SAMDAL
& ASSOCIATES

PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE

Nisqually Pines Community Club

8903 Pepperidge Lane Southeast, Yelm, WA 98597

For:

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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 subject property is approximately 364 acres and is located in North Yelm to the south and west of the Nisqually River. There are 827 lots containing an assortment of single-family homes. According to Tonie Williams, the property was developed in 1969 as a campground and developed into a community of permanent residences. The property is relatively flat, but does sloped down toward the river. The common elements consist of private roads, a one-story clubhouse with loft with a swimming pool, an office building and maintenance garage, a private water supply system, and three parks outside of the single family lots themselves. Adjacent to the property there are housing areas and trailer parks.

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
Numerous projects listed in Table 3.1A that are planned for 2025		

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;

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

Our Level 2 Reserve Study was finalized on August 1, 2022 at this property. We provided the Board a subsequent Level 3 Reserve Study on July 22, 2023.

This report is an off-site update of that report based solely on the information provided to us by Charity Mayerl on March 26, 2025.

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:

- Charity Mayerl, Office Manager

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, them 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 minimalized 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 2025 dollars. Exact numbers may vary.

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.2	**SITE**								
	Asphalt overlay on 1 mile of road every 5 years	105,600	SF	$3.76	5	5	$397,003	$480	$96.01
	Asphalt patching and repairs	5,000	SF	$9.01	5	5	$45,063	$54.49	$10.90
	Asphalt striping	1	LS	$30,943	5	5	$30,943	$37.42	$7.48
	Playground equipment replacement in both parks	1	LS	$41,200	16	20	$41,200	$49.82	$2.49
	Picnic shelters and picnic assets allotment	1	LS	$19,570	4	7	$19,570	$23.66	$3.38
	Replace front entrance signs	2	EA	$6,798	4	20	$13,596	$16.44	$0.82
	Repaint clubhouse and entrance signs	1	LS	$3,296	1	5	$3,296	$3.99	$0.80
	Install a storage building	1	EA	$9,886	25	25	$9,886	$11.95	$0.48
	Tree removal project	1	LS	$72,100	7	7	$72,100	$87.18	$12.45
	Basketball court paving	1	LS	$12,875	17	20	$12,875	$15.57	$0.78
3.3	**STRUCTURE**								
	Replacement of backhoe shed and 5 water pump buildings	6	EA	$8,240	8	25	$49,440	$59.78	$2.39
	Replace covered picnic structures	2	EA	$22,660	8	25	$45,320	$54.80	$2.19
3.4	**ROOFING**								
	Resurface roof of office	29	SQ	$592	11	25	$17,175	$20.77	$0.83
	Resurface roof of clubhouse	44	SQ	$1,597	45	50	$70,246	$84.94	$1.70
	Replace roofs of water sheds and backhoe shed	10	SQ	$592	21	25	$5,923	$7.16	$0.29
3.5	**EXTERIOR**								
	Paint exterior of clubhouse	6,800	SF	$3.04	5	8	$20,662	$24.98	$3.12
	Replace office windows	1	LS	$19,447	49	50	$19,447	$23.52	$0.47
	Painting of the office is performed via the main budget outside of the Reserve Fund								
3.6	**ELECTRICAL SYSTEMS**								
	Replace water systems generator #1	1	EA	$92,700	5	30	$92,700	$112.09	$3.74
	Replace water systems generator #2	1	EA	$92,700	21	30	$92,700	$112.09	$3.74
	Install streetlights	1	LS	$5,348	24	25	$5,348	$6.47	$0.26

