



PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE



Lake Cushman Maintenance Company

- Roads, Buildings, and Parks -

3740 North Lake Cushman Road, Hoodspport, WA 98548

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

Lake Cushman Maintenance Company was developed around 1966 and currently includes approximately 3,144 lots around Lake Cushman. There is approximately 55 miles of privately owned and maintained roads, two private domestic water systems, several private parks and community water accesses, several community buildings, a 9-hole golf course, and many acres of greenbelt.

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>Numerous projects planned in 2022 and 2023 listed 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;
 - (j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

This reserve study meets the qualifications of WA State RCW 64.90.550

(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 initial Level 1 Reserve Study was finalized on October 9, 2022 at this property.

This report is an off-site update of that report based solely on the information provided to us by Karen Laverdiere on June 23, 2022.

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 Laverdiere, Finance 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, 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 2022 dollars. Exact numbers may vary.

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.2 FORESTRY AND OPEN SPACE						
Buffer fire reduction projects - Year 6 of 10	1	LS	\$50,000	0	N/A	\$50,000
Buffer fire reduction projects - Year 7 of 10	1	LS	\$50,000	1	N/A	\$50,000
Buffer fire reduction projects - Year 8 of 10	1	LS	\$50,000	2	N/A	\$50,000
Buffer fire reduction projects - Year 9 of 10	1	LS	\$50,000	3	N/A	\$50,000
Buffer fire reduction projects - Year 10 of 10	1	LS	\$5,000	4	N/A	\$5,000
3.3 CAPITAL FACILITIES						
<i>Main Office</i>						
Replace main office roof and gutters	4,000	SF	\$14.50	43	60	\$58,000
Replace main office siding, trim, window s, and other exterior elements	1,750	SF	\$38.50	33	50	\$67,375
Replace the exterior deck and porch on the main office	1	LS	\$16,000	4	25	\$16,000
Main office lobby modifications	1	LS	\$25,000	1	10	\$25,000
Main office kitchen and bathrooms renovation	3	EA	\$6,000	6	20	\$18,000
Main office flooring renovation	200	SY	\$100	1	20	\$20,000
Main office furnishings and décor allotment	1	LS	\$20,000	9	10	\$20,000
Main office split-system heat pump replacement	1	EA	\$8,000	9	15	\$8,000
Install new phone system to integrate the office, the clubhouse, the golf course, water, security through intercom	1	LS	\$8,000	19	20	\$8,000
Main office surveillance system allotment	1	LS	\$7,000	2	10	\$7,000
Main office parking lot asphalt overlay	17,000	SF	\$3.15	9	30	\$53,550

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.3	CAPITAL FACILITIES (CONTINUED)						
	<i>Clubhouse and Pro Shop</i>						
	Replace clubhouse roof and gutters	2,500	SF	\$9.50	43	50	\$23,750
	Replace clubhouse siding, trim, windows, and other exterior elements	1,600	SF	\$38.50	15	50	\$61,600
	Replace the exterior deck and porch on the clubhouse	1	LS	\$20,000	4	25	\$20,000
	Clubhouse furnishings and decor renovation	1	LS	\$20,000	4	10	\$20,000
	Pro shop interior renovation	1	LS	\$10,000	4	10	\$10,000
	Replace clubhouse flooring	175	SY	\$65	4	20	\$11,375
	<i>Other Buildings and Structures</i>						
	Replace cart storage building roof	2,860	SF	\$9.50	9	30	\$27,170
	Replace cart storage building siding	3,200	SF	\$38.50	11	50	\$123,200
	Replace golf course shelter roof	1	LS	\$8,000	4	30	\$8,000
	Repaint golf course shelter and perform minor repairs	1	LS	\$6,000	4	10	\$6,000
	Replace Building A (Public Works) roof	6,000	SF	\$14.50	19	60	\$87,000
	Replace Building B (Recreation) roof	2,000	SF	\$14.50	19	60	\$29,000
	Replace Building B (Recreation) siding	2,580	SF	\$38.50	11	50	\$99,330
	Repaint and recaulk Building B (Recreation) exterior	2,580	SF	\$3.65	1	10	\$9,417
	Replace Building D (Equipment Storage) roof	5,500	SF	\$14.50	19	60	\$79,750
	Replace Building E (Chemical Storage) and Fuel Storage roof	1,600	SF	\$14.50	19	60	\$23,200
	Replace Building E (Chemical Storage) siding	1,920	SF	\$38.50	11	50	\$73,920
	Repaint and recaulk Building E (Chemical Storage) exterior	1,920	SF	\$3.65	1	10	\$7,008
	<i>All interior and exterior painting assumed to be general maintenance paid for via the operating budget</i>						

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.4	RECREATION AND GOLF COURSE					
<i>Park Infrastructure</i>						
Division 1 park asphalt overlay	32,000	SF	\$3.15	7	30	\$100,800
Division 3 park asphalt overlay	16,700	SF	\$3.15	5	30	\$52,605
Division 9 park asphalt overlay	1,200	SF	\$3.15	19	30	\$3,780
Park restrooms and gazebo roof resurfacing	8,000	SF	\$14.50	29	60	\$116,000
Replace park restroom siding replacement	4,500	SF	\$38.50	23	50	\$173,250
Park restroom renovation	3	EA	\$6,000	19	20	\$18,000
Park gazebo renovation	3	EA	\$4,000	9	20	\$12,000
<i>Asphalt and concrete maintenance assumed to be general maintenance paid for via the operating budget</i>						
<i>Playground Equipment</i>						
Division 1 playground equipment replacement	1	LS	\$45,000	3	20	\$45,000
Division 3 playground equipment replacement	1	LS	\$45,000	4	20	\$45,000
Replace Division 9 Playground Equipment	1	LS	\$32,000	16	20	\$32,000
Replace Division 18 Playground Equipment	1	LS	\$28,000	16	20	\$28,000

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.4	RECREATION AND GOLF COURSE (CONTINUED)						
	<i>Docks, Breakwaters, and Shoreline Maintenance</i>						
	Division 1 dock replacement	2,800	SF	\$75	44	50	\$210,000
	Division 1 sw im dock replacement	1	LS	\$25,000	44	50	\$25,000
	Division 2 dock and piling replacement planning and permitting	1	LS	\$35,000	1	50	\$35,000
	Division 2 dock and piling replacement	1	LS	\$203,000	2	50	\$203,000
	Division 3 soft shoreline stabilization	1	LS	\$58,000	0	25	\$58,000
	Division 3 docks and piling replacement planning and permitting	1	LS	\$35,000	33	50	\$35,000
	Division 3 docks and piling replacement	2,930	SF	\$75	34	50	\$219,750
	Division 9 dock and piling replacement planning and permitting	1	LS	\$35,000	39	50	\$35,000
	Division 9 docks and piling replacement	1,440	SF	\$75	40	50	\$108,000
	Dock 14 dock/pilings repairs	1	LS	\$30,000	0	N/A	\$30,000
	Division 14 dock and piling replacement planning and permitting	1	LS	\$35,000	1	50	\$35,000
	Division 14 docks and piling replacement	2,400	SF	\$142	2	50	\$340,000
	Replace the log breakwaters with synthetic log breakwaters	1	LS	\$80,000	1	20	\$80,000
	<i>Tennis Court and Basketball Court</i>						
	Replace the tennis court with a typical tennis court surface	1	LS	\$250,000	2	30	\$250,000
	Replace the tennis court fence	444	LF	\$38	2	50	\$16,872
	Resurface the basketball court	1	LS	\$50,000	2	30	\$50,000
	Replace the basketball backboards	2	EA	\$2,500	2	15	\$5,000
	<i>Golf Course</i>						
	Replace 10% of the cart paths every 5 years	4,400	SF	\$8.50	4	5	\$37,400
	Replace irrigation system pump	1	LS	\$7,000	8	10	\$7,000
	Replace irrigation system control systems	17	EA	\$800	1	20	\$13,600
	Replace fountain pumps	2	EA	\$3,500	9	10	\$7,000
	Driving range repairs and renovation	1	LS	\$20,000	9	10	\$20,000

