



**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS**

GENERAL RESOLUTION 2014-1

FINANCIAL PLANNING, BUDGETING, AND REPORTING

WHEREAS, Tahoe Donner Association is legally required to comply with the Davis-Stirling Common Interest Development Act, which is commonly referred to as Davis-Stirling; and,

WHEREAS, Davis-Stirling requires that common interest developments prepare and distribute financial information to all of its Members that includes the association's estimated revenue and expenses on an accrual basis and a summary of the association's reserves and plan for funding the future maintenance, repair, restoration, or replacement of major common area components¹,

WHEREAS, Tahoe Donner Association shall regularly prepare and distribute to each member an annual budget and financial statements that includes a pro forma operating budget, a year-end report, an annual statement regarding delinquency/foreclosure policy, and a regular review of reserve accounts²; and,

WHEREAS, the following Policy constitutes the Financial Planning, Budgeting, and Reporting Policy of Tahoe Donner Association and supersedes Resolution 98-6 – Financial Planning and Budget Development Procedures;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Financial Planning, Budgeting, and Reporting Policy:

PURPOSE

The purpose of the Financial Planning, Budgeting, and Reporting Policy is to establish the process for planning and the preparation and approval of the Association's Annual Budget, which includes the Operating Fund, Replacement Reserve Fund, Development Fund, and New Machinery and Equipment Fund in a timely and effective manner, and to provide for the regular analysis and reporting of the utilization of the

¹ Davis-Stirling Common Interest Development Act, Chapter 5, Article 2, Section 1365(a)

² Restated Bylaws of Tahoe Donner Association, Article XII, Section 5

Association's funds. This process takes into account the Association's Strategic Plan, General Plan, Capital Funds Projection, current operational requirements and other Board specified considerations.

RESPONSIBILITY & AUTHORITY

It is the goal of the Association to:

- Establish and maintain a Strategic Plan, General Plan, and Capital Funds Projection to provide context and support for the Association's financial planning, budgeting, and reporting processes as well as addressing the long-range capital requirements necessary to maintain each Owner's investment.
- Establish and maintain a budget development process with financial planning, analysis, and reporting tools, that meet the ongoing financial management needs of the organization taking into consideration annual operational needs, future long-range capital requirements, and the resultant financial impacts on Owners.
- Achieve predictable annual assessments to manage the impact of year-to-year variances in operating fund and capital fund requirements, mitigating the need for special assessments.

The Board of Directors and the General Manager, to the extent authorized by the Board of Directors, have the full authority and responsibility to administer the Financial Planning, Budgeting, and Reporting Policy in accordance with the terms and provisions contained herein. The Board of Directors has the authority to allow for specific exceptions to the stated parameters or restrictions, except those mandated by statute or those limited by the Governing Documents.

IMPLEMENTATION

The Board, working with the General Manager, establishes a Strategic Plan that articulates the long-range strategic direction and operating guidance for the Association.

The Board works with the General Plan Committee, to establish a General Plan, including annual updates, that define capital improvement projects and priorities, and works with the Finance Committee to develop financial guidance for operations and capital funding.

The General Manager formulates annual operating plans and budgets that meet established goals and objectives and to comply with the financial and operational requirements of the Association, including those required for capital projects.

These requirements are achieved through the Financial Planning, Budgeting, and Reporting Procedures as outlined in this Policy (see Appendices A & B).

The attached Timeline of Key Activities, Milestones and Reporting Requirements (Appendix A) and Definition of Terms and Procedures (Appendix B) identify and describe specific time-phased events and decision points to be achieved in a critical path sequence to ensure compliance with state law and the Association's Governing Documents and Policies with regard to planning, budgeting, management, and reporting of the following funds:

Operating Fund³: Includes the estimated revenue and expenses of each amenity and support department that are funded by the Operating Fund portion of the annual assessment. Pursuant to Board direction, estimates may be made on the basis of comparisons to prior years with similar, reduced, or enhanced service levels and corresponding assessment and access fees.

Replacement Reserve Fund⁴: Includes the revenue and expense allocations to the Replacement Reserve Fund based upon the annual Replacement Reserve Study and Funding Plan to provide the financial resources for the repair, restoration, replacement or maintenance of existing major common area components, exclusive of structure replacement.

Development Fund⁵: Includes the revenue and expense allocations to the Development Fund to finance capital improvement projects; including real estate acquisitions, building upgrades and additions, and building replacements that do not qualify for funding from the Replacement Reserve Fund.

