



RESERVE STUDY

Member Distribution Materials

Nakoma Community Association

Update w/o Site Visit Review
2020 Update-2
Published - December 01, 2020
Prepared for the 2021 Fiscal Year

<i>Section</i>	<i>Report</i>	<i>Page</i>
<i>California:</i>	Member Summary	1
	Assessment and Reserve Funding Disclosure Summary	<i>[Civil Code §5570]</i> 3
<i>Section III:</i>	30 Year Reserve Funding Plan	<i>Cash Flow Method {c}</i> 5

Professionally managed by
Cline & Associates
(530) 832-0733

Browning Reserve Group
www.BrowningRG.com

December 01, 2020

This is a summary of the Reserve Study that has been performed for Nakoma Community Association, (the "Association"). This study was conducted in compliance with California *Civil Code Sections 5300, 5550 and 5560* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/o Site Visit Review for the January 1, 2021 - December 31, 2021 fiscal year.

Nakoma Community Association is a Planned Development with a total of 401 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2020 Fully Funded Balance</i>	<i>2021 Fully Funded Balance</i>	<i>2021 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	1,661,655	1-12	1-10	733,589	928,589	148,782
04000 - Structural Repairs	29,884	2-18	0-14	14,194	13,620	2,202
08000 - Rehab	3,394	15-15	9-9	1,357	1,623	210
11000 - Gate Equipment	922,426	1-15	0-17	302,230	332,831	122,697
19500 - Retaining Wall	3,394	8-8	2-2	2,545	3,044	331
21000 - Signage	23,350	8-30	1-12	10,446	12,370	1,475
23000 - Mechanical Equipment	1,357	15-15	9-9	543	649	84
30000 - Miscellaneous	160,048	10-18	0-12	111,773	93,530	9,484
31000 - Reserve Study	2,942	3-3	1-1	1,961	3,015	746
Totals	\$2,808,448			\$1,178,639	\$1,389,271	\$286,011
Estimated Ending Balance				\$1,216,189	\$937,426	\$178.31
Percent Funded				103.2%	67.5%	/Lot/quarter @ 401

December 1, 2020

(1) The regular assessment per ownership interest is _____ per quarter for the fiscal year beginning January 1, 2021.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
N/A	\$0.00	N/A
Total:	\$0.00	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes No

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$1,178,639, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of November, 2020. The projected reserve fund cash balance at the end of the current fiscal year is \$1,216,189 resulting in reserves being 103% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2021	\$1,389,271	\$937,426	67.5%
2022	\$1,031,151	\$826,165	80.1%
2023	\$1,258,326	\$750,998	59.7%
2024	\$1,126,838	\$1,050,774	93.2%
2025	\$1,378,626	\$1,360,427	98.7%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, 2.50% per year was the assumed long-term inflation rate, and 2.50% per year was the assumed long-term interest rate.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2021 is \$1,127 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{\text{2021 Fully Funded Balance} - \text{2021 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§5300(b)(4) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

§5300(b)(5) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

The large balances in future years are not indicative of being overfunded. This is a threshold that may be needed with the amount of paving at the association.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Balance	940,085	1,216,189	937,426	826,165	750,998	1,050,774	1,360,427	1,678,024	1,052,150	1,324,279
Inflated Expenditures @ 2.5%	36,528	591,362	424,764	392,205	25,985	29,702	35,693	981,676	85,746	273,442
Reserve Contribution	286,011	286,011	291,731	297,566	303,517	309,587	315,779	322,095	328,537	335,108
<i>Lots/quarter @ 401</i>	178.31	178.31	181.88	185.51	189.23	193.01	196.87	200.81	204.82	208.92
<i>Percentage Increase</i>		0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	26,621	26,588	21,773	19,471	22,244	29,768	37,512	33,706	29,339	33,878
Ending Balance	1,216,189	937,426	826,165	750,998	1,050,774	1,360,427	1,678,024	1,052,150	1,324,279	1,419,822

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Beginning Balance	1,419,822	1,133,219	1,481,178	1,731,250	1,729,280	2,116,693	2,052,489	2,337,650	2,597,200	2,940,407
Inflated Expenditures @ 2.5%	659,933	32,963	145,207	407,423	30,054	493,061	153,973	194,008	125,644	1,305,669
Reserve Contribution	341,810	348,646	355,619	362,731	369,986	377,386	384,934	392,633	400,486	408,496
<i>Lots/quarter @ 401</i>	213.10	217.36	221.71	226.14	230.66	235.28	239.98	244.78	249.68	254.67
<i>Percentage Increase</i>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	31,519	32,277	39,660	42,723	47,481	51,471	54,199	60,924	68,366	62,296
Ending Balance	1,133,219	1,481,178	1,731,250	1,729,280	2,116,693	2,052,489	2,337,650	2,597,200	2,940,407	2,105,529

	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Beginning Balance	2,105,529	2,543,991	2,687,080	2,264,972	2,717,346	3,138,973	3,145,035	3,543,760	3,387,546	3,897,638
Inflated Expenditures @ 2.5%	35,606	346,491	916,743	51,305	101,685	531,551	153,085	720,404	68,039	58,345
Reserve Contribution	416,666	424,999	433,499	442,169	451,012	460,032	469,233	478,618	488,190	497,954
<i>Lots/quarter @ 401</i>	259.77	264.96	270.26	275.67	281.18	286.80	292.54	298.39	304.36	310.45
<i>Percentage Increase</i>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	57,401	64,581	61,136	61,510	72,300	77,580	82,578	85,572	89,941	102,936
Ending Balance	2,543,991	2,687,080	2,264,972	2,717,346	3,138,973	3,145,035	3,543,760	3,387,546	3,897,638	4,440,183