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.5	ROADS AND STORM DRAINAGE					
<i>Asphalt</i>						
Asphalt patching and rubber crack sealing - annual allotment	1	LS	\$50,000	1	1	\$50,000
Asphalt overlay of one section of road annually	1	LS	\$100,000	0	1	\$100,000
Mackinaw road improvement design	1	LS	\$130,000	1	N/A	\$130,000
Mackinaw road improvements	1	LS	\$2,500,000	1	N/A	\$2,500,000
<i>Storm Drainage</i>						
Culvert replacement allotment	1	LS	\$25,000	2	3	\$25,000
Replace division 14 culverts	1	LS	\$100,000	2	N/A	\$100,000
<i>Erosion Control</i>						
Division 11 Marine View Drive slide area mitigation	1	LS	\$600,000	0	N/A	\$600,000
<i>Signage</i>						
Emergency signage replacement plan	1	LS	\$34,500	0	N/A	\$34,500
3.6	SECURITY					
Security building office renovation	1	LS	\$10,000	2	10	\$10,000
Security building computer and technology upgrades	1	LS	\$6,000	2	5	\$6,000

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.7	VEHICLES						
	Chevrolet Colorado replacement	1	EA	\$32,000	7	10	\$32,000
	Ford F-350 Diesel flatbook replacement	1	EA	\$70,000	8	10	\$70,000
	International dump truck w ith snow plow replacement - 1 of 3	1	EA	\$100,000	0	25	\$100,000
	International dump truck w ith snow plow replacement - 2 of 3	1	EA	\$100,000	1	25	\$100,000
	International dump truck w ith snow plow replacement - 3 of 3	1	EA	\$100,000	2	25	\$100,000
	Broce sw eeper replacement	1	EA	\$37,500	3	25	\$37,500
	Dodge 5500 truck w ith snow plow replacement	1	EA	\$86,000	9	25	\$86,000
	Ford F-150 security truck replacement - 1 of 3	1	EA	\$42,000	2	10	\$42,000
	Ford F-150 security truck replacement - 2 of 3	1	EA	\$42,000	1	10	\$42,000
	Ford F-150 security truck replacement - 3 of 3	1	EA	\$42,000	1	10	\$42,000
	Jeep Renegade sport utility vehicle replacement	1	EA	\$28,900	4	10	\$28,900
	Nissan Frontier truck replacement	1	EA	\$28,500	5	10	\$28,500
	Ford F-350 utility w ater truck (1997) replacement - 1 of 2	1	EA	\$56,000	2	10	\$56,000
	Ford F-350 utility w ater truck (2004) replacement - 2 of 2	1	EA	\$56,000	3	10	\$56,000
	Ford F-150 pickup truck replacement	1	EA	\$42,000	3	10	\$42,000

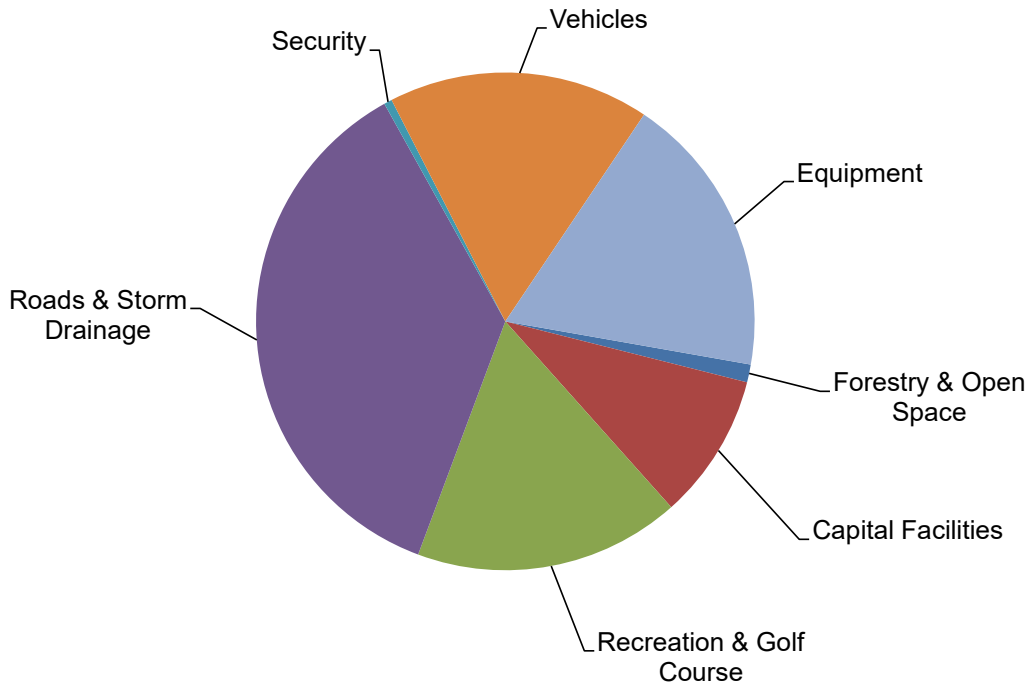
	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.8	EQUIPMENT						
	Ford - 2120 - Tractor Front Loader	1	EA	\$45,000	0	20	\$45,000
	Jacobson 7 Gang GD Mower - Rough	1	EA	\$25,000	0	20	\$25,000
	R & R Cutting Units and Gang Assembly	1	EA	\$25,000	9	20	\$25,000
	JD - 2500E - Greens Mower	1	EA	\$39,000	2	10	\$39,000
	JD - 2653 - Aprons Mower	1	EA	\$36,000	0	10	\$36,000
	JD - 3235A - Lightweight Fairway Mower	1	EA	\$65,000	0	10	\$65,000
	JD - 3235B - Lightweight Fairway Mower	1	EA	\$65,000	0	10	\$65,000
	JD ARTR Aercore 800 Aerator	1	EA	\$42,000	9	20	\$42,000
	John Deere - 1070 - Tractor	1	EA	\$50,000	9	20	\$50,000
	John Deere 4x2 Gator	1	EA	\$14,000	0	20	\$14,000
	Kubota - Z700 - Zero Turn Mower	1	EA	\$8,000	0	6	\$8,000
	Toro - 3050 - Teebox Mower	1	EA	\$38,000	2	10	\$38,000
	Toro - 3150 - Teebox Mower	1	EA	\$38,000	4	10	\$38,000
	TY Crop Quickpass Sand Spreader	1	EA	\$16,000	4	30	\$16,000
	Yamaha YDRAH1W Golf Cart - GC	1	EA	\$8,000	4	15	\$8,000
	14 ft Aluminum Amservic Runabout Boat	1	EA	\$7,000	16	20	\$7,000
	Kawasaki Zero-Turn Mower	1	EA	\$7,600	9	10	\$7,600
	Yamaha YDRAP Golf Cart - PARK HOST	1	EA	\$8,000	4	10	\$8,000
	Yamaha Golf Cart YDRAL1W - PARK HOST	1	EA	\$8,000	4	10	\$8,000

