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TAHOE DONNER ASSOCIATION

Communications with Those Charged With Governance

Submitted by

Gilbert Associates, Inc.

We have audited the financial statements of Tahoe Donner Association (the Association) for the year ended December 31, 2017. We are providing the Association's Board of Directors with information regarding the scope and results of the audit to assist the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board and management of the Association and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

March 19, 2018

Gilbert Associates, Inc.
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RESPONSIBILITIES AND OPINION

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) The financial statements are the responsibility of management. As stated in our engagement letter, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of their responsibilities. As part of our audit, we considered the internal control of the Association. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.	We issued an unmodified opinion on the financial statements of the Association for the year ended December 31, 2017.
Supplementary Information With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements.	The supplementary information on Future Major Repairs and Replacements is not part of the basic financial statements, but is required by generally accepted accounting principles, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INTERACTIONS WITH MANAGEMENT

Management Consultations with Other Independent Accountants In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
Disagreements with Management For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.	We are pleased to report that no such disagreements arose during the course of our audit.
Management Representations	We have requested certain representations from management that are included in their letter to us.
Difficulties Encountered in Performing the Audit	We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and cooperative.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.	The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Management Judgments and Accounting Estimates Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.	We considered the methodologies and judgments used in assessing the collectability of accounts receivable and selection of useful lives of property and equipment. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statement disclosures are neutral, consistent and clear.

RESULTS OF THE AUDIT

Planned Scope and Timing of the Audit	We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.
Other Audit Findings or Issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Significant Adjustments or Disclosures Not Reflected in the Financial Statements Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	No significant adjustments or omitted disclosures were identified during our audit.

TAHOE DONNER ASSOCIATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016

Gilbert Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tahoe Donner Association
Truckee, California

We have audited the accompanying financial statements of Tahoe Donner Association (Association), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in members' equity, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Donner Association as of December 31, 2017 and 2016, and the changes in its members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by generally accepted accounting principles, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

March 19, 2018

TAHOE DONNER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
ASSETS:							
Cash	$ 812,527					$ 812,527	$ 1,304,203
Cash, designated and restricted	345,396	$ 281,959	$ 68,867	$ 57,600		753,822	517,133
Investments	5,057,220					5,057,220	6,570,883
Investments, designated and restricted		11,098,598	100,000	4,288,799		15,487,397	10,196,207
Assessments and other member receivables, net of allowance for doubtful accounts of $81,135 in 2017 and $96,388 in 2016	243,407					243,407	289,148
Other receivables	111,779	179,523	375	9,640		301,317	128,842
Inventory	346,432					346,432	335,337
Prepaid expenses and other assets	575,053					575,053	687,119
Due from (to) other funds	(138,138)	130,105	11,277	(3,244)			
Net property and equipment					$ 40,722,132	40,722,132	41,006,180
TOTAL ASSETS	$ 7,353,676	$ 11,690,185	$ 180,519	$ 4,352,795	$ 40,722,132	$ 64,299,307	$ 61,035,052
LIABILITIES AND MEMBERS' EQUITY:							
Accounts payable	$ 444,397	$ 224,438	$ 5,868	$ 5,549		$ 680,252	$ 742,992
Deferred revenues	3,047,576	1,224,764	74,228	593,825		4,940,393	4,894,302
Deposits from members	232,316					232,316	215,246
Accrued liabilities	1,337,825	2,672		408		1,340,905	1,294,547
TOTAL LIABILITIES	5,062,114	1,451,874	80,096	599,782		7,193,866	7,147,087
MEMBERS' EQUITY	2,291,562	10,238,311	100,423	3,753,013	$ 40,722,132	57,105,441	53,887,965
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,353,676	$ 11,690,185	$ 180,519	$ 4,352,795	$ 40,722,132	$ 64,299,307	$ 61,035,052

The accompanying notes are an integral part of these financial statements.

TAHOE DONNER ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2017 AND 2016

	OPERATIONS		
	Amenities	Homeowners' Association	Total Operating Fund
OPERATING REVENUES:			
Access and use fees	$ 4,887,280		$ 4,887,280
Retail sales	4,720,197		4,720,197
Lessons and rental revenue	2,446,622		2,446,622
Other revenues	374,947	$ 637,074	1,012,021
Interest income		50,433	50,433
Gross operating revenues	12,429,046	687,507	13,116,553
Cost of goods sold	(1,634,609)		(1,634,609)
Net operating revenues	10,794,437	687,507	11,481,944
OPERATING EXPENSES:			
Salaries and wages	5,657,073	3,531,706	9,188,779
Payroll taxes and employee benefits	1,647,793	885,698	2,533,491
Supplies and maintenance	1,139,700	514,333	1,654,033
Utilities	606,900	250,546	857,446
Other employee expenses	276,681	170,347	447,028
Insurance	287,200	145,335	432,535
Income tax expense		665	665
Other expenses	649,193	841,623	1,490,816
Total operating expenses	10,264,540	6,340,253	16,604,793
NET OPERATING INCOME (LOSS)	529,897	(5,652,746)	(5,122,849)
CAPITAL ACTIVITIES:			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
ASSESSMENTS:			
Assessment revenues		6,310,700	6,310,700
INCREASE (DECREASE) IN MEMBERS' EQUITY	$ 529,897	$ 657,954	1,187,851
TRANSFERS BETWEEN FUNDS			(3,300,000)
MEMBERS' EQUITY, December 31, 2016			4,403,711
MEMBERS' EQUITY, December 31, 2017			$ 2,291,562

