PROFESSIONAL RESERVE STUDY

Lake of the Woods

14218 - 134th Street KPN, Gig Harbor, WA 98329

For:

Lake of the Woods
Homeowners Association
c/o Karen Gore
Board President
14109 - 134th Street NW
Gig Harbor, WA 98329
(425) 761-3632

Prepared By:

Jeff Samdal, PE, RS, PRA
jeff@samdalassoc.com
(206) 412-4305

Date Prepared:

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1.0 EXECUTIVE SUMMARY

1.1 DISCLOSURES REQUIRED BY STATE OF WA RCW 64.90.550

The undersigned makes the following disclosures required by RCW 64.90.550 to establish that this Reserve Study meets all requirements of the Washington Uniform Common Interest Ownership Act, Chapter 64.90 RCW:

a. This Reserve Study was prepared with the assistance of a reserve study professional, and that professional was independent;

b. This Reserve Study includes all information required by RCW 64.90.550 Reserve Study – Contents; and

c. This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

1.2 GENERAL DESCRIPTION OF PROPERTY

The development consists of 354 lots, 341 of which are single family residences around around Doyle Pond outside of Gig Harbor, WA. We understand that this property was originally developed aroun 1966.

The Lake of the Woods Homeowners Association has public roads and a private water system, of which there are four wells and four pump houses.

Like all properties, this property will require capital maintenance. We have itemized areas of capital maintenance that we anticipate over the next thirty (30) years along with estimated costs and estimated schedule of repair/replacement.

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

Table 1.3 below shows the items that are in need of action immediately or within the near future. This is a summary; all tasks are explained in greater detail in Section 3.0 Physical Analysis.

Table 1.3: Summary of Immediate Necessary Capital Expenditures

Component	Cost	Urgency	Section
There are several expenditures that will be necessary in 2024/2025 that are listed in Table 3.1A and Table 3.20			

1.4 CURRENT STATUS OF CAPITAL RESERVE FUND

Table 1.4 below shows the current status of the Capital Reserve Fund and how it relates to Full Funding. The current Reserve Fund data was provided to us by Karen Gore.

Table 1.4: Current Status of the Reserve Fund

Current Reserve Balance	$286,933 as of March 31, 2024
Current Annual Reserve Fund Contribution	$0
Average Per Unit Per Month	$0
Planned Special Assessment(s)	N/A
Balance Required for Full Funding	$261,441
Current Percentage of Full Funding	109.8%

1.5 RECOMMENDATIONS AND ASSUMPTIONS FOR FUTURE RESERVE CONTRIBUTIONS

The following table is a summary of our assumptions and several options that we have provided for funding contributions to the Reserve Fund. This is only a summary table; for a detailed view of our recommended funding plans, please see section 4 of this report.

Table 1.5: Recommendations and Assumptions for Future Reserve Contributions

Assumed Average Future Inflation Rate over 30 Years	3%
Assumed Average Future Interest Rate over 30 Years	3%
Option 1 – Immediate Full Funding	
Immediate Disbursement IF the Association would like to bring down the Reserve Fund to Full Funding Immediately	$25,493
Average Initial Disbursement per Unit	$79.91
Following initial Disbursement, Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	$71,737
Average Contribution per Unit per Year	$18.74
Option 2 – Baseline Funding*	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	$63,311
Average Contribution per Unit per Year	$16.54

**These funding levels are required by WA State RCW 64.90.550. They are "bare minimum" funding plans and therefore carry a higher level of risk. Because of this, they are not recommended by Samdal & Associates.*

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 2 RESERVE STUDY

The primary purpose of this Level 2 Reserve Study is to provide the Association with a planning and budgeting tool to adequately maintain the property 30 years into the future without unexpected special assessments. This study is intended to provide the Association with an understanding of their property and to bring to light the necessary immediate expenditures and reasonably anticipated future capital expenses that should be addressed.

Associations have a responsibility to their members to adequately maintain their properties and our Reserve Studies provide our clients with the tools to implement capital maintenance. When small issues and maintenance items are addressed prior to becoming larger problems, there is typically a significant overall savings for a property owner. Properly maintained properties maintain higher property values than those with an abundance of deferred maintenance.

An additional benefit of this Reserve Study is that it is one of the qualifications required for Associations to obtain FHA approval (which is helpful in selling or refinancing individual units). Many other sources of funding are also beginning to require them as well.

2.2 WASHINGTON STATE RCW 64.90.550

As of July 1, 2018, WA State RCW 64.90.550 defined a Reserve Study in WA State as the following:

(1) Any reserve study is supplemental to the association's operating and maintenance budget.

(2) A reserve study must include:

(a) A reserve component list, including any reserve component, the replacement cost of which exceeds one percent of the annual budget of the association, excluding contributions to the reserves for that reserve component. If one of these reserve components is not included in the reserve study, the study must explain the basis for its exclusion. The study must also include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component, and current major replacement costs for each reserve component;

(b) The date of the study and a disclosure as to whether the study meets the requirements of this section;

(c) The following level of reserve study performed:

(i) Level I: Full reserve study funding analysis and plan;

(ii) Level II: Update with visual site inspection; or

(iii) Level III: Update with no visual site inspection;

This reserve study meets the qualifications of WA State RCW 64.90.550

(d) The association's reserve account balance;

(e) The percentage of the fully funded balance to which the reserve account is funded;

(f) Special assessments already implemented or planned;

(g) Interest and inflation assumptions;

(h) Current reserve account contribution rates for a full funding plan and a baseline funding plan;

(i) A recommended reserve account contribution rate for a full funding plan to achieve one hundred percent fully funded reserves by the end of the thirty-year study period, a recommended reserve account contribution rate for a baseline funding plan to maintain the reserve account balance above zero throughout the thirty-year study period without special assessments, and a reserve account contribution rate recommended by the reserve study professional;

(j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

(k) A disclosure on whether the reserve study was prepared with the assistance of a reserve study professional, and whether the reserve study professional was independent; and

(l) A statement of the amount of any current deficit or surplus in reserve funding expressed on a dollars per unit basis. The amount is calculated by subtracting the association's reserve account balance as of the date of the study from the fully funded balance, and then multiplying the result by the fraction or percentage of the common expenses of the association allocable to each unit; except that if the fraction or percentage of the common expenses of the association allocable vary by unit, the association must calculate any current deficit or surplus in a manner that reflects the variation.

(3) A reserve study must also include the following disclosure:

"This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement."

2.3 SCOPE AND METHODOLOGY

This Level 2 Reserve Study has been prepared based on Community Associations Institute (CAI) standards and our proposal to the Association dated January 11, 2024, which was based on our correspondence with Karen Gore and the previous Reserve Studies that we have prepared for this Association.

Information Gathering

Our initial task was to gather information regarding the property such as financials, drawings, maintenance records, and historical background. This Reserve Study is a reflection of the information provided to us.

Physical Analysis

Following the initial correspondence regarding the property, we performed an inspection of the property on May 13, 2024 so that we may provide an opinion of the current condition of the common building components. This is also the basis for our opinion of the anticipated capital needs that the Association will be responsible for over the next 30 years. This was a visual inspection, and no invasive or destructive testing was performed. This visual inspection focused on the typical features of a building and surrounding property such as structure, drainage, roof, exterior, electrical, plumbing, HVAC systems, and interior finishes. This inspection was limited to accessible and visible areas.

The physical analysis included the following tasks:

1. Identification of Anticipated Capital Expenses: We consider anticipated capital expenses to be major expenses that can be reasonably predicted. Anticipated capital expenses are not considered routine maintenance such as routine landscaping or touch-up paint; routine maintenance should be taken care of through an operating budget. Nor do we consider anticipated capital needs to be expenditures that result from an accident or an unpredictable event, such as flood damage or earthquake damage; these items should be paid for by insurance.

The general criteria that we used to define an anticipated capital expense that warranted inclusion on our Itemized capital expenses is the following:

- The component must be a common component that is the responsibility of the Association.
- Repair or replacement of the component is significant and not budgeted for in the operating budget.
- The component repair or replacement occurs within the period of this study.

