

Snowscape Homeowners' Association Fiscal Principles

Preamble

The Board of Directors of the Snowscape Homeowners' Association takes its fiscal and fiduciary responsibilities very seriously. There are six basic fiduciary responsibilities:

1. To attend to appropriate and reasonable maintenance and repair and capital improvements to protect the property and, thereby, homeowners' interests.
2. To maintain sufficient operating reserves to provide for budgeted and unanticipated operating expenditures.
3. To maintain sufficient capital reserves to meet budgeted and unanticipated capital expenditures.
4. To be fiscally responsible and prudent in managing the property while balancing all expenditures, including maintenance and repairs, operating expenditures, and capital improvements, with homeowners' ability to support such expenditures.
5. To ensure that dues and special assessments meet the projected needs of the Association.
6. To promulgate such principles and policies as may be necessary to protect the physical plant and financial solvency of the Association.

Principles

Therefore, the Board of Directors of Snowscape hereby adopts the following principles:

1. To maintain operating reserves of at least six months of projected operating expenditures in addition to collecting dues sufficient to cover the projected upcoming year's operating expenditures.
2. To maintain capital reserves of at least one and one-half times the average of the projected capital expenditures for the upcoming five years in addition to sufficient reserves and dues to cover the projected upcoming year's capital expenditures.
3. To fully fund projected operating expenditures for the upcoming year from monthly dues.
4. To fund capital reserves in an amount equal to one times the average of the projected capital expenditures for the upcoming five years from monthly dues.

5. To fund any shortfalls in capital reserves through special assessments, which may be spread reasonably over two to three payments over the upcoming year in order to ameliorate the financial impact on homeowners.
6. Shortfalls in operating reserves due to extraordinary expenditures that are not anticipated to be recurring may be funded through a special assessment, which may be divided into multiple payments during the current or upcoming year as determined by the Board of Directors. Budget shortfalls due to higher than anticipated recurring operating expenditures will trigger a dues increase for the upcoming year.
7. While loans between the operating reserve account and capital reserve account are possible, they are discouraged and should be used only in the event of a significant unavoidable cost overrun. If such loan occurs, every attempt will be made to repay such loan within the subsequent fiscal year, except in the event of a catastrophic event where such repayment would cause undue hardship to homeowners.
8. Budgets that project zero balance operating gains or operating losses or that project negative capital reserve balances within five years are not permissible.
9. Snowscape funds will be invested prudently pursuant to current statutes. High risk investments are expressly prohibited. When projecting investment income for budgetary purposes, such projections will not exceed current prevailing investment income and a lower rate may be projected.

These principles serve as the target for development and adoption of each fiscal year's budget and express the philosophy by which the Snowscape Homeowners' Association will operate.

Adopted this 7th day of September, 2007.