

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**FORECASTED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
AND ACCOUNTANTS' COMPILATION REPORT**

YEAR ENDING SEPTEMBER 30, 2023

**[California Civil Code Section 5300
2023 Pro Forma Operating Budget]**

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**CONTENTS
YEAR ENDING SEPTEMBER 30, 2023**

	Page (s) -----
<u>Accountants' Compilation Report</u>	1
<u>Forecasted Statement Of Revenues, Expenses And Changes In Fund Balances For The Year Ending September 30, 2023</u>	2 - 3
<u>Notes And Assumptions</u>	
Note 1 - The Association	4
Note 2 - The Forecast	4
Note 3 - Basis Of Presentation	4 - 5
Note 4 - Revenues	6
Note 5 - Replacement Fund Balance (Deficit) And Percent Funded	6
Note 6 - Reserve Funding Plan	6 - 7
Note 7 - Significant Assumptions	8 - 9
Note 8 - Bank Loan Disclosure	9
<u>Supplemental Information</u>	
Detailed Major Component Listing At September 30, 2022	10 - 11

LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

290 King Street, Suite 12
San Francisco, California 94107

Board Of Directors
Kingswood Village Property Owners' Association
Kings Beach, California

Management is responsible for the accompanying financial forecast of **Kingswood Village Property Owners' Association**, which comprises the forecasted statement of revenues, expenses and changes in fund balances and the supplemental information (the 2023 Pro Forma Operating Budget) for the year ending September 30, 2023, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this financial forecast.

The forecasted results may not be achieved as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Accordingly, the current funding program may or may not be sufficient to meet all future replacement costs. The ability of the Association to fund its liability for replacement of major components is dependent upon increases in that portion of the regular assessment which is allocated to the replacement fund, as well as special assessments.

This forecast is presented in accordance with the requirements of California Civil Code Section 5300.



September 15, 2022

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**FORECASTED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023**

	Operations Fund	Capital Improvement Fund	Replacement Fund	Total Funds
	-----	-----	-----	-----
REVENUES				
Assessments	\$ 1,282,344	\$ 34,272	\$ 265,608	\$ 1,582,224
Interest income	300	400	10,000	10,700
Late charges and other income	2,000			2,000
Service calls	1,000			1,000
	-----	-----	-----	-----
Total revenues	1,285,644	34,672	275,608	1,595,924
	-----	-----	-----	-----
EXPENSES				
<u>Maintenance and operations</u>				
Major component replacement provision (Notes 3 and 5)	-	-	196,000	196,000
Painting	88,500			88,500
Other facilities maintenance	20,600			20,600
Chimney sweeping	13,000			13,000
Roof clearing	5,500			5,500
Window cleaning	11,000			11,000
Pool maintenance	4,600			4,600
Landscape maintenance	4,500			4,500
Equipment	4,000			4,000
	-----	-----	-----	-----
	151,700	-	196,000	347,700
	-----	-----	-----	-----
<u>Payroll</u>				
Payroll	180,000	-	-	180,000
Payroll taxes and benefits	30,589			30,589
Medical insurance	20,000			20,000
Summer help	15,000			15,000
	-----	-----	-----	-----
	245,589	-	-	245,589
	-----	-----	-----	-----

See independent accountants' compilation report and accompanying notes and significant assumptions.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**FORECASTED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023
(CONTINUED)**

	Operations Fund	Capital Improvement Fund	Replacement Fund	Total Funds
	-----	-----	-----	-----
EXPENSES (CONTINUED)				
<u>Administration</u>				
Insurance	\$ 700,000	\$ -	\$ -	\$ 700,000
Legal, accounting and professional	35,000			35,000
Other administration	14,350			14,350
Telephone	4,500			4,500
Income tax provision			3,000	3,000
Property taxes	2,700			2,700
Office expense	1,500			1,500
	-----	-----	-----	-----
	758,050	-	3,000	761,050
	-----	-----	-----	-----
<u>Utilities</u>				
Refuse removal	77,600	-	-	77,600
Water and sewer	25,000			25,000
Gas and electricity	19,500			19,500
Gasoline and oil	8,000			8,000
	-----	-----	-----	-----
	130,100	-	-	130,100
	-----	-----	-----	-----
Total expenses	1,285,439	-	199,000	1,484,439
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	205	34,672	76,608	111,485
FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 5)	85,000	95,000	(1,113,000)	(933,000)
	-----	-----	-----	-----
FUND BALANCE (DEFICIT), END OF YEAR	\$ 85,205	\$ 129,672	\$ (1,036,392)	\$ (821,515)
	=====	=====	=====	=====

See accountants' compilation report and accompanying notes and significant assumptions.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**NOTES AND ASSUMPTIONS TO THE FORECASTED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023**

NOTE 1 - THE ASSOCIATION

Kingswood Village Property Owners' Association (the Association) is a common interest subdivision located in Kings Beach, California which consists of 238 residential units and certain common area property. The Association was organized in August 1977 as a nonprofit mutual-benefit Association to provide for the management and maintenance of the common area property.