2. Estimated Replacement Schedule: Our opinions of the various life expectancy estimates that we prepared are based on a combination of the following:

- National Association of Home Builders (NAHB) averages
- Building Owners and Managers (BOMA) averages
- Product vendors and suppliers
- Our company database

3. Estimated Replacement Cost: Our opinions of the various costs for repair or replacement are based on a combination of the following:

- R.S. Means
- Product vendors and suppliers
- Our company database

4. Financial Analysis: We performed an analysis on the financial needs and current status at the property. The financial analysis provides the following:

- Forecasts the anticipated Capital Reserves necessary at the property over the next 30 years.
- Projects future Capital Reserve balances and determines the appropriate funding levels necessary.
- Reviews the current funding plan and current financial position.
- Provides our recommended annual contribution to the Reserve Fund to maintain Full Funding.

2.4 SOURCES OF INFORMATION

The following people provided us information for this study:

- Karen Gore, Incoming Board President
- David Tyler, Board 1st Vice President of Water

The following documents were viewed as part of this study:

- Maps of Property

The physical inspection of the property occurred on the following date:

- May 13, 2024

2.5 DEFINITIONS

Assumed Inflation - Our assumed inflation rate is our best guess of the long-term average of the inflation rate over the next thirty years; it is not based on the current Consumer Price Index (CPI). Our number is much closer to the historical average of the CPI over the previous 25 years.

Capital Reserves Balance - Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future repair or replacement of those major components which the Association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves.

Component - An individual line item in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks of the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

Component Inventory - The task of selecting and quantifying reserve components. This task is accomplished through onsite visual observations, review of Association design and organizational documents, and a review of established Association precedents.

Deficit - An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age - The difference between useful life and remaining useful life. Not always equivalent to chronological age since some components age irregularly. Used primarily in computation.

Financial Analysis - The portion of a Reserve Study where current status of the reserves measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived. The financial analysis is one of the two parts of a Reserve Study.

Fully Funded - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Fully Funded Balance (FFB) - Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. In essence, it is the reserve balance that is proportional to the current Repair/replacement cost and the fraction of life "used up". This number is calculated for each component, then summed together for an Association total.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

Special Assessment - An assessment levied on the members of an Association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

2.6 FREQUENTLY ASKED QUESTIONS ABOUT RESERVE STUDIES

What is a reserve study?

Reserve studies are comprehensive reports that are used as budget planning tools that will assess the current financial health of the reserve fund as well as create a plan for future funding to offset anticipated major future common area expenditures.

According to *Community Association Institute's Best Practices, Reserve Studies/Management*: "There are two components of a reserve study—a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan)."

What are the different types of reserve studies?

Reserve studies fit into one of three categories: Full; Update with Site Visit; and Update with No Site Visit. They are frequently called Level 1, Level 2, and Level 3 respectively (as defined by Washington State RCW 64.90.550).

> **Level 1: A full reserve study** – the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. They typically extend 30-years. A full reserve study must be in place before a Level 2 or Level 3 can take place.
>
> **Level 2: An update with site visit (on-site review)** -- the reserve study provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. A Level 2 update is performed every third year, with the first one scheduled 3 years after the Level 1 was completed.
>
> **Level 3: An update with no site visit (off-site review)** -- the reserve study provider conducts life and valuation estimates to determine a fund status and a funding plan. A Level 3 update is performed annually, except in years when a Level 1 or Level 2 has been conducted.

When should associations obtain reserve studies?

Most association experts would agree that an initial full 30-year reserve study should be conducted sooner rather than later if one is not already in place. They are typically updated annually after that to account for things such as inflation and any adjustments in funding levels, budgets, repairs or replacements.

If you follow Washington State RCW 64.90.555 (which we recommend), your reserve study schedule would look like this:

- Year 1: Level 1 full 30-year study
- Years 2, 3: Level 3 annual updates
- Year 4: Level 2 update with site visit
- Years 5, 6: Level 3 annual updates
- Year 7: Level 2 update with site visit

The cycle of Level 2 and Level 3 updates continues indefinitely. A Level 1 full study is not necessary after year 1.

What are the benefits of a Reserve Study?

Benefits of reserve studies, in short, include improved property maintenance (and therefore value) as well as complying with the law. In more detail:

Complying with Washington State law

View the rules regarding Reserve Studies and Reserve Accounts here:

http://app.leg.wa.gov/RCW/default.aspx?cite=64.90 - Sections 535, 540, 545, 550, 555, and 560

Fulfilling lender requirements (such as FHA)

Many lenders are requiring up-to-date reserve studies that indicate adequate financial health before they lend. Having a reserve study in place that shows a healthy funding plan before a homeowner finds a buyer could save significant time in the closing process.

Help maintain the property's value and appearance

A reserve study helps maintain the property's value and the property owner's investment. By identifying and budgeting for future repairs or replacement (anticipated capital expenditures), the property's common elements continue to look attractive and well-kept, adding to the community's overall quality of life. Many features, when properly maintained, can also benefit from an extended lifespan resulting in overall cost savings to the owners. Well maintained properties almost always have higher resale values than those that have been neglected.

Establishing sound financial planning and budget direction

A comprehensive reserve study lays out a schedule of anticipated major repairs or replacements to common property elements and applies cost estimates to them. It typically spans a 30-year period and will serve as a financial planning tool for the association to use when determining homeowners dues and contributions to the reserve fund.

Reducing the need for special assessments

An association that has properly implemented their reserve study will strategically collect fees over time from homeowners (via monthly dues) rather than need large sums of cash unexpectedly (special assessments). Therefore, the need for special assessments should be minimized because expenses have already been planned for and the funds exist when needed.

Fulfilling the board of directors' fiduciary responsibility

Board members of community associations have a fiduciary responsibility to their members. Directors are legally bound to use sound business judgment in guiding the association and cannot ignore major capital expenditures or eliminate them from the budget.

3.0 PHYSICAL ANALYSIS

3.1 COMPONENT ASSESSMENT AND VALUATION

The component assessment and valuation of the itemized capital expenses on this property was done by providing our opinion of Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. Table 3.1A lists this component inventory and is based on the information that we were provided and on onsite visual observations.

The remainder of "Section 3.0 Physical Analysis" details each of the items in Table 3.1A using narratives and photos. They are meant to be read together.

Table 3.1B is a summary of expenses, grouped according to their expense category. Chart 3.1B is a pie chart illustrating the same.

Table 3.1A Key:

Quantity - The total quantity of each component.

Units - SF = Square Feet SY = Square Yards LF = Lineal Feet

EA = Each LS = Lump Sum SQ = Roofing Square (10 ft X 10 ft)

Cost/Unit - The cost of a component. The unit cost is multiplied by the component's quantity to obtain the total estimated replacement cost for the component.

Remaining Life – An opinion of the probable remaining life, in years, that a reserve component can be expected to continue to serve its intended function. Replacements anticipated to occur in the initial or base year have "zero" Remaining Life.

Useful Life - Total Useful Life or Depreciable Life. An opinion of the total probable life, in years, that a reserve component can be expected to serve its intended function in its present condition.

Table 3.1A: Component Assessment and Valuation

Note: All numbers provided are the engineer's opinion of probable life and cost in 2024 dollars. Exact numbers may vary.