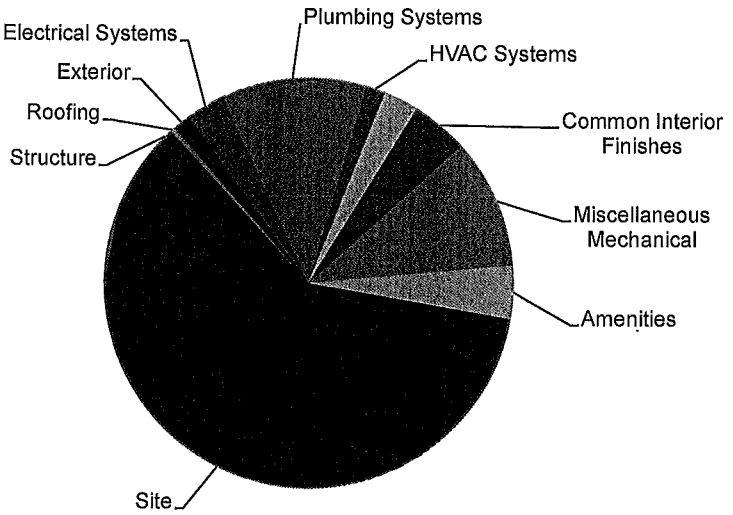
	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.7	**PLUMBING SYSTEMS**								
	Purchase electonic w ater meter readers and new softw are	1	LS	$82,400	14	20	$82,400	$99.64	$4.98
	Replace booster pumps	4	EA	$16,480	19	40	$65,920	$79.71	$1.99
	Upgrade the computer monitoring system	1	LS	$32,960	4	10	$32,960	$39.85	$3.99
	Clean the concrete reservoirs	2	EA	$2,575	3	3	$5,150	$6.23	$2.08
	Caulk and seal the cracks in the concrete reservoirs	2	EA	$7,210	6	6	$14,420	$17.44	$2.91
	Replace the fire hydrants	57	EA	$5,150	13	50	$293,550	$354.96	$7.10
	Replace the office septic tank and drain field	1	LS	$30,900	4	30	$30,900	$37.36	$1.25
	Replace the clubhouse septic tank and drain field	1	LS	$30,900	4	30	$30,900	$37.36	$1.25
3.8	**HVAC SYSTEMS**								
	Install ductless heat pumps in office and clubhouse	2	EA	$19,532	13	15	$39,064	$47.24	$3.15
3.9	**ELEVATORS**								
	No elevators on property								
3.10	**FIRE DETECTION & SUPPRESSION**								
	Install fire suppression system	1	LS	$113,000	29	30	$113,000	$136.64	$4.55
3.11	**COMMON INTERIOR FINISHES**								
	Replace the office carpet	45	SY	$57	3	15	$2,549	$3.08	$0.21
	Replace the clubhouse flooring	1	LS	$8,720	15	15	$8,720	$10.54	$0.70
	Renovate the clubhouse kitchen and upgrade all appliances	1	LS	$110,750	20	20	$110,750	$133.92	$6.70
	Clubhouse locker room enhancement	2	EA	$35,000	1	15	$70,000	$84.64	$5.64
	Clubhouse interior painting	1	LS	$2,575	10	10	$2,575	$3.11	$0.31
	Interior painting of the office performed via the operating budget								

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.12	MISCELLANEOUS								
	Replace chipper	1	EA	$11,330	8	20	$11,330	$13.70	$0.69
	Replace mowers	2	EA	$11,911	2	10	$23,822	$28.81	$2.88
	Truck replacement	1	LS	$45,943	5	5	$45,943	$55.55	$11.11
	Office computer replacement	3	EA	$5,340	5	5	$16,020	$19.37	$3.87
	Server replacement	1	LS	$2,678	2	3	$2,678	$3.24	$1.08
	Sauna renovation	2	EA	$7,622	6	12	$15,244	$18.43	$1.54
	Replace Kubota back hoe	1	EA	$12,360	17	20	$12,360	$14.95	$0.75
	Replace hydraulic trailer	1	EA	$5,768	5	20	$5,768	$6.97	$0.35
	Replace water tank trailer	1	EA	$3,296	5	20	$3,296	$3.99	$0.20
	Replace diesel tank	1	EA	$4,120	3	25	$4,120	$4.98	$0.20
	Surveillance system allotment	1	LS	$3,090	7	10	$3,090	$3.74	$0.37
3.13	AMENITIES								
	Re-plaster swimming pool	3,378	SF	$24.46	25	25	$82,634	$99.92	$4.00
	Re-tile swimming pool	1	LS	$10,300	25	25	$10,300	$12.45	$0.50
	Replace pool pump	1	EA	$12,875	5	10	$12,875	$15.57	$1.56
	Replace pool heater	1	EA	$29,870	3	20	$29,870	$36.12	$1.81
	Replace sand pool filter system	1	LS	$11,364	6	10	$11,364	$13.74	$1.37
							Average Cost Per Unit Per Year		$233

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

Category	Total Expenditure over 30 Years	Percentage
Site	$5,715,441	59.2%
Structure	$120,039	1.2%
Roofing	$34,792	0.4%
Exterior	$141,423	1.5%
Electrical Systems	$290,785	3.0%
Plumbing Systems	$1,108,086	11.5%
HVAC Systems	$146,742	1.5%
Elevators	$0	0.0%
Fire Detection & Suppresion	$266,292	2.8%
Common Interior Finishes	$440,693	4.6%
Miscellaneous Mechanical	$993,344	10.3%
Amenities	$404,427	4.2%
TOTAL	**$9,662,064**	

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."

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
3.2	SITE											
	Asphalt overlay on 1 mile of road every 5 years						$460,236					$533,539
	Asphalt patching and repairs						$52,240					$60,560
	Asphalt striping						$35,871					$41,585
	Playground equipment replacement in both parks											
	Picnic shelters and picnic assets allotment					$22,026						
	Replace front entrance signs					$15,302						
	Repaint clubhouse and entrance signs		$3,395					$3,936				
	Install a storage building											
	Tree removal project								$88,674			
	Basketball court paving											
3.3	STRUCTURE											
	Replacement of backhoe shed and 5 water pump buildings									$62,629		
	Replace covered picnic structures									$57,410		
3.4	ROOFING											
	Resurface roof of office											
	Resurface roof of clubhouse											
	Replace roofs of water sheds and backhoe shed											
3.5	EXTERIOR											
	Paint exterior of clubhouse						$23,953					
	Replace office windows											
3.6	ELECTRICAL SYSTEMS											
	Replace water systems generator #1						$107,465					
	Replace water systems generator #2											
	Install streetlights											

