

2015 ANNUAL REPORT

\$5.4 MILLION IN CAPITAL FUNDS EXPENDITURES

Reinvesting in your association; protecting your investment. Refer to the capital discussion starting on page 8 for full details.

\$1.1 MILLION INVESTMENT IN SNOWMAKING

\$1.4 MILLION TOTAL INVESTMENT (20+ YEARS USEFUL LIFE), PROTECTING OVER \$2 MILLION IN DOWNHILL SKI ANNUAL REVENUES

\$1.0 MILLION NEW ALDER CREEK ADVENTURE CENTER BUILDING COMPLETION

\$5.8 MILLION TOTAL INVESTMENT IN REPLACING 40+ YEAR OLD CROSS COUNTRY AND EQUESTRIAN OPERATIONS BUILDING

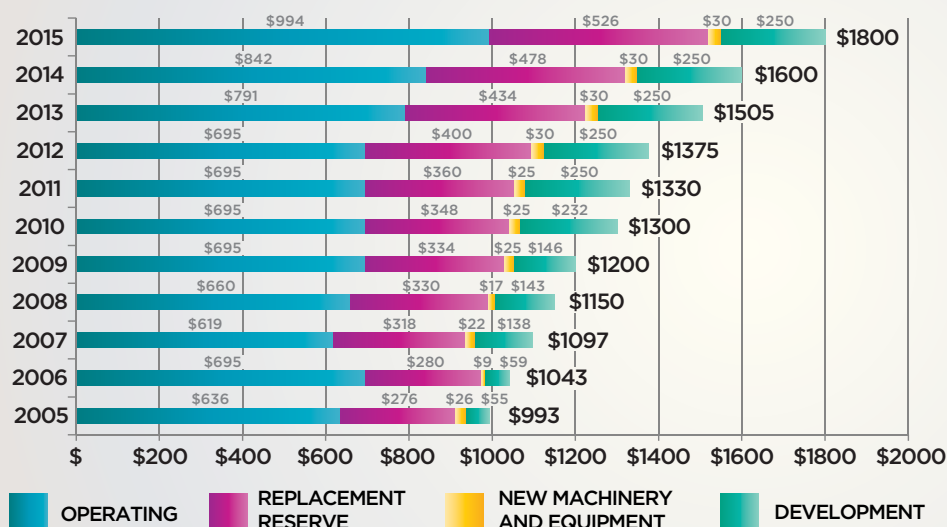
\$2.8 MILLION IN REPLACEMENT RESERVE FUND EXPENDITURES

OVER 250 RESERVE COMPONENT PROJECTS, PRESERVING AND PROTECTING EXISTING ASSETS OF THE ASSOCIATION

OPERATING FUND

\$830,000 OR 13% FAVORABLE
NET OPERATING RESULTS IN OPERATING FUND

ANNUAL ASSESSMENT PER OWNER (BY FUND)



ANNUAL ASSESSMENT PER OWNER (BY FUND)

OPERATING FUND CAGR 4.6%
CAPITAL FUNDS CAGR 8.4%
TOTAL ASSESSMENT CAGR 6.1%
 COMPOUNDED ANNUAL GROWTH
 RATE (CAGR), 2005 TO 2015

Accumulating funds over time to address the aging infrastructure needs of your association, consistent with the General Plan, while striving to optimize the operating fund portion of your assessment.

DEAR MEMBERS,

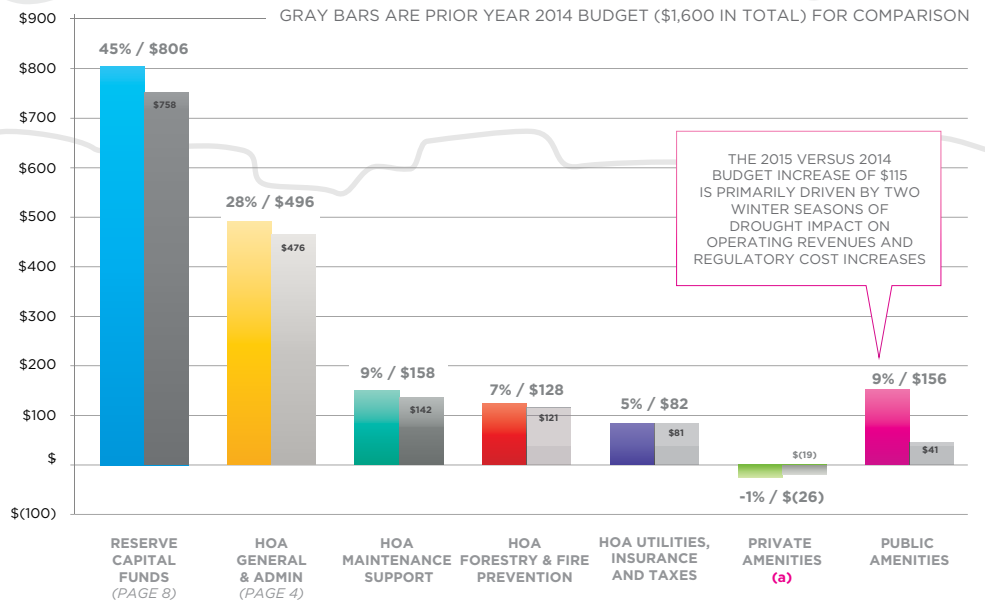
The purpose of this 2015 Annual Report is to provide a comprehensive report on 2015 financial results and communicate the 2015 Audited Financial Statements and Independent Auditors Report to all members.

Management, the Finance Committee, and the board consistently monitor both operational and financial results, and we are committed to both responsive and proactive management, balancing our service levels to volume and financial performance.

Please contact me any time to discuss this report or any other financial aspects of your association.

Michael Salmon | Director of Finance and Accounting
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DISTRIBUTION OF 2015 ANNUAL ASSESSMENT (\$1,800 PER OWNER)



(a) Net Operating Results (NOR) of private amenities provides a net reduction of \$26 in annual assessment as budgeted; actual results vary. Note: amenities do not receive administrative support cost allocation or capital cost charge in NOR.

