



PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE



Lake of the Woods

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

For:

Lake of the Woods
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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 around 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
<i>Several projects planned for 2026 shown in Table 3.1A and Table 3.20</i>		

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 3 RESERVE STUDY

The primary purpose of this Level 3 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 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 very 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;
 - (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;

This reserve study
meets the
qualifications of
WA State RCW
64.90.550

(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

Our Level 2 Reserve Study was finalized on May 29, 2024 at this property. We provided the Board with a subsequent Level 3 Reserve Study on July 7, 2025.

This report is an off-site update of that report based solely on the information provided to us by Karen Gore on June 3, 2026.

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 Association's 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
- Dave Tyler

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

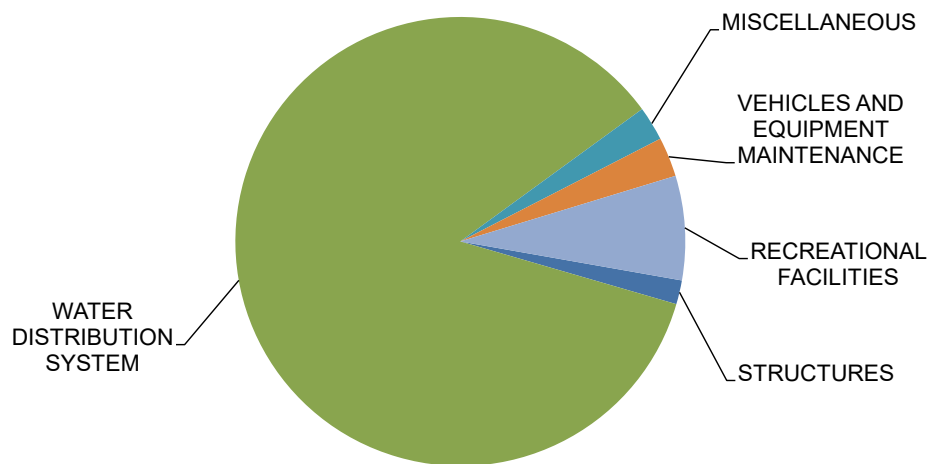
Note: All numbers provided are the engineer's opinion of probable life and cost in 2026 dollars. Exact numbers may vary.

	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								
	<i>All streets in this development are municipally owned and maintained</i>								
	<i>Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budget</i>								
	<i>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.</i>								
	<i>Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.</i>								
	<i>Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget</i>								
3.3	STRUCTURES								
	Paint pump houses and maintenance shed along with spot siding and trim repair	1	LS	\$6,500	2	5	\$6,500	\$20	\$4.08
3.4	ELECTRICAL SYSTEMS								
	<i>We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company</i>								
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	\$87	6	5	\$174,000	\$545	\$109.09
	Replace all individual service connections and individual meters and setters and all applicable fittings	354	EA	\$1,100	3	18	\$389,400	\$1,221	\$67.82
	Replace well pump #1	1	EA	\$22,000	9	15	\$22,000	\$69	\$4.60
	Replace well pump #2	1	EA	\$22,000	4	15	\$22,000	\$69	\$4.60
	Replace well pump #3	1	EA	\$22,000	0	15	\$22,000	\$69	\$4.60
	Replace well pump #4	1	EA	\$22,000	0	15	\$22,000	\$69	\$4.60
	Replace the two 5-hp VFD booster pumps	2	EA	\$4,100	11	15	\$8,200	\$26	\$1.71
	Clean the interior and exterior of the concrete storage tank with a pressure washer	1	LS	\$2,200	5	5	\$2,200	\$7	\$1.38
	Replace the back-up generator for pump house 1	1	EA	\$41,100	20	50	\$41,100	\$129	\$2.58
	Replace the back-up generator transfer switch in pump house 1	1	EA	\$5,000	46	50	\$5,000	\$16	\$0.31
	Replace pump house 1 propane tank	1	BID+	\$6,800	20	50	\$6,800	\$21	\$0.43
	Install a back-up generator in pump house 2	1	BID+	\$18,200	47	50	\$18,200	\$57	\$1.14
	Install a back-up generator transfer switch in pump house 2	1	BID+	\$1,500	47	50	\$1,500	\$5	\$0.09
	Replace pump house 2 propane tank	1	BID+	\$6,800	47	50	\$6,800	\$21	\$0.43
	Replace the aerator for Doyle Pond	1	EA	\$1,750	1	15	\$1,750	\$5	\$0.37
	<i>The fire hydrant should have a design life well beyond the 30-year duration of this study</i>								