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.8	EQUIPMENT (CONTINUED)						
	Brushcutter attachment replacements	2	EA	\$20,000	14	20	\$40,000
	JD 6420A- Roadside Mow er with Tiger attachment	1	EA	\$63,000	14	20	\$63,000
	48" Hustler Zero-Turn Mow er	1	EA	\$8,000	0	10	\$8,000
	Cat Backhoe Loader - 416C Diesel	1	EA	\$54,000	39	50	\$54,000
	Ditchw itch FX60-800 Vac Trailer	1	EA	\$55,000	19	30	\$55,000
	Cat Front Wheel Loader	1	EA	\$180,000	1	20	\$180,000
	Kubota Mini Excavator	1	EA	\$45,440	9	20	\$45,440

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

Category	Total Expenditure over 30 Years	Percentage
Forestry & Open Space	\$221,253	1.2%
Capital Facilities	\$1,809,050	9.5%
Recreation & Golf Course	\$3,298,670	17.3%
Roads & Storm Drainage	\$6,920,539	36.2%
Security	\$101,068	0.5%
Vehicles	\$3,233,618	16.9%
Equipment	\$3,510,328	18.4%
TOTAL	\$19,094,525	

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 reserve item in the year that we believe is most probable. All of these anticipated expenses already have inflation factored into them at the assumed level that is listed in “Section 4.3 Assumptions for Future Interest Rate and Inflation”.

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
3.2	FORESTRY AND OPEN SPACE												
	Buffer fire reduction projects - Year 6 of 10		\$51,500										
	Buffer fire reduction projects - Year 7 of 10			\$53,045									
	Buffer fire reduction projects - Year 8 of 10				\$54,636								
	Buffer fire reduction projects - Year 9 of 10					\$56,275							
	Buffer fire reduction projects - Year 10 of 10						\$5,796						
3.3	CAPITAL FACILITIES												
<i>Main Office</i>													
	Replace main office roof and gutters												
	Replace main office siding, trim, windows, and other exterior elements												
	Replace the exterior deck and porch on the main office					\$18,008							
	Main office lobby modifications		\$25,750										\$34,606
	Main office kitchen and bathrooms renovation							\$21,493					
	Main office flooring renovation		\$20,600										
	Main office furnishings and décor allotment										\$26,095		
	Main office split-system heat pump replacement										\$10,438		
	Install new phone system to integrate the office, the clubhouse, the golf course, water, security through intercom												
	Main office surveillance system allotment			\$7,426									
	Main office parking lot asphalt overlay										\$69,871		
<i>Clubhouse and Pro Shop</i>													
	Replace clubhouse roof and gutters												
	Replace clubhouse siding, trim, windows, and other exterior elements												
	Replace the exterior deck and porch on the clubhouse					\$22,510							
	Clubhouse furnishings and decor renovation					\$22,510							
	Pro shop interior renovation					\$11,255							
	Replace clubhouse flooring					\$12,803							

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<i>Tennis Court and Basketball Court</i>												
Replace the tennis court with a typical tennis court surface			\$265,225									
Replace the tennis court fence			\$17,900									
Resurface the basketball court			\$53,045									
Replace the basketball backboards			\$5,305									
<i>Golf Course</i>												
Replace 10% of the cart paths every 5 years					\$42,094					\$48,799		
Replace irrigation system pump									\$8,867			
Replace irrigation system control systems		\$14,008										
Replace fountain pumps										\$9,133		
Driving range repairs and renovation										\$26,095		
3.5	ROADS AND STORM DRAINAGE											
<i>Asphalt</i>												
Asphalt patching and rubber crack sealing - annual allotment		\$51,500	\$53,045	\$54,636	\$56,275	\$57,964	\$59,703	\$61,494	\$63,339	\$65,239	\$67,196	\$69,212
Asphalt overlay of one section of road annually	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405	\$122,987	\$126,677	\$130,477	\$134,392	\$138,423
Mackinaw road improvement design	\$130,000											
Mackinaw road improvements		\$2,575,000										
<i>Storm Drainage</i>												
Culvert replacement allotment			\$26,523			\$28,982			\$31,669			\$34,606
Replace division 14 culverts	\$100,000											
<i>Erosion Control</i>												
Division 11 Marine View Drive slide area mitigation		\$618,000										
<i>Signage</i>												
Emergency signage replacement plan		\$35,535										
3.6	SECURITY											
Security building office renovation			\$10,609									
Security building computer and technology upgrades			\$6,365					\$7,379				

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
3.8	EQUIPMENT												
	Ford - 2120 - Tractor Front Loader	\$45,000											
	Jacobson 7 Gang GD Mower - Rough	\$25,000											
	R & R Cutting Units and Gang Assembly										\$32,619		
	JD - 2500E - Greens Mower			\$41,375									
	JD - 2653 - Aprons Mower	\$36,000										\$48,381	
	JD - 3235A - Lightweight Fairway Mower	\$65,000										\$87,355	
	JD - 3235B - Lightweight Fairway Mower	\$65,000										\$87,355	
	JD ARTR Aercore 800 Aerator										\$54,800		
	John Deere - 1070 - Tractor										\$65,239		
	John Deere 4x2 Gator	\$14,000											
	Kubota - Z700 - Zero Turn Mower	\$8,000						\$9,552					
	Toro - 3050 - Teebox Mower			\$40,314									
	Toro - 3150 - Teebox Mower					\$42,769							
	TY Crop Quickpass Sand Spreader					\$18,008							
	Yamaha YDRAH1W Golf Cart - GC					\$9,004							
	14 ft Aluminum Amservic Runabout Boat												
	Kawaski Zero-Turn Mower										\$9,916		
	Yamaha YDRAP Golf Cart - PARK HOST					\$9,004							
	Yamaha Golf Cart YDRAL1W - PARK HOST					\$9,004							
	Brushcutter attachment replacements												
	JD 6420A- Roadside Mower with Tiger attachment												
	48" Hustler Zero-Turn Mower	\$8,000										\$10,751	
	Cat Backhoe Loader - 416C Diesel												
	Ditchwitch FX60-800 Vac Trailer												
	Cat Front Wheel Loader		\$185,400										
	Kubota Mini Excavator										\$59,289		
ANNUAL EXPENSES BY YEAR		\$754,000	\$4,041,231	\$1,504,220	\$415,783	\$541,004	\$302,692	\$210,153	\$355,188	\$319,226	\$771,330	\$435,429	\$826,215

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
<i>Other Buildings and Structures</i>												
Replace cart storage building roof												
Replace cart storage building siding												
Replace golf course shelter roof												
Repaint golf course shelter and perform minor repairs			\$9,076									
Replace Building A (Public Works) roof								\$152,555				
Replace Building B (Recreation) roof								\$50,852				
Replace Building B (Recreation) siding												
Repaint and recaulk Building B (Recreation) exterior										\$17,518		
Replace Building D (Equipment Storage) roof								\$139,842				
Replace Building E (Chemical Storage) and Fuel Storage roof								\$40,681				
Replace Building E (Chemical Storage) siding												
Repaint and recaulk Building E (Chemical Storage) exterior										\$13,037		