The accompanying notes are an integral part of these financial statements.

TAHOE DONNER ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2017 AND 2016

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
				$ 4,887,280	$ 4,767,825
				4,720,197	4,522,519
				2,446,622	2,448,610
				1,012,021	1,007,560
$ 137,726	$ 848	$ 26,848		215,855	84,589
137,726	848	26,848		13,281,975	12,831,103
				(1,634,609)	(1,552,910)
137,726	848	26,848		11,647,366	11,278,193
				9,188,779	8,703,131
				2,533,491	2,413,444
				1,654,033	1,700,232
				857,446	851,321
				447,028	301,557
				432,535	412,453
15,563		2,373		18,601	39,450
(610)		2,599		1,492,805	1,326,416
14,953		4,972		16,624,718	15,748,004
122,773	848	21,876		(4,977,352)	(4,469,811)
(2,170,731)	(170,213)	(509,915)	$ 2,850,859		
34,880			(16,616)	18,264	28,632
(1,003,845)				(1,003,845)	(514,652)
			(3,118,291)	(3,118,291)	(2,971,289)
(3,139,696)	(170,213)	(509,915)	(284,048)	(4,103,872)	(3,457,309)
3,852,000	194,000	1,942,000		12,298,700	12,299,045
835,077	24,635	1,453,961	(284,048)	3,217,476	4,371,925
1,500,000		1,800,000			
7,903,234	75,788	499,052	41,006,180	53,887,965	49,516,040
$10,238,311	$ 100,423	$ 3,753,013	$ 40,722,132	$ 57,105,441	$ 53,887,965

The accompanying notes are an integral part of these financial statements.

TAHOE DONNER ASSOCIATION

STATEMENTS OF CASH FLOWS (page 1 of 2)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	$ 1,187,851	$ 835,077	$ 24,635	$ 1,453,961	$ (284,048)	$ 3,217,476	$ 4,371,925
Reconciliation to net cash provided by operating activities:							
Depreciation expense					3,118,291	3,118,291	2,971,289
Capital additions and transfers		2,170,731	170,213	509,915	(2,850,859)		
(Gain) loss on sale or disposal of property and equipment		(34,880)			16,616	(18,264)	(28,632)
Changes in:							
Assessments receivable	45,741					45,741	19,981
Other receivables	4,480	(168,168)	(375)	(8,412)		(172,475)	(34,744)
Inventory	(11,095)					(11,095)	(23,050)
Prepaid expenses and other assets	112,066					112,066	66,090
Due from (to) other funds	(16,608)	5,547	(6,141)	17,202			
Accounts payable	(18,635)	(26,898)	(13,767)	(3,440)		(62,740)	311,756
Deferred revenues	(53,015)	70,971	16,054	12,081		46,091	148,279
Deposits from members	17,070					17,070	(13,594)
Accrued liabilities	46,978	2,672		(3,292)		46,358	131,574
Net cash provided by operating activities	1,314,833	2,855,052	190,619	1,978,015		6,338,519	7,920,874

TAHOE DONNER ASSOCIATION

STATEMENTS OF CASH FLOWS (page 2 of 2)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(2,170,731)	(170,213)	(509,915)		(2,850,859)	(3,546,225)
Proceeds from sale of property and equipment		34,880				34,880	40,637
Purchases of investments	(8,138,851)	(11,302,020)	(164)	(4,291,685)		(23,732,720)	(30,479,132)
Proceeds from sale of investments	9,652,514	9,250,057		1,052,622		19,955,193	26,559,289
Net cash provided (used) by investing activities	1,513,663	(4,187,814)	(170,377)	(3,748,978)		(6,593,506)	(7,425,431)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Transfers between funds	(3,300,000)	1,500,000		1,800,000			
NET INCREASE (DECREASE) IN CASH	(471,504)	167,238	20,242	29,037		(254,987)	495,443
CASH, Beginning of Year	1,629,427	114,721	48,625	28,563		1,821,336	1,325,893
CASH, End of Year	$ 1,157,923	$ 281,959	$ 68,867	$ 57,600	$	$ 1,566,349	$ 1,821,336
OTHER CASH FLOW INFORMATION:							
Income taxes paid	$ 9,320	$ 32,536	$	$ 4,961	$	$ 46,817	$ 39,450

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Tahoe Donner Association (Association) is a California nonprofit mutual benefit corporation. The Association's members own the 6,473 membership properties within the Tahoe Donner subdivision in Truckee, California. The Association was organized to provide management services and maintenance of certain common areas owned by the Association. A significant portion of revenue is derived from the assessment of member dues.