New Machinery and Equipment Fund⁶: Includes the revenue and expense allocations to the New Machinery and Equipment Fund used to acquire new capital assets identified as necessary for more efficient operations, or to provide new programs, activities, and services to Members.

REPORTING

Financial statements and related information for the Association are prepared and distributed to each Member of the Association as required by the Governing Documents.⁷ The results of the Association's annual financial planning and budgeting process are reported to Association Members as part of the Association's Annual Budget Report. An accounting of the actual financial results of the Association is reported annually to Association Members as part of the Association's year-end Annual Report.

³ Board Resolution 2013-4, Operating Fund Policy, and subsequent revisions, if any

⁴ Board Resolution 2013-03, Replacement Reserve Fund Policy, and subsequent revisions, if any

⁵ Board Resolution 2012-1, Development Fund Policy, and subsequent revisions, if any

⁶ Board Resolution 2012-5, New Machinery and Equipment Fund Policy, and subsequent revisions, if any

⁷ Restated Bylaws of Tahoe Donner Association, Article XII, Section 5, and subsequent revisions, if any

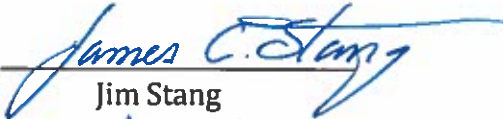
APPROVAL

Approval of the Financial Planning, Budgeting, and Reporting Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, after a full reading of the policy in open session, with reasonable time allowed for property owner comment.

ACCEPTED AND DATED: Feb 22, 2014



Tom Johns
President



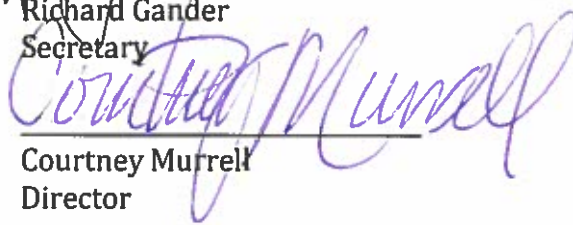
Jim Stang
Vice President



Richard Gander
Secretary



Steve Miller
Treasurer



Courtney Murrell
Director

Financial Planning, Budgeting, and Reporting Policy, Resolution 2014-]
Appendix A - Timeline of Key Activities, Milestones, and Decisions.