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
3.7	**PLUMBING SYSTEMS**											
	Purchase electonic water meter readers and new software											
	Replace booster pumps											
	Upgrade the computer monitoring system					$37,097						
	Clean the concrete reservoirs				$5,628			$6,149			$6,720	
	Caulk and seal the cracks in the concrete reservoirs							$17,218				
	Replace the fire hydrants											
	Replace the office septic tank and drain field					$34,778						
	Replace the clubhouse septic tank and drain field					$34,778						
3.8	**HVAC SYSTEMS**											
	Install ductless heat pumps in office and clubhouse											
3.9	**ELEVATORS**											
	No elevators on property											
3.10	**FIRE DETECTION & SUPPRESSION**											
	Install fire suppression system											
3.11	**COMMON INTERIOR FINISHES**											
	Replace the office carpet				$2,786							
	Replace the clubhouse flooring											
	Renovate the clubhouse kitchen and upgrade all appliances											
	Clubhouse locker room enhancement		$72,100									
	Clubhouse interior painting											$3,461

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
3.12	MISCELLANEOUS											
	Replace chipper									$14,353		
	Replace mowers			$25,273								
	Truck replacement						$53,260					$61,743
	Office computer replacement						$18,572					$21,530
	Server replacement			$2,841			$3,105			$3,392		
	Sauna renovation							$18,202				
	Replace Kubota back hoe											
	Replace hydraulic trailer						$6,687					
	Replace water tank trailer						$3,821					
	Replace diesel tank				$4,502							
	Surveillance system allotment								$3,800			
3.13	AMENITIES											
	Re-plaster swimming pool											
	Re-tile swimming pool											
	Replace pool pump						$14,926					
	Replace pool heater				$32,640							
	Replace sand pool filter system							$13,569				
	ANNUAL EXPENSES BY YEAR	$0	$75,495	$28,114	$45,555	$143,982	$780,134	$59,074	$92,474	$137,784	$6,720	$722,417

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
3.2	**SITE**											
	Asphalt overlay on 1 mile of road every 5 years					$618,518					$717,032	
	Asphalt patching and repairs					$70,206					$81,388	
	Asphalt striping					$48,208					$55,886	
	Playground equipment replacement in both parks						$66,114					
	Picnic shelters and picnic assets allotment	$27,089							$33,317			
	Replace front entrance signs											
	Repaint clubhouse and entrance signs	$4,562					$5,289					$6,132
	Install a storage building											
	Tree removal project				$109,058							$134,127
	Basketball court paving							$21,280				
3.3	**STRUCTURE**											
	Replacement of backhoe shed and 5 water pump buildings											
	Replace covered picnic structures											
3.4	**ROOFING**											
	Resurface roof of office	$23,775										
	Resurface roof of clubhouse											
	Replace roofs of water sheds and backhoe shed											$11,018
3.5	**EXTERIOR**											
	Paint exterior of clubhouse			$30,343								$38,437
	Replace office windows											
3.6	**ELECTRICAL SYSTEMS**											
	Replace water systems generator #1											
	Replace water systems generator #2											$172,449
	Install streetlights											

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
3.7	**PLUMBING SYSTEMS**											
	Purchase electonic water meter readers and new software				$124,637							
	Replace booster pumps									$115,591		
	Upgrade the computer monitoring system				$49,855							
	Clean the concrete reservoirs		$7,343			$8,024			$8,768			$9,581
	Caulk and seal the cracks in the concrete reservoirs		$20,559						$24,549			
	Replace the fire hydrants			$431,088								
	Replace the office septic tank and drain field											
	Replace the clubhouse septic tank and drain field											
3.8	**HVAC SYSTEMS**											
	Install ductless heat pumps in office and clubhouse			$57,366								
3.9	**ELEVATORS**											
	No elevators on property											
3.10	**FIRE DETECTION & SUPPRESSION**											
	Install fire suppression system											
3.11	**COMMON INTERIOR FINISHES**											
	Replace the office carpet								$4,340			
	Replace the clubhouse flooring					$13,585						
	Renovate the clubhouse kitchen and upgrade all appliances										$200,027	
	Clubhouse locker room enhancement						$112,329					
	Clubhouse interior painting										$4,651	

