Jeff Connors   Treasurer's Report   October 19, 2018

As the Board Treasurer, one of my primary responsibilities is to monitor the activity in the association's various bank accounts to ensure that our cash and investments are handled appropriately. This includes ensuring compliance with all laws, regulations, and policies; which includes our Investment Policy (Resolution 2015-05).

Our primary objective is to minimize the risk of principal loss in our accounts. As such, our investments of cash in excess of our day-to-day operating needs are in United Sates government issues, primarily treasury notes (intermediate maturities) and treasury bills (short term maturities). In addition, we invest in bank Certificate of Deposits (CDs) issued by banks that are covered by FDIC insurance ($250,000 or less) and in Corporate and Municipal bonds with strong favorable ratings. The latter investments provide a bit higher return without an increase in risk.

September 2018 Finance Report, section F12 every month, provides a summary of Cash and Investments by Fund. The total amount as of 9/30/2018 is $23.4 million and reconciles to the Statement of Financial Position (Balance Sheet) (sections F10/F11). On this report you will see $12.9 million or 55% of total cash and investment funds are currently held in US Treasury obligations. There is $2.6 million or 11% of total funds invested in bank certificates of deposit (each bank no more than $250,000). There is $5.9 million or 25% of total invested in corporate and municipal bonds. There are cash equivalent funds of $2.2 million or 9%, which is spread across various banks and brokerages and is utilized to meet the cash liquidity needs of paying vendors and personnel.

With recent volatility in the fixed income securities markets, we have generally invested in the less than three-year term instruments, all within the parameters of our investment policy. We continue to have a diversified portfolio, with instruments 'held to maturity' which guards the investment from prior to maturity market interest rate price volatility impacting our returns.

Specifically, regarding the Development Fund, the Board authorized at the April board meeting to review and consider investment instrument options with greater than three-year maturity levels. This is due to the accumulation of savings in this fund to address the longer-term project of the potential replacement of the Downhill Ski skier services lodge. The greater term of the investments will improve the investment income.

Cash and Investments Summary Report
as of 9/30/2018

	current month	*last month*	*last year - audited*
	9/30/2018	**8/31/2018**	**12/31/2017**
Consolidated TDA Total	23,471,523	24,880,501	22,110,966
Cash/Money Market	2,082,268	1,744,409	1,483,122
Certificates of Deposit	2,589,314	3,339,314	5,089,053
US Treasuries/GovOblig	12,860,569	13,857,636	12,471,136
Bonds, Corporate/Municipals	5,854,071	5,854,091	2,984,604
Other/Trusts	85,301	85,051	83,051
By Fund Balances:			
Operating Fund	5,599,115	6,442,798	6,215,142
Replacement Reserve Fund	12,123,240	12,695,133	11,380,557
Development Fund	5,552,773	5,546,203	4,346,399
New Machinery & Equipment Fund	196,396	196,367	168,867

Replacement Reserve Fund

Investment Description	Yield To Maturity	Maturity Values by # of Months from 09/30/2018: 0 - 3	3.1 - 6	6.1 - 12	12.1 - 24	24.1 - 36	36.1 - 48	48.1 - 60	60.1 - 72	TOTAL 0 - 72	
	wgt avgs										
cash and money market funds	0.2%	1,114,239	-	-	-	-	-	-	-	1,114,239	9%
US Treasuries	1.9%	900,000	2,225,000	2,300,000	300,000	-	-	-	-	5,725,000	47%
Bank Certifictes of Deposit, $250k/, FDIC Insured	1.8%	250,000	750,000	1,000,000	-	-	-	-	-	2,000,000	16%
Municipal Bonds	4.2%	-	65,000	-	405,000	260,000	480,000	345,000	25,000	1,580,000	13%
Corporate Bonds	2.7%	-	-	300,000	217,000	395,000	332,000	443,000	110,000	1,797,000	15%
	2.1%	2,264,239	3,040,000	3,600,000	922,000	655,000	812,000	788,000	135,000	12,216,239	100%
		19%	*25%*	*29%*	*8%*	*5%*	*7%*	*6%*	*1%*	*100%*	
Wght Avg Yield by Maturity Range	2.1%	1.0%	1.9%	1.9%	2.8%	3.6%	3.7%	3.4%	3.6%		

Development Fund

Investment Description	Yield To Maturity	Maturity Values by # of Months from 09/30/2018: 0 - 3	3.1 - 6	6.1 - 12	12.1 - 24	24.1 - 36	36.1 - 48	48.1 - 60	60.1 - 72	TOTAL 0 - 72	
	wgt avgs										
cash and money market funds	0.2%	65,239	-	-	-	-	-	-	-	65,239	1%
US Treasuries	1.7%	300,000	400,000	1,550,000	500,000	-	-	-	-	2,750,000	49%
Bank Certifictes of Deposit, $250k/, FDIC Insured	1.8%	-	-	-	250,000	-	-	-	-	250,000	4%
Municipal Bonds	3.0%	-	-	-	-	150,000	240,000	310,000	50,000	750,000	13%
Corporate Bonds	2.9%	-	-	-	750,000	325,000	75,000	525,000	75,000	1,750,000	31%
	2.2%	365,239	400,000	1,550,000	1,500,000	475,000	315,000	835,000	125,000	5,565,239	100%
		7%	7%	28%	27%	9%	6%	15%	2%	100%	
Wght Avg Yield by Maturity Range	2.2%	1.4%	1.9%	1.5%	2.4%	2.8%	2.9%	3.1%	3.1%		