OPERATING FUND

NET OPERATING RESULTS - 2015 VARIANCES TO BUDGET

JANUARY – APRIL: LITTLE SNOWPACK, DROUGHT, MILD WEATHER

- REVENUES OFF \$1,729,000 OR 54% TO BUDGET
- EXPENSES MANAGED TO SAVE \$1,321,000 OR 27% TO BUDGET
- LOSS RECOVERY PLAN FOR REMAINDER OF 2015 APPROVED BY BOARD

(408,000)

MAY – OCTOBER: STRONG VOLUMES AND FOCUSED COST SAVINGS MEASURES

- RECORD REVENUES EVERY MONTH OF THE SUMMER, UP \$371,000 OR 8% TO BUDGET
- NET LOSS RECOVERY PLAN COSTS SAVINGS COMPANY-WIDE OF \$270,000 OR 3%

+641,000

NOVEMBER – DECEMBER: GREAT SNOW, RECORD BUSINESS LEVELS

- RECEIVED GOOD SNOWFALL, NEW RECORD HOLIDAY BUSINESS REVENUES
- VERSUS BUDGET: REVENUE UP \$828,000/77% AND COSTS TO SERVICE VOLUME UP \$231,000/10%

+597,000

2015 ANNUAL

+\$830,000

NOR FAVORABLE TO BUDGET \$830,000
13% | \$128 PER OWNER

\$ 49.5 MILLION | \$7,651 PER OWNER

Members' equity as of 12/31/2015, up 6% to 2014

\$ 5.2 MILLION | \$806 PER OWNER

Capital contribution by Annual Assessment in 2015

\$ 6.4 MILLION | \$994 PER OWNER

Operating contribution by Annual Assessment in 2015

\$ 8.7 MILLION OPERATING REVENUES

Down 6% to budget and up 13% to 2014

\$ 14.3 MILLION OPERATING COSTS

Down 9% to budget and up 12% to 2014

\$ 5.6 MILLION NOR LOSS

Net Operating Result loss | \$830,000 or 13% favorable to budget and \$501,000 or 10% unfavorable to 2014

142,390 | 390 AVERAGE PER DAY TROUT CREEK VISITS, UP 3% TO 2014

16,317 | 347 AVERAGE PER SEASON DAY DOWNHILL SKI VISITS, UP 100% TO 2014

49,667 | 136 AVERAGE PER DAY THE LODGE DINNER GUESTS, UP 3% TO 2014

40,085 | 294 AVERAGE PER SEASON DAY MARINA VISITS, DOWN 7% TO 2014

10,171 | 185 AVERAGE PER SEASON DAY CROSS COUNTRY SKI VISITS, UP 20% TO 2014

19,021 | 120 AVERAGE PER SEASON DAY GOLF ROUNDS, UP 0.4% TO 2014

13,176 | 306 AVERAGE PER SEASON DAY SNOWPLAY VISITS, UP 55% TO 2014

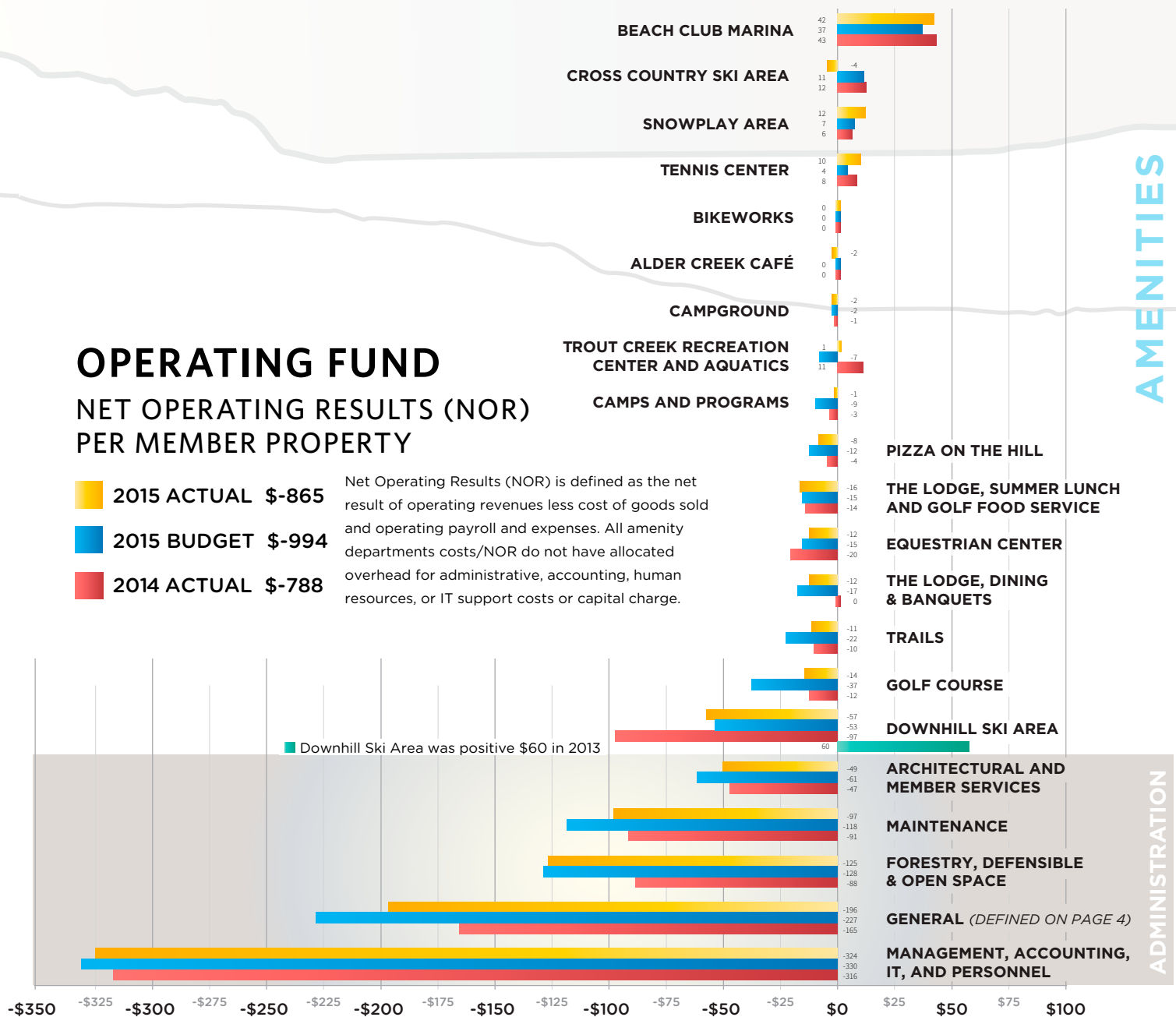
2,574 | SUMMER CONCERT ATTENDANCE UP 8% TO 2014