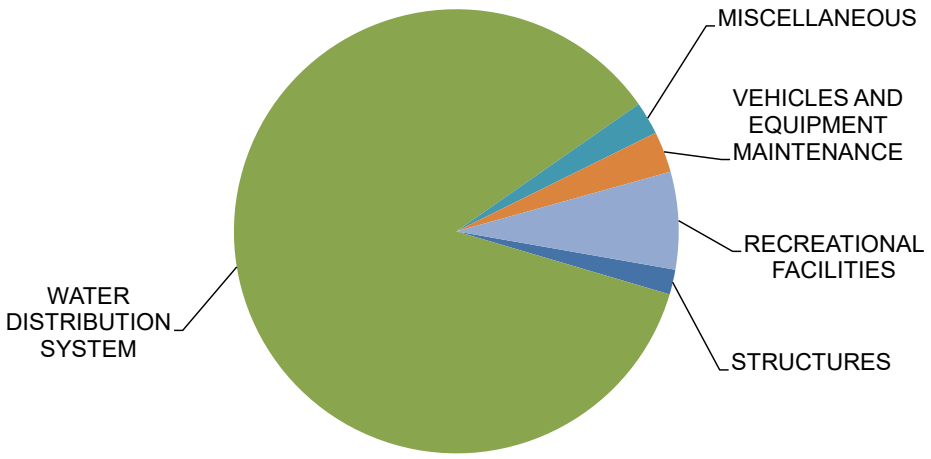
	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Home	Avg. Cost per Home per Year
3.2	**SITE**								
	All streets in this development are municipally owned and maintained								
	Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budge								
	There is very little concrete flatwork and concrete curbing that are the responsibility of the HOA. Therefore, no funding has been allotted toward concrete flatwork and curbing in this study.								
	Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.								
	Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget								
3.3	**STRUCTURES**								
	Paint pump houses and maintenance shed along with spot siding and trim repair	1	LS	$6,000	4	5	$6,000	$19	$3.76
3.4	**ELECTRICAL SYSTEMS**								
	We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company								
3.5	**WATER DISTRIBUTION SYSTEM**								
	Replace approximately 2,000 linear feet of old water distribution pipe with 6" C900 PVC every 5 years starting in 2032	2,000	LF	$80	8	5	$160,000	$502	$100.31
	Replace all individual service connections and individual meters and setters and all applicable fittings	354	EA	$1,000	5	18	$354,000	$1,110	$61.65
	Replace well pump #1	1	EA	$20,000	11	15	$20,000	$63	$4.18
	Replace well pump #2	1	EA	$20,000	6	15	$20,000	$63	$4.18
	Replace well pump #3	1	EA	$20,000	1	15	$20,000	$63	$4.18
	Replace well pump #4	1	EA	$20,000	1	15	$20,000	$63	$4.18
	Replace the two 5-hp VFD booster pumps	2	EA	$3,800	13	15	$7,600	$24	$1.59
	Clean the interior and exterior of the concrete storage tank with a pressure washer	1	LS	$1,650	0	5	$1,650	$5	$1.03
	Replace the back-up generator for pump house 1	1	EA	$38,000	22	50	$38,000	$119	$2.38
	Replace the back-up generator transfer switch in pump house 1	1	EA	$4,600	48	50	$4,600	$14	$0.29
	Install a back-up generator in pump house 2	1	EA	$38,000	50	50	$38,000	$119	$2.38
	Install a back-up generator transfer switch in pump house 2	1	EA	$4,600	50	50	$4,600	$14	$0.29
	Replace the aerator for Doyle Pond	1	EA	$1,600	3	15	$1,600	$5	$0.33
	The fire hydrant should have a design life well beyond the 30-year duration of this study								

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.6	**SEPTIC SYSTEMS**								
	All septic systems in this development are privately owned and maintained by each individual homeowner								
3.7	**MISCELLANEOUS**								
	Surveillance system allotment	1	LS	$7,000	0	5	$7,000	$22	$4.39
3.8	**VEHICLES AND EQUIPMENT MAINTENANCE**								
	Replace Kubota tractor	1	EA	$24,000	10	20	$24,000	$75	$3.76
	Replace Kubota mowing attachment	1	EA	$6,000	15	20	$6,000	$19	$0.94
3.9	**RECREATIONAL FACILITIES**								
	Replace play structure in Pete Rix Park	1	EA	$26,000	9	25	$26,000	$82	$3.26
	Replace swing set in Pete Rix Park	1	EA	$5,000	2	25	$5,000	$16	$0.63
	Replace monkey bars in DNR Park and Pete Rix Park	1	LS	$11,000	24	25	$11,000	$34	$1.38
	Replace older play structure	1	EA	$17,000	24	25	$17,000	$53	$2.13
	Resurface pickle ball court	1	LS	$24,000	9	10	$24,000	$75	$7.52
	Picnic tables and benches maintained as part of general maintenance								
	Horse shoe pits maintained as part of general maintenance								
	Basketball court maintained as part of general maintenance								
							Average Cost Per Unit Per Year		**$203**

Table 3.1B: Table of Categorized Expenses over the Duration of the Study

Category	Total Expenditure over 30 Years	Percentage
SITE	$0	0.0%
STRUCTURES	$60,514	1.8%
ELECTRICAL SYSTEMS	$0	0.0%
WATER DISTRIBUTION SYSTEM	$2,862,829	85.7%
SEPTIC SYSTEMS	$0	0.0%
MISCELLANEOUS	$79,718	2.4%
VEHICLES AND EQUIPMENT MAINTENANCE	$99,856	3.0%
RECREATIONAL FACILITIES	$237,210	7.1%
TOTAL	**$3,340,127**	

Figure 3.1B: Pie Chart of Categorized Expenses over the Duration of the Study



3.2 SITE

The address of this property is 14218 - 134th St KPN, Gig Harbor, WA 98329.

Aerial image of property (courtesy of Google Earth)

General Description of Site

The development consists of 354 lots, 341 of which are single family residences around around Doyle Pond outside of Gig Harbor, WA. We understand that this property was originally developed aroun 1966.

The Lake of the Woods Homeowners Association has public roads and a private water system, of which there are four wells and four pump houses.

Asphalt

All streets in this development are municipally owned and maintained.

Typical Street in this Development

Typical Street in this Development

Concrete Flatwork and Concrete Curbing

There is very little concrete flatwork and concrete curbing that are the responsibility of the HOA. Therefore, no funding has been allotted toward concrete flatwork and curbing in this study.

Landscaping and Irrigation

Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.

Slide Gate

There is a slide gate at the outfall of Doyle Pond that was constructed by one of the Board members. This slide gate is hand operated and constructed of steel. We have assumed that this slide gate will be periodically repainted and otherwise maintained via routine maintenance. Therefore, no funding has been allotted for this slide gate in the future.

Slide Gate (Photo from 2017)

Fencing

Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budget. Therefore, no funding has been allotted toward fencing in this report.

We have assumed that the chain link fencing surrounding the concrete water storage tank will have a lifespan beyond the 30-year duration of this study.

Chain Link Fence Surrounding Sport Court

Typical Chain Link Fence Surrounding Well

Chain Link Border Fence

Typical Chain Link Fence Surrounding Well

3.3 STRUCTURES

Maintenance Shed and Pump Houses

The Association owns and maintains the maintenance shed and four pump houses. These buildings are relatively easy to maintain via spot siding and trim repairs, repainting and roof resurfacing.

The maintenance shed and most of the pump houses have powder coated metal roofs and essentially never have to be resurfaced during the 30-year duration of this study.

Well house #1 has power coated metal siding, while the other buildings have either T1-11 plywood siding or wood siding as well as wood trim. We have budgeted for exterior painting of these buildings every 5 years.

Pump House #2

Storage Shed

Pump House #1

Pump House #4

Maintenance Shed

Gardening Shed

3.4 ELECTRICAL DISTRIBUTION SYSTEMS

We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company. We have not included maintenance of the electrical distribution system in the Reserve Study.

3.5 WATER DISTRIBUTION SYSTEM

The Lake of the Woods water distribution system is a privately owned and managed system, serving 354 lots. The Lake of the Woods water distribution system was developed in the early 1970's. Various repairs and upgrades have been made to the system over the last fifty years.

The water system source is comprised of four drilled wells. All four wells are active and are located throughout the development in community owned open spaces.

