

**RECREATION CENTERS OF SUN CITY, INC.**

**RCSC BOARD POLICY RESOLUTION No. 16 (“BP 16”)**

**Annual Budget, Capital Projects List, 5 Year Plan, PIF Expenditures, PIF 10-Year Forecast, & Financial Reporting**

WHEREAS Article V, ~~Section 6.3~~ of the Corporate Bylaws empowers the Board of Directors (“Board” or “Directors”) of the Recreation Centers of Sun City, Inc. (“RCSC” or “Corporation”) to adopt Board Policies (“BP” or “Policies”) not in conflict with the Arizona Nonprofit Corporation Act (ANCA), ~~Restated~~ Articles of Incorporation (“Articles”) or the Corporate Bylaws (“Bylaws”).

WHEREAS to minimize inconsistencies, misunderstandings and misinterpretations inherent in verbal instructions, rules and regulations, the Board of Directors has established Board Policies in written form. Such Policies must be titled, numbered and indexed for easy reference and use.

WHEREAS the ANCA, ~~Restated~~ Articles of Incorporation and the ~~Corporate~~ Bylaws must take precedence over Board Policies and that the following Board Policy on Budget & Financial Reporting must provide instruction, direction and guidelines regarding such and must remain in effect until such time it is amended or removed by the Board.

NOW, THEREFORE BE IT RESOLVED the Corporation must adhere to the following policy regarding Budget & Financial Reporting:

**SECTION 1: FISCAL YEAR**

For all purposes, financial and otherwise, the calendar year January 1 through December 31, shall be synonymous with the term “fiscal year” of the Corporation.

**SECTION 2: BUDGET PREPARATION AND APPROVAL**

**A. The Five-Year Planning Team.**

The purpose of the Five-Year Planning Team is to provide the Finance, Budget and Audit; Golf Advisory; Bowling; Long Range Planning; and Club Organization Committees with relevant budget information to complete their budget, Preservation and Improvement Fee (“PIF”), the Capital Improvement Fee (“CIF”) preparation responsibilities in an accurate and timely manner.

~~The purpose of the Five-Year Planning Team is to ensure that the Finance, Budget and Audit Committee, the Long Range Planning Committee and the Club Organization Committee complete their budget and PIF preparation responsibilities in an accurate and timely manner.~~

1. The Five-Year Planning Team must complete their responsibilities by the end of June so that the budget responsibilities of other committees can be completed by the end of August.
2. In addition, the Five-Year Planning Team will annually prepare a Five-Year Plan forecast.
3. The Five-Year Planning Team will include no more than three (3) members of the Finance, Budget and Audit Committee; no more than three (3) members of the Long Range Planning Committee; one (1) member of the Club Organization Committee; one (1) member of the Golf Advisory Committee; and those members of management that the General Manager believes

44 are critical to the development of the Annual Budget and the Five-Year Plan. An individual  
45 selected to the Five (5) Year Planning team cannot represent more than one (1) committee.

46 The Five Year Planning Team will be established and its membership will include no more  
47 than three members of the Finance, Budget and Audit Committee, no more than three members  
48 of the Long Range Planning Committee, one member of the Club Organization Committee and  
49 those members of management that the General Manager believes are critical to the  
50 development of the Annual Budget, the Five Year Budget and the Ten Year PIF Project  
51 Forecast.

- 52 4. While members of the RCSC Board may consult with the Five-Year Planning Team and attend  
53 team meetings, RCSC Board members have neither supervisory duties nor budget preparation  
54 responsibilities.

### 55 B. Five-Year Plan Budget.

56 The Five-Year Plan includes projected revenues, expenses, capital expenditures, and CIF/PIF  
57 expenditures for a five (5) year period. It does not bind future Boards to any assumption contained in  
58 the plan. The Five-Year Plan is not approved by the Board.

