

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

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

YEAR ENDING SEPTEMBER 30, 2022

**[California Civil Code Section 5300
2022 Pro Forma Operating Budget]**

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

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YEAR ENDING SEPTEMBER 30, 2022**

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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 2022 Pro Forma Operating Budget) for the year ending September 30, 2022, 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 2, 2021

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**FORECASTED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2022**

	Operations Fund	Capital Improvement Fund	Replacement Fund	Total Funds
	-----	-----	-----	-----
REVENUES				
Assessments	\$ 1,228,708	\$ 34,272	\$ 257,040	\$ 1,520,020
Interest income	250	1,799	10,000	12,049
Late charges and other income	2,000			2,000
Service calls	800			800
	-----	-----	-----	-----
Total revenues	1,231,758	36,071	267,040	1,534,869
	-----	-----	-----	-----
EXPENSES				
<u>Maintenance and operations</u>				
Major component replacement provision (Notes 3 and 5)	-	-	193,000	193,000
Painting	78,500			78,500
Other facilities maintenance	17,600			17,600
Chimney sweeping	12,000			12,000
Roof clearing	12,000			12,000
Window cleaning	10,000			10,000
Pool maintenance	4,600			4,600
Landscape maintenance	4,500			4,500
Equipment	4,000			4,000
	-----	-----	-----	-----
	143,200	-	193,000	336,200
	-----	-----	-----	-----
<u>Payroll</u>				
Payroll	178,650	-	-	178,650
Payroll taxes and benefits	34,420			34,420
Medical insurance	26,865			26,865
Summer help	10,000			10,000
	-----	-----	-----	-----
	249,935	-	-	249,935
	-----	-----	-----	-----

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, 2022
(CONTINUED)**

	Operations Fund	Capital Improvement Fund	Replacement Fund	Total Funds
	-----	-----	-----	-----
EXPENSES (CONTINUED)				
<u>Administration</u>				
Insurance	\$ 670,000	\$ -	\$ -	\$ 670,000
Legal, accounting and professional	33,500			33,500
Other administration	16,059			16,059
Telephone	4,500			4,500
Income tax provision			3,000	3,000
Property taxes	2,500			2,500
Office expense	2,070			2,070
	-----	-----	-----	-----
	728,629	-	3,000	731,629
	-----	-----	-----	-----
<u>Utilities</u>				
Refuse removal	70,350	-	-	70,350
Water and sewer	20,000			20,000
Gas and electricity	17,500			17,500
Gasoline and oil	5,000			5,000
	-----	-----	-----	-----
	112,850	-	-	112,850
	-----	-----	-----	-----
Total expenses	1,234,614	-	196,000	1,430,614
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(2,856)	36,071	71,040	104,255
FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 5)	150,000	34,000	(920,000)	(736,000)
	-----	-----	-----	-----
FUND BALANCE (DEFICIT), END OF YEAR	\$ 147,144	\$ 70,071	\$ (848,960)	\$ (631,745)
	=====	=====	=====	=====

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, 2022**

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 2, 2021 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 2022, the estimated annual wearing out of the major components, shown as "major component replacement provision" totals \$193,000.

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, 2022
(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, 2022, the following major component repair and replacement expenditures are presently forecasted:

Balcony reconstruction	\$ 84,000
Truck (2006) replacement	70,000
Wood siding replacements	34,000
Walkways - repair/sealing	20,000
Parking lot- sealing/stripping	15,000
Other major repairs and replacement	25,200

Total	\$ 248,200 =====

Whether or not the foregoing forecasted expenditures are made during the year ending September 30, 2022 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 2020-2022 are expected to average \$532.22 per unit per month. The amount allocated to the operations fund and capital improvement fund are estimated to average \$430.22 and \$12.00 per unit per month, respectively. The amount allocated to the replacement fund is estimated to average \$90.00 per unit per month.

Interest income (after income taxes) of \$9,049 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, 2022
(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	\$ 1,664,000
Estimated liability	(2,584,000)

Replacement fund deficit aka under-funded reserves	\$ (920,000)
	=====
Under-funded reserves per unit	\$ (3,900)
	=====
 Estimated percent funded	 64%
	=====

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, 2021. 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, 2022
(CONTINUED)**

NOTE 6 - RESERVE FUNDING PLAN (CONTINUED)

Under this program, based upon the funding plan developed by the Board of Directors and management in May 2021, beginning in 2022 at a base replacement fund contribution of \$90 per unit per month that portion of the regular assessment which goes into the replacement fund remains the same through 2025, decreases to \$84 in 2026, increases to \$86 in 2027, increases to \$93 in 2028 through 2029, increases to \$98 in 2030, decreases to \$96 in 2031, decreases to \$94 in 2032, decreases to \$90 in 2033, decreases to \$88 in 2034, decreases to \$84 in 2035 through 2042, increases to \$105 in 2043, increases to \$107 in 2044, increases to \$120 in 2045, increases to \$125 in 2046 through 2047, increases to \$130 in 2048, decreases to \$120 in 2049 through 2050, and increase to \$125 in 2051.

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>				
9-2021	1,664,000	2,584,000	=	64% Funded
2022				264,040 248,200
2023				297,993 116,054
2024				299,750 247,992
2025				303,589 124,287
2026				286,179 331,877
<u>10 Years</u>				
9-2031	3,050,000	3,212,000	=	95% Funded
<u>20 Years</u>				
9-2041	4,370,000	4,145,000	=	100% Funded
<u>30 Years</u>				
9-2051	1,946,000	1,180,000	=	100% 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, 2022
(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 26 years and will remain unfunded until the estimated remaining life is 25 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% 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 May 2021.

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, 2022
(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 May 2021.

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 May 2021.

NOTE 8 - BANK LOAN DISCLOSURES

There is no outstanding current or projected loan balance as of September 30, 2021.

See accountants' compilation report.

