

SANDESTIN OWNERS ASSOCIATION, INC.

CAPITAL EXPENDITURE AND DISPOSAL POLICY

Board of Directors Approved 5/23/2019

Revision 1 Approved 10/3/2024

Whereas Article V of the Sandestin Owners Association Declaration of Covenants, Conditions, and Restrictions defines the purpose and basis and provide for the collection of assessments from all Members, and;

Whereas Article VI subsection (f) of the Sandestin Owners Association Bylaws provides that the Board of Directors shall manage the business and affairs of the Association and furthermore that the Board shall have all the powers and duties necessary for the administration of the affairs of the Association and;

Whereas Article VI subsection (d) of the Powers and Duties of the Board of Directors empowers the Board to adopt and amend reasonable rules and regulations not inconsistent with the Association Documents and;

Whereas It is desirable to establish a policy for the SOA that defines parameters and cost thresholds for the capitalization and disposal of certain materials purchased for the use in day to day operations of the Association, and to ensure this policy is consistent with Generally Accepted Accounting Practices and or other practices as required by law, and to ensure the Association maintains adequate funding for replacements of all fixed assets.

THEREFORE, BE IT RESOLVED, that the following policy is established to define the terms under which the fixed assets of the Association are managed.

Reserve Study

To ensure reserve funding remains adequate to replace all fixed assets when required, the Association will conduct a full Reserve Study every five (5) years by a third party vendor.¹ Any firm selected to conduct the analysis will have an analyst that has achieved the Reserve Specialist designation established by the Community Association Institute.

Capitalization Value

Upon the effective date of this policy, all equipment placed in use by the Association will be considered Fixed Assets provided the value of the equipment is \$5,000.00 or more and has an economic useful life of 12 months or greater. Pooled assets with a low value, but purchased in large quantities, will be capitalized to the extent the aggregate value exceeds the capitalization minimum limit of \$5,000.00. Items such as communication equipment, computers, and radar signs are examples of such pooled items. Acquisition of the equipment will be consistent with the Associations Purchase Policy.

Depreciation

All assets will be depreciated using the straight-line method over the estimated useful lives of 5 – 15 years. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. Depreciation will begin in the month the asset is placed in service. The amount of annual depreciation is determined by dividing an asset's cost reduced by any of its salvage value, by its estimated life.

Disposal

All capitalized fixed assets will be disposed of at the end of their useful life. Planned disposals will be presented to the Board of Directors for review and approval. Approved disposals will result in the asset being traded-in, sold or simply discarded. Upon disposal, the asset will be written off from the fixed asset register.

¹ Revised frequency of Reserve Study from 4 to 5 years 10.3.2024