- 59 1. Each Year, Management must shall update the Five-Year Plan Budget and present a revised,  
60 balanced operating and capital Plan Budget for review to the Five-Year Planning Team and  
61 Finance, Budget and Audit Committee.
- 62 2. The Five-Year Plan Budget will contain an operating plan for each division and/or department  
63 covering the upcoming five-year period. The Five-Year Plan Budget for the Corporation will  
64 consist of all operating income and expense items including golf revenue and expense,  
65 bowling revenue and expense, PIF and CIF expenditures, and projected income from the PIF fund,  
66 the CIF fund, transfer fees and proposed annual Member Assessments, capital expenditures, and  
67 projected income from the PIF fees, the CIF fees, and annual Member Assessments.

### 68 C. Annual Budget.

- 69 1. Management shall prepare and present an annual operating and capital budget to the Finance,  
70 Budget and Audit Committee seven to ten days prior to the committee's July meeting (3<sup>rd</sup>  
71 Wednesday of the month). The Annual Budget will contain an operating budget for the coming  
72 year for each division and/or department and will include consist of all projected operating  
73 income and expense items capital expenditures, and projected income from the Preservation  
74 and Improvement Fee ("PIF") Fund, the Capital Improvement Fee ("CIF) Fund, and annual  
75 Member Assessments up to and including the Net Excess (Deficit) Before Depreciation  
76 income statement entry or its Generally Accepted Accounting Principles ("GAAP")  
77 equivalent.

- 78 2. Management's proposed Annual Budget must include recommendations for the level of the  
79 annual member assessment, PIF, CIF, Transfer Fee and prices proposed to be charged for golf  
80 and bowling during the upcoming calendar year.

- 81 3. Management's proposed Annual Budget will also include, as a separate document, a Capital  
82 Projects List that includes capital projects intended to be funded by the CIF fund during the  
83 upcoming calendar year.

- 84 4. The Board defines an annual operating and capital budget as:

- 85 a. An annual operating budget contains a detailed projection of operating income and expense  
86 for the coming year including a projected Net Excess (Deficit) Before Depreciation income  
87 statement entry or its GAAP equivalent.

88 b. An annual capital budget identifies the beginning balance of the CIF Fund in dollars, the  
89 various proposed CIF projects for the year by name and by dollars, any projected return  
90 that might be earned on the CIF Fund balance during the year in dollars, the expected  
91 contributions to the CIF Fund during the year in dollars, and the expected ending balance  
92 of the CIF Fund at the close of the year in dollars. Normally, five (5) percent of the Annual  
93 Reserve Study allocation will be budgeted for Club project requests. However, this  
94 percentage can be modified by the RCSC Board. The annual capital budget will be  
95 projected to have an ending balance in the CIF Fund of not less than \$2,000,000.

96 5. The Finance, Budget and Audit Committee will review Management’s proposed Annual  
97 Budget, amend Management’s proposed Annual Budget if appropriate, and will recommend  
98 an Annual Budget to the Board by the Board’s October Board Meeting. While reviewing the  
99 proposed Annual Budget, the Finance, Budget and Audit Committee may request an  
100 explanation of proposed income or expenses. If the committee requests an explanation of a  
101 proposed item, the Chair and/or Vice Chair will request the division, department, club, standing  
102 committee or management (collectively called the “Initiator”) requesting the proposed income  
103 or expense item to prepare an explanation.

104 6. The Chair and/or Vice Chair will determine if the explanation of the Initiator’s proposed item  
105 satisfactorily addresses the requirements of the committee’s request.

106 a. The Chair and/or the Vice Chair will bring the explanation of the proposed expenditure to  
107 the Finance, Budget and Audit Committee, noting the date that the committee was provided  
108 with the explanation;

109 b. The Finance, Budget and Audit Committee will have up to thirty (30) days to review the  
110 explanation of the proposed expenditure and recommend either inclusion or exclusion of  
111 the proposed income or expense in the proposed Annual Budget for the upcoming year;  
112 and

113 c. The Chair and/or Vice Chair may extend the committee’s review deadline an additional  
114 thirty (30) days one time for good cause, but the committee must make its Annual Budget  
115 recommendation to the Board by the Board’s October Board Meeting.