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
3.4	RECREATION AND GOLF COURSE												
<i>Park Infrastructure</i>													
	Division 1 park asphalt overlay												
	Division 3 park asphalt overlay												
	Division 9 park asphalt overlay								\$6,628				
	Park restrooms and gazebo roof resurfacing												
	Replace park restroom siding replacement												\$341,924
	Park restroom renovation								\$31,563				
	Park gazebo renovation												
<i>Playground Equipment</i>													
	Division 1 playground equipment replacement												\$88,811
	Division 3 playground equipment replacement												
	Replace Division 9 Playground Equipment					\$51,351							
	Replace Division 18 Playground Equipment					\$44,932							
<i>Docks, Breakwaters, and Shoreline Maintenance</i>													
	Division 1 dock replacement												
	Division 1 swim dock replacement												
	Division 2 dock and piling replacement planning and permitting												
	Division 2 dock and piling replacement												
	Division 3 soft shoreline stabilization												
	Division 3 docks and piling replacement planning and permitting												
	Division 3 docks and piling replacement												
	Division 9 dock and piling replacement planning and permitting												
	Division 9 docks and piling replacement												
	Dock 14 dock/pilings repairs												
	Division 14 dock and piling replacement planning and permitting												
	Division 14 docks and piling replacement												
	Replace the log breakwaters with synthetic log breakwaters										\$148,824		

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
<i>Tennis Court and Basketball Court</i>													
	Replace the tennis court with a typical tennis court surface												
	Replace the tennis court fence												
	Resurface the basketball court												
	Replace the basketball backboards						\$8,264						
<i>Golf Course</i>													
	Replace 10% of the cart paths every 5 years			\$56,571					\$65,581				
	Replace irrigation system pump							\$11,917					
	Replace irrigation system control systems										\$25,300		
	Replace fountain pumps								\$12,275				
	Driving range repairs and renovation								\$35,070				
3.5	ROADS AND STORM DRAINAGE												
<i>Asphalt</i>													
	Asphalt patching and rubber crack sealing - annual allotment	\$71,288	\$73,427	\$75,629	\$77,898	\$80,235							
	Asphalt overlay of one section of road annually	\$142,576	\$146,853	\$151,259	\$155,797								
	Mackinaw road improvement design												
	Mackinaw road improvements												
<i>Storm Drainage</i>													
	Culvert replacement allotment			\$37,815			\$41,321			\$45,153			\$49,340
	Replace division 14 culverts												
<i>Erosion Control</i>													
	Division 11 Marine View Drive slide area mitigation												
<i>Signage</i>													
	Emergency signage replacement plan												
3.6	SECURITY												
	Security building office renovation	\$14,258										\$19,161	
	Security building computer and technology upgrades	\$8,555					\$9,917					\$11,497	

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
3.8	EQUIPMENT												
	Ford - 2120 - Tractor Front Loader									\$81,275			
	Jacobson 7 Gang GD Mower - Rough									\$45,153			
	R & R Cutting Units and Gang Assembly												
	JD - 2500E - Greens Mower	\$55,605										\$74,728	
	JD - 2653 - Aprons Mower									\$65,020			
	JD - 3235A - Lightweight Fairway Mower									\$117,397			
	JD - 3235B - Lightweight Fairway Mower									\$117,397			
	JD ARTR Aercore 800 Aerator												
	John Deere - 1070 - Tractor												
	John Deere 4x2 Gator									\$25,286			
	Kubota - Z700 - Zero Turn Mower	\$11,406						\$13,619					
	Toro - 3050 - Teebox Mower	\$54,179										\$72,812	
	Toro - 3150 - Teebox Mower			\$57,478									
	TY Crop Quickpass Sand Spreader												
	Yamaha YDRAH1W Golf Cart - GC								\$14,028				
	14 ft Aluminum Amservic Runabout Boat					\$11,233							
	Kawaski Zero-Turn Mower								\$13,327				
	Yamaha YDRAP Golf Cart - PARK HOST			\$12,101									
	Yamaha Golf Cart YDRAL1W - PARK HOST			\$12,101									
	Brushcutter attachment replacements			\$60,504									
	JD 6420A- Roadside Mower with Tiger attachment			\$95,293									
	48" Hustler Zero-Turn Mower									\$14,449			
	Cat Backhoe Loader - 416C Diesel												
	Ditchwitch FX60-800 Vac Trailer								\$96,443				
	Cat Front Wheel Loader										\$334,853		
	Kubota Mini Excavator												
ANNUAL EXPENSES BY YEAR		\$507,571	\$364,196	\$656,918	\$374,068	\$187,751	\$112,394	\$144,707	\$707,943	\$511,129	\$779,510	\$379,388	\$673,486

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2046	2047	2048	2049	2050	2051	2052
3.2	FORESTRY AND OPEN SPACE							
	Buffer fire reduction projects - Year 6 of 10							
	Buffer fire reduction projects - Year 7 of 10							
	Buffer fire reduction projects - Year 8 of 10							
	Buffer fire reduction projects - Year 9 of 10							
	Buffer fire reduction projects - Year 10 of 10							
3.3	CAPITAL FACILITIES							
<i>Main Office</i>								
	Replace main office roof and gutters							
	Replace main office siding, trim, windows, and other exterior elements							
	Replace the exterior deck and porch on the main office						\$37,705	
	Main office lobby modifications							
	Main office kitchen and bathrooms renovation			\$38,819				
	Main office flooring renovation							
	Main office furnishings and décor allotment						\$47,131	
	Main office split-system heat pump replacement	\$16,262						
	Install new phone system to integrate the office, the clubhouse, the golf course, water, security through intercom							
	Main office surveillance system allotment							
	Main office parking lot asphalt overlay							
<i>Clubhouse and Pro Shop</i>								
	Replace clubhouse roof and gutters							
	Replace clubhouse siding, trim, windows, and other exterior elements							
	Replace the exterior deck and porch on the clubhouse						\$47,131	
	Clubhouse furnishings and decor renovation	\$40,656						
	Pro shop interior renovation	\$20,328						
	Replace clubhouse flooring	\$23,123						

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2046	2047	2048	2049	2050	2051	2052
Other	<i>Buildings and Structures</i>							
	Replace cart storage building roof							
	Replace cart storage building siding							
	Replace golf course shelter roof							
	Repaint golf course shelter and perform minor repairs	\$12,197						
	Replace Building A (Public Works) roof							
	Replace Building B (Recreation) roof							
	Replace Building B (Recreation) siding							
	Repaint and recaulk Building B (Recreation) exterior							
	Replace Building D (Equipment Storage) roof							
	Replace Building E (Chemical Storage) and Fuel Storage roof							
	Replace Building E (Chemical Storage) siding							
	Repaint and recaulk Building E (Chemical Storage) exterior							

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2046	2047	2048	2049	2050	2051	2052
3.4	RECREATION AND GOLF COURSE							
<i>Park Infrastructure</i>								
	Division 1 park asphalt overlay							
	Division 3 park asphalt overlay							
	Division 9 park asphalt overlay							
	Park restrooms and gazebo roof resurfacing						\$273,362	
	Replace park restroom siding replacement							
	Park restroom renovation							
	Park gazebo renovation						\$28,279	
<i>Playground Equipment</i>								
	Division 1 playground equipment replacement							
	Division 3 playground equipment replacement	\$91,476						
	Replace Division 9 Playground Equipment							
	Replace Division 18 Playground Equipment							
<i>Docks, Breakwaters, and Shoreline Maintenance</i>								
	Division 1 dock replacement							
	Division 1 swim dock replacement							
	Division 2 dock and piling replacement planning and permitting							
	Division 2 dock and piling replacement							
	Division 3 soft shoreline stabilization		\$121,439					
	Division 3 docks and piling replacement planning and permitting							
	Division 3 docks and piling replacement							
	Division 9 dock and piling replacement planning and permitting							
	Division 9 docks and piling replacement							
	Dock 14 dock/pilings repairs							
	Division 14 dock and piling replacement planning and permitting							
	Division 14 docks and piling replacement							
	Replace the log breakwaters with synthetic log breakwaters							

