

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 indentified 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.