116 7. The Finance, Budget and Audit Committee in collaboration with the Management Team will  
117 assume responsibility for explaining the proposed Annual Budget to the community prior to  
118 the October Board Meeting.

119 8. The Annual Budget recommended by the Finance, Budget and Audit Committee will contain  
120 the following to provide the projected level of revenue and fee income assumed necessary to  
121 operate the Corporation in the coming calendar year:

- 122 a. An operating budget;
- 123 b. A capital budget;
- 124 c. The annual member assessment;
- 125 d. The PIF, CIF, and Transfer Fees’
- 126 e. Golf and bowling fees

127 9. The Board may accept or amend the Finance, Budget and Audit Committee’s recommended  
128 Annual Budget. However, the Board must approve an Annual Budget for the coming calendar  
129 year by the completion of Board’s November Board Meeting.

130 ~~The Board will adopt an Annual Budget for the coming year at its October and November~~  
131 ~~Board meetings.~~

132

133 **D. Capital Project List Expenditures.**

134 1. The Capital Projects List contains non-PIF items recommended for replacement by the  
135 Reserve Study. A Reserve Study is a planning tool intended to assist in identifying a schedule  
136 of major maintenance, repairs, replacements and major capital expenditures of the  
137 Corporation.

138 2. The Reserve Study will be updated annually by Management.

139 3. At least twice a year, the Finance, Budget and Audit Committee will review the proposed  
140 Capital Projects List for the coming year. While reviewing the Capital Projects List, the  
141 committee may request an explanation of proposed expenditures. If an explanation is desired:  
142 The Finance and Budget Committee and the 5 Year Planning Team will review any proposed  
143 Reserve Study and make recommendations to the Board accordingly. It is expected that the  
144 results of a Reserve Study will be incorporated into the RCSC's Annual Budget and Five-  
145 Year Budget.

- 146 a. The Chair and/or Vice Chair of the Finance, Budget and Audit Committee will request the  
147 Initiator of the proposed expenditure to prepare an explanation.
- 148 b. The Chair and/or Vice Chair will determine if the Initiator's explanation of the proposed  
149 expenditure prepared satisfactorily addresses the requirements of the Committee's request;
- 150 c. The Chair and/or the Vice Chair will bring the explanation of the proposed expenditure to  
151 the Finance, Budget and Audit Committee, noting the date that the committee was provided  
152 with the explanation;
- 153 d. The Finance, Budget & Audit Committee will have up to thirty (30) days to review the  
154 explanation of the proposed expenditure and recommend either inclusion or exclusion of  
155 the project from the Capital Projects List; and
- 156 e. The Chair and/or Vice Chair of the Finance, Budget and Audit Committee may extend the  
157 committee's review deadline an additional thirty (30) days one time for good cause, but the  
158 committee must still make its Annual Budget recommendation to the Board by the Board's  
159 October Board Meeting.

160 3. During the budget year, Management will have reasonable flexibility to include unbudgeted  
161 income, expenses, or Capital Projects in the Annual Budget. If unbudgeted operating expenses  
162 are incurred during the calendar year, Management may need to reduce budgeted operating  
163 expenses to continue to meet the Board's approved Annual Budget requirements. If an  
164 unbudgeted Capital Project is related to safety or regulatory rules or if an essential asset  
165 unexpectedly fails, Management may need to defer one or more budgeted projects so that  
166 annual capital project spending remains at or below budget. If Management makes material  
167 changes to the approved Capital Project List, Management shall notify the Board of such  
168 changes before spending amounts in excess of the approved Capital Project List.