NOTE 2 - THE FORECAST

This forecasted statement is the Board of Directors' estimate of revenues, expenses and changes in fund balances based on the assumptions set forth below. The assumptions disclosed herein are those that the Board believes are significant to the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to September 15, 2022 the date of this forecast. Therefore, the actual results achieved during the forecast period may vary from the forecast, and the variations may be material.

NOTE 3 - BASIS OF PRESENTATION

The accompanying forecasted financial statement is presented on the accrual basis of accounting, in accordance with the provisions of California Civil Code Section 5300.

The yearly replacement provision represents an estimate of the "wearing out" of the major components, stated in dollars. The provision for repair and replacement of major components has been estimated, for each component, by dividing the estimated current replacement cost by the estimated useful life. Hence, for 2023, the estimated annual wearing out of the major components, shown as "major component replacement provision" totals \$196,000.

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**NOTES AND ASSUMPTIONS TO THE FORECASTED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023
(CONTINUED)**

NOTE 3 - BASIS OF PRESENTATION (CONTINUED)

While the Association is required by California statute to present its budget on an accrual basis, it is also important to understand the projected cash-basis expenditures for next year based upon the Association's most recent reserve study or Board-directed update thereof. During the year ending September 30, 2023, the following major component repair and replacement expenditures are presently forecasted:

Balcony reconstruction	\$ 84,000
Wood siding replacements	55,000
Walkways replacement/overlay	20,000
Parking lot- sealing/stripping	15,000
Other major repairs and replacement	15,000

Total	\$ 189,000
	=====

Whether or not the foregoing forecasted expenditures are made during the year ending September 30, 2023 will depend upon the respective components' state of repair and the approval of the Board of Directors. In addition, major component repairs and replacements not listed above may be made if the component should fail and require immediate repair and replacement.

NOTE 4 - REVENUES

Total regular (monthly) assessments for 2022-2023 are expected to average \$554.00 per unit per month. The amount allocated to the operations fund and capital improvement fund are estimated to average \$449.00 and \$12.00 per unit per month, respectively. The amount allocated to the replacement fund is estimated to average \$93.00 per unit per month.

Interest income (after income taxes) of \$7,700 is forecasted to be earned on operating, capital improvement and replacement funds cash balance. Interest income is computed utilizing an estimated 2-1/2% before-tax interest rate and an estimated 2% after-tax interest rate. Hence, an estimated combined federal and California income tax rate of approximately 30% is assumed.

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**NOTES AND ASSUMPTIONS TO THE FORECASTED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023
(CONTINUED)**

NOTE 5 - REPLACEMENT FUND BALANCE (DEFICIT) AND PERCENT FUNDED

The beginning of the year deficit in the replacement fund results from an excess of estimated major component replacement liability over replacement fund cash reserves, as follows:

Estimated cash reserves	\$ 1,710,000
Estimated liability	(2,823,000)

Replacement fund deficit aka under-funded reserves	\$ (1,113,000)
	=====
Under-funded reserves per unit	\$ (4,700)
	=====
 Estimated percent funded	 61%
	=====

The estimated liability for repair and replacement of major components represents an estimate of how much money should have been accumulated for that portion of each component which has "worn out" or been "used up" as of September 30, 2022. The estimated liability is computed, for each component, by multiplying the estimated current replacement cost by the fraction (estimated useful life-estimated remaining life)/estimated useful life. The component by component computation of liability is shown in the accompanying forecasted schedule of major component replacement provision and estimated liability.

The estimated reserves percent funded is computed by dividing the estimated cash reserves by the estimated reserve liability.

NOTE 6 - RESERVE FUNDING PLAN

The Association plans to fund the future repair and/or replacement of the major components by proposing increases in that portion of the regular assessment which goes into the replacement fund, and/or special assessments.

