

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

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

YEAR ENDING SEPTEMBER 30, 2024

**[California Civil Code Section 5300
2024 Pro Forma Operating Budget]**

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**CONTENTS
YEAR ENDING SEPTEMBER 30, 2024**

	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, 2024</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, 2023	10 - 11

LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

100 Montgomery Street, Suite 715
San Francisco, California 94104

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 2024 Pro Forma Operating Budget) for the year ending September 30, 2024, 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.

Levy, Erlanger & Company LLP

September 28, 2023

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**FORECASTED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDING SEPTEMBER 30, 2024**

	Operations Fund	Capital Improvement Fund	Replacement Fund	Total Funds
	-----	-----	-----	-----
REVENUES				
Assessments	\$ 1,590,792	\$ 34,272	\$ 271,320	\$ 1,896,384
Special assessments	881,076			881,076
Interest income	300	7,500	72,000	79,800
Late charges and other income	2,000			2,000
Service calls	1,000			1,000
	-----	-----	-----	-----
Total revenues	2,475,168	41,772	343,320	2,860,260
	-----	-----	-----	-----
EXPENSES				
<u>Maintenance and operations</u>				
Major component replacement provision (Notes 3 and 5)	-	-	207,000	207,000
Painting	88,500			88,500
Fire break	59,980			59,980
Other facilities maintenance	22,100			22,100
Chimney sweeping	15,000			15,000
Window cleaning	12,000			12,000
Equipment	6,000			6,000
Pool maintenance	4,600			4,600
Landscape maintenance	4,500			4,500
Roof clearing	4,500			4,500
	-----	-----	-----	-----
	217,180	-	207,000	424,180
	-----	-----	-----	-----
<u>Payroll</u>				
Payroll	257,640	-	-	257,640
Payroll taxes and benefits	55,404			55,404
Medical insurance	28,200			28,200
Summer help	19,380			19,380
	-----	-----	-----	-----
	360,624	-	-	360,624
	-----	-----	-----	-----

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, 2024
(CONTINUED)**

	Operations Fund	Capital Improvement Fund	Replacement Fund	Total Funds
	-----	-----	-----	-----
EXPENSES (CONTINUED)				
<u>Administration</u>				
Insurance	\$ 1,650,000	\$ -	\$ -	\$ 1,650,000
Contingencies	57,120			57,120
Legal, accounting and professional	42,500			42,500
Income tax provision			22,000	22,000
Other administration	9,944			9,944
Property taxes	2,700			2,700
Telephone	2,500			2,500
Office expense	1,500			1,500
	-----	-----	-----	-----
	1,766,264	-	22,000	1,788,264
	-----	-----	-----	-----
<u>Utilities</u>				
Refuse removal	77,600	-	-	77,600
Water and sewer	26,000			26,000
Gas and electricity	19,500			19,500
Gasoline and oil	8,000			8,000
	-----	-----	-----	-----
	131,100	-	-	131,100
	-----	-----	-----	-----
Total expenses	2,475,168	-	229,000	2,704,168
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	41,772	114,320	156,092
FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 5)	625,000	195,000	(1,241,000)	(421,000)
	-----	-----	-----	-----
FUND BALANCE (DEFICIT), END OF YEAR	\$ 625,000	\$ 236,772	\$ (1,126,680)	\$ (264,908)
	=====	=====	=====	=====

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, 2024**

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 28, 2023 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 2024, the estimated annual wearing out of the major components, shown as "major component replacement provision" totals \$207,000.

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, 2024
(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, 2024, the following major component repair and replacement expenditures are presently forecasted:

Balcony reconstruction	\$ 90,000
Equipment	81,000
Entry ways/bridges/railings	75,000
Wood siding replacements	40,000
Parking lot- sealing/stripping	35,000
Walkways- repair/sealing	15,000
Other major repairs and replacement	5,000

Total	\$ 341,000
	=====

Whether or not the foregoing forecasted expenditures are made during the year ending September 30, 2024 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 2023-2024 are expected to average \$664.00 per unit per month. The amount allocated to the operations fund and capital improvement fund are estimated to average \$557.00 and \$12.00 per unit per month, respectively. The amount allocated to the replacement fund is estimated to average \$95.00 per unit per month. **A special assessment of \$881,076 (\$3,702 per unit on average) will be levied in 2024.**

Interest income (after income taxes) of \$57,800 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, 2024
(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	\$ 1,905,000
Estimated liability	(3,146,000)

Replacement fund deficit aka under-funded reserves	\$ (1,241,000)
	=====
Under-funded reserves per unit	\$ (5,200)
	=====
 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, 2023. 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, 2024
(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 2023, beginning in 2024 at a base replacement fund contribution of \$95 per unit per month that portion of the regular assessment which goes into the replacement fund must decrease to \$90 in 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> 9-2023	1,905,000	3,146,000		61% Funded	
2024				336,313	341,000
2025				294,467	125,271
2026				277,030	336,666
2027				281,416	87,264
2028				310,903	62,333
 <u>10 Years</u> 9-2033	 3,204,000	 3,490,000	 =	 92% Funded	
 <u>20 Years</u> 9-2043	 2,107,000	 2,546,000	 =	 83% Funded	
 <u>29 Years</u> 9-2052	 2,108,000	 2,819,000	 =	 75% 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, 2024
(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 23 years and will remain unfunded until the estimated remaining life is 23 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 2023.