	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								
	<i>All septic systems in this development are privately owned and maintained by each individual homeowner</i>								
3.7	MISCELLANEOUS								
	Surveillance system allotment	1	LS	\$7,750	0	5	\$7,750	\$24	\$4.86
3.8	VEHICLES AND EQUIPMENT MAINTENANCE								
	Replace Kubota tractor	1	EA	\$26,000	8	20	\$26,000	\$82	\$4.08
	Replace Kubota mowing attachment	1	EA	\$6,500	13	20	\$6,500	\$20	\$1.02
3.9	RECREATIONAL FACILITIES								
	Replace play structure in Pete Rix Park	1	EA	\$28,500	25	25	\$28,500	\$89	\$3.57
	Replace swing set in Pete Rix Park	1	EA	\$5,500	0	25	\$5,500	\$17	\$0.69
	Replace monkey bars in DNR Park and Pete Rix Park	1	LS	\$12,500	22	25	\$12,500	\$39	\$1.57
	Replace older play structure	1	EA	\$18,600	22	25	\$18,600	\$58	\$2.33
	Resurface pickle ball court	1	LS	\$26,000	7	10	\$26,000	\$82	\$8.15
	<i>Picnic tables and benches maintained as part of general maintenance</i>								
	<i>Horse shoe pits maintained as part of general maintenance</i>								
	<i>Basketball court maintained as part of general maintenance</i>								
Average Cost Per Unit Per Year									\$221

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	\$61,794	1.7%
ELECTRICAL SYSTEMS	\$0	0.0%
WATER DISTRIBUTION SYSTEM	\$3,063,531	85.5%
SEPTIC SYSTEMS	\$0	0.0%
MISCELLANEOUS	\$88,259	2.5%
VEHICLES AND EQUIPMENT MAINTENANCE	\$101,968	2.8%
RECREATIONAL FACILITIES	\$268,984	7.5%
TOTAL	\$3,584,536	

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

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 project 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.”

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

[illegible]

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
3.6	SEPTIC SYSTEMS												
	<i>All septic systems in this development are privately owned and maintained by each individual homeowner</i>												
3.7	MISCELLANEOUS												
	Surveillance system allotment	\$7,750					\$8,984					\$10,415	
3.8	VEHICLES AND EQUIPMENT MAINTENANCE												
	Replace Kubota tractor									\$32,936			
	Replace Kubota mowing attachment												
3.9	RECREATIONAL FACILITIES												
	Replace play structure in Pete Rix Park												
	Replace swing set in Pete Rix Park	\$5,500											
	Replace monkey bars in DNR Park and Pete Rix Park												
	Replace older play structure												
	Resurface pickle ball court								\$31,977				
ANNUAL EXPENSES BY YEAR		\$57,250	\$1,803	\$6,896	\$425,508	\$24,761	\$11,535	\$207,765	\$39,971	\$32,936	\$28,705	\$13,372	\$252,207

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
3.2	SITE												
	<i>All streets in this development are municipally owned and maintained</i>												
	<i>Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budget</i>												
	<i>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.</i>												
	<i>Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.</i>												
	<i>Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget</i>												
3.3	STRUCTURES												
	Paint pump houses and maintenance shed along with spot siding and trim repair	\$9,267					\$10,744					\$12,455	
3.4	ELECTRICAL SYSTEMS												
	<i>We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company</i>												
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					\$279,219					\$323,691		
	Replace all individual service connections and individual meters and setters and all applicable fittings										\$724,399		
	Replace well pump #1												
	Replace well pump #2								\$38,577				
	Replace well pump #3				\$34,275								
	Replace well pump #4				\$34,275								
	Replace the two 5-hp VFD booster pumps												
	Clean the interior and exterior of the concrete storage tank with a pressure washer				\$3,428					\$3,973			
	Replace the back-up generator for pump house 1									\$74,231			
	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					\$2,808							

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
3.6	SEPTIC SYSTEMS												
	<i>All septic systems in this development are privately owned and maintained by each individual homeowner</i>												
3.7	MISCELLANEOUS												
	Surveillance system allotment				\$12,074					\$13,997			
3.8	VEHICLES AND EQUIPMENT MAINTENANCE												
	Replace Kubota tractor												
	Replace Kubota mowing attachment		\$9,545										
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											\$23,951	
	Replace older play structure											\$35,640	
	Resurface pickle ball court						\$42,974						
ANNUAL EXPENSES BY YEAR		\$9,267	\$9,545	\$0	\$84,052	\$282,027	\$53,718	\$0	\$38,577	\$92,202	\$1,048,090	\$72,045	\$0