OPERATING FUND

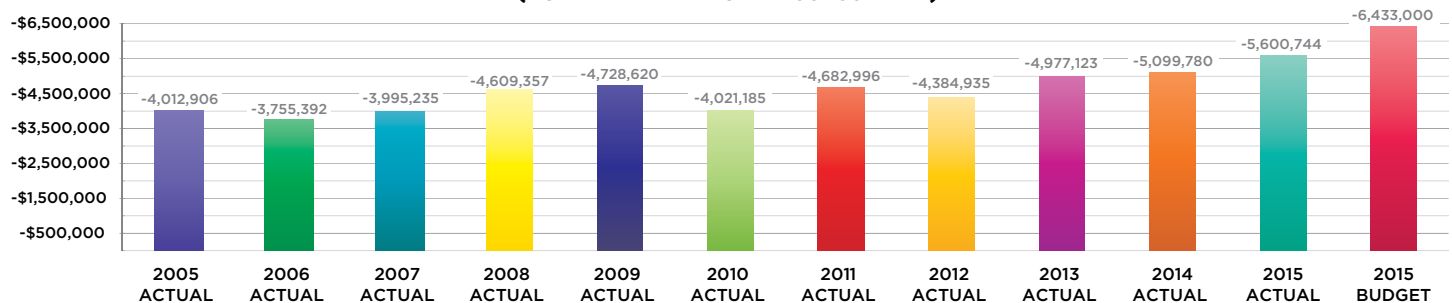
NET OPERATING RESULTS (NOR) PER MEMBER PROPERTY

2015 ACTUAL \$-865
2015 BUDGET \$-994
2014 ACTUAL \$-788

Net Operating Results (NOR) is defined as the net result of operating revenues less cost of goods sold and operating payroll and expenses. All amenity departments costs/NOR do not have allocated overhead for administrative, accounting, human resources, or IT support costs or capital charge.



OPERATING FUND - NET OPERATING RESULT COST TO ALL MEMBER PROPERTIES (FUNDED BY ANNUAL ASSESSMENT)



3.4% CAGR 10 year, 2005 to 2015 (Revenue 4.2% Costs 3.9%)

2.9% CAGR 6 year, 2009 to 2015 (Revenue 1.2% Costs 2.9%)

6.8% CAGR 5 year, 2010* to 2015 (Revenue -0.4% Costs 2.1%)

*2010 was a strong winter revenue year, and 2015 was not, accordingly a 6-year CAGR is also presented

CAGR = Compounded Annual Growth Rate

OPERATING FUND 2015 DEPARTMENTAL RESULTS

	2015 ACTUAL				2015 NOR VS BUDGET	
	GROSS REVENUE	COST OF GOODS SOLD	OPERATING EXPENSES	NET OPERATING RESULTS	2015 BUDGET	ACTUAL TO BUDGET VARIANCE
PRIVATE AMENITIES						
TROUT CREEK RECREATION CENTER AND AQUATICS	1,081,153	-35,331	-1,041,955	3,867	-46,400	50,267
BEACH CLUB MARINA	591,086	-50,995	-269,395	270,696	239,500	31,196
TENNIS CENTER	290,157	-42,061	-182,862	65,234	23,200	42,034
CAMPS AND PROGRAMS	308,113	-1,531	-311,278	-4,696	-61,200	56,504
TOTAL PRIVATE AMENITIES	2,270,509	-129,918	-1,805,490	335,101	155,100	180,001
PUBLIC AMENITIES						
GOLF	1,109,002	-64,383	-1,134,663	-90,044	-240,000	149,956
DOWNHILL SKI AREA	1,127,906	-66,066	-1,427,618	-365,778	-341,000	-24,778
CROSS COUNTRY SKI AREA	35,764	-37,527	-423,883	-25,646	70,000	-95,646
SNOWPLAY	126,246	-3,465	-47,838	74,943	46,800	28,143
CAMPGROUND	52,729	0	-64,380	-11,651	-16,000	4,349
EQUESTRIAN	147,932	-3,393	-225,016	-80,477	-100,000	19,523
TRAILS	103	0	-70,177	-70,074	-143,500	73,426
BIKEWORKS	65,424	-21,098	-46,334	-2,008	2,100	-4,108
THE LODGE - DINING AND BANQUETS	1,997,593	-636,962	-1,440,420	-79,789	-110,000	30,211
THE LODGE - LUNCH AND GOLF FOOD SERVICES	200,699	-71,542	-232,742	-103,585	-97,200	-6,385
PIZZA ON THE HILL	473,254	-134,980	-390,903	-52,629	-79,400	26,771
ALDER CREEK CAFÉ	66,626	-29,590	-48,495	-11,459	0	-11,459
TOTAL PUBLIC AMENITIES	5,803,278	-1,069,006	-5,552,469	-818,197	-1,008,200	190,003
TOTAL AMENITIES	8,073,787	-1,198,924	-7,357,959	-483,096	-853,100	370,004

HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES

GENERAL (g)	197,557	0	-1,460,683	-1,263,126	-1,455,300	192,174
MANAGEMENT, ACCOUNTING, HUMAN RESOURCES, IT	225,851	0	-2,324,484	-2,098,633	-2,134,800	36,167
ARCHITECTURAL AND MEMBER SERVICES	151,396	0	-469,646	-318,250	-394,200	75,950
FORESTRY, DEFENSIBLE & OPEN SPACE	32,489	0	-843,170	-810,681	-829,000	18,319
MAINTENANCE	0	0	-626,958	-626,958	-766,600	139,642
TOTAL HOA	607,293	0	-5,724,941	-5,117,648	-5,579,900	462,252
TOTAL OPERATING RESULTS	8,681,080	-1,198,924	-13,082,900	-5,600,744	-6,433,000	832,256
ASSESSMENT REVENUES	6,430,800	0	0	6,430,800	6,433,000	-2,200
TOTAL OPERATING FUND	15,111,880	-1,198,924	-13,082,900	830,056	0	830,056

(g) General department includes homeowner association services costs including property and income taxes, legal fees, loss prevention, insurance, annual and board meetings, Tahoe Donner News magazine.

Net Operating Results (NOR) is defined as the net result of operating revenues less cost of goods sold and operating expenses.

The amenity department costs do not have allocated overhead for administrative, accounting, human resources, or IT support costs.

These amenity support costs are in respective departments under the Homeowners Association and Support Services section.