| | Board | Committee | Management | Comments |
|-----------|--|--|---|--|
| January | | Budget Report Highlights (GPC) General Plan Update Draft (GPC) Year-End Financials Snap Shot (FC) | Capital Funds Projection Q4 and Project Status/Priorities Update - Develop | Management updates Capital Funds Projection, capital project status, and capital project priorities for discussion with GPC, FC, and Board quarterly (1) |
| February | Capital Funds Projection Q4 and Project Status/Priorities (Discussion) | General Plan Update Draft and Capital Project Status/Priorities (GPC) Capital Funds Projection Q4 (GPC/FC) Year-End Financial Statements (FC) | Annual Audit | Independent auditors work with DF&A and accounting staff to conduct annual audit. |
| March | Annual Audit Report Review and Approve (Action) General Plan Update and Capital Project Workshop (Action) | General Plan Update Final (GPC) Annual Audit Report Review (FC) General Plan Update and Capital Project Workshop with Board (GPC/FC) | Year-End Financial Statements and Annual Audit Report | Independent auditors meet with FC and Board to present the Annual Audit Report. Conduct capital projects Workshop with Board, FC, and GPC. |
| April | Annual Report Draft (Review) | Annual Report Draft - Review (FC) | Capital Funds Projection Q1 and Project Status/Priorities Update - Develop Annual Report - Develop | Management updates Capital Funds Projection and capital projects plan based on Board approved workshop results. DF&A develops Annual Report for review with FC and Board (2) |
| May | Capital Funds Projection Q1 and Project Status/Priorities (Discussion) | Capital Funds Projection Q1 (GPC/FC) Capital Project Status/Priorities (GPC) | Annual Report - Publish (2) | DF&A prepares final version of Annual Report for mailing to Members (2) |
| June | | Annual Report Highlights (GPC) Financial Policies - Review (FC) | | Annual Elections are held in June of each year. |
| July | Strategic Plan & Budget Guidance Draft (Discussion) | Strategic Plan & Budget Guidance Draft (FC) | Capital Funds Projection Q2 and Project Status/Priorities Update - Develop Strategic Plan Update & Budget Guidance Draft - Develop | Management develops draft Strategic Plan & Budget Guidance presentation for review with FC and Board |
| August | Capital Funds Projection Q2 and Project Status/Priorities (Discussion) Strategic Budget Guidance Final (Action) | Capital Funds Projection Q2 (GPC/FC) Capital Project Status/Priorities (GPC) Reserve Study Review Draft (FC) Strategic Budget Guidance Final (FC) | Reserve Study Update Draft (3) Operating Plans and Budget Drivers Formulated/Detailed by Dept | Management incorporates Strategic Plan & Budget Guidance from Board/FC to initiate annual operational planning and budgeting process. Management prepares and reviews draft Reserve Study with FC (3) |
| September | Reserve Study Review (Workshop) Budget Review Draft (Workshop) | Operating Budget Draft Review (FC) RRF Financial Analysis and Funding Scenarios (FC) Budget Workshops (FC/GPC) | Operating Budget Draft & Rates Completed by 9/10 | Management develops final Reserve Study, funding scenarios, and draft operating budgets for workshops with Board, FC, and GPC reps. Management presents updated draft operating and draft capital budgets at regular Board meeting. |
| October | Final Budget Review (Workshop) Final Budget (Approval) by 21st Annual Budget Report (Review) | Capital Funds Projection Q3 (GPC/FC) Final Budget Review (FC) Final Budget Workshop (FC/GPC) Annual Budget Report Draft (FC) | Capital Funds Projection Q3 and Project Status/Priorities Update - Develop Annual Budget Report - Develop Detail Budgets Completed by 10/31 | Final capital budgets and annual assessment requirements are developed based on month-end September activity, fund balances, and year-end forecasts. Review final budgets with FC and GPC. Budget Approval by Board includes Annual Assessment, Revenues, Expenditures (all funds), and Rates. DF&A develops Annual Budget Report. |
| November | Final Budget and Annual Assessment Update (Discussion) Capital Funds Projection Q3 and Project Status/Priorities (Discussion) | Capital Funds Projection Q3 (GPC/FC) Capital Project Status/Priorities (GPC) Final Budget Update (FC) Annual Budget Report Final (FC) | Annual Budget Report - Final Annual Assessment Invoice Mailing (4) | Management prepares and mails Annual Assessment letters and invoices to Members (4). DF&A prepares final version of Annual Budget Report for mailing to Members (5). |
| December | | Annual Budget Report Highlights (GPC) | Annual Budget Report - Publish (5) Budget Spread Monthly to G L and Daily Spreads to Flash by 12/31 | |

- (1) Management develops updated Capital Funds Projection, capital project status report, and capital project priorities for discussion with GPC, FC, and Board quarterly.
(2) Annual Report is included as insert in May issue of TDNews (official communication tool) and must be postmarked no later than May 1, each year.
(3) Reserve Study is updated every year, throughout the year, with a complete physical inventory of all components conducted every 3 years.
(4) Annual Assessment Mailing to 6471 units, includes AA Invoice and Letter summarizing Budget. Must be mailed no more than 45 days, and no less than 30, before year-end.
(5) Annual Budget Report is included as insert in December issue of TDNews (official communication tool) and must be postmarked no later than December 1, each year.

APPENDIX B – Definition of Terms and Procedures

TIMELINE

The Timeline of Key Activities, Milestones, and Reporting Requirements (Appendix A) follows the natural business cycle of the Association's Jan – Dec calendar/fiscal year, and dovetails all the elements of the process with the Board, Management, the Finance Committee (FC), and the General Plan Committee (GPC).

DEFINITION OF TERMS AND PROCEDURES

This Appendix defines the terms and defines the processes and procedures called for in the Timeline. At the core are the policies resolutions for the Operating Fund, Development Fund, Replacement Reserve Fund, and New Machinery & Equipment Fund, each of which contains their own requirements, and which govern their role and function. The following are the terms referred to in this Policy and its Procedures.

Governing Documents: Governing Documents provide the structure within which the Board can govern effectively, guide the Board's decision-making process, and support Association operations and planning. A partial listing includes: First Restated Declaration of Covenants and Restrictions of Tahoe Donner (C&Rs), Restated Bylaws of Tahoe Donner Association (Bylaws), Articles of Incorporation of Tahoe Donner, as amended (Articles of Incorporation); as well as many other Association resolutions, rules, policies, procedures, and covenants.

Strategic Plan:

The Strategic Plan is developed by the Board and the General Manager, with input as needed from key committees, including the FC and the GPC. The Strategic Plan describes the Association's Mission, Vision, Values, and Goals, which are updated every 3 – 5 years, as required. Each year, the General Manager reports on progress against the Strategic Plan and works with the Board, the FC, and the GPC to develop guidance for development of operating plans, capital improvement projects, and budgets.

