

High Sierra Property Owners Association

Dear Board Members,

This Annual Reserve Update and Cash Flow Analysis have been prepared for the board and their members. High Sierra Property Owners Association located in Madera County, Oakhurst/North Fork, CA owner receives title to his unit, a membership in the High Sierra Property Owners Association, and an undivided percentage interest as tenant in common in the common area on which their unit is located. The Board of Directors is accountable to the membership for the management and operation of the association. The reserve update and its recommended funding plan provides financial guidance which is often indispensable and shows due diligence from the board and its members.

The board is hereby requested to review and notify Golden Consulting Group within 30 days after the receipt of the update with any requested changes, errors or discrepancies within the update. Golden Consulting Group will act within 48 hours to address any requested changes, errors or discrepancies within the study. The reserve update should be reviewed and approved by the board within 45 days of the receipt of the reserve update.

The board is cautioned to understand that the funding plan has projected the current funds on hand and has increased the contributions in accordance to the thirty (30) year cash flow analysis as required by Davis-Stirling Act. It is impossible to project thirty (30) years into the future to ascertain the cost of repair or replacement of any of the components, let alone the value of money, changing building code requirements and other unknowns. Golden Consulting Group has estimated and projected future cost of repairs and replacement of those components for the Board of Directors of the above Homeowners Association.

The percent funded for High Sierra Property Owners Association is estimated at FYE, December 31, 2013 is 86% which is based upon the current reserves and the information available. It is estimated that the reserve account balance may 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. By using the current 30 Year Reserve Funding Plan, a Special Assessment may not be necessary to fund the reserves.

Estimated Association Percent Funded	86%
Estimated Inflation Factor Rate	3%
Estimated Reserve Balance as of FYE December 31, 2013	\$45,641
Estimated Accrual Reserve Balance as of FYE December 31, 2013	\$52,933
Estimated Reserve Balance	-\$7,292
Estimated Reserve Balance Based On A Per Unit Basis	-\$43
Reserve Status	Funded

The estimated reserve account balance does not take into consideration any monies owed to the reserve fund and/or any delinquent accounts. The estimated reserve balance only includes actual cash on hand located in the reserve account as of May 31, 2013 and any future reserve contributions.

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Showing a reserve deficit/surplus does not necessarily indicate that an association is in good or poor financial condition. The current funding plan will help eliminate the presence of surplus and/or deficit over a period of years. However, funding levels could decrease or increase each year based upon repairs and/or replacements which may be scheduled and for unforeseen replacements, in which annual reserve updates are necessary to account for the changes and/or adjustments.

Estimated Reserve Account Balance as of:	6/30/2013	\$45,641
Estimated Reserve Contribution for Fiscal Year 2013		\$0
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Estimated Reserve Balance Sub Total		\$45,641
Anticipated Reserve Expenditures by Fiscal Year End		\$0
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Estimated Reserve Account Balance		\$45,641

Based on the physical analysis reserve worksheet the annual straight line reserves for Fiscal Year Ending, December 31, 2013 is \$10,093. The recommended annual reserve contribution for beginning fiscal year, January 1, 2014 should increase from \$5,070 to \$6,084 or \$3.00 per unit per month.

The information included in the update has been based on the information that has been provided and/or any other supporting documents which would be included with the update. Based on the enclosed reserve update funding plan in order to ensure the associations projected reserve expenditures the association should approve annual increases starting in fiscal year 2014 and continuing thru fiscal year 2043.

It is our recommendation that all anticipated reserve expenditures scheduled for fiscal year 2014 be inspected, repaired or replaced as indicated by a professional. Fully funded reserve components are components that have reached its useful life and/or exceeded its average life expectancy. The board should inspect and review each component before approving deferment, replacement and/or repair of the reserve components.

A general concept behind reserve funding is that owners over time will pay their fair share for the wear of the components, or at least the difference. While the State of California does not require that common interest developments maintain reserves, it does require that the association disclose to homeowners the status of the fund. This disclosure must include the amount of money expected to set aside in the reserve fund, as well as the amount of reserve money necessary, at the end of the fiscal year.

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