169 4. The Capital Project List included in the Annual Budget will contain projected CIF expenditures  
170 for the various cost centers (Facilities, Finance, Operations, Golf) and for the clubs. These  
171 projected CIF expenditures are estimates of expected project costs.

- 172 a. If the clubs complete their CIF projects for a given year's Annual Budget without  
173 exhausting the club allocation of CIF funds for that year, any difference between actual and  
174 allocated expenditures will be used to fund additional club CIF projects during that budget  
175 year.
- 176 b. If the club allocation of CIF funds are not exhausted by the end of the budget year, excess  
177 club CIF funds will carry over to the following budget year.
- 178 c. If a club CIF project is proposed to be cancelled, the Club Organization Committee must  
179 be informed and provided an explanation before the project is canceled.

- 180 d. If individual cost centers (Finance, Facilities, Operations, Golf) complete their CIF projects  
181 for a given year's Annual Budget without exhausting their annual allocation of CIF Funds,  
182 the excess funds may be shared among the cost centers during that budget year.  
183 e. If the combined cost centers (Finance, Facilities, Operations, Golf) do not exhaust their  
184 annual allocation of CIF funds by the end of the budget year, any excess funds will be  
185 returned to the CIF fund and allocated during the next budget year.  
186 f. If a cost center (Finance, Facilities, Operations, Golf) or the clubs exceed their budget  
187 allocation, every effort must be made to curtail additional CIF spending to keep overall  
188 CIF expenditures within budget for the year.

189 The Annual Budget and the Five-Year Budget will include a list of proposed Capital expenditures  
190 ("Capital Project List"). The Finance, Budget and Audit Committee and Management will agree  
191 on the dollar amount of Capital Expenditures for each year.

192 ~~1. To obtain funding for a Capital Expenditure, the division, department or club requesting the~~  
193 ~~expenditure must justify the requested expenditure to the Finance, Budget and Audit~~  
194 ~~Committee. The Finance, Budget and Audit Committee will provide a form that details the~~  
195 ~~required information for Capital Expenditure requests. If the Finance, Budget and Audit~~  
196 ~~Committee agrees with the justification submitted, the project will be placed on the Capital~~  
197 ~~Project List. The Capital Project List will contain a description of the project, the location~~  
198 ~~where the project will be completed, an estimate of the project cost, and a ranking of each~~  
199 ~~project's priority. Management, along with the Finance, Budget and Audit Committee, will~~  
200 ~~develop a ranking methodology to assist in prioritizing the projects for the Capital Project List.~~

201 ~~2. Project recommendations will come primarily from the Reserve Study, as well as additional~~  
202 ~~requests from Buildings and Infrastructure, Operations, and Golf.~~

203 ~~3. Normally 5 percent of the annual Capital Project budget will be budgeted for Club project~~  
204 ~~requests. However, this percentage can be modified by RCSC Board action. The Club~~  
205 ~~Organization Committee will develop a methodology for ranking the Club requests and~~  
206 ~~recommend a list of Club projects for inclusion in the Capital Project List.~~

207 ~~4. The five year Capital Project List will include:~~  
208 ~~a) A beginning CIF balance for each year~~  
209 ~~b) An annual estimate of CIF Fee contributions (including an estimate of the number of annual~~  
210 ~~house resales and a proposed CIF Fee amount) and earnings on the CIF Fee balance~~  
211 ~~c) An estimate of each project's cost and the year the cost is anticipated to be incurred~~  
212 ~~d) An estimated ending CIF Fee balance for each year~~

213 ~~5. Once the Annual Budget is approved by the Board, Management will have reasonable~~  
214 ~~flexibility to include unbudgeted Capital Projects in the Capital Project List if the project is~~  
215 ~~related to Safety or Regulatory rules, or if an essential asset unexpectedly fails. Management~~  
216 ~~may need to defer one or more budgeted projects so that annual Capital Project spending~~  
217 ~~remains at or below Budget. If Management makes material changes to the approved Capital~~  
218 ~~Project List, Management shall notify the Finance, Budget and Audit Committee of such~~  
219 ~~changes.~~