Annual Audit and Annual Report:

Based on the year-end close of the financial accounting system, and the production of year-end financial statements by the Director of Finance and Accounting (DF&A), the Association engages a licensee of the California State Board of Accountancy to conduct an Annual Audit. The audit usually begins near the end of January and is concluded by the middle of March. The draft Audit Report is reviewed by the FC and then, following any final changes or adjustments, the Audit Report is presented to the Board for review and approval.

Following completion of the year-end close, and the issuance of the Audit Report, which is approved by the Board, the DF&A prepares the Annual Report to Association

Members, which is reviewed by the FC and the Board. This report is then published in the May issue of TD News, to be post marked no later that May, each year.

The year-end closing also provides financial and analytical information needed to assess the operating performance and the status of the all funds of the Association, establishing beginning balances for the coming year.

Replacement Reserve Fund:

The Replacement Reserve Fund (RRF), which is based on the Association's Reserve Study, is a reserve account used to finance the repair, restoration, replacement or maintenance of existing major common area components, exclusive of structure replacement.

The RRF is used in conjunction with and in addition to the reserves provided by the Development Fund to plan and execute capital improvement projects approved by the Board.

The RRF is incorporated into the Association's Capital Funds Projection, which accounts for all capital improvement projects that require funding.

Development Fund:

The Development Fund (DF) is a reserve account used to finance capital improvement projects; including real estate acquisitions, building upgrades and additions, and building replacements that do not qualify for funding from the RRF.

The DF is used in conjunction with and in addition to the reserves provided by the RRF to plan and execute capital improvement projects identified in the General Plan and derived from other sources approved by the Board.

General Plan:

The Board has charged the GPC to work together with Management, Association Members, the FC, and the Board, to develop a General Plan (GP) that identifies capital improvement projects to address the present and future needs of the Association. The GP, which is updated annually, defines, prioritizes, and estimates capital improvement projects annually and in 5-year segments, over a 20-year planning horizon. The GP, and any updates, are reviewed and approved by the Board. Additionally, capital improvement projects not included in the GP may be recommended and designated by the Board each year.

Capital Funds Projection:

The Capital Funds Projection (CFP) lists and accounts for all capital improvement projects identified by the GPC, Management, and the Board that require funding.

Capital improvement projects include all Development Fund projects and designated Replacement Reserve Fund components that may be incorporated into a Development Fund project or have high financial or Member impact.

The CFP covers a 20-year planning horizon in which all capital improvement projects are individually designated and costs estimated using the best information available to ensure that accumulated reserves are sufficient to cover future needs; but are not excessive to the needs of each designated project.

The CFP is updated quarterly, and each capital improvement project cost estimate is maintained by the DF&A and the Director of Capital Projects (DCP) for review by the FC, the GPC, and approved by the Board. The quarterly updates to the CFP shown on the Timeline are as follows:

- Q4 – Year-end Close Out of prior fiscal/calendar year activity and fund balances.
- Q1 – Annual General Plan and Capital Projects Workshop Update.
- Q2 – Interim Update, as required.
- Q3 – Budget Update for next fiscal/calendar year, based on year-end forecast.

The GPC meets quarterly, at the regular monthly GPC meeting, with the DF&A and the DCP to review updates to the CFP, including DF and related RRF expenditures, and to be informed of capital project activity, summarized in the monthly Capital Funds Summary Report (Section F-15) of the monthly financial reporting package, noting actual versus budget and forecast variances.

In addition, the GPC may meet with the General Manager (GM) to discuss changes and additions suggested by Management and how these can be reconciled with suggested revisions of the GP. Resulting recommendations will be included in the monthly GPC report to the Board.

The FC receives quarterly updates at their regular monthly FC meeting in order to monitor the funding impact of capital improvement projects.

Annual Budget and Annual Budget Report:

The Annual Budget is developed by the General Manager, the Board, and the FC, collaborating with the GPC, to define all budget components for the Operating Fund and the capital funds, and to determine the Annual Assessment. This process begins in mid-summer and extends through the end of October.

The Annual Budget Report is a comprehensive report of the Association's plans and budgets for the Operating Fund and the three capital funds, to support the Annual Assessment, and to comply with Davis-Stirling reporting requirements.

The Annual Budget Report is prepared by the DF&A, reviewed by the FC, and the Board for publication to Association Members in the December issue of TD News, which must be postmarked no later than December 1, each year.