YEAR ENDING DECEMBER 31, 2015

2015 NOR VS PRIOR YEAR		AMOUNTS INCLUDING REPLACEMENT RESERVE CAPITAL CONTRIBUTION					
2014 ACTUAL	2015 TO 2014 VARIANCE	NOR 2015 ACTUAL	CONTRIBUTION TO REPLACEMENT RESERVE FUND	2015 NET RESULTS AFTER CAPITAL	2015 PER PROPERTY 6,472	2014 PER PROPERTY 6,471	2015 VS 2014
73,969	-70,102	3,867	-287,724	-283,857	-44	-29	-15
277,046	-6,350	270,696	-90,711	179,985	28	30	-2
49,255	15,979	65,234	-148,436	-83,202	-13	-14	1
-20,634	15,938	-4,696	-14,208	-18,904	-3	-5	2
379,636	-44,535	335,101	-541,079	-205,978	-32	-18	-14
-76,552	-13,492	-90,044	-805,686	-895,730	-138	-128	-10
-625,649	259,871	-365,778	-504,600	-870,378	-134	-167	33
80,601	-106,247	-25,646	-118,884	-144,530	-22	-4	-18
39,050	35,893	74,943	-10,483	64,460	10	5	5
-8,962	-2,689	-11,651	-48,205	-59,856	-9	-9	0
-126,488	46,011	-80,477	-33,794	-114,271	-18	-24	6
-64,248	-5,826	-70,074	-122,886	-192,960	-30	-28	-2
0	-2,008	-2,008	-8,012	-10,020	-2	-1	-1
2,987	-82,776	-79,789	-238,408	-318,197	-49	-35	-14
-89,249	-14,336	-103,585	-34,055	-137,640	-21	-19	-2
-25,357	-27,272	-52,629	-35,806	-88,435	-14	-9	-5
0	-11,459	-11,459	0	-11,459	-2	0	-2
-893,867	75,670	-818,197	-1,960,819	-2,779,016	-429	-419	-10
-514,231	31,135	-483,096	-2,501,898	-2,984,994	-461	-437	-24
-1,071,942	-191,184	-1,263,126	-363,889	-1,627,015	-252	-206	-46
-2,046,634	-51,999	-2,098,633	-130,494	-2,229,127	-344	-336	-8
-304,738	-13,512	-318,250	-7,641	-325,891	-50	-48	-2
-571,509	-239,172	-810,681	-79,718	-890,399	-138	-100	-38
-590,726	-36,232	-626,958	-321,360	-948,318	-147	-139	-8
-4,585,549	-532,099	-5,117,648	-903,102	-6,020,750	-931	-829	-102
-5,099,780	-500,964	-5,600,744	-3,405,000	-9,005,744	-1,392	-1,266	-126
5,447,600	983,200	6,430,800	3,405,000	9,835,800	1,520	1,320	200
347,820	482,236	830,056	0	830,056	128	54	74

SEE PAGES 6 - 7 FOR RESULTS BY DEPARTMENT HIGHLIGHTS

OPERATING FUND

2015 HIGHLIGHTS VERSUS BUDGET

GREEN = FAVORABLE VARIANCE TO BUDGET

MAGENTA = UNFAVORABLE VARIANCE TO BUDGET

NOR = Net Operating Results. NOR is defined as the net result of operating revenues less cost of goods sold and operating payroll and expenses. NOR does not include any allocated overhead or capital costs.



PUBLIC AMENITIES

GOLF

(\$90,000) NOR LOSS

FAVORABLE \$150,000 / 62% TO BUDGET

The Golf Course had a great summer season positively impacted by weather. Pack and pass sales favorable to prior year 10%. Success promoting group sales and online discount deals. Cost savings in water costs due to water pump and irrigation head efficiency capital improvements.

THE LODGE RESTAURANT & PUB

(\$80,000) NOR LOSS

FAVORABLE \$30,000 / 27% TO BUDGET

Impacted by drought in Q1. Strong summer and Q4 revenues. Margins impacted by CA minimum wage increase and other regulatory cost increases.

SNOWPLAY AREA

\$75,000 NOR

FAVORABLE \$28,000 / 60% TO BUDGET

Marginal Q1 operations due to drought and then ended the year with a very strong December and record holiday period last ten days of year.

PIZZA ON THE HILL

(\$53,000) NOR LOSS

FAVORABLE \$27,000 / 34% TO BUDGET

Improving volumes and improved quality in 2015. Continue to refine product costs, margins impacted by CA minimum wage increase and other regulatory cost increases.

DOWNHILL SKI AREA

(\$366,000) NOR LOSS

UNFAVORABLE \$25,000 / 7% TO BUDGET

Q1 severely impacted by lack of snow. For the 14/15 season had to close on Jan. 25 for the season. For the 15/16 season, opened on Dec. 11 and had record holiday period business levels and revenues last 10 days of year. New snowmaking was installed in Fall 2015.

CROSS COUNTRY SKI CENTER

(\$26,000) NOR LOSS

UNFAVORABLE \$96,000 / 137% TO BUDGET

For 14/15 season, significantly impacted by the drought, closed for season on Jan. 20. For this operation, the 14/15 was less favorable conditions than 13/14 drought season. For 15/16 season, opened early on Nov. 26 with great conditions and new building. Record business levels and revenues for holiday period last 10 days of year.

EQUESTRIAN

(\$80,000) NOR LOSS

FAVORABLE \$20,000 / 20% TO BUDGET

Great rebound from limited operations in 2014.

CAMPGROUND

(\$12,000) NOR LOSS

FAVORABLE \$4,000 / 27% TO BUDGET

BIKEWORKS

(\$2,000) NOR LOSS

UNFAVORABLE \$4,000 / 196% TO BUDGET

Great results considering temporary operations location. Continued growth in mountain bike rentals. Added fat tire bikes.

SUMMER FOOD & BEVERAGE

LODGE LUNCH, T-9 GRILL, F&B GOLF CART, MARCO POLO GRILL AT TROUT CREEK REC CENTER

(\$104,000) NOR LOSS

UNFAVORABLE \$6,000 / 7% TO BUDGET

Service level commitments, improved volume and food quality in 2015. Margins impacted by CA minimum wage increase and other regulatory cost increases.

TRAILS

(\$70,000) NOR LOSS

FAVORABLE \$73,000 / 51% TO BUDGET

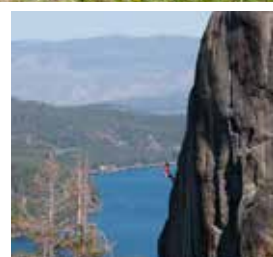
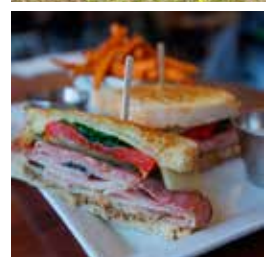
Loss recovery plan implemented reduced scope of services, dropped Trail Rangers program and scaled back non-capital trail work, in part due to timing of work in progress Trails Master Plan.

ALDER CREEK CAFE

(\$11,000) NOR LOSS

Budget part of Cross Country in 2015

New operation part of the new Alder Creek Adventure Center building opened in November 2015. Experiencing great success opening to date, performing well above expectations for a new restaurant.



HOA & AMENITY SUPPORT SERVICES

GENERAL (DEFINED ON PAGE 4)

(\$1,263,000) NOR LOSS

FAVORABLE \$192,000 / 13% TO BUDGET

Loss recovery plan savings in utilities, taxes, and position vacancies not filled.

MANAGEMENT,
ACCOUNTING, HUMAN
RESOURCES AND IT

(\$2,099,000) NOR LOSS

FAVORABLE \$36,000 / 2% TO BUDGET

Loss recovery plan savings with position vacancies and various areas of costs savings.

MAINTENANCE

(\$627,000) NOR LOSS

FAVORABLE \$140,000 / 18% TO BUDGET

Favorable cost savings primarily due to loss recovery position vacancies and lower costs in Q1 due to drought conditions.

