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HIGH SIERRA PROPERTY OWNERS ASSOCIATION

Self-Managed

Mike Compton

246 Ginger Lane

Paso Robles CA 93446

Date: July 20, 2018

Client Number: 11612

North Meadow Lane & Forest Road

Arnold Meadow CA

Madera County

Lots 169

Dear Board Members,

This Reserve Study and Cash Flow Analysis have been prepared for the board and their members. HIGH SIERRA PROPERTY OWNERS ASSOCIATION located in Madera county in the city of Arnold Meadow, CA. Each 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 study and/or update summary 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 study or update with any requested changes, errors or discrepancies within the report. Golden Consulting Group will act within 48 hours to address any requested changes, errors or discrepancies within the study or update. The reserve study or update should be reviewed and approved by the board within 45 days of the receipt of the report.

The HIGH SIERRA PROPERTY OWNERS ASSOCIATION was originally built and/or renovated in 1972 became an active Homeowner Association in 1972. An on-site visual inspection of the common reserve components was performed on 6/21/2018 by Golden Consulting Group.

The percent funded for HIGH SIERRA PROPERTY OWNERS ASSOCIATION is estimated at Fiscal Year End, December 31, 2018 is 76%. Golden Consulting Group has based this method of calculation by dividing the actual reserve account balance as of fiscal year end by the estimated amount required in the reserve fund at the end of the current fiscal year. Based on the enclosed current 30 Year Reserve Study Funding Plan it is estimated that the reserve account balance SHOULD 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.

However in order to ensure the association's projected reserve expenditures the association should approve annual increases starting in fiscal year 2019 and continuing thru fiscal year 2047. By using the enclosed 30 Year Reserve Study Funding Plan, a Special Assessment WILL NOT likely be necessary to fund the reserves.

In general, the HIGH SIERRA PROPERTY OWNERS ASSOCIATION is overall in GOOD-FAIR CONDITION and its recommended to inspect and repair or replace any reserve components that starting to fail. The baseline funding strategy sets a funding goal of keeping enough cash to maintain the association's reserve components always. The approximate replacement/repair costs for Association is estimated at approximately \$136,318.

Golden Consulting Group has estimated the projected average future cost of repairs and replacement of those components for the Association. The annual reserves are based on a straight- line approach: Replacement Costs divided by Life Expectancy per each component. Based upon the Golden Consulting Group's calculations the annual reserve contribution would be approximately \$10,183 a year. The estimated fully funded accrued amount or the aged components is approximately \$70,797. This is calculated Life Expectancy minus Remaining Life times (x) annual reserve contribution. The recommended annual reserve contribution for fiscal year beginning, January 1, 2019 should be increased from \$6,422 to \$6,591 or \$39.00 per unit per year a 2.6% increase from previous year with annual increases of \$3.60 per unit per year each year starting in fiscal year 2019 to ensure the capital improvements/maintenance obligations of the Association.

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.

PERCENT FUNDED	76%
Current US Inflation Rates: 1999-2017	2.50%
Estimated Interest Rate Reserve Account	0.10%
Annual Reserves Required (Based on Straight Line Funding Method)	\$10,183
Reserve Account Balance as of February 28, 2018	\$49,800
2018 Reserve Contribution (Collected Annually)	\$0
2018 Average Interest Rate on Reserve Account @ .10%	\$50
2018 Reserve Expenditures (Asphalt Repairs)	-\$5,050
Estimated Reserve Balance as of FYE December 31, 2018	\$53,522
Fully Funded Accrued Reserve Amount as of FYE, December 31, 2018	\$70,797
Reserve Balance - Fully Funded Balance Deficit:	-\$17,275
Reserve Balance - Fully Funded Balance Deficit Per Unit	-\$102

The enclosed reserve study/update is not a maintenance manual but it does provide some general guidelines regarding the association maintenance obligations. This Reserve Study is a good faith estimate from either plans prior to construction and/or completion and/or existing historical data. The association should conduct or should have conducted a reserve study after its first year of operation to adjust the reserve funding plan for any changes which may have taken place during construction. Although some components may be inspected, serviced and maintained by the Association, it's always advised to have a qualified licensed professional perform the maintenance and care of the product. If you are unsure of the maintenance, please refer to the manufactures user guide.

The enclosed reserve study/update should act as a long-term budgeting tool that evaluates the current financial status and helps develop a maintenance plan for future spending due to the aging and deterioration of the association's reserve components.

During an on-site visual inspection of the reserve components, Golden Consulting Group will visually examined both the both physical appearance and working condition of the component(s). Normally only those components which have an estimated useful life of less than 30 years will be included in the study, in which the Association would be responsible for the maintenance (repaired, replaced, or service).

Per Civil Code §5300(b)(4)) The board of directors of the association must disclose if they determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

For Fiscal Year Ending 2018: The board HAS chosen to defer maintenance and/or replacement of the anticipated reserve expenditures. (see study for more information)

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.

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.

Clients like you are the foundation of our business. It has been a pleasure serving you, and we want you to know we appreciate your business. Thank you.



Brenda Ohm, RS, PRA
Budget and Reserve Specialist

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