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, 2024
(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 2023.

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 2023.

NOTE 8 - BANK LOAN DISCLOSURES

There is no outstanding current or projected loan balance as of September 30, 2023.

See accountants' compilation report.

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**DETAILED MAJOR COMPONENT LISTING
SEPTEMBER 30, 2023**

					09/30/23
			Fsc1 23	2023	Fully
		Usefl	Rmng	Infltn Adjtd	Funded
		Life	Life	Cost	Balance
Common Area Items					
201	Parking Lot – Major Replacemnts/Overlay	20	2	560,663	504,597
202	Parking Lot – Sealing/Striping	5	0	23,120	23,120
203	Walkways Replacement/Overlay	20	2	173,401	156,061
204	Walkways – Repair/Sealing	5	0	11,560	11,560
320	Common Area Lighting Infrastructure	20	2	91,324	82,192
409	Picnic Table/BBQ – Replace	15	13	4,046	539
503	Metal Fence/Rails – Replace	20	0	30,172	30,172
505	Wood Fence – Replace	20	1	15,837	15,045
940	Storage Shed – Replace	20	4	15,028	12,022
1003	Irrigation Controllers	12	10	5,780	963
1402	Bulletin Boards & Kiosks	20	9	8,092	4,451
1403	Monument Sign	20	12	10,404	4,162
1702	Bridge Repair	20	0	10,404	10,404
Townhomes					
105	Balcony Reconstruction	40	15	658,923	411,827
106	Balcony Decks	10	0	89,012	89,012
107	Entry Ways/Bridges/Railings	20	0	69,360	69,360
324	Wall Lights – Replace	20	2	57,800	52,020
1118	Wood Siding Replacements	40	19	404,602	212,416
1119	Miscell Structure/Infrastr Repair	14	7	115,601	57,800
*1305	Reroof Group A	39	19	722,504	370,515
*1310	Reroof Group B	39	20	693,604	337,909
*1315	Reroof Group C	39	21	624,243	288,112
*1320	Reroof Group D	39	22	53,176	23,179
*1325	Reroof Maintenance Bldg	39	23	23,120	9,485
*1330	Reroof Pool/Spa Bldg	39	23	21,964	9,011
Interior Surfaces					
801	Maintenance Bldg – Flooring	15	0	9,537	9,537
803	Water Heater MB – Replace	15	1	1,156	1,079
804	Hanging Furnace	15	0	5,780	5,780
807	Water Heater – Pool Building	15	0	1,387	1,387
902	Exercise Equipment – Replace	15	13	7,514	1,002
905	Sauna Equip/Heaters – Replace	20	0	4,913	4,913
906	Sauna Room – Refurbish	20	0	12,716	12,716
909	Restrooms (MB) – Refurbish	15	0	27,166	27,166
910	Restrooms (PB) - Refurbish	15	3	20,230	16,184
911	Kitchen Appliances (Partial) Replace	10	0	4,046	4,046
912	Maintenance Bldg – Kitchen	30	0	20,230	20,230
1110	Interior Surfaces – Repaint	15	0	10,346	10,346
Pool/Rec					
103	Pool Deck – Repair/Caulk	15	7	20,808	11,098
404	Pool Furniture – Replace	10	8	11,560	2,312
1202	Pool Walls - Resurface	15	7	28,900	15,413
1203	Wade Pool Walls – Resurface	20	0	2,890	2,890
1207	Pool Filter – Replace	12	10	1,387	231
1207	Wade Pool Filter – Replace	12	10	1,156	193
1208	Pool Heater – Replace	10	7	4,624	1,387
1208	Wade Pool Heater – Replace	10	7	4,624	1,387
1210	Pool Pumps – Replace	10	8	2,312	462
1209	Pool/Wader Chlorinators – Replace	10	8	1,156	231
1210	Pool/Wader Pumps – Replace	10	8	4,971	994
1604	Tennis Court Surface – Replace	15	10	138,721	46,240

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

KINGSWOOD VILLAGE PROPERTY OWNERS' ASSOCIATION

**DETAILED MAJOR COMPONENT LISTING
SEPTEMBER 30, 2023
(CONTINUED)**

					09/30/23
			Fscd 23	2023	Fully
		Usefl	Rmng	Infltn Adjtd	Funded
		Life	Life	Cost	Balance
1605	Tennis Court Fence – Replace	30	8	23,120	16,955
	Equipment				
1410	Skid Steer Loader – Replace	10	0	0	0
*1450	Front Loader – Replace	15	11	138,721	36,992
1510	Truck (2006) – Replace	10	0	43,928	43,928
1515	Truck (2014) – Replace	10	3	43,928	30,750
1610	Snow Plow A – Replace	10	2	9,248	7,398
1615	Snow Plow B – Replace	10	0	9,248	9,248
1710	Utility Cart A – Replace	10	8	4,046	809
1715	Utility Cart B – Replace	10	8	4,046	809
1720	Utility Cart C - Replace	10	0	4,046	4,046
1816	Snow Blowers – Replace	3	0	5,202	5,202
*1900	Speed Bumps	10	2	8,670	6,936
				\$5,136,077	\$3,146,237

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