

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 States 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). The latter investments provide a bit higher return without an increase in risk.

The consolidated cash and investments balance as of 12/31/2017 (audited) was \$22.1 million. The current cash and investments balance as of 3/31/2018 is \$28.8 million. This current balance draws down during the shoulder season months of April – June, and again in November operations, as well as, with planned reserve capital expenditures.

Page 34 of the March 2018 Finance Report (section F12 every month) provides a summary of Cash and Investments by Fund. On this report you will see \$17.2 million or 60% of total cash and investment funds are currently held in US Treasury obligations. There is \$5.3 million or 19% of total funds invested in bank certificates of deposit (each bank no more than \$250,000). In Replacement Reserves, there is \$3.3 million or 11% of total invested in corporate and municipal bonds. There are cash equivalent funds of \$1.9 million which is spread across various banks and brokerages. This balance exceeds typical cash liquidity needs due to a maturity of several Treasury holdings in late March which was re-invested in early April.

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.

Our bank accounts are all linked to our various 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 (similar to retained earnings of a traditional company) as of 12/31/2017 was \$2,292,000 (an audited figure, as 2017 has been audited. The unaudited balance as of 3/31/2018 is now \$1,947,000. A decrease of \$345,000 which is caused by unfavorable to budget net operating results of \$345,000 for the 1<sup>st</sup> three months year to date ending March 31, 2018. The unfavorable results were driven primarily due to lack of natural snowfall impacting our winter amenities in January and February. March was favorable \$229,000 and preliminary results for April are indicating favorable \$125,000+ results.
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 \$13.8 million and will spend down (as approved, and

includes planned Snowbird lift replacement) to a forecasted balance of \$7.5 million by year end 2018.

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 \$259,000 and will spend down (as approved) to a forecasted balance of \$50,000 by year end 2018.
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. Other planned expenditures include Downhill Ski Area building replacement planning/soft costs \$200,000 and Equestrian Phase 3 project costs of \$200,000. The 12/31/2017 audited balance was \$3,753,000. The current balance is \$5.7 million and will spend down (as planned) to a forecasted balance of \$4.3 million by year end 2018.
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 \$40.4 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.

Lastly, soon we begin the strategic planning for the 2019 Budget cycle underway. We held the 2018 annual assessment flat, for the 3<sup>rd</sup> year in a row at \$1900; while achieving a balanced budget without impacting service levels. Currently one half of the assessment funds the aging capital investment needs of your association. The other half of the assessment funds the operating revenue shortfall to operating costs. This latter half will be pressured with the California minimum wage going up \$1.00 or 9% on 1/1/2019, as we are major area employer of a seasonal workforce.

For more information, 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 for listening! Jeff