



Ford's Colony HOA Financial Strength

One of the annual Ford's Colony HOA Board goals is maintaining effective budget and financial management in achieving the HOA budget for the year. In doing so, the Board of Directors also 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?

As you can see from the chart below, Ford's Colony provides good comparative value with reasonable homeowner fees given our size, including the private roads and common areas we maintain, and 24-hour security relative to other local competitors.

Our homeowner assessment delinquency rate generally runs around 1 percent, which is even better than the 2 to 3 percent delinquency rate which the national Community Association Institute considers to be

“excellent” based on Homeowner association norms.

Q. How are the financial records audited and what was the outcome of the 2018 audit?

Adams, Jenkins and Cheatham, one of the premier Virginia CPA firms specializing in community association audits, conducts our annual independent audit. In their recent 5-day, on-site review, they examined the FCHOA balance sheet as of December 31, 2018 and the related statement of revenues, expenses and changes in fund balances and cash flows for 2018 and compared them to prior audit results. The audit also evaluated the appropriateness of FCHOA accounting policies. As in past years, we received 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 FCHOA Operating Budget, we also maintain a Capital Reserve account funded with an annual contribution from assessment revenue.

We use a Capital Replacement Reserve Model (CRRM) to plan for future repair and replacement expense of existing fixed assets. Generally, the CRRM includes all FCHOA assets with an acquisition cost of approximately \$5,000 and a projected useful life between five and 30 years. The CRRM 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.

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 CRRM calculations provide an estimate of timing as well as cost for maintenance or replacement of each individual asset.

Assessment Comparison*	FCHOA	Kingsmill	Governor's Land	Colonial Heritage
Quarterly Assessment	\$474	\$534	\$689	\$825
Capital Fee at resale of home	No	Yes, 0.5% of sales price	Yes, ½ annual assessment	Yes, full annual assessment
Mandatory country club membership	No, Public access to golf & dine @ Murdoch's	No, but no public access	Yes	No
Private roads, restricted gate access	Yes	Yes	No	Yes
Age of community (year established)	1986	1976	1991	2003
Size of community in acres	3,100	2,900	1,400	1,500
Number of community units	2,995	2,354	732	1,800
Golf courses	3	3	1	1

*June 2019 information provided by each community's HOA office

For more information about Ford's Colony, visit fordscolonyliving.com

With this planning, we accrue necessary funding over time to 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.

A minimum annual cash balance requirement of \$500,000 is maintained for Capital Reserves. However, we try to keep a cash balance above this minimum threshold to address unforeseen economic fluctuations and asset replacements occurring earlier than reasonably expected.

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

We do an independent review every five years as required by the Virginia Property Owners Act using Reserve Advisors,[®] which is 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 5-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 is 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: Road & 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 accounts for 58 percent of the 2019 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 profession reviews and benchmark data as we strive to keep our assessments reasonable and competitive.