220

221 **SECTION 3. THE PIF FUND**

222 **A. New PIF project funding**

- 223 1. All phases of PIF Fund projects must be closely coordinated with the Facilities team
- 224 2. Any Board member, committee member or member of the senior management staff may
- 225 propose a new PIF project to the Board.
- 226 3. Before the completion of three (3) monthly Board Meetings, the Board must consider the
- 227 proposed project and make an initial decision whether the project merits further examination.
- 228 This decision can be made in a Board meeting or Special Session.
- 229 4. If the Board rules negatively, the Board will inform the maker of the proposed project that the
- 230 Board does not wish to pursue the project at this time.
- 231 5. If the Board decides to continue examining the project:

- 232 a. The project request will be forwarded to the Director of Facilities to establish a rough order
- 233 of magnitude (ROM) estimate for the project
- 234 b. The Board will assign the appropriate Standing Committee in conjunction with the project
- 235 requestor to build an abbreviated business case to define the project scope and overview,
- 236 ROM, benefits for the RCSC, potential risks, stakeholders and other considerations

- 237 1) The Golf Advisory Committee will be accountable for golf PIF funds requests;
- 238 2) The Bowling Committee will be accountable for bowling PIF funds requests;
- 239 3) The Club Organization Committee will be accountable for clubs PIF funds requests;
- 240 4) The Lawn Bowling Committee will be accountable for lawn bowling PIF funds
- 241 requests;
- 242 5) The Outreach and Communications Committee will be accountable for outreach and
- 243 communications PIF funds requests;
- 244 6) The Technology Committee will be accountable for technology-related PIF funds
- 245 requests;
- 246 7) The Properties Committee will be accountable for fitness facilities, buildings, and
- 247 grounds PIF funds requests; and
- 248 8) The Long Range Planning Committee will be accountable for PIF funds requests for
- 249 long range planning purposes.

- 250 c. The Standing Committee will vote to recommend or not recommend whether the project
- 251 should proceed.
- 252 d. The Standing Committee chair will present the business case and the committee's
- 253 recommendation/non-recommendation to the Board.
- 254 e. The Board will decide at a monthly Board Meeting if the project should continue and be
- 255 put on the Ten-Year PIF Forecast.
- 256 f. The Long Range Planning Committee will recommend to the Board where the project
- 257 should be placed on the Ten-Year PIF Forecast and bring their recommendation to the
- 258 Board for consideration.

259 **B. Design funding for projects on the Ten-Year PIF Forecast**

- 260 1. To obtain funding for a project on the Ten-Year PIF Forecast, a Standing Committee must
- 261 prepare a justification for the recommendation and make a funding recommendation to the
- 262 Board.

- 263 2. A request for PIF funds will generally have two (2) stages.

- 264 a. Stage 1: Funds for Project Design

- 265 1) The requesting Standing Committee will request design funding for the project. To  
266 receive design funding, the requesting Standing Committee will prepare a project  
267 design business case that includes:
- 268 a) Describe the project including need for the project;
  - 269 b) Provide a project cost/benefit review;
  - 270 c) Describe the alternatives to the proposed project that were considered;
  - 271 d) Describe stakeholders that had input to the decision to pursue the project; and
  - 272 e) Provide a project design Statement of Work for prospective bidders;
  - 273 f) Make every effort to obtain at least three (3) bids for project design;
  - 274 g) Provide an estimate of the amount that will be needed to complete the design phase  
275 of the project.
- 276 2) Each design bid received should contain an estimate of the cost to construct the project.  
277 3) After completing the rationale for project design, the requesting Standing Committee  
278 will make a recommendation to the Board requesting the required design funding.  
279 4) The Chair or Vice Chair of the requesting Standing Committee will present the  
280 committee's recommendation to the Board. The Board may approve or deny the  
281 request for design funds.