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2046	2047	2048	2049	2050	2051	2052
<i>Tennis Court and Basketball Court</i>								
	Replace the tennis court with a typical tennis court surface							
	Replace the tennis court fence							
	Resurface the basketball court							
	Replace the basketball backboards							
<i>Golf Course</i>								
	Replace 10% of the cart paths every 5 years	\$76,026					\$88,136	
	Replace irrigation system pump					\$16,015		
	Replace irrigation system control systems							
	Replace fountain pumps						\$16,496	
	Driving range repairs and renovation						\$47,131	
3.5	ROADS AND STORM DRAINAGE							
<i>Asphalt</i>								
	Asphalt patching and rubber crack sealing - annual allotment							
	Asphalt overlay of one section of road annually							
	Mackinaw road improvement design							
	Mackinaw road improvements							
<i>Storm Drainage</i>								
	Culvert replacement allotment			\$53,915			\$58,914	
	Replace division 14 culverts							
<i>Erosion Control</i>								
	Division 11 Marine View Drive slide area mitigation							
<i>Signage</i>								
	Emergency signage replacement plan							
3.6	SECURITY							
	Security building office renovation							
	Security building computer and technology upgrades				\$13,328			

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2046	2047	2048	2049	2050	2051	2052
3.7	VEHICLES							
	Chevrolet Colorado replacement				\$71,081			
	Ford F-350 Diesel flatbook replacement					\$160,155		
	International dump truck with snow plow replacement - 1 of 3		\$209,378					
	International dump truck with snow plow replacement - 2 of 3			\$215,659				
	International dump truck with snow plow replacement - 3 of 3				\$222,129			
	Broce sweeper replacement					\$85,797		
	Dodge 5500 truck with snow plow replacement							
	Ford F-150 security truck replacement - 1 of 3							
	Ford F-150 security truck replacement - 2 of 3							
	Ford F-150 security truck replacement - 3 of 3							
	Jeep Renegade sport utility vehicle replacement	\$58,748						
	Nissan Frontier truck replacement		\$59,673					
	Ford F-350 utility water truck (1997) replacement - 1 of 2							
	Ford F-350 utility water truck (2004) replacement - 2 of 2							
	Ford F-150 pickup truck replacement							

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2046	2047	2048	2049	2050	2051	2052
3.8	EQUIPMENT							
	Ford - 2120 - Tractor Front Loader							
	Jacobson 7 Gang GD Mower - Rough							
	R & R Cutting Units and Gang Assembly						\$58,914	
	JD - 2500E - Greens Mower							
	JD - 2653 - Aprons Mower							\$87,381
	JD - 3235A - Lightweight Fairway Mower							\$157,772
	JD - 3235B - Lightweight Fairway Mower							\$157,772
	JD ARTR Aercore 800 Aerator						\$98,976	
	John Deere - 1070 - Tractor						\$117,828	
	John Deere 4x2 Gator							
	Kubota - Z700 - Zero Turn Mower	\$16,262						\$19,418
	Toro - 3050 - Teebox Mower							
	Toro - 3150 - Teebox Mower	\$77,246						
	TY Crop Quickpass Sand Spreader							
	Yamaha YDRAH1W Golf Cart - GC							
	14 ft Aluminum Amservic Runabout Boat							
	Kawaski Zero-Turn Mower						\$17,910	
	Yamaha YDRAP Golf Cart - PARK HOST	\$16,262						
	Yamaha Golf Cart YDRAL1W - PARK HOST	\$16,262						
	Brushcutter attachment replacements							
	JD 6420A- Roadside Mower with Tiger attachment							
	48" Hustler Zero-Turn Mower							\$19,418
	Cat Backhoe Loader - 416C Diesel							
	Ditchwitch FX60-800 Vac Trailer							
	Cat Front Wheel Loader							
	Kubota Mini Excavator						\$107,082	
ANNUAL EXPENSES BY YEAR		\$464,849	\$390,490	\$308,393	\$306,538	\$261,968	\$1,044,995	\$441,762

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 \$659,853 as of May 31, 2021 (Balance provided by Karen Laverdiere). According to our calculations detailed in this report, the Reserve Fund balance required for “Full Funding” of this property at this time is \$7,324,577. Therefore, the property is 9.0% funded.

The current annual contribution to the reserve fund is \$703,500. 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 **9.0% 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.

In order to pay for immediate planned expenditures in 2022/2023, a special assessment of \$4,100,000 will be necessary in 2022. All funding plans below are *in addition* to this initial special assessment.

Ideally, the Association should be Fully Funded immediately; however, we recognize that financial realities can sometimes make this difficult. Therefore, we have provided three different plans to get the Association Fully Funded within three different time frames: Immediately, Within Five Years, and Within Ten Years. It is to the Association’s benefit to be Fully Funded as soon as possible.

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 \$2,564,724 to the Reserve Fund. 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 \$392,863 per year in the initial year. 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
Immediate Contribution:
\$2,564,724
Annual Contribution Thereafter:
2023 \$392,863
(with 3% annual increase thereafter)

Option Two: Full Funding Within Five Years

There is currently a “full funding” deficiency of \$2,564,724. This option makes up this deficiency over the next five years. Starting in 2023 for five years through 2027, the Association will make up their Reserve Fund deficiency by contributing \$936,570 annually (which includes \$543,708 in make-up funds and \$392,863 in capital maintenance funds that will increase annually with inflation).

If this plan is followed, the Association will be Fully Funded by the start of 2028. 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 \$455,436 in 2028. This 2028 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 \$2,564,724. This option makes up this deficiency over the next ten years. Starting in 2023 for ten years through 2032, the Association will make up their Reserve Fund deficiency by contributing \$684,769 annually (which includes \$291,906 in make-up funds and \$392,863 in capital maintenance funds that will increase annually with inflation).

If this plan is followed, the Association will be Fully Funded by the start of 2033. 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 \$527,975 in 2033. This 2033 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.

<u>Option Two</u>	
Annual Contribution:	
2023	\$936,570
Increasing at 3% per year through:	
2027	\$985,878
At year end, full funding will be achieved. Then:	
2028	\$455,436
(with 3% annual increase thereafter)	

<u>Option Three</u>	
Annual Contribution:	
2023	\$684,769
Increasing at 3% per year through:	
2032	\$804,503
At year end, full funding will be achieved. Then:	
2033	\$527,975
(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 \$2,564,724. This option makes up this deficiency over the next thirty years. Starting in 2023 for thirty years through 2052, the Association will make up their Reserve Fund deficiency by contributing \$519,902 annually (which includes \$127,039 in make-up funds and \$392,863 in capital maintenance funds that will increase annually with inflation).

If this plan is followed, the Association will be Fully Funded by the start of 2053.