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
3.12	**MISCELLANEOUS**											
	Replace chipper											
	Replace mowers		$33,964									
	Truck replacement					$71,577					$82,978	
	Office computer replacement					$24,959					$28,934	
	Server replacement	$3,707			$4,051			$4,426			$4,837	
	Sauna renovation								$25,952			
	Replace Kubota back hoe							$20,429				
	Replace hydraulic trailer											
	Replace water tank trailer											
	Replace diesel tank											
	Surveillance system allotment							$5,107				
3.13	**AMENITIES**											
	Re-plaster swimming pool											
	Re-tile swimming pool											
	Replace pool pump					$20,059						
	Replace pool heater											
	Replace sand pool filter system						$18,235					
	ANNUAL EXPENSES BY YEAR	**$59,133**	**$61,866**	**$518,797**	**$287,601**	**$875,135**	**$201,968**	**$51,243**	**$96,925**	**$115,591**	**$1,175,732**	**$371,743**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2046	2047	2048	2049	2050	2051	2052	2053	2054
3.2	SITE									
	Asphalt overlay on 1 mile of road every 5 years				$831,237					$963,631
	Asphalt patching and repairs				$94,351					$109,379
	Asphalt striping				$64,788					$75,107
	Playground equipment replacement in both parks									
	Picnic shelters and picnic assets allotment				$40,975					
	Replace front entrance signs			$27,638						
	Repaint clubhouse and entrance signs					$7,108				
	Install a storage building				$20,698					
	Tree removal project							$164,960		
	Basketball court paving									
3.3	STRUCTURE									
	Replacement of backhoe shed and 5 water pump buildings									
	Replace covered picnic structures									
3.4	ROOFING									
	Resurface roof of office									
	Resurface roof of clubhouse									
	Replace roofs of water sheds and backhoe shed									
3.5	EXTERIOR									
	Paint exterior of clubhouse								$48,691	
	Replace office windows									
3.6	ELECTRICAL SYSTEMS									
	Replace water systems generator #1									
	Replace water systems generator #2									
	Install streetlights			$10,871						

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2046	2047	2048	2049	2050	2051	2052	2053	2054
3.7	**PLUMBING SYSTEMS**									
	Purchase electonic water meter readers and new software									
	Replace booster pumps									
	Upgrade the computer monitoring system			$67,001						
	Clean the concrete reservoirs			$10,469			$11,440			$12,500
	Caulk and seal the cracks in the concrete reservoirs			$29,313						$35,001
	Replace the fire hydrants									
	Replace the office septic tank and drain field									
	Replace the clubhouse septic tank and drain field									
3.8	**HVAC SYSTEMS**									
	Install ductless heat pumps in office and clubhouse							$89,375		
3.9	**ELEVATORS**									
	No elevators on property									
3.10	**FIRE DETECTION & SUPPRESSION**									
	Install fire suppression system								$266,292	
3.11	**COMMON INTERIOR FINISHES**									
	Replace the office carpet									
	Replace the clubhouse flooring									$21,165
	Renovate the clubhouse kitchen and upgrade all appliances									
	Clubhouse locker room enhancement									
	Clubhouse interior painting									$6,250

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2046	2047	2048	2049	2050	2051	2052	2053	2054
3.12	MISCELLANEOUS									
	Replace chipper							$25,922		
	Replace mowers	$45,645								
	Truck replacement				$96,194					$111,515
	Office computer replacement				$33,542					$38,885
	Server replacement		$5,285			$5,775			$6,311	
	Sauna renovation									$37,001
	Replace Kubota back hoe									
	Replace hydraulic trailer				$12,077					
	Replace water tank trailer				$6,901					
	Replace diesel tank							$9,426		
	Surveillance system allotment						$6,864			
3.13	AMENITIES									
	Re-plaster swimming pool				$173,018					
	Re-tile swimming pool				$21,566					
	Replace pool pump				$26,957					
	Replace pool heater		$58,951							
	Replace sand pool filter system					$24,506				
	ANNUAL EXPENSES BY YEAR	**$45,645**	**$64,236**	**$145,291**	**$1,422,304**	**$37,390**	**$18,303**	**$289,683**	**$321,294**	**$1,410,434**

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 $804,942 as of September 30, 2024 (Balance provided by Charity Mayerl). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is $737,696. Therefore, the property is 109.1% funded.

The current annual contribution to the reserve fund is $215,748, which averages $21.74 per unit per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5) and all subsequent figures.

This property is currently
109.1%
funded.

This funding contribution is not adequate to obtain "Full Funding" of this property.

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 $67,246 from the Reserve Fund to the owners. This translates to an average disbursement of $81.31 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 $198,793 per year in the initial year, which translates to $20.03 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:

$81.31

Avg. Contribution Thereafter Per Unit Per Month:

2025 $20.03

(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 $166,373 per year in the initial year, which translates to $16.76 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:

