

Financial Policies Working Glossary - 4/15

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.

RED = Substantive edits or additions

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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 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 Expenditure: **Capital Improvement costs less expensed Ancillary Capital Costs.**

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

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

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.

Capital Reserve: Consistent with California Civil Code §4177, Capital Reserves (i.e. “Reserve Accounts”) 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.

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

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.

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

- Altered or upgraded building codes and standards or other legal regulations.

- Altered or upgraded industry standards.
- Functional obsolescence, inefficiency, or **no longer effectively serving the needs of the Association.**

Major Association Component: Major Association Components include those Capital Assets that the association is obligated to repair, restore, replace, or maintain and for which the Capital Reserves are established.¹ Additionally, the selection and designation of Major Association Components shall consider the Component Selection Guidelines published in the Community Associations Institute’s Reserve Study Standards.

Consistent with these 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

Further, the term Major Association Component may include any costs that satisfy the Reserve Study Component Selection Guidelines published in the Community Associations Institute’s Reserve Study Standards (e.g. preventive or corrective Capital Asset repair and maintenance).

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.

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

Net Property and Equipment: Total property and equipment less accumulated depreciation, as documented in the prior year’s Independent Auditor’s Report.

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

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.

properties, Crabtree Canyon property, the Bucknam Tract properties, the McGlashan Springs Property, the Teton Way Forestry Property, and the Chalet House.³

Percent Funded: The Percent Funded formula is the Forecasted Beginning Reserve Study Fund Balance divided by the Fully Funded Value of the Total Current Replacement Costs for all components in the Reserve Study.

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

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

Significant Capital Project: Significant Capital Projects shall include all Capital Projects deriving funding in whole or in part from the New Project Fund and/or the Long Life Fund. Hence, all projects listed in the New Projects Plan and/or the Long-Life Expenditure Report shall be considered Significant Capital Projects. Additionally, 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 or alter member use, service, or experience, revenue expectations, or involve significant capital costs (e.g. Capital Projects funded by RRF that significantly remodel facilities).

Total Useful Life: The total useful life of ~~time period from Capital Asset creation/acquisition to renewal/disposal during which~~ a Capital Asset performs the function for which it was intended ~~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.