282 **b. Stage 2: Funds for Project Construction**

- 283 1) When the project design is completed, the requesting Standing Committee will review  
284 the project and make a recommendation/non-recommendation to the Board.  
285 2) The Board will decide whether the project should proceed  
286 3) If the Board decides the project should proceed, the requesting Standing Committee  
287 will request funding for project construction by preparing a construction business case  
288 that will include:
- 289 a) A project description including need for the project, benefits, and costs;
  - 290 b) A project construction Statement of Work for prospective bidders;
  - 291 c) Every effort to obtain at least three (3) bids for the construction of the project;
  - 292 d) A description of each bid's pros and cons;
  - 293 e) A description of the stakeholders that had input to the recommendation to pursue  
294 the project;
  - 295 f) A recommendation of which bid the requesting Standing Committee believes  
296 should be accepted and the amount of PIF funds needed to complete the project.
- 297 4) The requesting Standing Committee Chair and/or Vice Chair will determine if the  
298 committee's construction business case satisfactorily addresses the Board's  
299 requirements.  
300 5) If the construction business case reasonably meets the Board's requirements, the  
301 requesting Standing Committee Chair and/or Vice Chair will make a recommendation  
302 to the Board to provide PIF funding for the project.  
303 6) The Board will review the construction business case and may ask the requesting  
304 Standing Committee for clarifying information.  
305 7) The Board may approve or deny the request for construction funding.

306 **SECTION 4: THE ROLE OF THE LONG RANGE PLANNING COMMITTEE**

307 The Long Range Planning Committee is tasked with providing the Recreation Centers of Sun City with  
308 an overview of proposed long-range goals and suggested future construction projects.

- 309 A. In preparing this overview, the Long Range Planning Committee may consider the future income  
310 of residents of Sun City, the demographics of the residents of Sun City, the state of the housing

311 stock in Sun City, the existing assets of the Recreation Centers of Sun City, the employees of the  
312 Recreation Centers of Sun City, employment statistics of current and future residents of Sun City,  
313 the sources of revenue for the Recreation Centers of Sun City and the sustainability of those  
314 revenue sources, and other relevant factors.

315 B. The Long Range Planning Committee will prepare, or cause to be prepared, a vision of where the  
316 Recreation Centers of Sun City might want to be in at least ten years. More specifically, the  
317 committee will:

- 318 1. Seek Stakeholder participation in the future direction of the Recreation Centers of Sun City;
- 319 2. Identify Stakeholders desires/requests for upcoming PIF projects;
- 320 3. Suggest the standard that the Recreation Center of Sun City should attempt to achieve to  
321 maintain its assets at a level required to attract future residents;
- 322 4. Suggest sources of revenue from outside sources;
- 323 5. Collaborate with other committees to suggest branding or marketing efforts;
- 324 6. Suggest means to educate RCSC Members on the cost of and need to repair and maintain  
325 assets; and
- 326 7. Complete these efforts while complying with all state and federal legislation.

327 C. The Long Range Planning Committee will prepare this overview annually for the Board's review.

328 **SECTION 5: THE TEN-YEAR PIF FORECAST.**

329 A. The Long Range Planning Committee will annually prepare and recommend a Ten-Year PIF  
330 forecast. The Ten-Year PIF Project Forecast will include:

- 331 1. A beginning PIF balance for each year;
- 332 2. An annual estimate of the PIF Fee contributions (including an estimate of the number of annual  
333 house sales and a proposed PIF Fee amount) and earnings on the PIF Fee balance;
- 334 3. The individual PIF projects projected for each year including project cost estimates; and
- 335 4. An estimated ending PIF balance on an annual basis. The estimated annual ending PIF balance  
336 should not drop below \$5 million dollars. The RCSC Board can modify the minimum balance.