$16.76

(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 2054". 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 2034". 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
CURRENT FUNDING PLAN													
Beginning Reserve Balance	804,942	865,615	1,033,940	1,261,977	1,485,918	1,623,644	1,126,986	1,354,698	1,562,957	1,739,317	2,062,079	1,676,413	1,960,981
Planned Special Assessments													
Regular Reserve Fund Contribution	54,380	215,748	222,220	228,887	235,754	242,826	250,111	257,614	265,343	273,303	281,502	289,947	298,646
Annual Total Property Contribution to The Reserve Fund	54,380	215,748	222,220	228,887	235,754	242,826	250,111	257,614	265,343	273,303	281,502	289,947	298,646
Average Monthly Contribution to the Reserve Fund per Unit	21.74	21.74	22.39	23.06	23.76	24.47	25.20	25.96	26.74	27.54	28.37	29.22	30.09
Annual Capital Expenses	-	75,495	28,114	45,555	143,982	780,134	59,074	92,474	137,784	6,720	722,417	59,133	61,866
Interest Income	6,292	28,072	33,930	40,609	45,954	40,650	36,675	43,118	48,802	56,176	55,249	53,755	62,381
Ending Reserve Balance	***865,615***	***1,033,940***	***1,261,977***	***1,485,918***	***1,623,644***	***1,126,986***	***1,354,698***	***1,562,957***	***1,739,317***	***2,062,079***	***1,676,413***	***1,960,981***	***2,260,142***
Percentage of Full Funding	117.3%	108.8%	107.3%	107.7%	108.6%	115.6%	115.0%	114.9%	115.2%	114.3%	120.8%	119.5%	118.6%
Yellow Highlighted Cells Represent Make-Up Funds													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	804,942	884,286	967,708	1,176,033	1,379,139	1,494,857	974,966	1,178,168	1,360,582	1,509,707	1,803,780	1,387,911	1,640,697
Full Funding Annual Maintenace Funding	54,380	198,793	204,757	210,900	217,227	223,744	230,456	237,370	244,491	251,825	259,380	267,162	275,176
Planned Special Assessments / Make up Funds		(67,246)											
Annual Total Property Contribution to The Reserve Fund	54,380	131,548	204,757	210,900	217,227	223,744	230,456	237,370	244,491	251,825	259,380	267,162	275,176
Average Monthly Contribution to the Reserve Fund per Unit	21.74	20.03	20.63	21.25	21.89	22.55	23.22	23.92	24.64	25.38	26.14	26.92	27.73
Annual Capital Expenses	-	75,495	28,114	45,555	143,982	780,134	59,074	92,474	137,784	6,720	722,417	59,133	61,866
Interest Income	24,964	27,369	31,681	37,761	42,473	36,500	31,820	37,518	42,418	48,968	47,168	44,758	52,421
Full Funding - Ending Reserve Balance	***884,286***	***967,708***	***1,176,033***	***1,379,139***	***1,494,857***	***974,966***	***1,178,168***	***1,360,582***	***1,509,707***	***1,803,780***	***1,387,911***	***1,640,697***	***1,906,428***
Percentage of Full Funding	119.9%	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	804,942	884,286	1,003,056	1,178,547	1,346,818	1,425,608	866,604	1,028,407	1,167,036	1,269,883	1,515,077	1,047,611	1,245,964
Full Funding Annual Maintenace Funding	54,380	166,373	171,364	176,505	181,800	187,254	192,872	198,658	204,618	210,756	217,079	223,591	230,299
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	54,380	166,373	171,364	176,505	181,800	187,254	192,872	198,658	204,618	210,756	217,079	223,591	230,299
Average Monthly Contribution to the Reserve Fund per Unit	21.74	16.76	17.27	17.79	18.32	18.87	19.43	20.02	20.62	21.24	21.87	22.53	23.21
Annual Capital Expenses	-	75,495	28,114	45,555	143,982	780,134	59,074	92,474	137,784	6,720	722,417	59,133	61,866
Interest Income	24,964	27,892	32,240	37,321	40,972	33,875	28,005	32,445	36,014	41,157	37,872	33,895	39,905
Ending Reserve Balance	***884,286***	***1,003,056***	***1,178,547***	***1,346,818***	***1,425,608***	***866,604***	***1,028,407***	***1,167,036***	***1,269,883***	***1,515,077***	***1,047,611***	***1,245,964***	***1,454,302***
Percentage of Full Funding	119.9%	103.7%	100.2%	97.7%	95.4%	88.9%	87.3%	85.8%	84.1%	84.0%	75.5%	75.9%	76.3%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
CURRENT FUNDING PLAN													
Beginning Reserve Balance	2,260,142	2,113,586	2,206,664	1,715,835	1,903,483	2,259,981	2,591,350	2,924,571	2,202,930	2,287,209	2,716,870	3,152,773	3,532,070
Planned Special Assessments													
Regular Reserve Fund Contribution	307,605	316,833	326,338	336,128	346,212	356,599	367,297	378,315	389,665	401,355	413,395	425,797	438,571
Annual Total Property Contribution to The Reserve Fund	307,605	316,833	326,338	336,128	346,212	356,599	367,297	378,315	389,665	401,355	413,395	425,797	438,571
Average Monthly Contribution to the Reserve Fund per Unit	31.00	31.93	32.88	33.87	34.89	35.93	37.01	38.12	39.26	40.44	41.66	42.91	44.19
Annual Capital Expenses	518,797	287,601	875,135	201,968	51,243	96,925	115,591	1,175,732	371,743	45,645	64,236	145,291	1,422,304
Interest Income	64,636	63,846	57,968	53,487	61,529	71,695	81,516	75,776	66,357	73,952	86,743	98,791	91,206
