



**TAHOE DONNER ASSOCIATION
BOARD OF DIRECTORS**

RESOLUTION 2015-4

CAPITAL ASSET POLICY AND PROCEDURES

WHEREAS, the Bylaws of Tahoe Donner Association requires that the Association shall keep and maintain adequate and correct accounts of its assets and capital¹; and,

WHEREAS, the Bylaws of the Tahoe Donner Association requires that all Association books shall be maintained in accordance with generally accepted accounting principles² (“GAAP”); and,

WHEREAS, the following constitutes the Capital Asset Policy and Procedures of Tahoe Donner Association (“The Association”) and supersedes all previously approved policies and resolutions pertaining to the asset accounts and their maintenance (Resolution 2004-5);

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Tahoe Donner Association approves and adopts the following Capital Asset Policy and Procedures:

PURPOSE

The purpose of this policy is to establish a set of standard policies and procedures required to implement an effective capital asset system. The capital asset system shall be maintained in accordance with GAAP.

CAPITALIZATION POLICY

Capital Assets are defined as tangible items to be used over a period of time greater than one year and having a value greater than or equal to two thousand dollars (\$2,000).

In addition to the consideration expended to acquire a capital asset, ancillary costs associated with preparing the property for its intended use shall be capitalized. The cost of

¹ Restated Bylaws of Tahoe Donner Association, ARTICLE XI, Section 10

² Restated Bylaws of Tahoe Donner Association, ARTICLE XII, Section 4

assets may include, but is not limited to, the purchase price, sales/use tax, freight charges, installation costs and setup costs.

Ordinary repairs and maintenance are expenditures made to maintain assets in good operating condition. Replacement of minor parts, lubricating and adjusting of equipment, repainting and cleaning are examples of normal maintenance and are treated as normal operating expenses. The major consideration in determining whether an expenditure should be treated as an expense or capital improvement is if the expenditure increases the future service potential of the asset. If a major repair will extend the life of the asset several years it should be handled as an improvement. If the expenditure is a replacement, a retirement must be made to the items being replaced. This includes both a reduction in Historical Cost and Accumulated Depreciation. Major expenditures (greater than or equal to \$2,000) to repair and maintain a capital asset in efficient operating condition without extending the asset's normal accounting life should be expensed in the Replacement Reserve Fund.

Assets shall be classified into one of the following categories:

Land: This account includes the cost of land itself and the cost of preparing land for its intended uses. Ancillary costs may include, but are not limited to, search costs, attorney's fees, liens assumed, taxes assumed, grading costs, and land improvements with an indefinite life.

Land Improvements: This account is used for permanent (non-detachable) improvements that add value to land, which may include, but are not limited to fences, retaining walls and so forth. This account is also used for leasehold improvements.

Buildings: This account is used for costs to acquire or construct buildings, structures and other facilities and costs may include, but are not limited to, the cost of construction or purchase of buildings, attorney's fees, architects' fees, inspection and building permits. All costs incurred, starting from excavation until completion of the building, are considered part of the building costs. Also, anything fixed (non-detachable) to the floor, ceilings, and walls are considered part of the building.

Furnishings: This account includes moveable furniture and other décor assets that have no permanent connection to the structure of a building.

Fixtures: This account includes assets attached to a building, but that are not integrated with the building structure.

Facility Improvements: This account includes assets that improve a facility that are attached to the building in a non-moveable fashion.

Equipment: This account includes operating and office equipment, and other assets which do not fall into any other category listed previously.

Construction in Progress: This account is used for capturing amounts expended on uncompleted buildings or other capital projects. When the project is complete, the cumulative costs are then transferred to the appropriate capital asset accounts.

Land Held for Resale: If the major purpose of acquiring and holding a particular piece of land is speculative, then it is appropriately classified in this account. These assets may be maintained on the capital asset system but are not considered a capital asset but rather an investment of The Association.

ACCOUNTING & FINANCIAL REPORTING

Capital assets shall be accounted for at cost or, if the cost is not practically determinable, at estimated cost. Capital assets shall be accounted for through the Property Fund. The Association uses the straight-line method of depreciation. Depreciation of capital assets shall be recorded in the accounts of the Property Fund.

Capital expenditures shall be reported at least quarterly to the Tahoe Donner Board of Directors.

CAPITAL EXPENDITURES

A Capital Project Fund Expenditure form shall be completed and approvals (General Manager and Director of Finance) shall be obtained prior to making a commitment for a capital expenditure.

Three bids, when possible, and the purchase recommendation are included in the form. Capital expenditures which exceed the General Manager's authority level (see separate policy) require pre-approval by the Board of Directors.

RISK MANAGEMENT

The Association shall have a risk management program to ensure that its assets are adequately insured to cover possible losses incurred. The amount of insurance coverage purchased from third parties is based to large extent upon the fixed asset record. Therefore, historical cost must be recorded and replacement cost must be maintained for each asset.

PHYSICAL INVENTORY

The objectives of a physical inventory are to insure that the capital assets recorded in the system physically exist, as well as to detect whether unrecorded or improperly recorded transactions have occurred, and to identify any excess, defective, or obsolete assets on hand.

A physical inventory should be conducted every three years in conjunction with the physical inspection of reserve components.

TRANSFERS & DISPOSITION

Transfers are defined as any movement of an asset by virtue of change in location, whether by account, department, building, floor or room. Disposals are defined as any item sold, traded-in, scrapped, abandoned or in any way removed from service.

The Reserves Projects Manager arranges the disposition or transfer of the fixed asset. Each transfer or disposal shall be recorded with the date, method, and authorization for such disposition.

RESPONSIBILITIES

The Accounting Department has the responsibility for ensuring that the fixed asset policies and procedures as stated within this Resolution are in compliance with GAAP and meet the requirements of auditing practices. The Accounting Department is also responsible for maintaining the detailed fixed assets records.

The Reserves Projects Manager is responsible for maintaining and updating the reserves study annually, conducting a physical inspection every 3 years, and coordinating the asset transfer and disposal process.

The operating departments shall be held accountable for the assets issued to or purchased for the department. The operating department to whom an asset has been assigned shall have the responsibility for the use and safekeeping of the asset. The Department Manager is the focal point for questions regarding availability, condition and usage of the asset, as well as the contact during the physical inventory process. The Department Manager shall arrange for necessary preventative maintenance and any needed repairs to keep the asset in working condition.

APPROVAL

Approval of the Capital Asset Policy and Procedures and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board.

ACCEPTED AND DATED: September ²⁵xx, 2015




Steve Miller, President



Jim Stang, Vice President



Jeff Bonzon, Treasurer



Courtney Murrell, Secretary



Ron Wulff, Director