future Development
Improper reserve use	Increase statutory reserve, not using capital/asset value as a basis. Preserve it strictly for compliance.
Weak bookkeeping	Commission a formal independent audit to review practices and recommend alignment with basic accounting standards in all areas.
Lack of oversight	Form committees to strengthen planning and support: Budget/Finance, Capital Asset Maintenance, Landscaping (including winter maintenance) .

Priority Action

◆ Commission a formal independent audit immediately.

- Provides clarity and credibility.
- Identifies structural weaknesses.
- Offers a roadmap for sustainable change.

Without this step, other changes risk being short-term or ineffective.

Next Steps for the Board

1. Approve commissioning of an **independent audit**.
2. Establish two reserve accounts: **Routine/Budget Emergency** and **Statutory Reserve**.
3. Form the following committees:
 - **Budget/Finance**
 - **Capital Asset Maintenance**
 - **Landscaping (to include winter maintenance)**
4. Begin work on a **disciplined budget process** for the '26 fiscal year with present HOA fee of \$300.00.