FORESTRY, DEFENSIBLE
AND OPEN SPACE

(\$811,000) NOR LOSS

FAVORABLE \$18,000 / 2% TO BUDGET

Achieved majority of fire protection and forestry health goals for the year.

ARCHITECTURAL AND
MEMBER SERVICES

(\$318,000) NOR LOSS

FAVORABLE \$76,000 / 19% TO BUDGET

Volume of inspections for construction activities were significantly greater than budget expectations and the prior year; due to economy and low snow

PRIVATE AMENITIES

BEACH CLUB MARINA

\$271,000 NOR

FAVORABLE \$31,000 / 3% TO BUDGET

Another high performing year with good visitation and strong food and beverage and rental revenues despite low water levels.

TROUT CREEK
RECREATION & AQUATICS

\$4,000 NOR

FAVORABLE \$50,000 / 108% TO BUDGET

Strong visitation and program participation throughout the year, with nominal weather impact volatility.

TENNIS CENTER

\$65,000 NOR

FAVORABLE \$42,000 / 181% TO BUDGET

High visitation levels due to great summer and programs offered, recreation fee allocation increased.

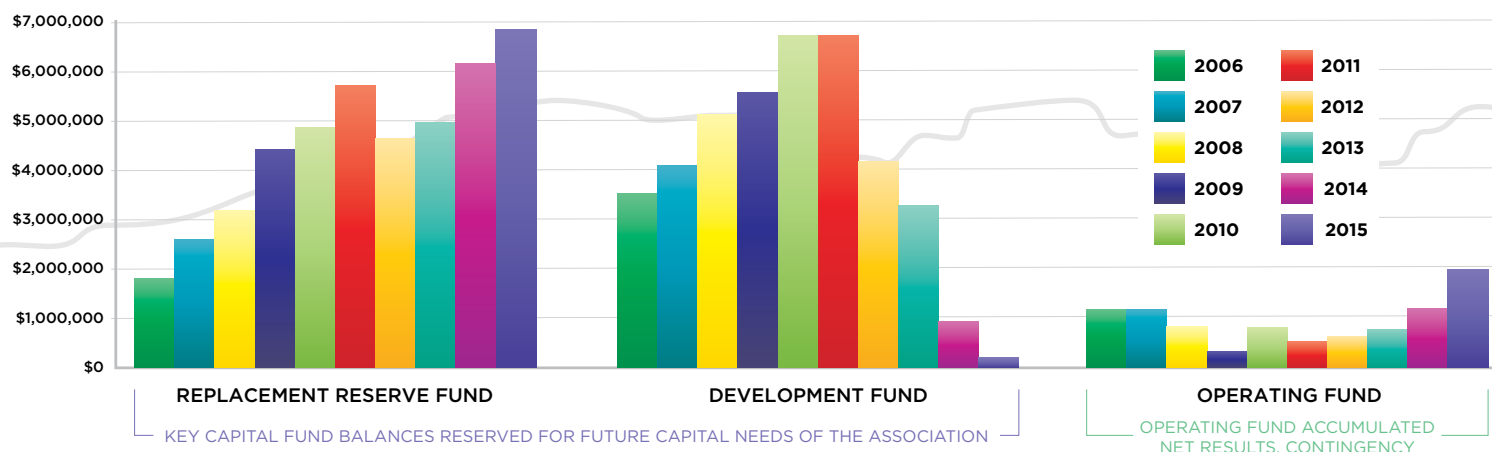
DAY CAMPS AND RECREATION PROGRAMS

(\$5,000) NOR LOSS

FAVORABLE \$57,000 / 92% TO BUDGET

Day Camps strong results, NOR favorable \$14k/34% to budget. Recreation programs strong visitations, cost savings plan, and favorable concert event results; NOR favorable to budget \$43k/42%.

KEY FUND BALANCES RESERVED FOR IDENTIFIED FUTURE CAPITAL NEEDS



MEMBERS' EQUITY

(as of December 31)

REFER TO PAGE 9 FOR SCHEDULE OF ACTIVITIES AND BALANCES FOR EACH CAPITAL FUND.

REFER TO PAGE 10 FOR CAPITAL FUNDS EXPENDITURES BY DEPARTMENT.

26% FUNDED

Replacement Reserve funds as of 12/31/2015 ratio to Replacement Reserve Component total costs on 100% Funded Method calculation.

\$2.8 MILLION | 2015 EXPENDITURES REPLACEMENT RESERVE FUND

- \$395,000 CROSS COUNTRY/EQUESTRIAN building replacement components
- \$283,000 EQUESTRIAN complex replacements
- \$190,000 TRAILS master plan and replacements
- \$182,000 FLEET vehicle replacements
- \$139,000 MIS technology replacements
- \$139,000 NORTHWOODS CLUBHOUSE first floor remodel
- \$128,000 GOLF COURSE maintenance equipment replacements
- \$84,000 GOLF carts lease
- \$80,000 TROUT CREEK REC CENTER exercise equipment replacements
- \$64,000 GOLF course water well pump replacement
- \$61,000 TROUT CREEK REC CENTER roof replacement
- \$54,000 FORESTRY chipper replacement

The Replacement Reserve Fund is 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 by state law and sound business practices to

repair, restore, replace or maintain. A thirty-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 1,700 individual items are tracked in this plan, with a current replacement value of \$45 million. A complete study and plan were performed in 2013 and updated in 2014 and 2015.

\$2.4 MILLION | 2015 EXPENDITURES DEVELOPMENT FUND

- \$1,121,000 DOWNHILL SKI AREA snowmaking
- \$1,040,000 CROSS COUNTRY/EQUESTRIAN building replacement completion

The Development Fund is specifically intended for and authorized in the governing documents of the association. The Development Fund was established to accumulate funds for use in the development of, and additions to, facilities identified by the board as necessary due to new capacity requirements of the association, or changing needs of the community. The Development Fund includes funds accumulated for the specific purpose of replacing existing buildings, as only certain components of buildings are in the Replacement Reserve study.

\$217,000 | 2015 EXPENDITURES NEW MACHINERY AND EQUIPMENT FUND

- \$48,000 food trailer
- \$24,000 WINTER GOLF ACADEMY
- \$17,000 DOWNHILL ski school equipment
- \$10,000 DOWNHILL ski grooming bucket
- \$9,000 MAINTENANCE equipment tools
- \$8,000 GOLF pro shop retail fixtures
- \$8,000 CROSS COUNTRY SKI Ginzu groomer

The New Machinery and Equipment Fund is used to account for financial resources designated for the acquisition of new assets identified as necessary for the association to be more efficient in operations or to provide new services to the membership.

PROPERTY FUND

The Property Fund is used to account for the Association's investment in its fixed assets. Capital additions to fixed assets totaled \$4,885,000 (in 2014 \$5,742,000). Depreciation expense for the year totaled \$2,723,000 (in 2014 \$2,651,000).