Ending Reserve Balance	***2,113,586***	***2,206,664***	***1,715,835***	***1,903,483***	***2,259,981***	***2,591,350***	***2,924,571***	***2,202,930***	***2,287,209***	***2,716,870***	***3,152,773***	***3,532,070***	***2,539,543***
Percentage of Full Funding	122.5%	123.9%	137.1%	136.1%	132.0%	129.7%	128.0%	145.6%	147.9%	141.4%	137.1%	134.8%	158.5%
Yellow Highlighted Cells Represent Make-Up Funds													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	1,906,428	1,724,725	1,760,865	1,251,232	1,398,131	1,711,853	1,998,334	2,284,467	1,513,447	1,545,960	1,921,370	2,300,434	2,620,197
Full Funding Annual Maintenace Funding	283,432	291,935	300,693	309,714	319,005	328,575	338,432	348,585	359,043	369,814	380,909	392,336	404,106
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	283,432	291,935	300,693	309,714	319,005	328,575	338,432	348,585	359,043	369,814	380,909	392,336	404,106
Average Monthly Contribution to the Reserve Fund per Unit	28.56	29.42	30.30	31.21	32.14	33.11	34.10	35.13	36.18	37.26	38.38	39.53	40.72
Annual Capital Expenses	518,797	287,601	875,135	201,968	51,243	96,925	115,591	1,175,732	371,743	45,645	64,236	145,291	1,422,304
Interest Income	53,662	51,807	44,809	39,153	45,960	54,830	63,293	56,127	45,213	51,241	62,391	72,719	63,333
Full Funding - Ending Reserve Balance	***1,724,725***	***1,760,865***	***1,251,232***	***1,398,131***	***1,711,853***	***1,998,334***	***2,284,467***	***1,513,447***	***1,545,960***	***1,921,370***	***2,300,434***	***2,620,197***	***1,665,332***
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	1,454,302	1,212,118	1,204,556	607,859	684,190	923,688	1,132,134	1,336,260	479,092	421,141	701,591	981,009	1,196,245
Full Funding Annual Maintenace Funding	237,208	244,324	251,654	259,204	266,980	274,989	283,239	291,736	300,488	309,503	318,788	328,352	338,202
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	237,208	244,324	251,654	259,204	266,980	274,989	283,239	291,736	300,488	309,503	318,788	328,352	338,202
Average Monthly Contribution to the Reserve Fund per Unit	23.90	24.62	25.36	26.12	26.90	27.71	28.54	29.40	30.28	31.19	32.12	33.09	34.08
Annual Capital Expenses	518,797	287,601	875,135	201,968	51,243	96,925	115,591	1,175,732	371,743	45,645	64,236	145,291	1,422,304
Interest Income	39,405	35,714	26,784	19,094	23,762	30,382	36,479	26,828	13,304	16,592	24,866	32,176	19,626
Ending Reserve Balance	***1,212,118***	***1,204,556***	***607,859***	***684,190***	***923,688***	***1,132,134***	***1,336,260***	***479,092***	***421,141***	***701,591***	***981,009***	***1,196,245***	***131,769***
Percentage of Full Funding	70.3%	67.6%	48.6%	48.9%	54.0%	58.7%	58.5%	31.7%	27.2%	36.5%	42.6%	45.7%	7.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2050	2051	2052	2053	2054
CURRENT FUNDING PLAN					
Beginning Reserve Balance	2,639,543	3,139,283	3,687,143	3,990,156	4,284,768
Planned Special Assessments					
Regular Reserve Fund Contribution	451,728	465,280	479,239	493,616	508,424
Annual Total Property Contribution to The Reserve Fund	451,728	465,280	479,239	493,616	508,424
Average Monthly Contribution to the Reserve Fund per Unit	45.52	46.88	48.29	49.74	51.23
Annual Capital Expenses	37,390	18,303	289,683	321,294	1,410,434
Interest Income	85,401	100,883	113,458	122,290	115,013
Ending Reserve Balance	***3,139,283***	***3,687,143***	***3,990,156***	***4,284,768***	***3,497,771***
Percentage of Full Funding	149.5%	142.9%	142.0%	141.4%	161.5%
Yellow Highlighted Cells Represent Make-Up Funds					
IMMEDIATE FULL FUNDING					
Beginning Reserve Balance	1,665,332	2,099,813	2,579,377	2,810,931	3,030,793
Full Funding Annual Maintenace Funding	416,229	428,716	441,577	454,825	468,470
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	416,229	428,716	441,577	454,825	468,470
Average Monthly Contribution to the Reserve Fund per Unit	41.94	43.20	44.50	45.83	47.21
Annual Capital Expenses	37,390	18,303	289,683	321,294	1,410,434
Interest Income	55,643	69,151	79,660	86,331	76,794
Full Funding - Ending Reserve Balance	***2,099,813***	***2,579,377***	***2,810,931***	***3,030,793***	***2,165,623***
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	131,769	451,344	810,487	915,879	1,003,602
Full Funding Annual Maintenace Funding	348,348	358,799	369,563	380,649	392,069
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	348,348	358,799	369,563	380,649	392,069
Average Monthly Contribution to the Reserve Fund per Unit	35.10	36.15	37.24	38.36	39.51
Annual Capital Expenses	37,390	18,303	289,683	321,294	1,410,434
Interest Income	8,617	18,648	25,513	28,367	14,833
Ending Reserve Balance	***451,344***	***810,487***	***915,879***	***1,003,602***	***69***
Percentage of Full Funding	21.5%	31.4%	32.6%	33.1%	0.0%

