



Ford's Colony: Sound HOA Management

One of the annual goals of the Ford's Colony HOA Board of Directors is to maintain effective budget and financial management for the community. As part of this process, the Board takes a long-term view of preserving the future financial health, stability and sustainability of Ford's Colony in the years to come.

Q. How do FCHOA assessments and delinquency rates compare to comparable community associations?

The chart below shows how Ford's Colony provides comparative value with reasonable homeowner fees given our size, our self-maintained private roads and common areas and 24-hour security relative to other local competitors.

Our homeowner assessment delinquency rate generally runs around 1 percent, which is better than the 2 to 3 percent delinquency rate which the National Community Association Institute (CAI) considers

“excellent” based on homeowner association norms.

Q. How are the financial records audited and what was the outcome of the 2020 audit?

Adams, Jenkins and Cheatham, a premier Virginia CPA firm specializing in community association audits, conducts our annual independent audit. During their five-day review, they examined the FCHOA balance sheet as of December 31, 2020 and the related statement of revenues, expenses and changes in fund balances and cash flows for 2020 and compared them to prior audit results. The audit also evaluated the appropriateness of FCHOA accounting policies. As in past years, the audit resulted in a “clean,” very favorable report with no issues identified and no modifications to our financial records issued.

Q. How does the HOA plan for future capital repair and replacement expense?

In addition to our operating budget, the HOA exercises best practices related to capital reserve resources and contracts a professional firm every five years to conduct a reserve study update.

The capital reserve is supported with an annual contribution from assessment revenue. This enables the HOA to plan for future repair and replacement expenses of existing fixed assets. Generally, this includes all FCHOA assets with a significant acquisition cost and a projected useful life between five and 30 years. It also includes allocation categories for annual repair and maintenance for items such as drainage, curbs, gutters, road patching, and street lighting/wiring since 50 miles of our roads are private and not maintained by VDOT.

In June 2022, a Capital Contribution Fee (CCF), paid by the Purchaser, commenced on resale transactions. The Fee is fixed at one-half of the Annual Assessment. In 2022, the CCF is \$1046. The revenue is dedicated to capital reserves.

Assessment Comparison*	FCHOA	Kingsmill	Governor's Land	Colonial Heritage
Quarterly Assessment	\$523	\$549	\$781	\$840
Capital Fee at resale of home	½ annual assessment	0.5% of sales price	½ annual assessment	1.5 annual assessment
Mandatory country club membership	No. Public access to golf & dine at Murdoch's	No, but no public access	Yes, minimum social level	No
Private roads, restricted gate access	Yes	Yes	No	Yes
Age of community (year established)	1986	1976	1991	2003
Size of community in acres	3,200	2,900	1,400	1,500
Number of community units	2,992	2,354	732	1,800
Golf courses	3	3	1	1

*2022 assessment information provided by each community's HOA office (May 2022)

The model applies inflation factors to the continued maintenance or replacement cost for each asset beginning with the year it is placed in service. The calculations provide an estimate of timing as well as cost for maintenance or replacement of each individual asset.

With this planning, we maintain our assets and reduce the need for the HOA to take out interest-bearing loans or residents paying for unplanned special assessments to cover the costs.

Q. How do you know the Capital Reserve calculations and annual balances are complete and reasonable?

We execute a full review study every five years as required by the Virginia Property Owners Act using an independent professional firm, Reserve Advisors®, a designated Community Association Institute capital reserve specialist with both engineering and financial expertise.

It validates our inventory of assets, remaining useful life of the assets, and current replacement costs using available industry, local expert, and management agent estimates.

Q. How is the FCHOA budget developed?

Our budget process is coordinated by our elected Board Treasurer, our Assistant General Manager who is a CPA, and the Chair of our Finance Committee.

The Chairs of each of our 13 standing committees submit their budget requests with supporting justification to the Finance Committee in September. The Finance Committee then conducts comprehensive budget reviews over a five-week period with each of the key committees.

The following committees account for the majority of the spending:

- Roads & Project Maintenance
- Security
- Facilities

After the Finance Committee has completed its budget reviews and made its recommendations, the elected Board of Directors holds a Town Hall meeting with residents to review the proposed budget and answers questions. Then the Board votes on the budget.

The Town Hall presentation materials and approved budget are posted on the *fchoa.org* website and a copy is sent to all residents.

Q. How can residents track/monitor key budgeted projects during the year?

All key projects budgeted for the year are captured on three project plans: Roads & Project Maintenance (RPM), Landscape Design and Facilities. They are posted on the FCHOA website for resident review and discussed in the monthly meetings of those committees and the monthly Board meeting.

Spending in these areas account for 82 percent of the 2021 Operating Budget. Residents can see the estimated/actual cost of the project, project timeline and completion status.

As you can see, we take both short- and long-term prudent financial management very seriously—validating our process and results with independent professional reviews and benchmark data as we strive to keep our assessments reasonable and competitive.