Total gross fixed asset value of \$71.1m equates to \$10,983 per owner and net book value of fixed assets and construction in progress of \$40.4m equates to \$6,249 per owner (an increase of 6% over 2014).

CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2015

	2015 ACTUAL	2015 BUDGET	2015 ACTUAL VS 2015 BUDGET	2014 ACTUAL	2015 ACTUAL VS 2014 ACTUAL
REPLACEMENT RESERVE FUND					
BEGINNING FUND BALANCE	\$ \$6,165,932	\$5,100,000	\$1,065,932	\$4,970,638	\$1,195,294
ASSESSMENT CONTRIBUTION	3,405,000	3,405,000	-	3,094,000	311,000
INTEREST REVENUE	26,967	10,000	16,967	11,379	15,588
OTHER REVENUE AND EXPENSE, NET	34,557	12,000	22,557	67,581	(33,024)
MAJOR MAINTENANCE EXPENSES	(470,100)	(571,000)	100,900	(323,311)	(146,789)
EXPENDITURES FOR CAPITAL ADDITIONS	(2,302,873)	(2,256,000)	(46,873)	(1,654,355)	(648,518)
CHANGE IN FUND BALANCE	693,551	600,000	93,551	1,195,294	(501,743)
ENDING FUND BALANCE	6,859,483	5,700,000	1,159,483	6,165,932	693,551
NEW MACHINERY & EQUIPMENT FUND					
BEGINNING FUND BALANCE	89,464	30,000	59,464	48,462	41,002
ASSESSMENT CONTRIBUTION	194,000	194,000	-	194,000	-
INTEREST REVENUE	10	-	10	28	(18)
MAJOR MAINTENANCE EXPENSES	-	-	-	-	-
EXPENDITURES FOR CAPITAL ADDITIONS	(216,938)	(194,000)	(22,938)	(153,026)	(63,912)
CHANGE IN FUND BALANCE	(22,928)	-	(22,928)	41,002	(63,930)
ENDING FUND BALANCE	66,536	30,000	36,536	89,464	(22,928)
DEVELOPMENT FUND					
BEGINNING FUND BALANCE	946,545	194,000	752,545	3,267,808	(2,321,263)
ASSESSMENT CONTRIBUTION	1,618,000	1,618,000	-	1,618,000	-
INTEREST REVENUE	949	1,000	(51)	2,679	(1,730)
OPERATING FUND TRANSFER IN					
OTHER REVENUE & EXPENSE NET	(7,973)	(6,500)	(1,473)	(4,103)	(3,870)
FUND EXPENSES FOR CAPITAL ADDITIONS	-	-	-	(3,500)	3,500
EXPENDITURES FOR CAPITAL ADDITIONS	(2,365,024)	(1,728,500)	(636,524)	(3,934,339)	1,569,315
CHANGE IN FUND BALANCE	(754,048)	(116,000)	(638,048)	(2,321,263)	1,567,215
ENDING FUND BALANCE	192,497	78,000	114,497	946,545	(754,048)
CAPITAL FUND TOTALS (SEE NEXT PAGE FOR BREAKDOWN BY DEPARTMENT)					
MAJOR MAINTENANCE/FUND EXPENSES	(470,100)	(571,000)	100,900	(326,811)	(146,789)
EXPENDITURES FOR CAPITAL ADDITIONS	(4,884,835)	(4,178,500)	(706,335)	(5,741,720)	856,885
TOTAL	\$(5,354,935)	\$(4,749,500)	\$(605,435)	\$(6,068,531)	\$713,596

The variance between Actual and Budget capital expenditures is primarily driven by the timing of projects between years.

The board has a fiduciary responsibility (by law) to do what is best for the association both now and for the future. Current owners have the responsibility to pay for the depreciation of association assets, not to defer the burden to future owners. Properly maintaining our assets protects owners' property values.

CAPITAL FUNDS EXPENDITURES BY DEPARTMENT

YEAR ENDING DECEMBER 31, 2015

	REPLACEMENT RESERVE FUND		NEW MACHINERY AND EQUIPMENT FUND		DEVELOPMENT FUND		CAPITAL FUNDS TOTAL	
	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE
PRIVATE AMENITIES								
TROUT CREEK REC CENTER	\$178,857	\$22,822	\$6,632	\$ -	\$13,377	\$ -	\$198,866	\$22,822
BEACH CLUB MARINA	59,800	10,118	6,528	-	-	-	66,328	10,118
TENNIS CENTER	43,898	4,785	1,689	-	-	-	45,587	4,785
NORTHWOODS POOL / AQUATICS	-	-	4,931	-	-	-	4,931	-
CAMPS AND REC PROGRAMS	4,834	-	6,959	-	-	-	11,793	-
TOTAL PRIVATE AMENITIES	287,389	37,725	26,739	-	13,377	-	327,505	37,725
PUBLIC AMENITIES								
GOLF	(a) 220,575	98,023	31,599	-	-	-	252,174	98,023
DOWNHILL SKI AREA	126,768	23,619	38,094	-	(d) 1,121,221	-	1,286,083	23,619
CROSS COUNTRY SKI AREA	(b) 446,923	2,569	15,333	-	(e) 1,051,199	-	1,513,455	2,569
CAMPGROUND	-	-	-	-	-	-	-	-
EQUESTRIAN	(c) 285,541	-	-	-	-	-	285,541	-
TRAILS	190,477	-	4,717	-	-	-	195,194	-
BIKEWORKS	8,926	-	3,928	-	-	-	12,854	-
THE LODGE	40,947	23,098	2,674	-	-	-	43,621	23,098
THE LODGE, SUMMER LUNCH/GOLF F&B	-	-	50,349	-	-	-	50,349	-
PIZZA ON THE HILL	35,561	-	2,329	-	-	-	37,890	-
SNOWPLAY	-	-	5,123	-	-	-	5,123	-
TOTAL PUBLIC AMENITIES	1,355,718	147,309	154,146	-	2,172,420	-	3,682,284	147,309
TOTAL AMENITIES	1,643,107	185,034	180,885	-	2,185,797	-	4,009,789	185,034
HOMEOWNERS ASSOCIATION								
GENERAL	-	2,427	-	-	-	-	-	2,427
MARKETING & COMMUNICATION	-	-	-	-	-	-	-	-
FACILITY ADMINISTRATION	-	75,000	-	-	150,000	-	150,000	75,000
ADMINISTRATION	130,341	78,450	9,071	-	11,538	-	150,950	78,450
MANAGEMENT INFORMATION SYSTEMS	138,587	96,590	5,613	-	15,876	-	160,076	96,590
ACCOUNTING	-	-	-	-	-	-	-	-
HUMAN RESOURCES	-	-	-	-	-	-	-	-
ARCHITECTURAL STANDARDS OFFICE	-	-	2,000	-	-	-	2,000	-
MEMBER SERVICES	138,565	-	-	-	-	-	138,565	-
FORESTRY	61,609	8,925	2,417	-	1,813	-	65,839	8,925
MAINTENANCE	190,664	23,674	16,952	-	-	-	207,616	23,674
TOTAL HOMEOWNERS ASSOC	659,766	285,066	36,053	-	179,227	-	875,046	285,066
TOTAL	\$2,302,873	\$470,100	\$216,938	\$-	\$2,365,024	\$-	\$4,884,835	\$470,100

(a) Golf replacements include water well pump \$64,000, course irrigation system equipment \$39,000, and golf course rolling equipment for \$36,000.