This water distribution system is comprised of the following according to the Board and/or our visual inspection:

A. Four wells with pumps, of which three are 15 hp and one is 7.5 hp.
    a. Well pump 1 was installed in 2020
    b. Well pump 2 was installed in 2015
    c. Well pumps 3 and 4 are old (unknown age) and are scheduled to be replaced in 2025
B. Four wellhead enclosures
C. Three pump houses; Of which one contains equipment for wells 1 & 3, the second for well 2, and a third for well 4.
D. Three hydro-pneumatic carbon steel storage tanks; one for wells 1 & 3, the second for well 2, and a third for well 4
E. Approximately 20,715 feet of buried PVC water pipe with isolation valves.
    a. Approximately 2,489 linear feet of the water distribution system has been replaced with 6-inch diameter C900 PVC supply piping.
    b. We understand from the Board that the main lines are 6 inches diameter, while the branch lines are a combination of 2-inch and 4-inch diameter supply lines.
F. One 70,000-gallon concrete water storage reservoir.
G. 354 water connections with meters and back-flow valves
H. 40 six-inch shut-off valves
    a. 33 shut-off valves have recently been replaced
    b. 7 old shut-off valves left to be replaced
I. Two 5-hp VFD booster pumps installed in 2022
J. Two older 10-hp electric fixed speed booster pumps (that are now merely back-ups)
K. Two generators and two generator transfer switches (one on-site but yet to be installed)
L. One fire hydrant

Water Distribution System

Generally, we understand that the water distribution system is working well, with minimal leakage; even though this system is over 58 years old. Ultimately, it will be necessary to replace the entire water distribution system, albeit this will likely be done in phases. There are approximately 20,715 linear feet of distribution pipe. The Association has already replaced approximately 2,489 feet of pipe in 2013 at two separate locations (in McGowan Park and along 139th Avenue). Therefore, there is approximately 18,226 linear feet of original PVC pipe.

Going forward, we have budgeted for approximately 2,000 linear feet of pipe with 6-inch diameter C900 PVC pipe every 5 years starting in 2032 until all supply piping has been replaced.

Water Meter Replacement

We understand that all of the 354 service connections with new individual meters and setters were replaced within the past 5 years with all applicable fittings. We have assumed that these meters and setters will have a total lifespan of 20 years.

Wells, Primary Well Pumps, and Booster Pumps

We have budgeted for well pump #3 and well pump #4 to be replaced in 2025. We recommend that the old well pumps for well #3 and #4 be salvaged, if possible, to serve as emergency back-ups. If they are not salvageable, a separate back-up well pump should be purchased and stored on-site. We assume that typical maintenance and possibly rebuilding well pumps will occur occasionally and be paid for via routine maintenance.

Two new variable frequency drive (VFD) 5-hp booster pumps were installed in 2022 and are in good working order. There are also two older 10-hp fixed drive pumps that are on-line but currently shut-off and are back-ups only at this point. The older back-up units should be exercised periodically to ensure that they are still in working order.

Concrete Storage Tank and Steel Tanks

There are three hydro-pneumatic carbon steel storage tanks at wells 1, 2, and 4 and one 70,000-gallon concrete water storage reservoir at well house 1.

We have budgeted to clean the interior and exterior of the concrete storage tank. We have kept this on the same cycle to allow this to be performed at the same time via the same contractor. We have budgeted for the cleaning of the interior and exterior of this tank in 2024 and every 5 years thereafter.

Fire Hydrant

We understand that there is one fire hydrant in this development. We have assumed that this fire hydrant will have a design life beyond the 30-year duration of this study.

Back-up Generator for Water Distribution System

There is one back-up generator in this development adjacent well house #1, plus a second back-up generator that has been purchased in 2024 that will be installed adjacent well house #2. These generators should be exercised as recommended. We understand that the generator and transfer switch at well house #1 was installed in 1997.

Aerator

There is an aerator that was installed for Doyle Pond in 2013. We have assumed that this aerator will have a total lifespan of 15 years prior to replacement.

Concrete Water Storage Tank

Well Head #3

Well Head #2

Well Head #1

Well Housing #4

Aerator

Metal Storage Tank inside Well House #4

4 Booster Pumps (of which 2 are older back-ups)

Electrical Generator at Well House #1

Transfer Switch for Electrical Generator at Well House #1

Well House #1 Relays

New Generator to be Installed at Well House 2

Metal Storage Tank at Well House #4

3.6 SEPTIC SYSTEMS

All septic systems in this development are privately owned and maintained by each individual homeowner.

3.7 MISCELLANEOUS

Surveillance System

There is a surveillance system on this property with recording equipment and monitors located at the pump houses and other strategic areas. We have budgeted for an upgrade of the surveillance equipment of $7,000 in 2024 and every 5 years thereafter.

Surveillance System Recording Equipment and Monitor

Surveillance System Recording Equipment

3.8 VEHICLES AND MAINTENANCE EQUIPMENT

Kubota Tractor

The Association owns a Kubota tractor. We have assumed that the tractor will have a total lifespan of 20 years prior to being replaced. Additionally, there are several attachments that came with this tractor. We have separately budgeted for replacement of the mower attachment every 20 years.

Kubota Tractor

Mower Attachment

Maintenance Equipment

There is also a significant number of smaller tools and maintenance equipment in the storage shed. We understand that all of this maintenance equipment will eventually be replaced as necessary via the general operating budget.

3.9 RECREATIONAL FACILITIES

Playground Equipment

There are two separate playground areas in this development. The larger playground is in Pete Rix Park and has a playground set that was replaced around 2009, plus an older swing set and two picnic tables. There is also an older playground set on the other side of the development adjacent to the basketball court. We have assumed that painting, staining, and general maintenance will occur on this playground equipment as part of general maintenance to extend the total lifespan of this equipment to 25 years.

No budget has been set aside for repairs of the picnic tables and benches, as we have assumed that these repairs will be made as part of general maintenance.

Newer Playground Set

Swing Set

Merry-Go-Round

Picnic Table and Concrete Tubes

Picnic Shelter and Picnic Tables

Picnic Table

Pickle Ball Court

There is a pickle ball court in this development that we understand was last resurfaced in 2023. We have budgeted for this resurfacing to occur every 10 years.

Pickle Ball Court

Pickle Ball Court

Horse Shoe Pits

There are horse shoe pits adjacent to the pickle ball court. We understand that these horse shoe pits are maintained as part of general maintenance.

Horse Shoe Pits

Basketball Court

There is a basketball court in this development. We understand that this basketball court is maintained as part of general maintenance. The basketball court is bare concrete, and the backboard and hoop are relatively simple.

3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

Using the conclusions described throughout "Section 3.0 Physical Analysis", the following Table 3.20 lists the annual anticipated capital expenses for each reserve item in the year that we believe is most probable. All of these anticipated expenses already have inflation factored into them at the assumed level that is listed in "Section 4.3 Assumptions for Future Interest Rate and Inflation".

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
3.2	**SITE**												
	All streets in this development are municipally owned and maintained												
	Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budge												
	There is very little concrete flatwork and concrete curbing that are the responsibility of the HOA. Therefore, no funding has been allotted toward concrete flatwork and curbing in this study.												
	Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.												
	Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget												
3.3	**STRUCTURES**												
	Paint pump houses and maintenance shed along with spot siding and trim repair					$6,753					$7,829		
3.4	**ELECTRICAL SYSTEMS**												
	We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company												
3.5	**WATER DISTRIBUTION SYSTEM**												
	Replace approximately 2,000 linear feet of old water distribution pipe with 6" C900 PVC every 5 years starting in 2032									$202,683			
	Replace all individual service connections and individual meters and setters and all applicable fittings						$410,383						
	Replace well pump #1												$27,685
	Replace well pump #2							$23,881					
	Replace well pump #3		$20,600										
	Replace well pump #4		$20,600										
	Replace the two 5-hp VFD booster pumps												
	Clean the interior and exterior of the concrete storage tank with a pressure washer	$1,650					$1,913					$2,217	
	Replace the back-up generator for pump house 1												
	Replace the back-up generator transfer switch in pump house 1												
	Install a back-up generator in pump house 2												
	Install a back-up generator transfer switch in pump house 2												
	Replace the aerator for Doyle Pond				$1,748								