337 B. The Board will vote on the recommended approve the Ten-Year PIF Project Forecast at its October  
338 and November Board meetings. After approving the Ten-Year PIF Project Forecast, all new PIF  
339 project requests will be deferred to the next annual budget cycle for review unless the Board  
340 modifies the approved Ten-Year Project Forecast; inclusion in the next year's forecast. The RCSC  
341 Board can modify the approved Ten-Year Project Forecast.

342 As part of the Budget process, the Long Range Planning Committee will propose a Ten-Year PIF Project  
343 Forecast. The Long Range Planning Committee and Management will agree on the dollar amount of  
344 PIF expenditures for each year in the Ten-Year PIF Project Forecast.

- 345 1. To obtain funding for a PIF expenditure, the division, department or club requesting the  
346 expenditure must justify the expenditure to the Long Range Planning Committee. The Ten-  
347 Year PIF Project Forecast will include:
  - 348 a) A beginning PIF balance
  - 349 b) An annual estimate of the PIF Fee contributions (including an estimate of the number of  
350 annual house resales and a proposed PIF Fee amount) and earnings on the PIF Fee balance
  - 351 c) The individual PIF projects projected for each year including the project cost estimates

352 d) ~~An estimated ending PIF balance on an annual basis. The estimated ending PIF balance~~  
353 ~~should not drop below \$5 million dollars, however, this minimum balance can be modified~~  
354 ~~by RCSC Board action.~~

355  
356 2. ~~PIF Project requests may be submitted to the Long Range Planning Committee at any point in~~  
357 ~~the year by any Board Member or committee. The Long Range Planning Committee will~~  
358 ~~provide a form for PIF Project requests.~~

359 a) ~~The Long Range Planning Committee will develop a ranking methodology to recommend~~  
360 ~~which PIF Project requests are included in the 10 Year PIF Project Forecast~~

361 b) ~~The Long Range Planning Committee will annually prepare a ten year forecast of PIF~~  
362 ~~expenditures for the Board. The Board will approve the Ten Year PIF Project Forecast.~~

363 c) ~~As PIF funding is required, the Long Range Planning Committee will provide the Board~~  
364 ~~with a recommendation based on the screening and review process previously completed.~~  
365 ~~The Board will approve or reject each request for PIF funding~~

366 3. ~~The Board will approve the Ten Year PIF Project Forecast at its October and November Board~~  
367 ~~meetings. After approving the Ten Year Project Forecast all new PIF project requests will be~~  
368 ~~deferred to the next annual budget cycle for review unless the Board modifies the approved~~  
369 ~~Ten Year Project Forecast.~~

370 E. **CIF Fund.** ~~A CIF Fund account will be created and initially funded with the remaining Carryforward~~  
371 ~~balance, the Capital Reserve Account balance, and the balance in the Unrestricted Fund in excess of~~  
372 ~~the designated \$2.5 million Operating Reserve. All CIF Fees received will be deposited into the CIF~~  
373 ~~Fund every month, as will 5 percent of the Annual Member Assessment fees collected, however, the~~  
374 ~~Board may modify the before mentioned percentage. All Capital Project spending will be made from~~  
375 ~~this CIF Fund. A minimum balance of \$5 million dollars will be maintained in the CIF Fund, although~~  
376 ~~the Board may modify this minimum balance requirement. Management and the clubs will request~~  
377 ~~Finance, Budget and Audit Committee review of all requests for CIF funding. The Finance, Budget~~  
378 ~~and Audit Committee will recommend to the Board CIF projects included as part of the Annual~~  
379 ~~Budget.~~

380 ~~A Reserve Study is a planning tool intended to assist in identifying major maintenance, repairs,~~  
381 ~~replacements and major capital expenditures of the Corporation. The Reserve Study will be updated~~  
382 ~~annually by Management. The Finance and Budget Committee and the 5 Year Planning Team will review~~  
383 ~~any proposed Reserve Study and make recommendations to the Board accordingly. It is expected that the~~  
384 ~~results of a Reserve Study will be incorporated into the RCSC's Annual Budget and Five Year Budget.~~

