

# RECREATION CENTERS OF SUN CITY WEST, INC.

## POLICY STATEMENT - Fi4

### Facilities and Equipment Reserve Policy

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#### **1.0 General:**

- 1.1 Various laws, rules, and/or regulations require that Associations such as the Recreation Centers of Sun City West have a written policy covering the funding of future major repairs, and replacement of Capital Assets.
- 1.2 The written policy includes the following:
  - 1.2.1 A description of the method used to determine the reserve requirements;
  - 1.2.2 A description of the funding policy; and
  - 1.2.3 The intended use of the reserves.

#### **2.0 Purpose:**

To establish and maintain a Reserve Fund in accordance with the Association Bylaws.

#### **3.0 Facilities and Equipment Reserve Requirements:**

- 3.1 The Association Bylaws require that the Governing Board ensure that adequate property, casualty, and liability insurance be maintained on all property owned by the Association.
- 3.2 This policy (Fi4) relies on the fact that the Association does maintain such adequate insurance for all insurable risks related to property owned by the Association.
- 3.3 The Facilities and Equipment Reserve requirements shall be determined on an annual basis as part of the Annual Financial Plan and shall include the following:
  - 3.3.1 Reserves required to fund the annual major repairs and/or replacement of the Association's Capital Assets due to normal usage and age.
  - 3.3.2 Reserves required to fund the major repair and/or replacement of an Association Capital Asset due to an uninsured loss.
  - 3.3.3 Reserves required to fund the addition of a major Capital Asset required to continue the normal maintenance and operation of the Association's facilities.

#### **4.0 Facilities and Equipment Reserve Funding Policy:**

- 4.1 The Facilities and Equipment Reserve is funded from the Association's non-operating cash flow determined by the Association's annual audited financial statements.
  - 4.1.1 Non-operating cash flow is defined as the net of revenue and expenses plus depreciation and amortization.

#### **5.0 Facilities and Equipment Reserve Use Policy:**

- 5.1 The Facilities and Equipment Reserve is used to fund the Capital Asset requirements per Section 3.3 of this Policy.

Adopted: 11-7-08