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
3.6	**SEPTIC SYSTEMS**												
	All septic systems in this development are privately owned and maintained by each individual homeowner												
3.7	**MISCELLANEOUS**												
	Surveillance system allotment	$7,000					$8,115					$9,407	
3.8	**VEHICLES AND EQUIPMENT MAINTENANCE**												
	Replace Kubota tractor											$32,254	
	Replace Kubota mowing attachment												
3.9	**RECREATIONAL FACILITIES**												
	Replace play structure in Pete Rix Park										$33,924		
	Replace swing set in Pete Rix Park			$5,305									
	Replace monkey bars in DNR Park and Pete Rix Park												
	Replace older play structure												
	Resurface pickle ball court										$31,315		
	ANNUAL EXPENSES BY YEAR	**$8,650**	**$41,200**	**$5,305**	**$1,748**	**$6,753**	**$420,411**	**$23,881**	**$0**	**$202,683**	**$73,067**	**$43,879**	**$27,685**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
3.2	**SITE**												
	All streets in this development are municipally owned and maintained												
	Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budge												
	There is very little concrete flatwork and concrete curbing that are the responsibility of the HOA. Therefore, no funding has been allotted toward concrete flatwork and curbing in this study.												
	Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.												
	Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget												
3.3	**STRUCTURES**												
	Paint pump houses and maintenance shed along with spot siding and trim repair			$9,076					$10,521				
3.4	**ELECTRICAL SYSTEMS**												
	We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company												
3.5	**WATER DISTRIBUTION SYSTEM**												
	Replace approximately 2,000 linear feet of old water distribution pipe with 6" C900 PVC every 5 years starting in 2032		$234,965					$272,389					$315,774
	Replace all individual service connections and individual meters and setters and all applicable fittings												$698,650
	Replace well pump #1												
	Replace well pump #2										$37,206		
	Replace well pump #3					$32,094							
	Replace well pump #4					$32,094							
	Replace the two 5-hp VFD booster pumps		$11,161										
	Clean the interior and exterior of the concrete storage tank with a pressure washer				$2,571					$2,980			
	Replace the back-up generator for pump house 1											$72,812	
	Replace the back-up generator transfer switch in pump house 1												
	Install a back-up generator in pump house 2												
	Install a back-up generator transfer switch in pump house 2												
	Replace the aerator for Doyle Pond							$2,724					

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
3.6	**SEPTIC SYSTEMS**												
	All septic systems in this development are privately owned and maintained by each individual homeowner												
3.7	**MISCELLANEOUS**												
	Surveillance system allotment				$10,906					$12,643			
3.8	**VEHICLES AND EQUIPMENT MAINTENANCE**												
	Replace Kubota tractor												
	Replace Kubota mowing attachment				$9,348								
3.9	**RECREATIONAL FACILITIES**												
	Replace play structure in Pete Rix Park												
	Replace swing set in Pete Rix Park												
	Replace monkey bars in DNR Park and Pete Rix Park												
	Replace older play structure												
	Resurface pickle ball court								$42,084				
	ANNUAL EXPENSES BY YEAR	**$0**	**$246,126**	**$9,076**	**$22,824**	**$64,188**	**$0**	**$275,113**	**$52,605**	**$15,623**	**$37,206**	**$72,812**	**$1,014,423**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2048	2049	2050	2051	2052	2053	2054
3.2	**SITE**							
	All streets in this development are municipally owned and maintained							
	Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budge							
	There is very little concrete flatwork and concrete curbing that are the responsibility of the HOA. Therefore, no funding has been allotted toward concrete flatwork and curbing in this study.							
	Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.							
	Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget							
3.3	**STRUCTURES**							
	Paint pump houses and maintenance shed along with spot siding and trim repair	$12,197					$14,139	
3.4	**ELECTRICAL SYSTEMS**							
	We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company							
3.5	**WATER DISTRIBUTION SYSTEM**							
	Replace approximately 2,000 linear feet of old water distribution pipe with 6" C900 PVC every 5 years starting in 2032					$366,068		
	Replace all individual service connections and individual meters and setters and all applicable fittings							
	Replace well pump #1			$43,132				
	Replace well pump #2							
	Replace well pump #3							
	Replace well pump #4							
	Replace the two 5-hp VFD booster pumps					$17,388		
	Clean the interior and exterior of the concrete storage tank with a pressure washer		$3,455					$4,005
	Replace the back-up generator for pump house 1							
	Replace the back-up generator transfer switch in pump house 1							
	Install a back-up generator in pump house 2							
	Install a back-up generator transfer switch in pump house 2							
	Replace the aerator for Doyle Pond							

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2048	2049	2050	2051	2052	2053	2054
3.6	**SEPTIC SYSTEMS**							
	All septic systems in this development are privately owned and maintained by each individual homeowner							
3.7	**MISCELLANEOUS**							
	Surveillance system allotment		$14,656					$16,991
3.8	**VEHICLES AND EQUIPMENT MAINTENANCE**							
	Replace Kubota tractor							$58,254
	Replace Kubota mowing attachment							
3.9	**RECREATIONAL FACILITIES**							
	Replace play structure in Pete Rix Park							
	Replace swing set in Pete Rix Park				$11,106			
	Replace monkey bars in DNR Park and Pete Rix Park	$22,361						
	Replace older play structure	$34,557						
	Resurface pickle ball court						$56,558	
	ANNUAL EXPENSES BY YEAR	**$69,115**	**$18,111**	**$43,132**	**$11,106**	**$383,457**	**$70,697**	**$79,250**

4.0 FINANCIAL ANALYSIS

The financial analysis in this Reserve Study is a proprietary system that was developed by Jeff Samdal & Associates. We have provided the funding method that we believe will most adequately fund the reserves of this Association.

4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association's Reserve Fund balance was $286,933 as of March 31, 2024 (Balance provided by Karen Gore). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is $261,441. Therefore, the property is 109.8% funded.

There is not a current regular Reserve Fund contribution. This study will be a guide to the Board in determining an appropriate annual contribution to the Reserve Fund.

This property is currently
109.8%
funded.

4.2 RECOMMENDED RESERVE FUNDING PLAN

Full Funding is the ideal position for any property and represents a strong financial position. We recommend that all properties be Fully Funded, as Full Funding allows Associations to maintain their properties adequately and minimizes their risk of unplanned special assessments.

Our funding recommendations are as follows:

Option One: Immediate Disbursement from Reserve Fund to Owners

The Reserve Fund is well beyond full funding. If the Board would like to bring the Reserve Fund down to the level of full funding than they should make a disbursement of $25,493 from the Reserve Fund to the owners. This translates to an average disbursement of $79.91 per unit.

Following this initial disbursement, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of $71,737 per year in the initial year, which translates to $18.74 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5).

Option One

Average Immediate Disbursement Per Unit:

$79.91

Avg. Contribution Thereafter Per Unit Per Month:

2024 $18.74

(with 3% annual increase thereafter)

Other funding options are also possible. Section 4.6 details other common funding methods as well. It is up to the Association to decide which funding option is best for them.

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State HB 1309, our Reserve Study is required to provide the following funding plans:

- **30-Year Make up** - Funding Plan necessary for the Association Reserve Fund to reach a Full Funding Level in 30 years.
- **Baseline Funding** - Minimum level of funding required in order to maintain the Reserve Fund above zero while paying for all components listed in Table 3.1 - Component Assessment and Valuation Table.

Special Note: Because these are "bare minimum" funding options that increase an Association's risk for special assessments (and financial instability), we do not recommend either of these funding options. We recommend that the Association obtain a level of Full Funding as soon as possible to ensure that the Association has the resources necessary to adequately maintain its collective property and minimize the burden of special assessments.

These required options are as follows:

Full Funding in 30 Years

As the Reserve Fund is already above the level of full funding, this option is not applicable.

-OR-

Option Two: Baseline Funding – Keeping Reserve Balance above Zero

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of $63,311 per year in the initial year, which translates to $16.54 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5).

Option Two

Average Contributions Per Unit Per Month:

$16.54

(with 3% annual increase thereafter)

4.4 ASSUMPTIONS FOR FUTURE INTEREST RATE AND INFLATION

For the purposes of this report, we have assumed that the inflation rate over the next 30 years will average 3%. This is based on historical averages over the last 25 years and our conservative best guess for the future. This percentage can vary greatly just as global economic conditions can vary, which is one reason this Reserve Study should be updated annually per Washington RCW 64.90.550, which we provide complimentary over the next two years with this Reserve Study (see Appendix).

For the purpose of this study, we will assume that the Association manages their money in the Reserve Fund so that the average interest rate return on its money will be equal to that of inflation. This is a conservative estimate given that since 1965, the average yield between short term treasuries and inflation has been 1.04%, which means that these relatively conservative investments have been able to outpace inflation over the long term (according to Crestmont Research, www.crestmontresearch.com). Since we have assumed that the inflation rate over the duration of this study will average 3%, we have conservatively also assumed that the Reserve Fund average interest rate will equal 3%. Again, this does not reflect current averages but rather a best guess of the future assuming you have invested effectively.