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2050	2051	2052	2053	2054	2055	2056
3.2	SITE							
	<i>All streets in this development are municipally owned and maintained</i>							
	<i>Common fencing in this development is simple and will most likely be addressed as necessary via the general operating budget</i>							
	<i>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.</i>							
	<i>Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no funding has been allotted toward landscaping in this study.</i>							
	<i>Slide gate assumed to have a lifespan beyond the duration of this study and maintained via the operating budget</i>							
3.3	STRUCTURES							
	Paint pump houses and maintenance shed along with spot siding and trim repair				\$14,438			
3.4	ELECTRICAL SYSTEMS							
	<i>We understand that the electrical distribution system in this development is entirely the responsibility of Peninsula Light Company</i>							
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			\$375,247				
	Replace all individual service connections and individual meters and setters and all applicable fittings							
	Replace well pump #1	\$44,721						
	Replace well pump #2							
	Replace well pump #3							\$53,400
	Replace well pump #4							\$53,400
	Replace the two 5-hp VFD booster pumps			\$17,684				
	Clean the interior and exterior of the concrete storage tank with a pressure washer		\$4,606					\$5,340
	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		2050	2051	2052	2053	2054	2055	2056
3.6	SEPTIC SYSTEMS							
	<i>All septic systems in this development are privately owned and maintained by each individual homeowner</i>							
3.7	MISCELLANEOUS							
	Surveillance system allotment		\$16,227					\$18,811
3.8	VEHICLES AND EQUIPMENT MAINTENANCE							
	Replace Kubota tractor					\$59,486		
	Replace Kubota mowing attachment							
3.9	RECREATIONAL FACILITIES							
	Replace play structure in Pete Rix Park		\$59,673					
	Replace swing set in Pete Rix Park		\$11,516					
	Replace monkey bars in DNR Park and Pete Rix Park							
	Replace older play structure							
	Resurface pickle ball court				\$57,754			
ANNUAL EXPENSES BY YEAR		\$44,721	\$92,022	\$392,931	\$72,192	\$59,486	\$0	\$130,951

4.0 FINANCIAL ANALYSIS

The financial analysis in this Reserve Study is a proprietary system that was developed by 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 \$377,380 as of May 31, 2026 (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 \$422,708. Therefore, the property is 89.3% 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
89.3% 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 Full Funding

If the Association desires to be Fully Funded immediately, then based on the anticipated expenditures the Association will need to immediately contribute a total of \$45,328 to the Reserve Fund. This translates to an average of \$142.09 per unit. Following this initial contribution, 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 \$71,550 per year in the initial year, which translates to \$18.69 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).

-OR-

Option One

Average Immediate
Contribution Per Unit:

\$142.09

Avg. Contribution
Thereafter Per Unit Per
Month:

2027 \$18.69

(with 3% annual
increase thereafter)

Option Two: Full Funding Within Five Years

There is currently a “full funding” deficiency of \$45,328. This option makes up this deficiency over the next five years. Starting in 2027 for five years through 2031, the Association will make up their Reserve Fund deficiency by contributing \$81,160 annually (which includes \$9,609 in make-up funds and \$71,550 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$21.20 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2032. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$82,946 in 2032, which translates to \$21.67 per unit per month. This 2032 annual contribution will need to be increased 3% each subsequent year (to account for inflation) for the duration of this 30-year study 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).

-OR-

Option Three: Full Funding Within Ten Years

There is currently a “full funding” deficiency of \$45,328. This option makes up this deficiency over the next ten years. Starting in 2027 for ten years through 2036, the Association will make up their Reserve Fund deficiency by contributing \$76,709 annually (which includes \$5,159 in make-up funds and \$71,550 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$20.04 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2037. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$96,158 in 2037, which translates to \$25.12 per unit per month. This 2037 annual contribution will need to be increased 3% each subsequent year for the duration of this 30-year study 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).

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.

Option Two

Average Contributions
Per Unit Per Month:

2027 \$21.20

Increasing at 3% per
year through:

2031 \$23.55

At year end, full funding
will be achieved. Then:

2032 \$21.67

(with 3% annual
increase thereafter)

Option Three

Average Contributions
Per Unit Per Month:

2027 \$20.04

Increasing at 3% per
year through:

2036 \$25.74

At year end, full funding
will be achieved. Then:

2037 \$25.12

(plus 3% annual
increase thereafter)

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State RCW 64.90.550, 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:

Option Four: Full Funding in 30 Years

There is currently a “full funding” deficiency of \$45,328. This option makes up this deficiency over the next thirty years. Starting in 2027 for thirty years through 2056, the Association will make up their Reserve Fund deficiency by contributing \$73,796 annually (which includes \$2,245 in make-up funds and \$71,550 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$19.28 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2057.