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 \$487,000 per year in the initial year. 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

Annual Contribution:

2023 \$519,902

Increasing at 3% per year through:

2052 \$925,807

Option Five

Annual Contribution:

\$487,000

(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 2052”. 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 2032”. This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.
- Figure 4.5B: “Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year”
- Figure 4.5C: “Comparison of Funding Plans – Percentage of Full Funding by Year”

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
FULL FUNDING WITHIN 10 YEARS											
Beginning Reserve Balance	659,853	4,462,976	1,190,057	405,978	715,462	919,823	1,385,273	1,972,077	2,443,144	2,979,128	3,087,019
Full Funding Annual Maintenance Funding	412,463	392,863	404,649	416,788	429,292	442,171	455,436	469,099	483,172	497,667	512,597
Planned Special Assessments / Make up Funds	4,100,000	291,906	291,906	291,906	291,906	291,906	291,906	291,906	291,906	291,906	291,906
Annual Total Property Contribution to The Reserve Fund	4,512,463	684,769	696,555	708,694	721,198	734,077	747,342	761,005	775,078	789,573	804,503
Average Monthly Contribution to the Reserve Fund per Unit		57,064.07	58,046.23	59,057.85	60,099.82	61,173.05	62,278.48	63,417.07	64,589.81	65,797.74	67,041.91
Annual Capital Expenses	754,000	4,041,231	1,504,220	415,783	541,004	302,692	210,153	355,188	319,226	771,330	435,429
Interest Income	44,660	83,542	23,587	16,573	24,167	34,065	49,616	65,250	80,132	89,647	98,147
Ending Reserve Balance	4,462,976	1,190,057	405,978	715,462	919,823	1,385,273	1,972,077	2,443,144	2,979,128	3,087,019	3,554,239
Percentage of Full Funding	60.9%	34.0%	16.3%	27.9%	36.4%	50.5%	64.2%	74.5%	84.0%	91.5%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
FULL FUNDING WITHIN 30 YEARS											
Beginning Reserve Balance	659,853	4,462,976	1,022,716	66,277	198,231	219,734	496,841	889,653	1,160,907	1,491,083	1,386,993
Full Funding Annual Maintenance Funding	412,463	392,863	404,649	416,788	429,292	442,171	455,436	469,099	483,172	497,667	512,597
Planned Special Assessments / Make up Funds	4,100,000	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039
Annual Total Property Contribution to The Reserve Fund	4,512,463	519,902	531,688	543,827	556,331	569,210	582,475	596,138	610,211	624,706	639,636
Average Monthly Contribution to the Reserve Fund per Unit		43,325.15	44,307.30	45,318.93	46,360.90	47,434.13	48,539.55	49,678.14	50,850.89	52,058.82	53,302.98
Annual Capital Expenses	754,000	4,041,231	1,504,220	415,783	541,004	302,692	210,153	355,188	319,226	771,330	435,429
Interest Income	44,660	81,069	16,094	3,909	6,177	10,590	20,490	30,304	39,192	42,533	44,673
Ending Reserve Balance	4,462,976	1,022,716	66,277	198,231	219,734	496,841	889,653	1,160,907	1,491,083	1,386,993	1,635,872
Percentage of Full Funding	60.9%	29.2%	2.7%	7.7%	8.7%	18.1%	28.9%	35.4%	42.0%	41.1%	46.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
BASELINE FUNDING											
Beginning Reserve Balance	659,853	4,462,976	989,321	1,351	103,781	97,915	349,965	720,193	971,510	1,284,573	1,166,382
Full Funding Annual Maintenance Funding	412,463	487,000	501,610	516,658	532,158	548,123	564,566	581,503	598,949	616,917	635,425
Planned Special Assessments / Make up Funds	4,100,000										
Annual Total Property Contribution to The Reserve Fund	4,512,463	487,000	501,610	516,658	532,158	548,123	564,566	581,503	598,949	616,917	635,425
Average Monthly Contribution to the Reserve Fund per Unit		40,583.33	41,800.83	43,054.86	44,346.50	45,676.90	47,047.21	48,458.62	49,912.38	51,409.75	52,952.05
Annual Capital Expenses	754,000	4,041,231	1,504,220	415,783	541,004	302,692	210,153	355,188	319,226	771,330	435,429
Interest Income	44,660	80,576	14,640	1,554	2,981	6,619	15,815	25,001	33,341	36,221	37,991
Ending Reserve Balance	4,462,976	989,321	1,351	103,781	97,915	349,965	720,193	971,510	1,284,573	1,166,382	1,404,369
Percentage of Full Funding	60.9%	28.3%	0.1%	4.1%	3.9%	12.8%	23.4%	29.6%	36.2%	34.6%	39.5%

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
FULL FUNDING WITHIN 10 YEARS											
Beginning Reserve Balance	3,554,239	3,358,153	3,495,684	3,799,426	3,832,224	4,170,665	4,726,467	5,394,067	6,068,094	6,210,430	6,577,167
Full Funding Annual Maintenance Funding	527,975	543,814	560,128	576,932	594,240	612,067	630,429	649,342	668,823	688,887	709,554
Planned Special Assessments / Make up Funds											
Annual Total Property Contribution to The Reserve Fund	527,975	543,814	560,128	576,932	594,240	612,067	630,429	649,342	668,823	688,887	709,554
Average Monthly Contribution to the Reserve Fund per Unit	43,997.90	45,317.83	46,677.37	48,077.69	49,520.02	51,005.62	52,535.79	54,111.86	55,735.22	57,407.27	59,129.49
Annual Capital Expenses	826,215	507,571	364,196	656,918	374,068	187,751	112,394	144,707	707,943	511,129	779,510
Interest Income	102,154	101,288	107,810	112,783	118,269	131,485	149,565	169,392	181,456	188,979	196,266
Ending Reserve Balance	3,358,153	3,495,684	3,799,426	3,832,224	4,170,665	4,726,467	5,394,067	6,068,094	6,210,430	6,577,167	6,703,476
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%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
FULL FUNDING WITHIN 30 YEARS											
Beginning Reserve Balance	1,635,872	1,511,180	1,722,246	2,101,729	2,212,541	2,631,336	3,269,902	4,022,750	4,784,583	5,017,357	5,477,247
Full Funding Annual Maintenance Funding	527,975	543,814	560,128	576,932	594,240	612,067	630,429	649,342	668,823	688,887	709,554
Planned Special Assessments / Make up Funds	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039
Annual Total Property Contribution to The Reserve Fund	655,014	670,853	687,167	703,971	721,279	739,106	757,468	776,381	795,862	815,926	836,593
Average Monthly Contribution to the Reserve Fund per Unit	54,584.48	55,904.41	57,263.95	58,664.27	60,106.60	61,592.20	63,122.37	64,698.44	66,321.80	67,993.86	69,716.07
Annual Capital Expenses	826,215	507,571	364,196	656,918	374,068	187,751	112,394	144,707	707,943	511,129	779,510
Interest Income	46,508	47,785	56,512	63,758	71,584	87,210	107,773	130,158	144,856	155,093	165,174
Ending Reserve Balance	1,511,180	1,722,246	2,101,729	2,212,541	2,631,336	3,269,902	4,022,750	4,784,583	5,017,357	5,477,247	5,699,503
Percentage of Full Funding	45.0%	49.3%	55.3%	57.7%	63.1%	69.2%	74.6%	78.8%	80.8%	83.3%	85.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>											
BASELINE FUNDING											
Beginning Reserve Balance	1,404,369	1,272,197	1,479,412	1,858,895	1,973,794	2,401,010	3,052,584	3,823,297	4,608,129	4,869,332	5,363,382
Full Funding Annual Maintenance Funding	654,487	674,122	694,346	715,176	736,631	758,730	781,492	804,937	829,085	853,957	879,576
Planned Special Assessments / Make up Funds											
Annual Total Property Contribution to The Reserve Fund	654,487	674,122	694,346	715,176	736,631	758,730	781,492	804,937	829,085	853,957	879,576
Average Monthly Contribution to the Reserve Fund per Unit	54,540.61	56,176.82	57,862.13	59,597.99	61,385.93	63,227.51	65,124.34	67,078.07	69,090.41	71,163.12	73,298.01
Annual Capital Expenses	826,215	507,571	364,196	656,918	374,068	187,751	112,394	144,707	707,943	511,129	779,510
Interest Income	39,555	40,664	49,335	56,641	64,652	80,595	101,614	124,602	140,061	151,222	162,402
Ending Reserve Balance	1,272,197	1,479,412	1,858,895	1,973,794	2,401,010	3,052,584	3,823,297	4,608,129	4,869,332	5,363,382	5,625,851
Percentage of Full Funding	37.9%	42.3%	48.9%	51.5%	57.6%	64.6%	70.9%	75.9%	78.4%	81.5%	83.9%