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**NOTES AND ASSUMPTIONS TO THE FORECASTED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023
(CONTINUED)**

NOTE 6 - RESERVE FUNDING PLAN (CONTINUED)

Under this program, based upon the funding plan developed by the Board of Directors and management in June 2022, beginning in 2023 at a base replacement fund contribution of \$93 per unit per month that portion of the regular assessment which goes into the replacement fund must decrease to \$90 through 2025, decrease to \$84 in 2026, increase to \$86 in 2027, increase to \$93 in 2028 through 2029, increase to \$98 in 2030, decrease to \$96 in 2031, decrease to \$94 in 2032, decrease to \$90 in 2033, decrease to \$88 in 2034, decrease to \$84 in 2035 through 2042, increase to \$105 in 2043, increase to \$107 in 2044, increase to \$120 in 2045, increase to \$125 in 2046 through 2047, increase to \$130 in 2048, decrease to \$120 in 2049 through 2050, and increase to \$125 in 2051 through 2052.

The presently-projected reserve funding plan is further summarized as follows:

	<u>Estimated Cash Balance</u>	<u>Estimated Reserve Liability</u>	=	<u>Estimated Reserve Income</u>	<u>Estimated Reserve Expenditure</u>
<u>Present</u> 9-2022	1,710,000	2,823,000		61% Funded	
2023				272,608	189,000
2024				290,183	251,745
2025				293,218	125,271
2026				275,730	336,666
2027				285,092	87,264
 <u>10 Years</u> 9-2032	 3,170,000	 3,500,000	 =	 91% Funded	
 <u>20 Years</u> 9-2042	 3,034,000	 3,281,000	 =	 92% Funded	
 <u>30 Years</u> 9-2052	 1,985,000	 2,311,000	 =	 86% Funded	

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**NOTES AND ASSUMPTIONS TO THE FORECASTED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023
(CONTINUED)**

NOTE 7 - SIGNIFICANT ASSUMPTIONS

In arriving at the foregoing reserve funding plan, the following significant assumptions have been made:

Components

The components listed here are those the Board of Directors has determined to be the major components which the Association is obligated to reserve for after reviewing its governing documents and/or consulting with legal counsel and other knowledgeable persons. The Board of Directors has determined that the maintenance and repair of major components not included in the reserve fund, if any, shall be funded through the operations fund budget.

Components not included in the component and funding studies by the Board of Directors have either (1) been considered to have an estimated remaining life in excess of 24 years and will remain unfunded until the estimated remaining life is 24 years or less, or (2) are expected to be maintained, repaired and replaced through the operations fund budget.

Replacement Cost Inflation Rate

The estimated average long-term rate of increase expected in major repair and replacement costs should approximate 3-1/4% per annum.

Replacement Fund Interest Rate

The estimated average long-term before-tax interest rate earned on replacement fund cash balances will approximate 2-1/2% per annum. Interest earned on replacement fund cash balances will remain in the replacement fund and not be used to defray day-to-day operating expenses.

Estimated Useful Life

The estimated useful life of each identified major component was determined by the Board of Directors and management in their report dated June 2022.

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**NOTES AND ASSUMPTIONS TO THE FORECASTED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2023
(CONTINUED)**

NOTE 7 - SIGNIFICANT ASSUMPTIONS (CONTINUED)

Estimated Remaining Life

The estimate remaining life of each identified major component was determined by Board of Directors and management in their report dated June 2022.

Estimated Current Replacement Cost

The estimated current replacement cost of each identified major component was determined by Board of Directors and management in their report dated June 2022.

NOTE 8 - BANK LOAN DISCLOSURES

There is no outstanding current or projected loan balance as of September 30, 2022.