The Association operates and maintains facilities, which include a golf course and pro shop, restaurant, downhill ski area, clubhouse, Nordic ski area, beach and marina area, equestrian center, campground, tennis facilities, recreation complex, pools and parks. Revenues are derived from member and non-member usage of these facilities.

The Association's Board of Directors is comprised of five members elected to serve three-year terms by a vote of the members. The Board of Directors governs in accordance with the Association's bylaws and declaration of covenants and restrictions. The Board of Directors establishes members' dues and user fees, and has the ability to enter into long-term contracts. Along with other actions, closing an Association amenity (as defined by the governing documents) requires a vote of the members.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – Used to account for financial resources available for the general operations of the Association.

Replacement Reserve Fund – Used to account for financial resources designated for the repair, restoration, replacement or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the replacement reserve fund was established.

New Machinery & Equipment Fund – Used to account for financial resources designated for the purchase of new machinery, equipment, furnishings and fixtures.

Development Fund – Used to account for financial resources designated for use in the acquisition and enhancement of facilities, equipment and other resources.

Property Fund – Used to account for the Association's investment in its common property and equipment, and other Association real property.

Assessment revenue – Association members are subject to annual dues to provide funds for the Association's operating expenses, major repairs and replacements, development and purchase of new machinery and equipment. Assessment revenue is recognized in the assessment period. Assessments received in advance are deferred until earned. The Association has the right to suspend certain membership rights and pursue collection through foreclosure action. Bad debts are recognized when an account's collectability is uncertain.

Access and use fee revenues – Daily fees are charged for access to and use of Association amenities. As an alternate to daily fees, the Association sells recreation passes to members that entitle them to use of various amenities. Revenues from these sales are allocated to the various amenities based upon recreation pass usage.

Cash consists of cash on hand, demand deposits at banks and money market funds.

The Association minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash.

Investments consist of debt securities and certificates of deposits, which are carried at amortized cost as the Association has the positive intent and ability to hold all debt securities and certificates of deposit until maturity.

Inventories consist of food and retail goods and are stated at the lower of average cost or market.

Property and equipment of the Association includes certain facilities and land contributed by Dart in prior years. These assets are reflected in the accounts at the developers' cost basis. Purchases are stated at cost. The Association capitalizes all expenditures for property and equipment in excess of $2,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 3 to 60 years. These assets are recorded directly in the property fund.

Approximately 3,000 acres of undeveloped non-common area real property owned by the Association is controlled by the Association's declaration of covenants and restrictions, and bylaws.

Interest income is allocated to the operating, replacement and reserve, new machinery and equipment and development funds in proportion to the interest-bearing assets of each fund.

Deferred revenue represents funds received for assessments and recreation passes during the current year, which are applicable to the following year.

Income taxes – The Association is generally exempt from federal income taxes under Internal Revenue Code 501(c)(4). For California purposes, the Association is taxed as a regular corporation. As a membership organization, the Association is generally taxed only on non-member income, such as advertising revenue and golf and ski ticket sales to the public, at regular federal corporate tax rates. The Association has applied the accounting principles related to the accounting for uncertainty in income taxes and has determined there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2013.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events have been evaluated through March 19, 2018, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

3. CASH AND INVESTMENTS

At December 31, the Association's cash and investments consisted of undesignated, designated and restricted accounts as follows:

	2017	2016
Replacement reserve fund - designated	$ 11,380,557	$ 9,161,356
Development fund - designated	4,346,399	1,078,299
New machinery and equipment fund - designated	168,867	148,461
Operating fund - undesignated and unrestricted	5,869,747	7,875,086
Operating fund – Trust – restricted (note 7)	110,257	109,983
Operating fund - Architectural standards deposits - restricted (note 5)	235,139	215,241
Total	$ 22,110,966	$ 18,588,426

Board designated funds in the replacement reserve fund cannot be expended for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the replacement reserve fund was established as mandated by state law.

Designated funds in the development fund are controlled by board-adopted policy that affords the board discretion in expenditure, except where member approval is required in connection with the intended project.