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

-OR-

Option Five: 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 \$71,927 per year in the initial year, which translates to \$18.79 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 Four

Average Contributions
Per Unit Per Month:

2027 \$19.28

Increasing at 3% per
year through:

2056 \$44.63

Option Five

Average Contributions
Per Unit Per Month:

\$18.79

(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 why 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 2056”. This line graph depicts the funding balances of the proposed funding options vs. the current. Note the current plan, in dotted red, falls below zero in several places. This represents insufficient funding for repairs needed in these years.
- Figure 4.5A-2: “Comparison of Funding Plans -- Reserve Fund Balances Through 2036”. 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”

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET[illegible]

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
FULL FUNDING WITHIN 10 YEARS													
Beginning Reserve Balance	377,380	326,264	412,083	497,485	162,802	227,147	309,229	197,051	254,345	323,100	400,891	499,339	355,928
Full Funding Annual Maintenance Funding	-	71,550	73,697	75,908	78,185	80,531	82,946	85,435	87,998	90,638	93,357	96,158	99,042
Planned Special Assessments / Make up Funds		5,159	5,159	5,159	5,159	5,159	5,159	5,159	5,159	5,159	5,159		
Annual Total Property Contribution to The Reserve Fund	-	76,709	78,856	81,067	83,344	85,690	88,106	90,594	93,157	95,797	98,516	96,158	99,042
Average Monthly Contribution to the Reserve Fund per Unit	-	20.04	20.60	21.18	21.77	22.38	23.02	23.67	24.34	25.03	25.74	25.12	25.87
Annual Capital Expenses	57,250	1,803	6,896	425,508	24,761	11,535	207,765	39,971	32,936	28,705	13,372	252,207	9,267
Interest Income	6,134	10,912	13,442	9,758	5,763	7,927	7,482	6,671	8,534	10,699	13,304	12,639	12,024
Ending Reserve Balance	326,264	412,083	497,485	162,802	227,147	309,229	197,051	254,345	323,100	400,891	499,339	355,928	457,728
Percentage of Full Funding	77.2%	91.0%	93.1%	83.3%	88.9%	92.8%	91.0%	94.5%	97.0%	98.7%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
FULL FUNDING WITHIN 30 YEARS													
Beginning Reserve Balance	377,380	326,264	409,125	491,481	153,660	214,774	293,527	177,921	231,683	296,800	370,845	465,434	323,285
Full Funding Annual Maintenance Funding	-	71,550	73,697	75,908	78,185	80,531	82,946	85,435	87,998	90,638	93,357	96,158	99,042
Planned Special Assessments / Make up Funds		2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245
Annual Total Property Contribution to The Reserve Fund	-	73,796	75,942	78,153	80,430	82,776	85,192	87,680	90,243	92,883	95,602	98,403	101,288
Average Monthly Contribution to the Reserve Fund per Unit	-	19.28	19.84	20.42	21.01	21.62	22.25	22.90	23.57	24.26	24.97	25.71	26.46
Annual Capital Expenses	57,250	1,803	6,896	425,508	24,761	11,535	207,765	39,971	32,936	28,705	13,372	252,207	9,267
Interest Income	6,134	10,868	13,309	9,534	5,445	7,512	6,967	6,053	7,810	9,867	12,359	11,656	11,079
Ending Reserve Balance	326,264	409,125	491,481	153,660	214,774	293,527	177,921	231,683	296,800	370,845	465,434	323,285	426,385
Percentage of Full Funding	77.2%	90.3%	92.0%	78.6%	84.1%	88.1%	82.2%	86.1%	89.1%	91.3%	93.2%	90.8%	93.2%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
BASELINE FUNDING													
Beginning Reserve Balance	377,380	326,264	407,229	487,642	147,833	206,911	283,579	165,839	217,416	280,297	352,052	444,297	299,749
Full Funding Annual Maintenance Funding	-	71,927	74,085	76,307	78,597	80,954	83,383	85,885	88,461	91,115	93,848	96,664	99,564
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	-	71,927	74,085	76,307	78,597	80,954	83,383	85,885	88,461	91,115	93,848	96,664	99,564
Average Monthly Contribution to the Reserve Fund per Unit	-	18.79	19.35	19.93	20.53	21.15	21.78	22.44	23.11	23.80	24.52	25.25	26.01
Annual Capital Expenses	57,250	1,803	6,896	425,508	24,761	11,535	207,765	39,971	32,936	28,705	13,372	252,207	9,267
Interest Income	6,134	10,840	13,225	9,391	5,243	7,249	6,642	5,664	7,355	9,345	11,769	10,996	10,347
Ending Reserve Balance	326,264	407,229	487,642	147,833	206,911	283,579	165,839	217,416	280,297	352,052	444,297	299,749	400,393
Percentage of Full Funding	77.2%	89.9%	91.3%	75.6%	81.0%	85.1%	76.6%	80.8%	84.1%	86.7%	89.0%	84.2%	87.5%