(b) Includes cross country/equestrian building replacement, Replacement Reserve Fund portion for components of \$396,000.

(c) Equestrian campus re-design planning costs and new tack sheds.

(d) Downhill Ski Area snowmaking capital investment in 2015, total project approved budget is \$1.5 million, total forecast \$1.4 million.

(e) Alder Creek Adventure Center building capital investment in 2015, total project approved budget \$6.2 million, total actual \$5.8 million.

STATEMENT OF LEGAL COMPLIANCE

A number of state laws and provisions of its own Governing Documents dictate how Tahoe Donner Association is to manage its financial affairs. Financial reporting, what books and records are to be maintained, how operating and capital needs are determined and funded, how budgets are established, and how member assessments are determined and collected are generally the areas regulated in the financial arena. These regulations can be found in the Association's Covenants and Restrictions ("C&Rs") and Bylaws, as well as the Civil Code and the Corporations Code. After a review of these regulations and our practices, the Association Counsel has determined that the Association is in substantial compliance with these requirements.

INDEPENDENT AUDITOR'S REPORT

An independent auditor's report, prepared by Gilbert Associates, and associated financial statements are on pages 11-19 of this Annual Report.

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, 2015 and 2014, 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.

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, 2015 and 2014, and the changes in 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.
SACRAMENTO, CALIFORNIA
MARCH 16, 2016

TAHOE DONNER ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY, DECEMBER 31, 2015 AND 2014

	OPERATIONS		
	Amenities	Homeowners' Association	Total Operating Fund
OPERATING REVENUES:			
Access and use fees	\$ 3,207,808		\$ 3,207,808
Retail sales	3,399,759		3,399,759
Lessons and rental revenue	1,193,456		1,193,456
Other revenues	272,764	\$ 600,489	873,253
Interest income		6,804	6,804
Gross operating revenues	8,073,787	607,293	8,681,080
Cost of goods sold	(1,198,924)		(1,198,924)
Net operating revenues	6,874,863	607,293	7,482,156
OPERATING EXPENSES:			
Salaries and wages	3,983,153	3,326,257	7,309,410
Payroll taxes and employee benefits	1,181,741	857,323	2,039,064
Supplies and maintenance	880,277	326,780	1,207,057
Utilities	519,675	249,639	769,314
Insurance	246,337	155,382	401,719
Other employee expenses	83,976	113,240	197,216
Income tax benefit		36,700	36,700
Other expenses	462,800	659,620	1,122,420
Total operating expenses	7,357,959	5,724,941	13,082,900
NET OPERATING INCOME (LOSS)	(483,096)	(5,117,648)	(5,600,744)
CAPITAL ACTIVITIES:			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
ASSESSMENTS:			
Assessment revenues	842,512	5,588,288	6,430,800
INCREASE (DECREASE) IN MEMBERS' EQUITY	\$ 359,416	\$ 470,640	830,056
TRANSFERS BETWEEN FUNDS			
MEMBERS' EQUITY, December 31, 2014			1,124,219
MEMBERS' EQUITY, December 31, 2015			\$ 1,954,275

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, 2015 AND 2014

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2015	Total 2014
				\$ 3,207,808	\$ 2,831,169
				3,399,759	3,075,344
				1,193,456	957,805
				873,253	811,447
				34,730	17,465
\$ 26,967	\$ 10	\$ 949		8,709,006	7,693,230
26,967	10	949		(1,198,924)	(1,053,008)
				7,510,082	6,640,222
				7,309,410	6,752,263
				2,039,064	1,929,667
				1,207,057	855,210
				769,314	763,652
				401,719	359,442
				197,216	154,534
5,206		90		41,996	14,311
13,300		7,883		1,143,603	905,692
18,506		7,973		13,109,379	11,734,771
8,461	10	(7,024)		(5,599,297)	(5,094,549)
(2,302,873)	(216,938)	(2,365,024)	\$ 4,884,835		
53,063			(15,305)	37,758	(174,038)
(470,100)				(470,100)	(329,770)
			(2,722,811)	(2,722,811)	(2,651,018)
(2,719,910)	(216,938)	(2,365,024)	2,146,719	(3,155,153)	(3,154,826)
3,405,000	194,000	1,618,000		11,647,800	10,353,600
693,551	(22,928)	(754,048)	2,146,719	2,893,350	2,104,225
6,165,932	89,464	946,545	38,296,530	46,622,690	44,518,465
\$ 6,859,483	\$ 66,536	\$ 192,497	\$ 40,443,249	\$ 49,516,040	\$ 46,622,690

