

RECREATION CENTERS OF SUN CITY WEST, INC.

POLICY STATEMENT- Fi1

Capital Expenditures

Reference: Definitions, Section 1.9 of the Amended and Restated Bylaws of the Recreation Centers of Sun City West, Inc. dated June 27, 2002.

1.0 Purpose:

This policy provides a guideline for defining capital assets and capital expenditures. It establishes the requirement for a capital asset inventory, reserve data analysis studies, and provides for tracking of final costs of approved expenditures and any significant variances.

2.0 General:

- 2.1 A capital expenditure is the amount used during a particular period to acquire or improve long-term assets such as property, plant, or equipment. A capital asset is tangible property owned by the Association such as land, buildings, equipment, and vehicles with expected useful lives of three or more years and a minimum cost of \$3,000.00.
- 2.2 Capital expenditures can include acquisition, modernization, major maintenance, improvements or expansion of facilities, construction projects, and equipment purchases. Construction projects, which are managed by the Facilities Maintenance Department, are defined as those projects, which will have a useful life of ten or more years and increase the value of the facility.
- 2.3 On July 1, 1990 the Association adopted an accounting procedure to establish depreciation accounts for capital expenditures. Depreciation accounting shall commence on the purchase date or construction completion date and shall be maintained for each of the three divisions as part of the Association's accounting process. Depreciation is accounted for by the straight-line method for all depreciable assets over the estimated useful life of the asset. The Chief Financial Officer shall be responsible for developing a depreciation schedule applicable to the various asset categories. This schedule shall be submitted to the Budget & Finance Committee for review.
- 2.4 Depreciation accounts shall be maintained for each of the three divisions (Recreation Facilities, Golf, and Bowling) as part of the Association's accounting process. Depreciation is provided by the straight-line method for all depreciable assets over the estimated useful life.

3.0 Guidelines:

3.1 The annual capital expenditure budget shall be submitted in the same time frame as the fiscal year operating budget (see Financial Policy Fi 15). Each separate request in the capital budget shall include, but is not limited to, the following:

- Division and department requesting the capital expenditure;
- Justification for the expenditure;
- Details of cost savings for improved efficiency in operation and any other specific benefit for the expenditure;
- Details of the disposition of the asset being replaced (if applicable) along with detailed replacement need;
- Repair history of the asset being replaced;
- Dollar amount of the expected expenditure;
- Primary assigned location and its intended use;
- Suggested vendor and model number;
- Life expectancy of new acquisition;
- Estimated salvage value and removal cost of replaced asset.

3.2 Routine maintenance and repairs to capital assets will be classified as operating expenses unless the repair extends the useful life of the asset three or more years and the cost exceeds \$3,000.

3.3 Unused funds for an approved capital budget item shall not be transferred to another obligation without approval of the General Manager, a review by the Budget and Finance Committee and a vote of the Governing Board.

3.4 The proposed capital budget shall be submitted by the General Manager for review by the Properties Committee, Golf Committee, and Bowling Committee before submission to the Budget and Finance Committee. After review, the Budget and Finance Committee shall make its recommendations to the Governing Board for approval as part of the budget approval process.

3.5 Following approval of the capital budget items and other approved projects, a monthly report of variances shall be prepared by the Accounting department and submitted to the General Manager and the Budget and Finance Committee for review.

3.6 Detailed physical inventory records shall be maintained and contain the following information:

- Asset description
- Asset category
- Date of purchase or completion of construction
- Cost of asset and cost of installation, if necessary
- Life expectancy of asset
- Annual depreciation
- Assigned location
- Unique RCSCW I.D. number
- Serial number

- Model number
- Vendor and or manufacturer
- Purchase order used to purchase
- Date and disposition of asset when no longer in use
- Salvage value
- Removal cost
- Staff member authorizing disposal
- Maintenance cost record

3.7 The Association will maintain detailed asset records for all assets over \$300. These records are needed for tax, insurance and other purposes. This policy applies whether or not the asset is “capitalized” for accounting purposes.

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