



Fairway Village Homeowners Association

Policy: #201.26

Title: Accounting Policy and Procedure

Rescissions of Policy:

This policy rescinds and supersedes all policies/motions approved on this subject prior to 8/12/2026

Purpose:

This policy provides guidelines for the implementation of the accounting procedures by Fairway Village Homeowners Association. These guidelines allow the Association to maintain uniform procedures and documentation according to standard bookkeeping and generally accepted accounting principles (GAAP).

Appendices:

A: UNALLOCATED OPERATING CASH REPORT SAMPLE

B: CHART OF ACCOUNTS SAMPLE

C: EXCESS TAXABLE MEMBER INCOME

OVERVIEW

The Fairway Village Homeowners Association (the Association) is a non-profit membership organization incorporated in the State of Washington. Association members pay annual operating fund and reserves fund assessments, which are the members' obligation to meet Association ordinary expenses and to fund its continued existence. The Association also operates a public golf course on a for-profit basis.

Policy

All Association accounting records shall be maintained on an accrual basis in accordance with generally accepted accounting principles (GAAP) and adhere to rules and regulations applicable to a homeowner's association as set forth by the Internal Revenue Service and the State of Washington.

Changes in procedures outlined in this document may occur due to new office equipment or software or changes in the accounting principles and procedures, but policy changes shall only be made with the approval of the Board of Directors.

Accounting system

Because of unique accounting requirements for Association varied operations, fund accounting procedures have been adopted. Reporting of all funds shall be segregated, and separate reporting is required.

These funds are designated as follows:

General Operating Fund: homeowner, common area, and golf activities Reserve Fund: Capital item replacement and major repair/maintenance

Operating Fund

The purpose of this fund is to support Association activities and the operation and maintenance of the clubhouse, all common areas and the golf course. The golf course operations are also funded through user fees

and, therefore, the objective for golf course operations is to be profitable.

Cash Management

It is the policy of the Board of Directors (adopted in 2017) to maintain an insurance deductible/contingency fund from unallocated operating cash of 10% of the annual budget in order to cover unexpected variations in cash flow and necessary and unforeseen expenses. The contingency fund shall be deposited in a savings account separate from other operating funds and be used for emergency, over budget, and non-emergency unbudgeted operating expense requests.

To assist in implementing this policy, the Finance Committee, in cooperation with the Administrator, shall submit a monthly report to the Board showing:

- Total Operating Cash Accounts as of the previous month-end
- Plus cash expected from other sources in the near-term
- Less current liabilities, adjusted for any non-cash items
- Less additional estimated cash needed in the near-term An example of such a report is included in APPENDIX A

The resulting sum (contingency allowance) should equal 10% of the operating budget expenses for the current fiscal year. Should the variance become substantially greater than 10%, the Finance and Budget Committees should consider using some of the excess during the next budget planning cycle. If the variance becomes less than 10%, the Committees should commit funds to replenish the contingency allowance account during the following year's budget to provide a reasonable cushion against unexpected cash needs.

The Reserve Fund

The purpose of this fund is to accumulate monies sufficient to purchase asset replacements and perform major repairs/maintenance on assets included in the Reserve Study as periodically required. Internal Revenue Service regulations require that amounts set aside be authorized by the Association Board of Directors, and deposited separately from, and not co-mingled with, operating funds.

State of Washington Law (RCW 64.38.065 through .090) mandates which assets shall be included as part of reserve accounts, general length-of-service attributes, and frequency of information updates. Reserve Fund allocations shall be re-evaluated each year without a professional on-site inspection (physical inspection by a Reserve Professional is mandated every three years). Administration of the Reserve Fund is the responsibility of the Board of Directors, who are the only persons authorized to direct work of a third-party professional service to update and/or prepare the necessary documentation required, as recommended by the Finance Committee. In accordance with RCW 64.38.075, the Reserve Fund may be used to pay for major maintenance, repair, or replacement of reserve components whether or not included in the reserve study or out of cycle with reserve study projections.

Also, in accordance with RCW 64.38.075, the Association may borrow from the Reserve Fund "to pay for unforeseen or unbudgeted costs that are unrelated to" reserve components. The Board of Directors shall formally approve any such withdrawal and send notices of the action to each owner. The Board must also "adopt a repayment schedule not to exceed twenty-four months unless" that schedule would "impose an unreasonable burden on the owners".

Payroll Services

Policy #201.26 Accounting Policy & Procedure

Adopted 2021; Prior #201.24, #201.21; 200-5; Renumbered 12/07/2022

The Association engages a third-party professional payroll service to prepare employee payroll, perform all necessary calculations, and submit required reports to the proper authorities in the name of Fairway Village Homeowners Association.