LEVEL 3 RESERVE STUDY FOR LAKE CUSHMAN MAINTENANCE COMPANY - ROADS, BUILDINGS, AND PARKS

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2044	2045	2046	2047	2048	2049	2050	2051	2052
FULL FUNDING WITHIN 10 YEARS									
Beginning Reserve Balance	6,703,476	7,261,304	7,559,612	8,101,557	8,758,846	9,543,498	10,378,621	11,309,834	11,500,783
Full Funding Annual Maintenance Funding	730,841	752,766	775,349	798,609	822,567	847,244	872,662	898,842	925,807
Planned Special Assessments / Make up Funds									
Annual Total Property Contribution to The Reserve Fund	730,841	752,766	775,349	798,609	822,567	847,244	872,662	898,842	925,807
Average Monthly Contribution to the Reserve Fund per Unit	60,903.38	62,730.48	64,612.39	66,550.76	68,547.29	70,603.71	72,721.82	74,903.47	77,150.58
Annual Capital Expenses	379,388	673,486	464,849	390,490	308,393	306,538	261,968	1,044,995	441,762
Interest Income	206,376	219,028	231,446	249,169	270,478	294,416	320,519	337,103	352,284
Ending Reserve Balance	7,261,304	7,559,612	8,101,557	8,758,846	9,543,498	10,378,621	11,309,834	11,500,783	12,337,112
Percentage of Full Funding	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	5,699,503	6,356,157	6,756,255	7,403,044	8,168,321	9,064,203	10,013,891	11,063,107	11,375,598
Full Funding Annual Maintenance Funding	730,841	752,766	775,349	798,609	822,567	847,244	872,662	898,842	925,807
Planned Special Assessments / Make up Funds	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039	127,039
Annual Total Property Contribution to The Reserve Fund	857,880	879,805	902,388	925,648	949,606	974,283	999,701	1,025,881	1,052,846
Average Monthly Contribution to the Reserve Fund per Unit	71,489.96	73,317.06	75,198.97	77,137.35	79,133.87	81,190.29	83,308.40	85,490.05	87,737.16
Annual Capital Expenses	379,388	673,486	464,849	390,490	308,393	306,538	261,968	1,044,995	441,762
Interest Income	178,162	193,779	209,251	230,119	254,668	281,942	311,483	331,606	350,434
Ending Reserve Balance	6,356,157	6,756,255	7,403,044	8,168,321	9,064,203	10,013,891	11,063,107	11,375,598	12,337,117
Percentage of Full Funding	87.5%	89.4%	91.4%	93.3%	95.0%	96.5%	97.8%	98.9%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>									
BASELINE FUNDING									
Beginning Reserve Balance	5,625,851	6,329,100	6,782,524	7,489,732	8,322,897	9,294,530	10,328,244	11,470,188	11,884,558
Full Funding Annual Maintenance Funding	905,963	933,142	961,137	989,971	1,019,670	1,050,260	1,081,768	1,114,221	1,147,647
Planned Special Assessments / Make up Funds									
Annual Total Property Contribution to The Reserve Fund	905,963	933,142	961,137	989,971	1,019,670	1,050,260	1,081,768	1,114,221	1,147,647
Average Monthly Contribution to the Reserve Fund per Unit	75,496.95	77,761.86	80,094.72	82,497.56	84,972.49	87,521.66	90,147.31	92,851.73	95,637.28
Annual Capital Expenses	379,388	673,486	464,849	390,490	308,393	306,538	261,968	1,044,995	441,762
Interest Income	176,674	193,768	210,920	233,684	260,356	289,992	322,144	345,144	367,125
Ending Reserve Balance	6,329,100	6,782,524	7,489,732	8,322,897	9,294,530	10,328,244	11,470,188	11,884,558	12,957,568
Percentage of Full Funding	87.2%	89.7%	92.4%	95.0%	97.4%	99.5%	101.4%	103.3%	105.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2052