## 385 **SECTION 46: FINANCIAL REPORTING**

386 **A. A week prior to the regularly scheduled monthly Board Meeting:**

387 **1. A detailed financial statement for the prior month will be distributed to the Board; Finance,**  
388 **Budget, and Audit Committee; and Management.**

389 **a. Every reasonable effort will be made to have these statements available by the fifteenth**  
390 **(15<sup>th</sup>) of each month.**

391 **b. Financial statements shall compare actual monthly and year-to-date results with the**  
392 **budget and prior year's results.**

393 2. A Monthly PIF project work-in-process status will also be distributed to the Board; Finance  
394 Budget, and Audit; Long Range Planning Committee; and Management.

395 B. Management will review monthly variances from the budget and report concerns to the Board  
396 and the Finance, Budget, and Audit Committee.

397  
398 ~~On or before the 25th of each month (excluding year end), summary financial statements shall be~~  
399 ~~distributed to the Board, Finance Budget and Audit Committee and Management. A Monthly PIF project~~  
400 ~~work in process status will also be distributed to the Board, Long Range Planning Committee and~~  
401 ~~Management. Financial statements shall compare actual monthly and year to date results with the budget~~  
402 ~~and prior year's results. Management will review monthly variances from the budget and report concerns~~  
403 ~~to the Board.~~

404 **SECTION 47: FINANCIAL REVIEW**

405 Management shall provide a year-to-date in depth review after March 31 and September 30 of **concerning**  
406 financial operations and capital expenditures to both the Board and Finance Budget and Audit Committee.  
407 ~~Neither a year end nor a June 30 in depth financial review will be provided unless otherwise requested.~~

408 **SECTION 58: ACCOUNTING STANDARDS**

409 All financial records and accounts of the Corporation shall be maintained in accordance with Generally  
410 Accepted Accounting Principles (GAAP) as promulgated by the Financial Accounting Standards Board  
411 (FASB).

412 **SECTION 69: INTERNAL FINANCIAL CONTROLS**

413 Management is responsible for establishing specific internal control policies and procedures to include,  
414 but not limited to, authorization, segregation of duties, safeguarding, recording and depositing,  
415 reconciliation and review. Every RCSC employee is responsible for ensuring that established internal  
416 controls are followed and applied.

417  
418 **SECTION 710: ANNUAL FINANCIAL AUDIT**

- 419 A. A financial audit will be conducted every year.
- 420 B. The Board and the Finance, Budget and Audit Committee will review and approve Management's  
421 recommended audit firm.
  - 422 1. The Board and the Finance, Budget and Audit Committee will meet annually with the audit  
423 partner, without Management present, to review findings and make relevant inquiries of the  
424 audit firm.
  - 425 2. An audit report will be completed by the outside audit firm, and submitted to the Board and  
426 the Finance, Budget and Audit Committee at the conclusion of every annual financial audit.
- 427 3. The Annual Audit will be posted on the RCSC website.

428 **SECTION 811: REFUNDS**

429 Except as stated specifically in the Corporate Documents there are no other refunds of assessments, fees  
430 or other charges by RCSC.

431  
432 BE IT FURTHER RESOLVED that a copy of this resolution shall be posted on the RCSC website for  
433 members and shall be made available to members upon request at no cost.

434 Adopted and signed this ~~26<sup>th</sup>~~ <sup>1<sup>ST</sup></sup> day of December, 2025 ~~September, 2024~~ at a duly called Board  
435 meeting by a majority (5) of the Recreation Centers of Sun City, Inc. Board of Directors.

436

437 ATTEST:

438

439

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Thomas Foster, President

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Preston Kise, Secretary

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