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

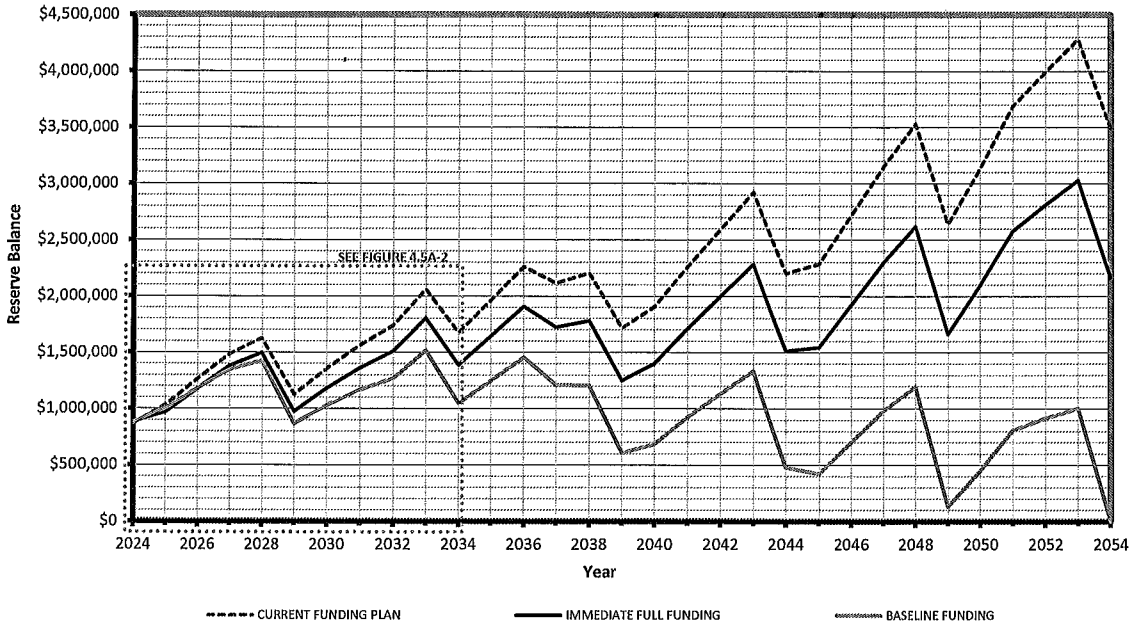


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2034

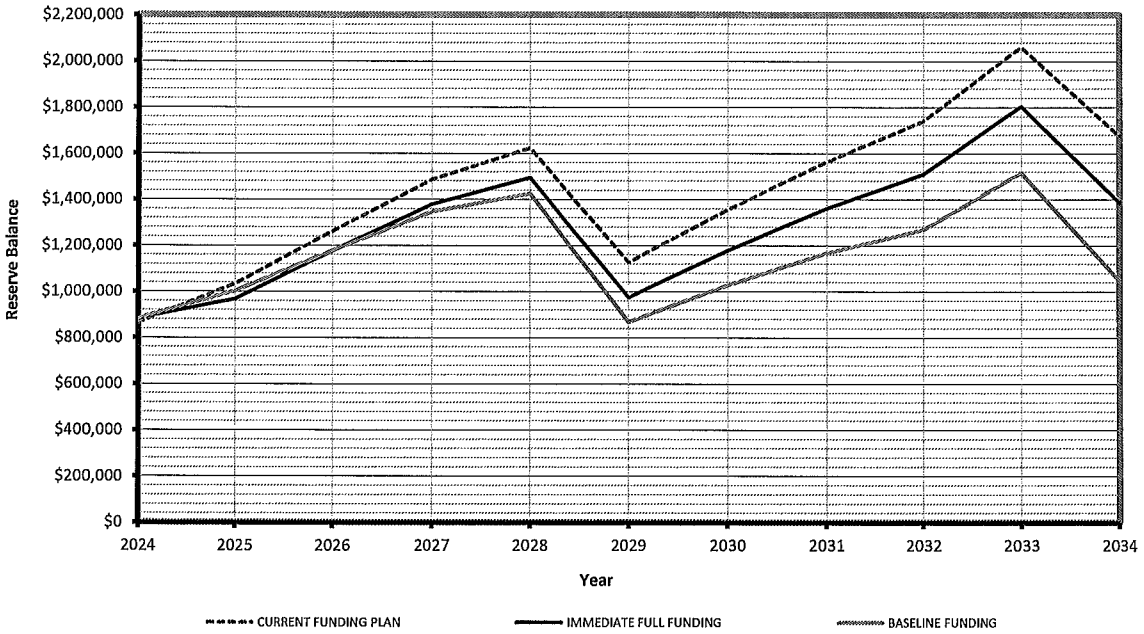


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

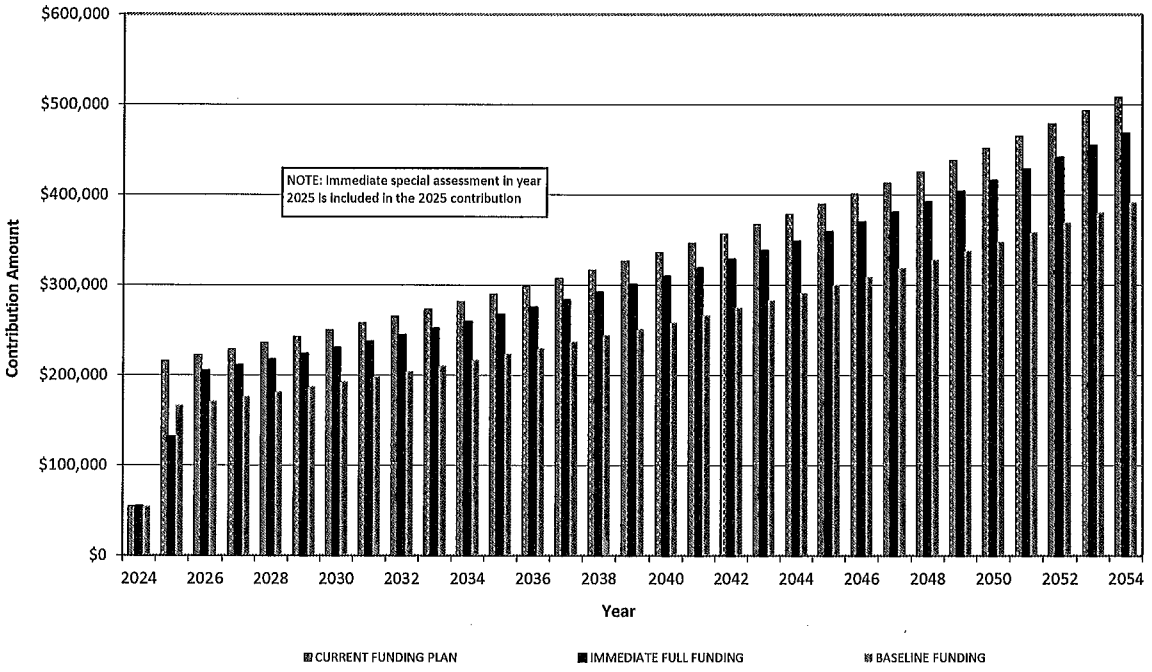
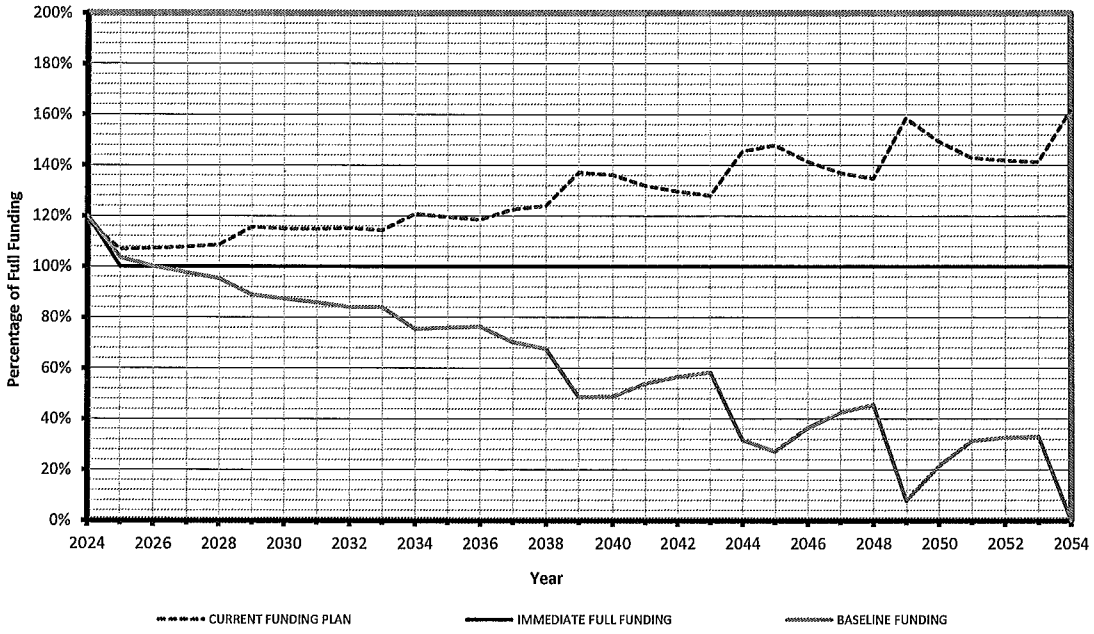


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



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 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 Nisqually Pines 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 Nisqually Pines 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.

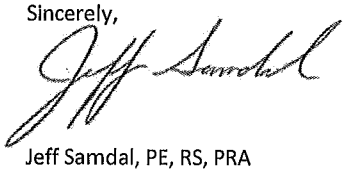
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact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