ACCOUNTING RESPONSIBILITIES

Administrator

The Administrator shall be responsible for maintaining complete documentation of all financial transactions of the Association and shall prepare monthly and annual financial statements. The Administrator shall assemble the information required for the annual audit by independent accountants and prepare the Association's annual budget.

Treasurer

The Treasurer shall be the legal custodian of the financial records, all monies, notes, securities, and other monetary assets that may come into the possession of the Association. The Treasurer shall ensure complete and correct records of the financial position of the Association are maintained and that all funds are properly deposited in depositories approved by the Board. The Treasurer shall be responsible for managing all investment funds.

The Treasurer shall present monthly financial information to the Board and Association members at Homeowners Board Meetings and via publication on the resident section of the website and in *The Villager*. Audited year-end reports shall be made available for all members once completed.

FINANCIAL REPORTS

Each month, the Administrator will review for accuracy and present the following reports provided by the independent accounting or bookkeeping firm.

- Balance Sheet – Operating Fund and Reserve Fund for the month and YTD
- Operating Income & Expense with Budget comparison including YTD
- Reserve Funding & Spending with Budget Comparison including YTD
- General Ledger
- Available Operating Cash Report
- Specific detailed reports to support the summary reports listed above may be defined and generated by agreement

BOOKKEEPING PROCEDURES

Financials

Financials shall be kept in QuickBooks (or another appropriately comprehensive bookkeeping system). The system must be safely backed up and available in the future to answer any questions about past transactions.

Recording Revenue

Revenue is recorded in accordance with ASC 606 from Association member assessments as earned.

It also includes golf course fees and sales (both of which must be tracked separately for residents and non-residents), clubhouse rental, investment interest, and Villager Ads.

Recording Cash Disbursements

Expenses are recorded and paid according to terms indicated on the supplier invoices after being reviewed and approved by the Administrator or Director of Golf. The Administrator shall approve the account assignment. All

documentation shall be maintained in the homeowner association office and retained as mandated by the Association Record Retention Policy 103.

Fixed Asset Additions

In accordance with GAAP, fixed assets are those assets with an expected useful life of more than one year and cost to the Association greater than or equal to \$500.00. Cost of installation and sales tax paid are included in the capitalization value. Using a \$500.00 capitalization threshold allows for more expedient reporting as Clark County Personal Property Tax reporting requires the use of \$500.00 threshold.

Assets with an acquisition and installation cost of greater than \$3,000 and a life of less than 30 years are included in the Reserve Study. They are acquired initially by funds from Operations and added as an asset in the Reserve Study. [there was some debate about creating a capital asset budget...thoughts for the future]

Cash Transactions

All HOA office transactions are required to be via credit card, check, ACH, or EFT. The Association does not maintain petty cash accounts.

Inter-fund Transactions

Inter-fund transactions shall be documented with the same care and accountability as if the funds were disbursed via currency or check. Proper documentation is required to be completed upon the transfer of funds (including two signatures. If the funds are transferred electronically, the same documentation is required. All transfers must be documented in QuickBooks, including the transfer's purpose (in the memo section). This information will be reported by the Treasurer to the Board of Directors at a monthly meeting for the purpose of notification that the transactions have occurred.

Credit Cards

Credit cards are provided to employees that are involved in routine purchasing activities. The Administrator and Director of Golf and Treasurer are authorized users of a company credit card and may recommend to the President and Treasurer additional users as required.

All users of company credit cards must document their purchases by attaching the receipts for each purchase to the credit card statement and submitting it to the Administrator for review. This process is outlined in Policy 200-3: Credit Card.

CONTROLLING ACCOUNTS

Bank Account Reconciliation

Reconciliation of accounts shall be done monthly by the bookkeeper (who is ineligible to sign checks or make deposits to the account). The Treasurer verifies the month-end balances of bank statements and confirms that reconciliations have been done, reviewing any unusual or longstanding items with the Administrator.

Golf Shop Inventory

A physical inventory of all Golf Shop merchandise will be taken on an annual basis. Adjustments shall be based on the "actual count" of the inventory. An annual audit of the inventory shall be based on the actual count vs. the point-of-sale system.

Investment Accounts

The Treasurer shall be responsible for investing funds of the Association. Investment types and periods of investment shall be entrusted to financial institutions offering only investments deemed appropriate for

conservative investors or as dictated by statute. All funds shall be US Treasury debt obligations or federally insured.