The consolidated cash and investments balance as of 12/31/2017 (audited) was $22.1 million. The current cash and investments balance as of 9/30/2018 is $23.5 million. This current balance draws down during the shoulder season months of April – June, and again in Oct/Nov operations, as well as, with planned capital expenditures. Cash and investment balance has increased $1,361,000 year to date. A basic reconciliation shows the following changes ($thousands) for the nine months ending YTD 9/30/2018:

8,584	Annual Assessment net cash flow
(3,969)	Operating Fund, Net Operating Loss
(3,410)	Capital Funds Expenditures
(667)	Decrease in current liabilities
562	Decrease in current assets
197	Investment Income/IncTaxes Capital Funds, net
64	Asset Sales, Capital Funds
$1,361	Net Change YTD

Our bank accounts are all established and segregated by specific funds. We regularly mention these funds, so I would like to give you a quick review of them:

1. Operating Fund; this fund accounts for the annual operating revenues and costs of your association. This includes operating our various amenities (public and private) as well as, the traditional homeowner association services to membership. The member's equity balance (like retained earnings of a traditional company) as of 12/31/2017 was $2,291,000 (an audited figure, as 2017 has been audited. The unaudited balance as of 9/30/2018 is now $2,341,000. **An increase of $50,000 which is caused by favorable to budget net operating results of $50,000 / 1% for the nine months year to date ending September 30, 2018.** The winter 1st four months had an unfavorable result, driven primarily due to lack of natural snowfall impacting our winter amenities, with results off budget $150,000 or 11%. The summer 5 months (may-sept) have been favorably strong, with net results up favorably to budget $200,000 or 7%. Upcoming remaining months of the year October and November are relatively benign financially, while December's last 10-15 days are a very weather/snow volatile holiday period. This volatility has been proven to be materially mitigated by our snowmaking investment.

   The $2.3 million members equity balance is $1.1m in excess of policy balance of 10% of budgeted revenues for 2018. Looking forward to 2019 Budget, the balance is currently in excess by $909,000. Today's 10/27/2018 agenda includes and action item to review this excess the management / finance committee recommendation is to transfer $500,000 to the Replacement Reserve Fund in 2018. There are other options that should be discussed as well.

2. Replacement Reserve Fund; this account essentially funds the repair and replacement of our existing assets, from vehicles to computers, to parts of structures, anything which depreciates over time from our use of it. This account also is a source for some of the funds used when we replace buildings. The 12/31/2017 audited balance was $10.2 million. The current balance is $11.5 million and will spend down (as approved, and includes planned Snowbird lift replacement) to a forecasted balance of $9.4 million by year end 2018. This $9.4 million balance is $1.6 million greater than Budget, due primarily to timing between years of various projects, in particular, the Trout Creek Remodel project.

3. New Machinery and Equipment Fund; this account is used for the purchase of new, relatively low-cost, items. The 12/31/2017 audited balance was $100,000. The current balance is $178,000 and will spend down (as approved) to a forecasted balance of $54,000 by year end 2018. Favorable $7,000 to a budgeted ending balance $47,000, due to not utilizing all the contingency expenditure amounts.

4. Development Fund; this fund is used for the acquisition or construction of large, higher cost assets. 2018 is generally a planning year; with Trout Creek expansion costs of $500,000 the largest single project expenditure (which is now forecasted for 2019). The 12/31/2017 audited balance was $3,753,000. The current balance is $5.5 million and will spend down (below as planned) to a forecasted balance of $5.0 million by year end 2018 (budgeted $4.3 million ending balance, the $700,000 variance due to timing between years of project expenditures).
   Section F14 of monthly financials details the capital funds activities of items 2, 3 and 4 above.

5. Property Fund; holds our investment in capital assets and accounts for accumulated depreciation of our assets. The 12/31/2017 audited balance was $40.7 million. The current balance is $41.0 million and with capital asset additions and depreciation charged, the forecasted balance is $41.0 million at year end 2018. Note there is no cash or investments for this Fund.

For more information regarding your association's financials, the 2017 annual report and 2018 budget report, as well as lots of other financial information on your association, are readily accessible on the tahoedonner.com website. http://www.tahoedonner.com/member-area/association-management/financials/
Lastly, I would like to thank the Finance Committee for providing leadership and oversight regarding the financials of the association.

Thank you, Jeff