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET[illegible]

LEVEL 3 RESERVE STUDY FOR LAKE OF THE WOODS HOMEOWNERS ASSOCIATION

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
FULL FUNDING WITHIN 10 YEARS													
Beginning Reserve Balance	457,728	565,315	688,924	734,129	583,040	662,548	802,460	911,015	972,106	68,624	132,658	275,792	382,002
Full Funding Annual Maintenance Funding	102,014	105,074	108,226	111,473	114,817	118,262	121,810	125,464	129,228	133,105	137,098	141,211	145,447
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	102,014	105,074	108,226	111,473	114,817	118,262	121,810	125,464	129,228	133,105	137,098	141,211	145,447
Average Monthly Contribution to the Reserve Fund per Unit	26.65	27.45	28.27	29.12	29.99	30.89	31.82	32.78	33.76	34.77	35.81	36.89	38.00
Annual Capital Expenses	9,545	-	84,052	282,027	53,718	-	38,577	92,202	1,048,090	72,045	-	44,721	92,022
Interest Income	15,119	18,536	21,030	19,466	18,408	21,650	25,322	27,829	15,380	2,975	6,036	9,721	12,261
Ending Reserve Balance	565,315	688,924	734,129	583,040	662,548	802,460	911,015	972,106	68,624	132,658	275,792	382,002	447,689
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%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
FULL FUNDING WITHIN 30 YEARS													
Beginning Reserve Balance	426,385	535,310	660,299	706,923	557,297	638,311	779,775	889,929	952,666	50,880	116,660	261,593	369,657
Full Funding Annual Maintenance Funding	102,014	105,074	108,226	111,473	114,817	118,262	121,810	125,464	129,228	133,105	137,098	141,211	145,447
Planned Special Assessments / Make up Funds	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245
Annual Total Property Contribution to The Reserve Fund	104,259	107,319	110,472	113,718	117,063	120,507	124,055	127,709	131,473	135,350	139,343	143,456	147,692
Average Monthly Contribution to the Reserve Fund per Unit	27.24	28.04	28.86	29.71	30.58	31.48	32.41	33.36	34.35	35.36	36.40	37.48	38.58
Annual Capital Expenses	9,545	-	84,052	282,027	53,718	-	38,577	92,202	1,048,090	72,045	-	44,721	92,022
Interest Income	14,212	17,669	20,205	18,683	17,669	20,957	24,675	27,230	14,831	2,476	5,590	9,329	11,925
Ending Reserve Balance	535,310	660,299	706,923	557,297	638,311	779,775	889,929	952,666	50,880	116,660	261,593	369,657	437,252
Percentage of Full Funding	94.7%	95.8%	96.3%	95.6%	96.3%	97.2%	97.7%	98.0%	74.1%	87.9%	94.9%	96.8%	97.7%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
BASELINE FUNDING													
Beginning Reserve Balance	400,393	506,805	629,220	673,212	520,892	599,148	737,790	845,056	904,839	29	62,716	204,485	309,311
Full Funding Annual Maintenance Funding	102,551	105,627	108,796	112,060	115,422	118,884	122,451	126,124	129,908	133,805	137,820	141,954	146,213
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	102,551	105,627	108,796	112,060	115,422	118,884	122,451	126,124	129,908	133,805	137,820	141,954	146,213
Average Monthly Contribution to the Reserve Fund per Unit	26.79	27.59	28.42	29.27	30.15	31.06	31.99	32.95	33.94	34.95	36.00	37.08	38.20
Annual Capital Expenses	9,545	-	84,052	282,027	53,718	-	38,577	92,202	1,048,090	72,045	-	44,721	92,022
Interest Income	13,407	16,789	19,248	17,647	16,552	19,758	23,392	25,861	13,372	927	3,949	7,593	10,092
Ending Reserve Balance	506,805	629,220	673,212	520,892	599,148	737,790	845,056	904,839	29	62,716	204,485	309,311	373,594