Since the Association has the positive intent and ability to hold investments until maturity, they are carried at amortized costs determined by specific identification. Unrecognized holding gains and losses are deemed immaterial.

Investments at December 31, 2017 mature as follows:

Investment	**Within 1 Year**	**1-5 Years**	**Total**
U.S. Treasury	$ 7,809,254	$ 4,683,530	$ 12,492,784
Certificates of deposit	3,995,852	1,106,451	5,102,303
Municipal bonds		1,477,910	1,477,910
Corporate bonds		1,471,620	1,471,620
Total	$ 11,805,106	$ 8,739,511	$ 20,544,617

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	**2016**
Buildings	$ 32,025,984	$ 31,674,341
Fixtures and facility improvements	16,338,817	15,563,456
Equipment	17,817,425	16,861,330
Land and land improvements	9,239,805	9,239,805
Furnishings	921,019	888,694
Total	76,343,050	74,227,626
Less accumulated depreciation	(35,663,909)	(33,357,975)
	40,679,141	40,869,651
Construction in progress	42,991	136,529
Total	$ 40,722,132	$ 41,006,180

5. DEPOSITS FROM MEMBERS

The deposits held by the Association are primarily security deposits from members for the construction of residential real property. The deposits are used to ensure that construction is completed in accordance with the guidelines established by the Association's Architectural Standards Committee. The funds are deposited in a separate trust account and are refundable upon satisfactory completion of construction.

6. REPLACEMENT RESERVE FUND

The Association's policy is to maintain replacement funding levels sufficient to pay for capital replacements, refurbishments and repairs. Replacement funding levels, as determined by a study updated in 2017, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues, to levy special assessments, or modify and adjust the scheduled major repairs and replacements as necessary.

7. RETIREMENT PLANS

The Association maintains a salary savings plan for all eligible employees. The Association matches 50% of the first 6% of the participant's contribution. Matching contributions are 20% vested after the third year of service and vest at the rate of 20% per year thereafter. Matching contributions expense was $88,685 and $94,018 for 2017 and 2016, respectively.

The Association maintains two defined contribution plans which qualify under Section 457(b) and Section 457(f) of the Internal Revenue Code, respectively (the 457 Plans). The 457 Plans allow for additional Association contributions and salary deferrals subject to limitations for eligible executive employees. Contributions to the 457 Plans funds are considered deferred compensation until certain future date conditions are met. The Association's contribution to the 457 Plans was $51,548 and $50,738 for the years ended December 31, 2017 and 2016, respectively.

8. OPERATING LEASE OBLIGATIONS

The Association has non-cancelable operating leases for copiers, land usage and computer equipment. Rental expense under all operating leases was $116,709 and $198,034 for 2017 and 2016, respectively. Future minimum lease payments under these leases are as follows:

Year ending December 31:	
2018	$ 42,880
2019	35,230
2020	18,297
2021	5,752
2022	5,752
Thereafter	1,917
Total	$ 109,828

TAHOE DONNER ASSOCIATION

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

DECEMBER 31, 2017 (UNAUDITED)

In accordance with state law and sound business practices it is the policy of the Association to fund a reserve program that will adequately provide for repair and replacement of existing Association-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding needs. The Association updated its study in 2017 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on estimates from consultants, management, contractors and historical costs. Estimated current replacement costs take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The Association does not designate the balance in the replacement reserve fund by component. The total available for major repairs and replacements at December 31, 2017, was $10,238,000. The 2018 lot assessments include $4,013,000 to be allocated to the replacement fund.

The Association has not included the replacement of building structures as a component of the replacement study. These structures generally have an estimated useful life greater than 30 years. The Association is accumulating funds in the Development Fund for building replacement.

The following table is based on the study and presents significant information about the components of common property for which funds are being set aside.

Component Group	Range of Remaining Lives (Years)	Estimated Life After Replacement (Years)	Current Replacement Costs
Trout Creek, pools & recreation	0-30	1-30	$ 5,142,305
Marina	0-30	1-30	1,213,054
Tennis complex	0-30	1-30	1,822,234
Downhill ski area	0-30	1-30	9,206,992
Cross country ski area	0-30	1-30	3,973,751
Equestrian	0-30	1-30	804,209
Golf complex	0-30	1-30	10,795,888
Campground	0-30	1-30	613,962
The Lodge	0-30	1-30	3,560,927
Pizza On the Hill	0-30	1-30	458,578
Administration/MIS	0-30	1-30	5,140,083
Forestry	0-30	1-30	1,064,168
General & building maintenance	0-30	1-30	3,988,496
Trails	0-30	1-30	1,523,575
Vehicle maintenance	0-30	1-30	1,531,467
Bikeworks	0-30	1-30	30,473
Total			$ 50,870,162