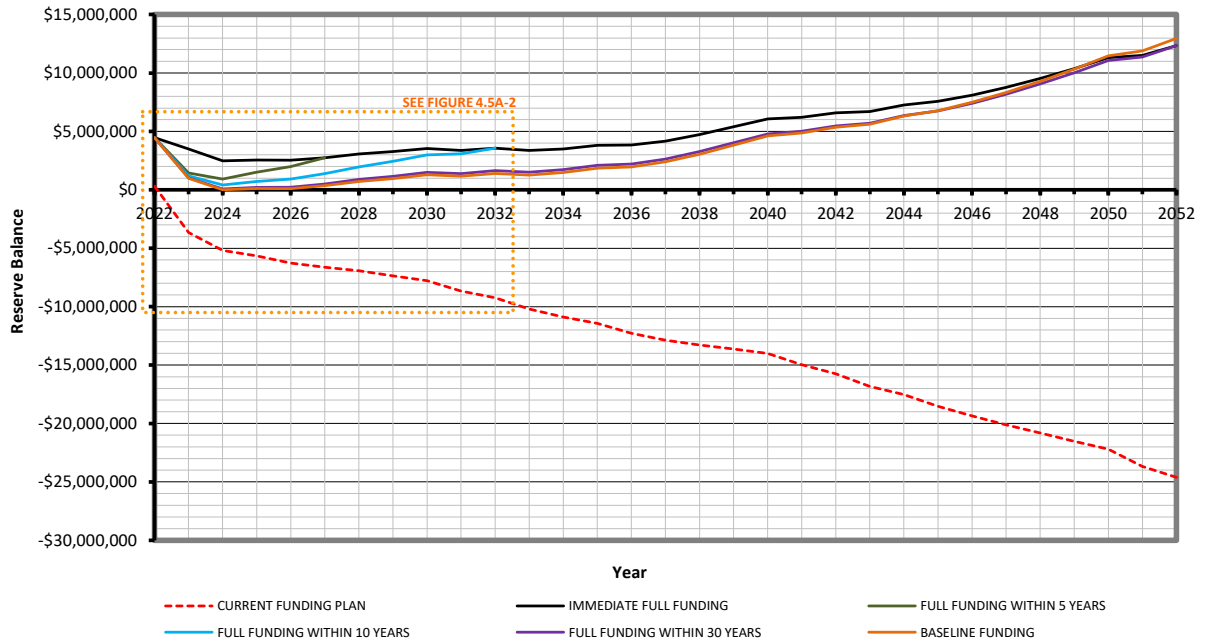


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2032

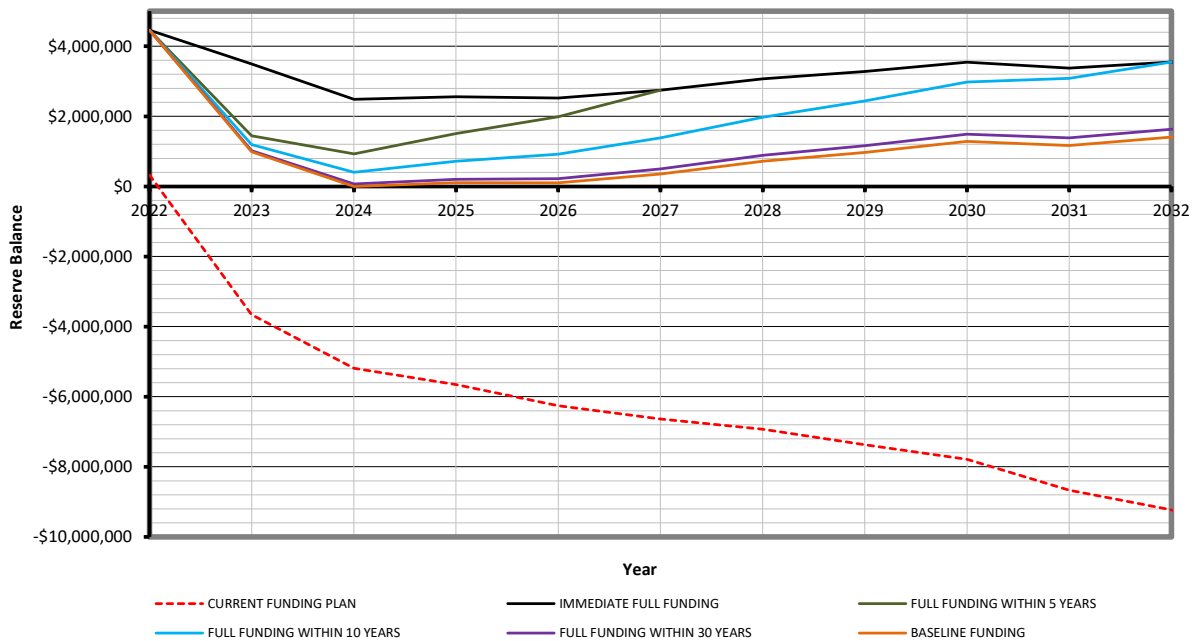


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

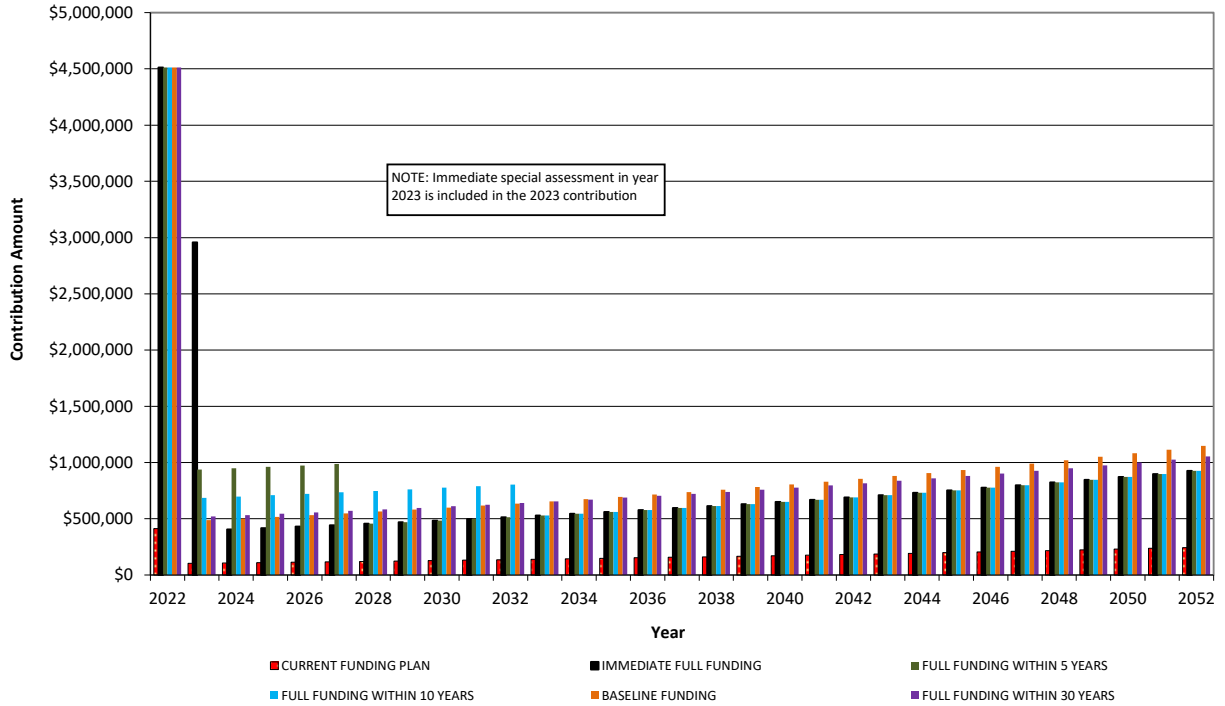
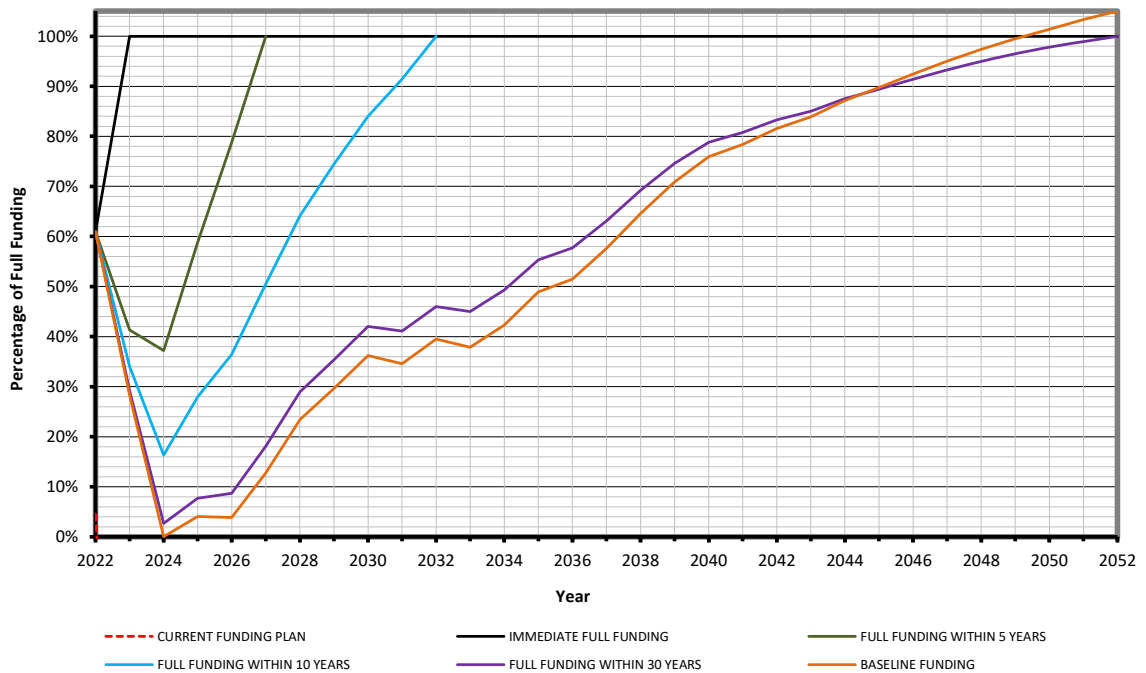


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



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 Cushman Maintenance Company 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 Cushman Maintenance Company'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.

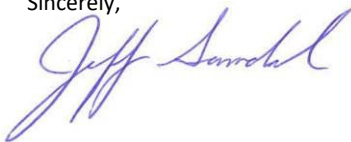
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact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