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**DETAILED MAJOR COMPONENT LISTING
SEPTEMBER 30, 2022**

	June 22, 2022			2022		09/30/22
			FscL 22	infl	2022	Fully
		Usefl	Rmng	yrs	Infltn Adjtd	Funded
		Life	Life		Cost	Balance
Common Area Items						
201	Parking Lot – Major Replacemnts/Overlay	20	3	6	531562.91	451828.47
202	Parking Lot – Sealing/Striping	5	1	6	21920.12	17536.10
203	Walkways Replacement/Overlay	20	3	6	164400.90	139740.77
204	Walkways – Repair/Sealing	5	1	6	10960.06	8768.05
320	Common Area Lighting Infrastructure	20	3	6	86584.47	73596.80
409	Picnic Table/BBQ – Replace	15	14	6	3836.02	255.73
503	Metal Fence/Rails – Replace	20	0	6	28605.76	28605.76
505	Wood Fence – Replace	20	2	6	15837.28	14253.55
940	Storage Shed – Replace	20	5	6	14248.08	10686.06
1003	Irrigation Controllers	12	11	6	5480.03	456.67
1402	Bulletin Boards & Kiosks	20	10	6	7672.04	3836.02
1403	Monument Sign	20	13	6	9864.05	3452.42
1702	Bridge Repair	20	0	6	9864.05	9864.05
Townhomes						
105	Balcony Reconstruction	40	16	6	624723.42	374834.05
106	Balcony Decks	10	0	6	84392.46	84392.46
107	Entry Ways/Bridges/Railings	20	1	6	65760.36	62472.34
324	Wall Lights – Replace	20	3	6	54800.30	46580.26
1118	Wood Siding Replacements	40	20	6	404602.10	202301.05
1119	Miscell Structure/Infrastr Repair	14	8	6	109600.60	46971.69
*1305	Reroof Group A	39	20	6	685003.75	333719.78
*1310	Reroof Group B	39	21	6	657603.60	303509.35
*1315	Reroof Group C	39	22	6	591843.24	257982.95
*1320	Reroof Group D	39	23	6	50416.28	20683.60
*1325	Reroof Maintenance Bldg	39	24	6	21920.12	8430.82
*1330	Reroof Pool/Spa Bldg	39	24	6	20824.11	8009.27
Interior Surfaces						
801	Maintenance Bldg – Flooring	15	0	6	9042.05	9042.05
803	Water Heater MB – Replace	15	2	6	1096.01	949.87
804	Hanging Furnace	15	1	6	5480.03	5114.69
807	Water Heater – Pool Building	15	0	6	1315.21	1315.21
902	Exercise Equipment – Replace	15	14	6	7124.04	474.94
905	Sauna Equip/Heaters – Replace	20	0	6	4658.03	4658.03
906	Sauna Room – Refurbish	20	0	6	12056.07	12056.07
909	Restrooms (MB) – Refurbish	15	0	6	25756.14	25756.14
910	Restrooms (PB) - Refurbish	15	4	6	19180.11	14065.41
911	Kitchen Appliances (Partial) Replace	10	0	6	3836.02	3836.02
912	Maintenance Bldg – Kitchen	30	0	6	19180.11	19180.11
1110	Interior Surfaces – Repaint	15	0	6	9809.25	9809.25
Pool/Rec						
103	Pool Deck – Repair/Caulk	15	8	6	19728.11	9206.45
404	Pool Furniture – Replace	10	9	6	11560.06	1156.01
1202	Pool Walls - Resurface	15	8	6	27400.15	12786.74
1203	Wade Pool Walls – Resurface	20	0	6	2740.02	2740.02
1207	Pool Filter – Replace	12	11	6	1315.21	109.60
1207	Wade Pool Filter – Replace	12	11	6	1096.01	91.33
1208	Pool Heater – Replace	10	8	6	4384.02	876.80
1208	Wade Pool Heater – Replace	10	8	6	4384.02	876.80
1210	Pool Pumps – Replace	10	9	6	2192.01	219.20
1209	Pool/Wader Chlorinators – Replace	10	9	6	1096.01	109.60
1210	Pool/Wader Pumps – Replace	10	9	6	4712.83	471.28

See accountant's compilation report and accompanying notes and significant assumptions.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**DETAILED MAJOR COMPONENT LISTING
SEPTEMBER 30, 2022
(CONTINUED)**

1604	Tennis Court Surface – Replace	15	11	6	131520.72	35072.19
1605	Tennis Court Fence – Replace	30	9	6	21920.12	15344.08
Equipment						
1410	Skid Steer Loader – Replace	10	0	6	0.00	0.00
*1450	Front Loader – Replace	15	12	6	131520.72	26304.14
1510	Truck (2006) – Replace	10	0	6	41648.23	41648.23
1515	Truck (2014) – Replace	10	4	6	43928.23	26356.94
1610	Snow Plow A – Replace	10	3	6	8768.05	6137.63
1615	Snow Plow B – Replace	10	0	6	8768.05	8768.05
1710	Utility Cart A – Replace	10	9	6	3836.02	383.60
1715	Utility Cart B – Replace	10	9	6	3836.02	383.60
1720	Utility Cart C – Replace	10	0	6	3836.02	3836.02
1816	Snow Blowers – Replace	3	0	6	4932.03	4932.03
*1900	Speed Bumps	10	3	6	8220.05	5754.03
					4894201.86	2822590.24

See accountant's compilation report and accompanying notes and significant assumptions.