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TAHOE DONNER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2015	Total 2014
ASSETS							
Cash	\$ 562,230					\$ 562,230	\$ 1,472,086
Cash, designated and restricted	341,987	\$ 21,935	\$ 4,490	\$ 395,251		763,663	1,386,399
Investments	4,386,449					4,386,449	2,539,053
Investments, designated and restricted		8,091,803	119,564	249,431		8,460,798	8,217,864
Assessments and other member receivables, net of allowance for doubtful accounts of \$103,065 in 2015 and \$94,572 in 2014	309,129					309,129	281,625
Other receivables	87,397	5,477		1,224		94,098	70,111
Inventory	312,287					312,287	316,593
Prepaid expenses and other assets	753,209					753,209	679,148
Due from (to) other funds	(87,392)	(78,289)	7,956	157,725			
Net property and equipment	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>\$ 40,443,249</u>	<u>40,443,249</u>	<u>38,296,530</u>
TOTAL ASSETS	<u>\$ 6,665,296</u>	<u>\$ 8,040,926</u>	<u>\$ 132,010</u>	<u>\$ 803,631</u>	<u>\$ 40,443,249</u>	<u>\$ 56,085,112</u>	<u>\$ 53,259,409</u>
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	\$ 215,060	\$ 96,134	\$ 5,844	\$ 114,198		\$ 431,236	\$ 405,388
Deferred revenues	3,104,148	1,085,309	59,630	496,936		4,746,023	4,773,169
Deposits from members	228,840					228,840	188,535
Accrued liabilities	<u>1,162,973</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,162,973</u>	<u>1,269,627</u>
TOTAL LIABILITIES	4,711,021	1,181,443	65,474	611,134		6,569,072	6,636,719
MEMBERS' EQUITY	<u>1,954,275</u>	<u>6,859,483</u>	<u>66,536</u>	<u>192,497</u>	<u>\$ 40,443,249</u>	<u>49,516,040</u>	<u>46,622,690</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 6,665,296</u>	<u>\$ 8,040,926</u>	<u>\$ 132,010</u>	<u>\$ 803,631</u>	<u>\$ 40,443,249</u>	<u>\$ 56,085,112</u>	<u>\$ 53,259,409</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TAHOE DONNER ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2015	Total 2014
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	\$ 830,056	\$ 693,551	\$ (22,928)	\$ (754,048)	\$ 2,146,719	\$ 2,893,350	\$ 2,104,225
Reconciliation to net cash provided by operating activities:							
Depreciation expense					2,722,811	2,722,811	2,651,018
Capital additions and transfers		2,302,873	216,938	2,365,024	(4,884,835)		
(Gain) loss on sale or disposal of property and equipment		(53,063)			15,305	(37,758)	174,038
Changes in:							
Assessments receivable	(27,504)					(27,504)	31,070
Other receivables	(24,147)	(784)		944		(23,987)	104,225
Inventory	4,306					4,306	(12,158)
Prepaid expenses and other assets	(74,061)					(74,061)	(70,641)
Due from (to) other funds	36,830	86,053	4,468	(127,351)			
Accounts payable	78,158	65,382	2,969	(120,661)		25,848	(117,395)
Deferred revenues	54,249	(39,306)	(4,512)	(37,577)		(27,146)	558,928
Deposits from members	40,305					40,305	23,715
Accrued liabilities	28,346			(135,000)		(106,654)	485,573
Net cash provided by operating activities	<u>946,538</u>	<u>3,054,706</u>	<u>196,935</u>	<u>1,191,331</u>		<u>5,389,510</u>	<u>5,932,598</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(2,302,873)	(216,938)	(2,365,024)		(4,884,835)	(5,741,720)
Proceeds from sale of property and equipment		53,063				53,063	75,292
Purchases of investments	(9,846,639)	(6,622,346)	(119,564)	(750,024)		(17,338,573)	(14,346,364)
Proceeds from sale of investments	<u>7,999,243</u>	<u>5,500,000</u>		<u>1,749,000</u>		<u>15,248,243</u>	<u>14,642,692</u>
Net cash used by investing activities	<u>(1,847,396)</u>	<u>(3,372,156)</u>	<u>(336,502)</u>	<u>(1,366,048)</u>		<u>(6,922,102)</u>	<u>(5,370,100)</u>
NET INCREASE (DECREASE) IN CASH	(900,858)	(317,450)	(139,567)	(174,717)		(1,532,592)	562,498
CASH, Beginning of Year	<u>1,805,075</u>	<u>339,385</u>	<u>144,057</u>	<u>569,968</u>		<u>2,858,485</u>	<u>2,295,987</u>
CASH, End of Year	<u>\$ 904,217</u>	<u>\$ 21,935</u>	<u>\$ 4,490</u>	<u>\$ 395,251</u>	<u>\$</u>	<u>\$ 1,325,893</u>	<u>\$ 2,858,485</u>
OTHER CASH FLOW INFORMATION:							
Income taxes refunded (paid)	<u>\$ 36,700</u>	<u>\$ 5,206</u>	<u>\$</u>	<u>\$ 90</u>	<u>\$</u>	<u>\$ 41,996</u>	<u>\$ 25,008</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

Tahoe Donner Association (Association) is a California nonprofit mutual benefit corporation. The Association's members own the 6,472 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, camp-

ground, 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

NOTES TO FINANCIAL STATEMENTS

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 2011.

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 16, 2016, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2015 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:

	2015	2014
Replacement reserve fund - designated	\$8,113,738	\$7,308,842
Development fund - designated	644,682	1,818,375
New machinery and equipment fund - designated	124,054	144,057
Operating fund - undesignated and unrestricted	4,948,679	4,011,139
Operating fund - Trust - restricted (note 7)	143,938	143,938
Operating fund - Architectural standards deposits - restricted (note 5)	101,962	189,051
TOTAL	\$14,173,140	\$13,615,402

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, 2015 mature as follows:

INVESTMENT	WITHIN 1 YEAR	1 TO 2 YEARS	TOTAL
U.S. TREASURY	\$10,314,189	\$1,990,860	\$12,305,049
CERTIFICATES OF DEPOSIT	\$414,883	\$127,315	\$542,198
TOTAL	\$10,729,072	\$2,118,175	\$12,847,247

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Buildings	\$ 31,004,837	\$ 25,530,230
Fixtures and facility improvements	14,992,899	13,876,969
Equipment	15,400,612	13,015,050
Land and land improvements	8,680,240	8,680,240
Furnishings	1,000,359	919,204
TOTAL	71,078,947	62,021,693
Less accumulated depreciation	(30,740,519)	(28,278,248)
	40,338,428	33,743,445
Construction in progress	104,821	4,553,085
TOTAL	\$ 40,443,249	\$ 38,296,530

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 2015, 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 \$82,340 and \$43,891 for 2015 and 2014, 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 \$63,914 and \$44,709 for the years ended December 31, 2015 and 2014, respectively.

8. OPERATING LEASE OBLIGATIONS

The Association has non-cancelable operating leases for copiers, golf carts, land usage and computer equipment. Rental expense under all operating leases was \$173,308 and \$158,101 for 2015 and 2014, respectively. Future minimum lease payments under these leases are as follows:

2016	\$ 131,046
2017	126,412
2018	38,802
2019	31,152
2020	14,219
THEREAFTER	17,256
TOTAL	\$358,887

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS | DECEMBER 31, 2015 (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 2015 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, 2015, was \$6,859,000. The 2016 lot assessments include \$3,534,000 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 and recreation	0-30	1-30	\$ 4,197,589
Marina	0-30	1-30	1,133,668
Tennis Complex	0-30	1-30	1,851,968
Downhill Ski Area	0-30	1-30	6,573,119
Cross Country Ski Area	0-30	1-30	2,771,103
Equestrian	0-30	1-30	734,665
Golf Complex	0-30	1-30	10,387,078
Campground	0-30	1-30	610,000
The Lodge Restaurant & Pub	0-30	1-30	3,388,597
Pizza On the Hill	0-30	1-30	454,640
Administration/MIS	0-30	1-30	5,203,219
Forestry	0-30	1-30	987,296
General & building maintenance	0-30	1-30	3,670,602
Trails	0-30	1-30	1,370,986
Vehicle maintenance	0-30	1-30	1,590,143
TOTAL			\$ 44,924,673

See independent auditor's report on required supplementary information.