Percentage of Full Funding	89.6%	91.3%	91.7%	89.3%	90.4%	91.9%	92.8%	93.1%	0.0%	47.3%	74.1%	81.0%	83.4%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2052	2053	2054	2055	2056
IMMEDIATE FULL FUNDING					
Beginning Reserve Balance	447,689	214,353	304,128	414,191	592,775
Full Funding Annual Maintenance Funding	149,810	154,305	158,934	163,702	168,613
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	149,810	154,305	158,934	163,702	168,613
Average Monthly Contribution to the Reserve Fund per Unit	39.14	40.31	41.52	42.76	44.05
Annual Capital Expenses	392,931	72,192	59,486	-	130,951
Interest Income	9,784	7,662	10,616	14,881	18,348
Full Funding - Ending Reserve Balance	214,353	304,128	414,191	592,775	648,785
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
FULL FUNDING WITHIN 5 YEARS					
Beginning Reserve Balance	447,689	214,353	304,128	414,191	592,775
Full Funding Annual Maintenance Funding	149,810	154,305	158,934	163,702	168,613
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	149,810	154,305	158,934	163,702	168,613
Average Monthly Contribution to the Reserve Fund per Unit	39.14	40.31	41.52	42.76	44.05
Annual Capital Expenses	392,931	72,192	59,486	-	130,951
Interest Income	9,784	7,662	10,616	14,881	18,348
Ending Reserve Balance	214,353	304,128	414,191	592,775	648,785
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2052	2053	2054	2055	2056
FULL FUNDING WITHIN 10 YEARS					
Beginning Reserve Balance	447,689	214,353	304,128	414,191	592,774
Full Funding Annual Maintenance Funding	149,810	154,305	158,934	163,702	168,613
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	149,810	154,305	158,934	163,702	168,613
Average Monthly Contribution to the Reserve Fund per Unit	39.14	40.31	41.52	42.76	44.05
Annual Capital Expenses	392,931	72,192	59,486	-	130,951
Interest Income	9,784	7,662	10,616	14,881	18,348
Ending Reserve Balance	214,353	304,128	414,191	592,774	648,785
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
FULL FUNDING WITHIN 30 YEARS					
Beginning Reserve Balance	437,252	205,882	297,682	409,831	590,562
Full Funding Annual Maintenance Funding	149,810	154,305	158,934	163,702	168,613
Planned Special Assessments / Make up Funds	2,245	2,245	2,245	2,245	2,245
Annual Total Property Contribution to The Reserve Fund	152,056	156,550	161,179	165,947	170,858
Average Monthly Contribution to the Reserve Fund per Unit	39.72	40.90	42.11	43.35	44.63
Annual Capital Expenses	392,931	72,192	59,486	-	130,951
Interest Income	9,504	7,442	10,456	14,784	18,315
Ending Reserve Balance	205,882	297,682	409,831	590,562	648,785
Percentage of Full Funding	96.0%	97.9%	98.9%	99.6%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
BASELINE FUNDING					
Beginning Reserve Balance	373,594	138,835	227,169	335,773	512,879
Full Funding Annual Maintenance Funding	150,599	155,117	159,771	164,564	169,501
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	150,599	155,117	159,771	164,564	169,501
Average Monthly Contribution to the Reserve Fund per Unit	39.34	40.52	41.74	42.99	44.28
Annual Capital Expenses	392,931	72,192	59,486	-	130,951
Interest Income	7,573	5,409	8,319	12,542	15,965
Ending Reserve Balance	138,835	227,169	335,773	512,879	567,393
Percentage of Full Funding	64.8%	74.7%	81.1%	86.5%	87.5%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2056