Operating funds shall be invested in short-term instruments so as not to influence cash flow negatively. Reserve funds shall be invested for up to five years or as dictated by funding requirements of the assets needing replacement or repair. All investment institutions and/or change of banks requires approval of the Board of Directors.

Review of Accounts for Unusual Balances

Monthly review of all financial statements and accounts (including month actual vs. budget and YTD actual vs. budget) shall be accomplished by either the Treasurer, the Administrator, and/or Finance Committee members.

INTERNAL CONTROLS

The following internal controls have been enacted at Fairway Village:

1. Checks are signed by two (2) people who are approved by the Board of Directors. (Signing of blank checks is never authorized).
2. Payroll checks may be deposited by electronic transfer, at the employees' option, to their personal bank accounts.
3. Pay period reports produced by the payroll service contractor shall be reviewed by the Treasurer and approved by a Board of Director signer monthly.
4. Cash receipts from the Golf Shop must be supported by the point-of-sale system reports and reviewed by the Administrator monthly.
5. Bank accounts are reconciled by a person not preparing deposits or signing checks.
6. Investment transactions shall be transacted by two authorized signatories. (See Electronic transfer of funds form).
7. Golf Shop inventories shall be conducted by a minimum of two persons (one of which is not an employee).
9. The Administrator shall reconcile assessments to the community's population and report receipts to the Board of Directors starting 30 days after the closing due date until all assessments are accounted for.

BUDGETING

The Administrator has the primary responsibility for assembling the information required to prepare the Association's annual budget. It is an estimate of expenses balanced by anticipated income according to the adjusted historical trend. Derivation of data to be included comes from many sources, including the Director of Golf, various operating committees, vendors of merchandise and/or services, and the Budget Committee. Discretionary budget items to fit the needs and desires of the community to meet its preferred level of service, lifestyle and values may be added to the operational items.

The Budget Committee, which is comprised of representation (approved by the Board) from Administration, Finance Committee, Board of Directors, and FV Residents, shall review the proposed budget and determine the following year's assessment. The assessment, so determined, is controlled by provisions in the Covenants, Conditions, and Restrictions (CC&R) and submitted to Association members prior to the Annual Meeting for approval.

Pursuant to the governing documents, if the budget is rejected, the last ratified budget shall be enforced, pending a subsequent new budget ratification by Association members.

TAXES

U.S. Treasury

The Association is required to file an annual income tax return per IRS Code, Section 277 on Form 1120. The Association is taxed on unrelated business income (interest, rental, *Villager* advertising, and non-resident golf income). Estimated income tax payments will be rendered according to IRS codes. Penalties apply if procedures are not followed.

State of Washington

The Association is required to collect and remit sales taxes to the State for all merchandise sales and services. The Association shall pay use tax on all purchases of goods and services for internal use when sales tax is not collected by the vendor.

Business and Occupation (B&O) taxes shall be paid for the rental of the golf course and/or clubhouse facilities. B&O and sales tax returns shall be filed monthly or as required by State regulations.

Payroll

All payroll withholding for taxes (e.g., federal income tax withholdings, F.I.C.A. tax) will be processed and remitted as per regulations and or contracts of the various institutions dictate.

Clark County and City of Vancouver

No property taxes are assessed to the Association on common real property, including the golf course. Instead, the property tax applicable to the Association's common real property is prorated and assessed against individual member's residential property as determined by the County Assessor.

Commercial personal property tax is paid according to the Association's fixed asset inventory.

ANNUAL AUDIT

Purpose of the Annual Audit

The Association's financial records are required to be subjected to an annual audit. The auditor shall be a certified public accountant (CPA) licensed by the State of Washington, and subject to the standards of the profession. The auditor's opinion certifies that the records underlying the financial statements are in accordance with Generally Accepted Accounting Principles.

Audit Preparation Procedures

1. Encourage the auditor to perform required testing of records prior to year-end of the year being audited.
2. The accounting records for the calendar year shall be closed by March 1st or as soon as practical for the most recent year-end.

Income Tax Returns

The Association shall engage a qualified professional to prepare the Association's income tax returns. In the event of an IRS examination of the Association's income tax return, the preparer will represent the Association.

Motion taken at a regular Monthly BOD meeting, with a quorum present.

8/12/2026

X *John Castino*
John Castino (Aug 13, 2026 11:34:19 PDT)

John Castino
President

X *Julie Jordan*
Julie Jordan (Aug 13, 2026 14:57:04 PDT)

Julie Jordan
Secretary

#201.26 Accounting Policy - FIINAL

Final Audit Report

2026-08-13

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