A common strategy is to invest in multiple accounts. Funds that will be necessary in the shorter term must be kept in a relatively liquid account. Funds that are not allotted for near future planned expenditures can be deposited into longer term investments which frequently earn higher interest rates. Consult with a qualified financial advisor for the best solution for your Association.

4.5 ANNUAL FUND BALANCES; ANNUAL FUNDING TABLE AND FIGURES

The table and figures shown in this section are intended to give the Association a clearer view of the likely future financial position that the Association will be in, provided that the reserve funding plan is followed.

- Table 4.5: “Reserve Fund Balance Sheet”. This table lists annual revenue, expenses, and year end reserve fund balances. All Section 4.5 Figures are based on this data.

- Figure 4.5A-1: “Comparison of Funding Plans -- Reserve Fund Balances Through 2052”. This line graph depicts the funding balances of the proposed funding options vs. the current.

- Figure 4.5A-2: “Comparison of Funding Plans -- Reserve Fund Balances Through 2032”. This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.

- Figure 4.5B: “Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year”

- Figure 4.5C: “Comparison of Funding Plans – Percentage of Full Funding by Year”

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	286,933	295,033	309,004	387,887	474,997	561,957	234,050	301,242	397,222	292,965	319,828	379,890	461,041
Full Funding Annual Maintenace Funding	10,247	71,737	73,889	76,106	78,389	80,740	83,163	85,657	88,227	90,874	93,600	96,408	99,300
Planned Special Assessments / Make up Funds		(25,493)											
Annual Total Property Contribution to The Reserve Fund	10,247	46,244	73,889	76,106	78,389	80,740	83,163	85,657	88,227	90,874	93,600	96,408	99,300
Average Monthly Contribution to the Reserve Fund per Unit	3.55	18.74	19.30	19.88	20.48	21.09	21.72	22.38	23.05	23.74	24.45	25.19	25.94
Annual Capital Expenses	8,650	41,200	5,305	1,748	6,753	420,411	23,881	-	202,683	73,067	43,879	27,685	-
Interest Income	6,504	8,927	10,299	12,752	15,324	11,764	7,911	10,322	10,200	9,056	10,341	12,428	15,321
Full Funding - Ending Reserve Balance	***295,033***	***309,004***	***387,887***	***474,997***	***561,957***	***234,050***	***301,242***	***397,222***	***292,965***	***319,828***	***379,890***	***461,041***	***575,662***
Percentage of Full Funding	112.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds													
BASELINE FUNDING													
Beginning Reserve Balance	286,933	295,033	326,327	396,921	475,229	552,850	215,045	271,753	356,636	240,644	255,104	302,065	369,388
Full Funding Annual Maintenace Funding	10,247	63,311	65,210	67,167	69,182	71,257	73,395	75,597	77,865	80,200	82,606	85,085	87,637
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	10,247	63,311	65,210	67,167	69,182	71,257	73,395	75,597	77,865	80,200	82,606	85,085	87,637
Average Monthly Contribution to the Reserve Fund per Unit	3.55	16.54	17.04	17.55	18.07	18.61	19.17	19.75	20.34	20.95	21.58	22.23	22.89
Annual Capital Expenses	8,650	41,200	5,305	1,748	6,753	420,411	23,881	-	202,683	73,067	43,879	27,685	-
Interest Income	6,504	9,183	10,688	12,889	15,193	11,348	7,194	9,287	8,827	7,326	8,234	9,923	12,396
Ending Reserve Balance	***295,033***	***326,327***	***396,921***	***475,229***	***552,850***	***215,045***	***271,753***	***356,636***	***240,644***	***255,104***	***302,065***	***369,388***	***469,422***
Percentage of Full Funding	112.8%	105.6%	102.3%	100.0%	98.4%	91.9%	90.2%	89.8%	82.1%	79.8%	79.5%	80.1%	81.5%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	575,662	446,928	558,052	661,763	729,905	868,645	735,813	828,452	965,126	1,087,824	1,182,008	327,345	410,716
Full Funding Annual Maintenace Funding	102,279	105,348	108,508	111,764	115,116	118,570	122,127	125,791	129,565	133,451	137,455	141,579	145,826
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	102,279	105,348	108,508	111,764	115,116	118,570	122,127	125,791	129,565	133,451	137,455	141,579	145,826
Average Monthly Contribution to the Reserve Fund per Unit	26.72	27.52	28.35	29.20	30.07	30.97	31.90	32.86	33.85	34.86	35.91	36.99	38.09
Annual Capital Expenses	246,126	9,076	22,824	64,188	-	275,113	52,605	15,623	37,206	72,812	1,014,423	69,115	18,111
Interest Income	15,112	14,852	18,027	20,567	23,624	23,711	23,117	26,506	30,339	33,544	22,306	10,907	14,237
Full Funding - Ending Reserve Balance	***446,928***	***558,052***	***661,763***	***729,905***	***868,645***	***735,813***	***828,452***	***965,126***	***1,087,824***	***1,182,008***	***327,345***	***410,716***	***552,668***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds													
BASELINE FUNDING													
Beginning Reserve Balance	469,422	325,306	420,223	506,863	557,034	676,864	524,144	595,873	710,574	810,189	880,134	28	56,701
Full Funding Annual Maintenace Funding	90,266	92,974	95,764	98,636	101,596	104,643	107,783	111,016	114,347	117,777	121,310	124,950	128,698
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	90,266	92,974	95,764	98,636	101,596	104,643	107,783	111,016	114,347	117,777	121,310	124,950	128,698
Average Monthly Contribution to the Reserve Fund per Unit	23.58	24.29	25.02	25.77	26.54	27.34	28.16	29.00	29.87	30.77	31.69	32.64	33.62
Annual Capital Expenses	246,126	9,076	22,824	64,188	-	275,113	52,605	15,623	37,206	72,812	1,014,423	69,115	18,111
Interest Income	11,745	11,018	13,701	15,723	18,235	17,749	16,552	19,307	22,474	24,980	13,007	838	3,360
Ending Reserve Balance	***325,306***	***420,223***	***506,863***	***557,034***	***676,864***	***524,144***	***595,873***	***710,574***	***810,189***	***880,134***	***28***	***56,701***	***170,648***
Percentage of Full Funding	72.8%	75.3%	76.6%	76.3%	77.9%	71.2%	71.9%	73.6%	74.5%	74.5%	0.0%	13.8%	30.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2050	2051	2052	2053	2054
IMMEDIATE FULL FUNDING					
Beginning Reserve Balance	552,668	677,923	844,015	641,865	755,954
Full Funding Annual Maintenace Funding	150,201	154,707	159,348	164,129	169,052
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	150,201	154,707	159,348	164,129	169,052
Average Monthly Contribution to the Reserve Fund per Unit	39.24	40.41	41.63	42.88	44.16
Annual Capital Expenses	43,132	11,106	383,457	70,697	79,250
Interest Income	18,186	22,492	21,959	20,657	24,026
Full Funding - Ending Reserve Balance	***677,923***	***844,015***	***641,865***	***755,954***	***869,782***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds					
BASELINE FUNDING					
Beginning Reserve Balance	170,648	266,537	401,844	167,432	247,721
Full Funding Annual Maintenace Funding	132,559	136,536	140,632	144,851	149,197
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	132,559	136,536	140,632	144,851	149,197
Average Monthly Contribution to the Reserve Fund per Unit	34.63	35.67	36.74	37.84	38.98
Annual Capital Expenses	43,132	11,106	383,457	70,697	79,250
Interest Income	6,461	9,878	8,413	6,135	8,481
Ending Reserve Balance	***266,537***	***401,844***	***167,432***	***247,721***	***326,148***
Percentage of Full Funding	39.3%	47.6%	26.1%	32.8%	37.5%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2054