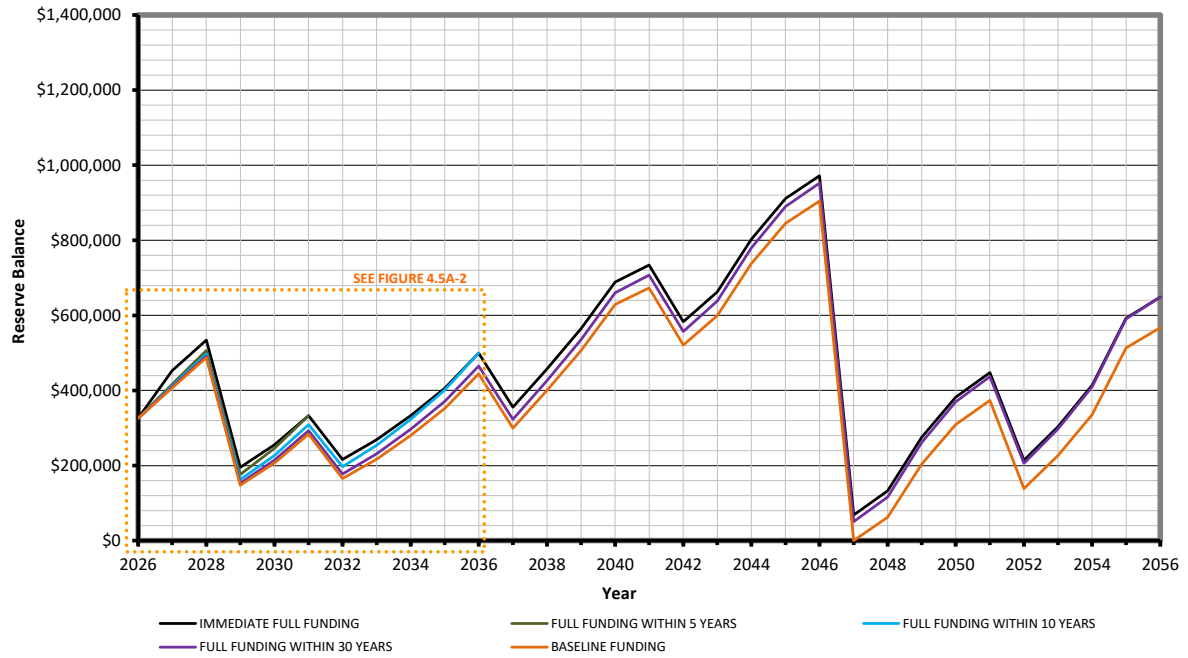


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2036

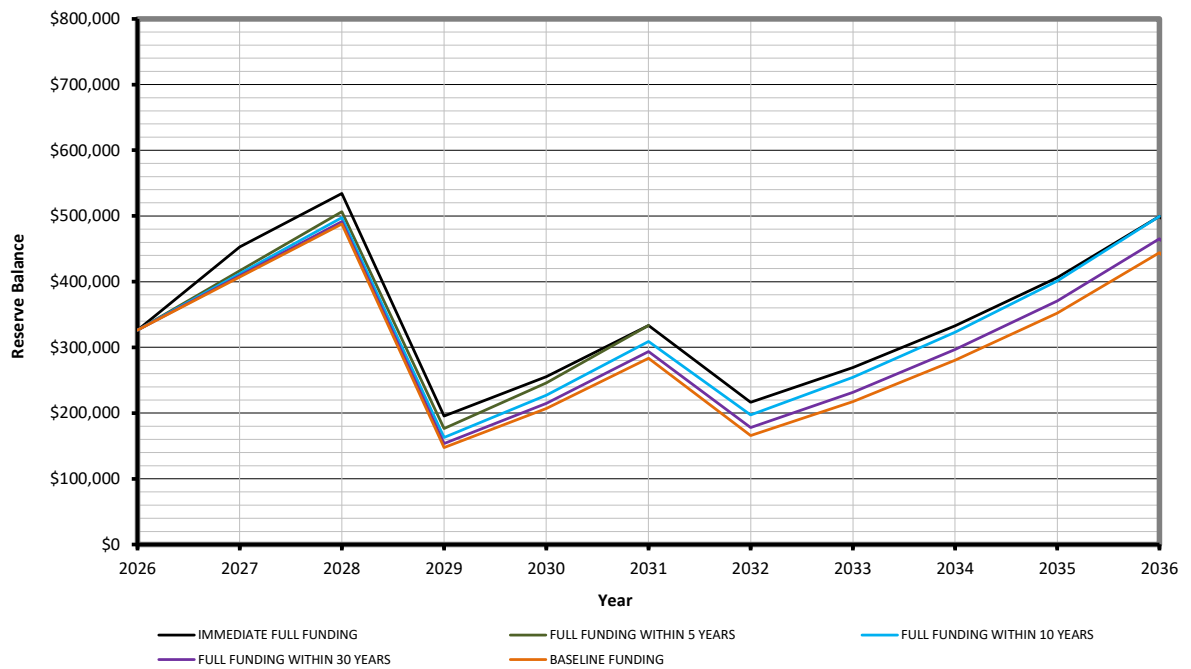


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

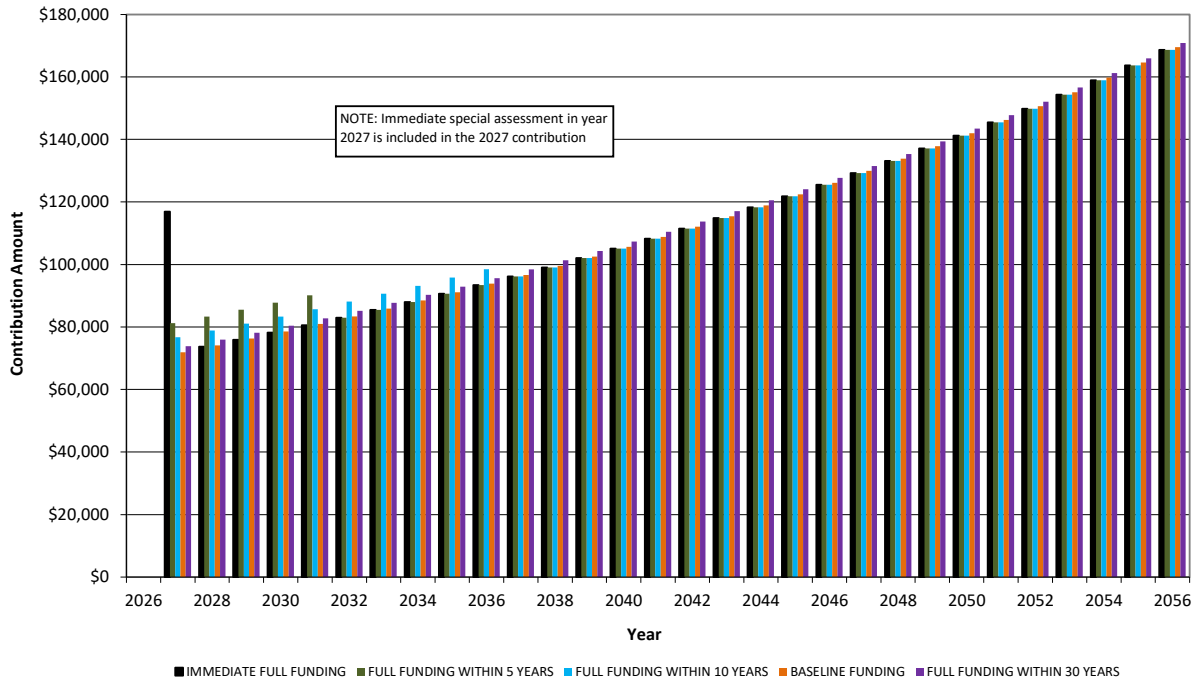
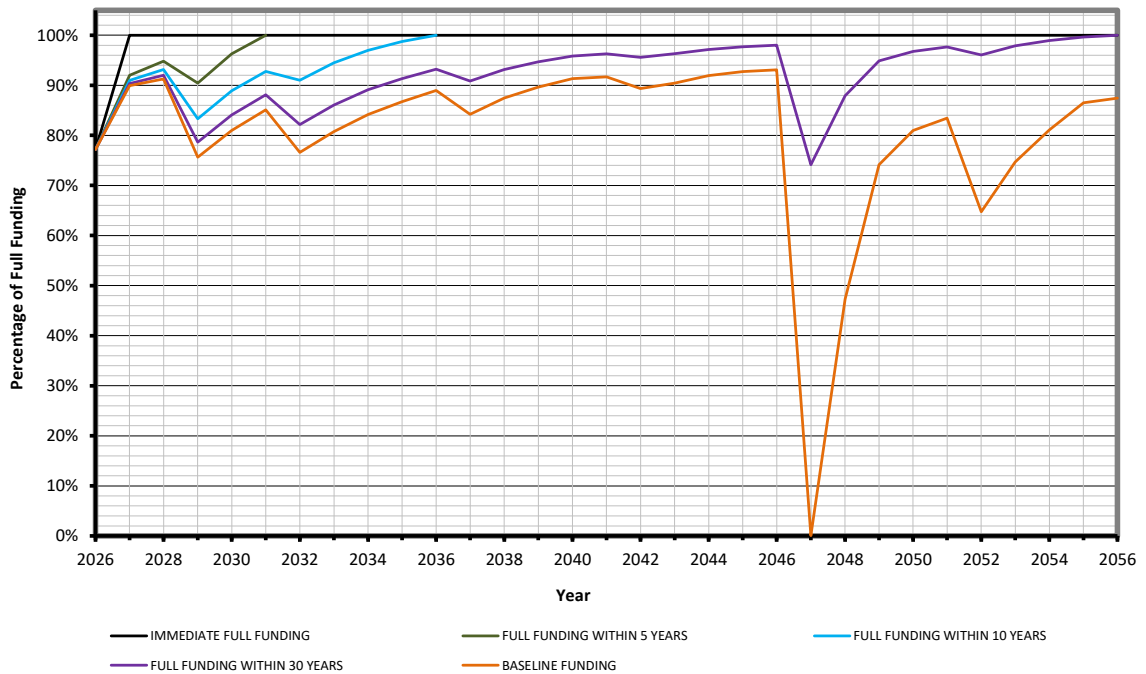


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



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 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 and their property management company. 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 Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 3 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 insurability of this property as insurance companies have particular standards for insurability of certain building types and certain building materials.

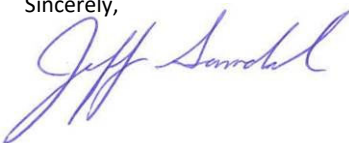
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact 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 3 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 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.