

Financial Policies Working Glossary

This glossary is a working document intended to catalog the foundational definitions underlying the various financial policies. Some policy guidance inheres within the definitions. At a later date, these definitions will either be integrated into the various financial policies, with cross-references and citations as appropriate, or consolidated into a separate definitional policy underlying all TDA financial policies.

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Capital Asset: A Capital Asset (i.e. Fixed Asset) shall be defined as tangible or intangible property owned or leased by the Association that:

1. Is to be used by the Association over a period of time greater than one year; and
2. Has a value greater than or equal to two thousand dollars (\$2,000), either individually or in aggregate.

Capital Reserve: Consistent with California Civil Code §4177, Capital Reserves shall be defined as funds that the board has identified for use to defray the future repair or replacement of, or additions to, Major Association Components.

Ancillary Capital Costs: Ancillary Capital Costs are costs that are directly attributable to a Capital Improvement, and that are necessary to place a Capital Asset into its intended state of operation. These include costs for services or activities performed or costs incurred in relation to Capital Asset acquisition or improvement (e.g. “soft costs”), including, but not limited to, research, inspection, planning, design, development, third-party consultation, authorization, permitting, setup, installation, site preparation, freight and transportation, legal and other professional fees, and taxation. As appropriate, Ancillary Capital Costs may be capitalized on a case by case basis. Ancillary Capital Costs that are not capitalized shall be expensed to the appropriate Capital Reserve.

Capital Improvement Schedule: The term Capital Improvement Schedule shall include all Association plans, proposals, and timelines for future Capital Improvements.

Capital Expenditure: Capital Expenditures are funds used to provide for Capital Improvements.

Major Association Component: Major Association Components include all Capital Assets that the association is obligated to repair, restore, replace, or maintain and for which the reserve funds

are established.¹ In addition to the independent certified reserve specialist's expertise, the selection and designation of Major Association Components shall consider the Component Selection Guidelines published in the Community Associations Institute's Reserve Study Standards. All Capital Assets that minimally satisfy the following three-part test shall be considered Major Association Components:

1. The association has the obligation to maintain or replace the existing element.
2. The need and schedule for this project can be reasonably anticipated.
3. The total cost for the project is material to the Association, can be reasonably estimated, and includes all direct and related costs.

Total costs shall be considered "reasonably estimated" once order of magnitude cost estimates are ascertainable.²

Any Capital Asset that does not qualify as a Major Association Component because it cannot satisfy the three-part test or for another reason shall be reevaluated for qualification annually.

Capital Improvement: The term Capital Improvement shall include the acquisition of a new Capital Asset or any change that increases the benefits of existing Capital Assets, provided the increased benefits are neither consumed nor expire within one year. Increased benefits may include, without limitation, any of the following:

1. An extension of the useful life of the Capital Asset.
2. An increase in the operating efficiency of the Capital Asset resulting in either an increase in the quantity of goods, services, or other benefits provided or a decrease in future operating costs.
3. An increase in the quality and/or assortment of goods, services, or other benefits produced by the Capital Asset.

The term Capital Improvement shall also include Ancillary Capital Costs and any costs associated with the acquisition and installation of any machinery, equipment, furnishing, fixtures or other Capital Assets connected to and acquired and installed in conjunction with a Capital Improvement

The term Capital Improvement may include any costs that satisfy the Reserve Study Component Selection Guidelines published by the Community Associations Institute's Reserve Study Standards (e.g. preventive or corrective Capital Asset repair and maintenance).

¹ See California Civil Code §5550 and §5510.

² See the General Policy of Capital Reserves and Capital Improvements, Section IX(b) regarding Capital Project order of magnitude cost estimates.

Capital Project: Any Capital Improvement that satisfies one or more of the following criteria:

- It provides for the construction, modification, enhancement, replacement, reconstruction, repair, remodeling, maintenance, renovation, addition, improvement, acquisition, or installation of an Association Common Facility.
- It provides for the acquisition of real estate, including land or building purchases.
- It provides for the repair, maintenance, stewardship, preservation, remediation, improvement, or acquisition of Common Area or Other Association Real Property.

Acquisition in this context shall be understood to include both ownership and the acquisition of other legal interests or rights.

Significant Capital Project: Significant Capital Projects shall include all Capital Projects deriving funding in whole or in part from the Community Improvement Fund and/or the Long Life Fund. At the discretion of the Board and as recommended by management, other Capital Projects may be designated Significant Capital Projects if those projects significantly affect member experience or involve significant financial costs (e.g. Capital Projects funded by RRF that significantly remodel facilities).

Common Facility: This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 10. In addition to the Common Facilities listed therein as existing at the time of the adoption of the Declaration, Common Facilities shall include, without limitation, the Trout Creek Recreation Center, the Driving Range, and the summer trail system.

Common Area: This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 8.

Other Association Real Property: This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 25. At the time of the adoption of this policy, Other Association Owned Property includes the “2,000 Acres,” the Euer Valley properties, Crabtree Canyon property, the Bucknam Tract properties, the McGlashan Springs Property, the Teton Way Forestry Property, and the Chalet House.³

Total Useful Life: The total useful life of a Capital Asset from creation/acquisition to renewal/disposal.

³ First Restated Declaration of Covenants and Restriction of Tahoe Donner, Exhibit “D” lists the “32 Acres” and the “Corner of Donner Pass Road and Northwoods Blvd” as Other Association Real Property. Both of these properties were sold prior to the adoption of this policy.

Remaining Useful Life: The currently remaining useful life of a Capital Asset before planned/expected renewal/disposal.

Logical Upgrade: Logical Upgrades shall include Capital Improvements to existing Capital Assets that address one or more of the following:

- Altered or upgraded building codes and standards or other legal regulations.
- Altered or upgraded industry standards.
- Functional obsolescence, inefficiency, or inadequacy.

Property Fund: The Property Fund is an accounting fund used to record the Association's investments in its fixed assets (e.g. land, buildings, and equipment) and the accumulated depreciation and depreciation expenses associated with the Association's fixed assets.

Member: Member shall be defined consistent with the Amenity Access Rule, unless the context requires otherwise.

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Additional Definitions in Development:

Net Property and Equipment: TBD

Percent Funded: TBD

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