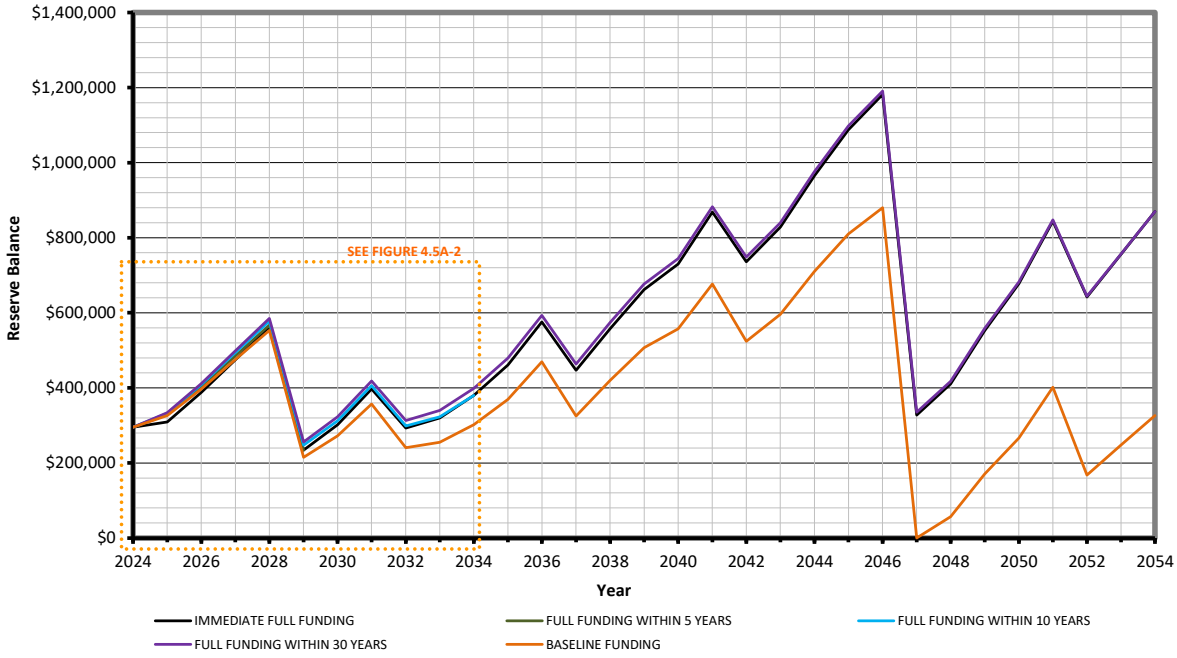


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2034

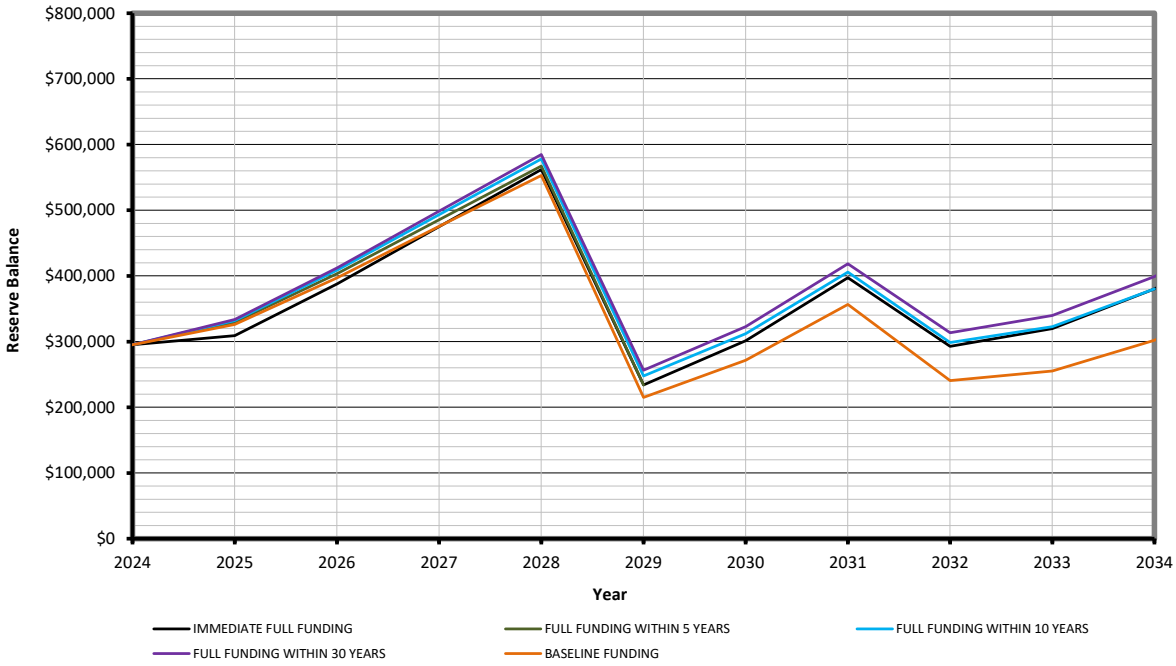


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

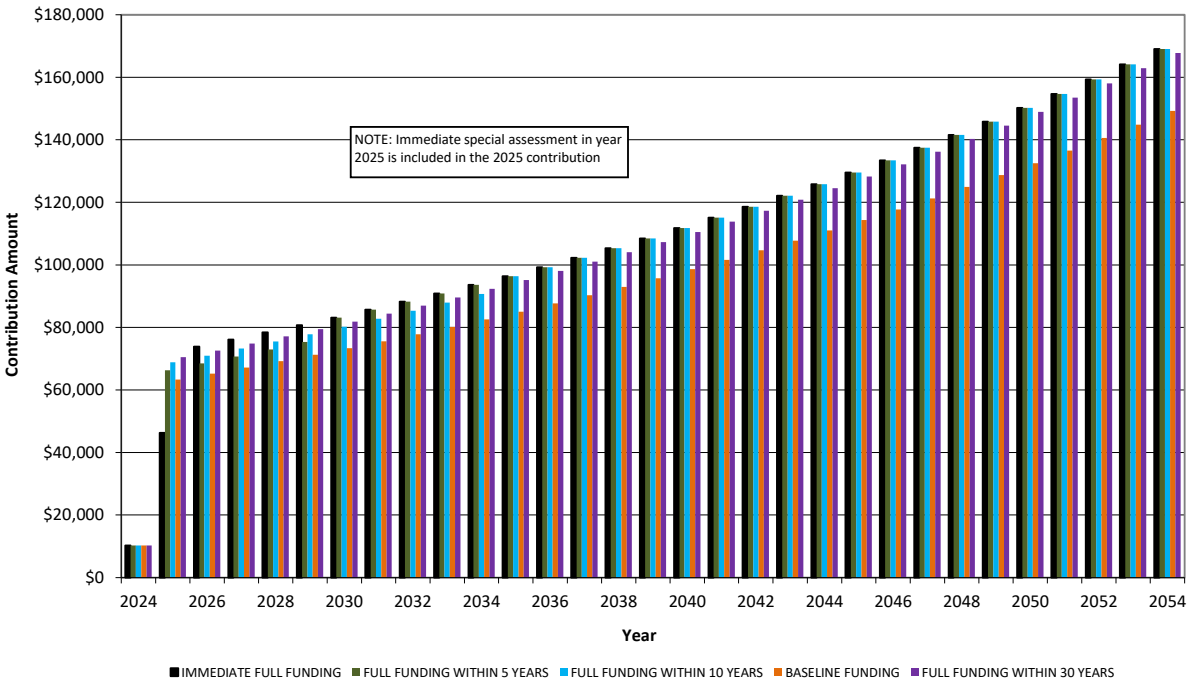
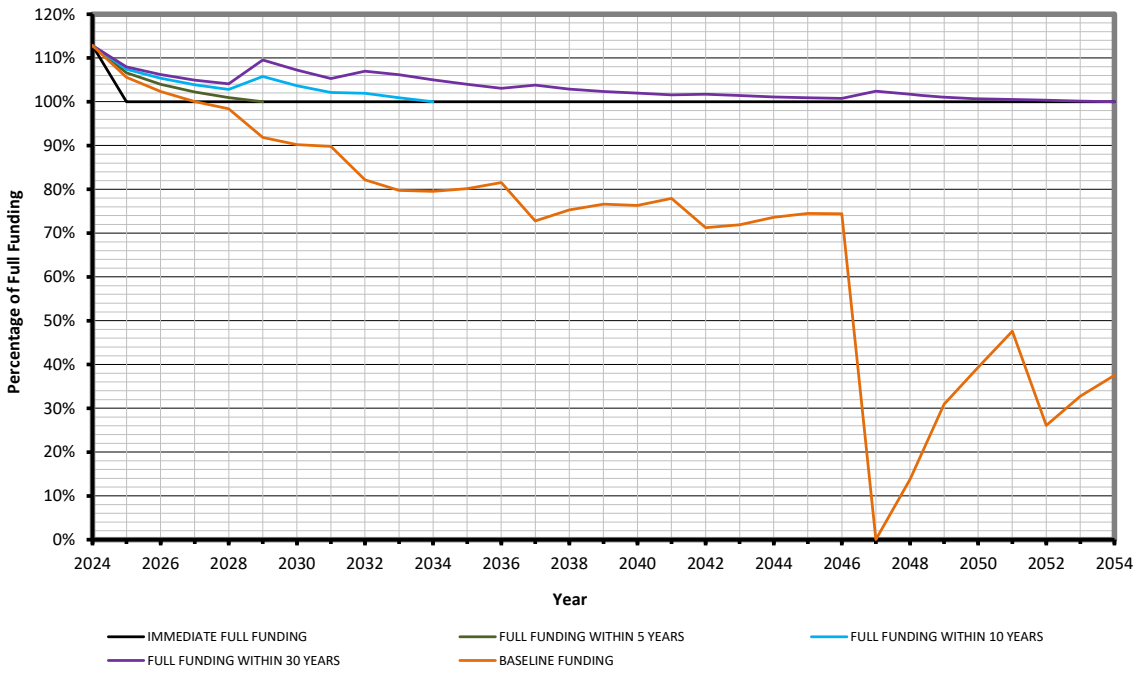


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



4.6 OTHER COMMON FUNDING METHODS

The following methods are methods that are sometimes implemented. We believe that many of these funding methods that keep the reserve fund at less than "Fully Funded" represent a weaker position for the Association. As the Fully Funded percentage decreases, the likelihood of unplanned special assessments increases.

Cash Flow Method

A method of calculating Reserve contributions where contributions to the Reserve fund are designed 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.

Component Method

A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual components.

Baseline Funding

Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding

Setting a Reserve funding goal of attaining and maintaining the Reserve Fund at or near 100% funded. *Recommended by Jeff Samdal & Associates*

Statutory Funding

Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding

Establishing a Reserve funding goal of keeping the Reserve Balance above a specified dollar or Percent Funded amount. Depending on the threshold this may be more or less conservative than "Fully Funded."

5.0 LIMITATIONS

This report has been prepared for the exclusive use of Lake of the Woods Homeowners Association. We do not intend for any other party to rely on this report for any reason without our expressed written consent. If another individual or party relies on this study, they shall indemnify and hold Jeff Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 2 Reserve Study is a reflection of the information provided to us. This report has been prepared for Lake of the Woods Homeowners Association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records. Our inspection report is not an exhaustive technical inspection of the property; we merely comment on the items that we believe that our clients would benefit from knowing. During a typical inspection, no invasive inspection is performed, no furnishings are moved, and no finishes are removed.

This report is a snap shot in time of the condition of the property at the time of inspection. The remaining life values that we list are based on our opinion of the remaining useful life and are by no means a guarantee. Our opinions are based on what we believe one could reasonably expect and are not based on worst case scenarios. These opinions are based upon our experience with other buildings of similar age and construction type. Opinions will vary and you may encounter contractors and/or consultants with differing opinions from ours. Ratings of various building components are most often determined by comparison to other buildings of similar age and construction type. The quality of materials originally impacts our judgment of their current state.

The life expectancy estimates that we prepare are based on National Association of Home Builders (NAHB) averages, Building Owners and Managers (BOMA) averages, product defined expected life averages, and our own assessment of typical life expectancy based on our experience with similar components in our area.

This report will tell you a great deal about the overall condition of this property. However, this report does not constitute a warranty, an insurance policy, or a guarantee of any kind. Owning any property involves some risk and while we can give an excellent overview of the property, we cannot inspect what we cannot see.

Our inspection and report do not include building code compliance or municipal regulatory compliance. Nor do they include mold investigations, hazardous materials investigations, or indoor air quality analysis.

The purpose of this report is not intended to be a statement of the insurability of this property as insurance companies have particular standards for insurability of certain building types and certain building materials.

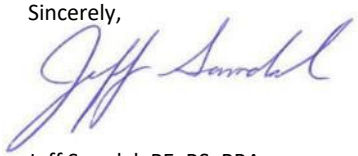
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe to or contact the CPSC (Consumer Product Safety Commission) web site for recall information regarding any system or component. If a problem is encountered on your property, we cannot be responsible for any corrective action that you take, unless we have the opportunity to review the conditions before repairs are made.

Please ensure that you have read and understand the entire proposal to perform this Level 2 Reserve Study that was signed prior to our inspection. If you have any questions regarding this document, please contact us.

We appreciate the opportunity to be of assistance and we hope that we have provided you with a clear understanding of your financial situation and given you a better overall understanding of the property. This report supersedes any opinion or discussion that occurred during the inspection and should be considered our complete opinion of the condition of this property.

Please contact us if you have any questions regarding this report. We will be happy to be of assistance.

Sincerely,



Jeff Samdal, PE, RS, PRA

APPENDIX

Resume of Engineer Performing Study

Jeff Samdal, P.E., Principal

Professional Qualifications and Experience

Areas of Expertise

Mr. Samdal is the owner of Samdal & Associates, Inc., a corporation that specializes in building inspections, engineering, project management, and related services. He is a double-licensed Professional Engineer (Mechanical and Civil) in Washington State. He is also an accredited Building Inspection Engineer (BIE) and Reserve Specialist (RS), and Professional Reserve Analyst (PRA). He has performed thousands of building inspections as well as numerous additional services such as building envelope investigations, construction management, and general consulting for property owners pertaining to building maintenance and long-term budgeting. Mr. Samdal consistently earns repeat and referral business because of his attention to detail, practical approach, knowledge of the industry, and genuine appreciation for clients' concerns for their real estate investments.

Capabilities

Mr. Samdal is experienced at performing residential (single- and multi-family), commercial, and industrial inspections in Washington State and beyond. Mr. Samdal's experience includes the following:

- Property Condition Assessments (PCAs)
- Capital Needs Assessments (CNAs)
- Reserve Studies for Condominiums and Homeowner's Association
- Building Envelope Studies

Relevant Work History

Mr. Samdal has been owner and operator of Samdal & Associates since 2005, performing or managing all aspects of this business. Additionally, Mr. Samdal has been the co-owner and president of True North Construction Management since 2017, which is informative in obtaining current construction costs and keeping up to date with modern construction methods and construction products.

Prior to concentrating on building inspections, Mr. Samdal worked for Washington Group International's (WGI) Hydropower and Water Resources Group. While working for WGI, Mr. Samdal was involved in rebuilding and rehabilitating hydro facilities. He served as the on-site powerhouse and switchyard inspector during construction. His duties included design, drawing and specification preparation, cost estimating, scheduling, and construction management. Prior to working for WGI, Mr. Samdal worked for Duke Energy in a similar role.

Education

BS in Mechanical Engineering, University of Washington

Licenses and Certifications

- *Licensed Professional Engineer* (PE), Mechanical Engineering, State of Washington, #40985
- *Licensed Professional Engineer* (PE), Civil Engineering, State of Washington, #40985
- *Reserve Specialist* (RS), Community Associations Institute (CAI), #173
- *Professional Reserve Analyst (PRA),* Association of Professional Reserve Analysts
- *Building Inspection Engineer* (BIE), National Association of Building Inspection Engineers
- *Structural Pest Inspector*, State of Washington, #70763

Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

Community Involvement

Mr. Samdal lives in Woodinville with his wife and 2 children and has been involved with many of their activities as a Little League coach, a scout leader, a personal fitness coach, among other activities.