

LEVEL 3 - RESERVE STUDY UPDATE

Waldenwood West HOA
Stonegate & Wyngate Communities
Everett, Washington

Number of Residential Units: 132

October 5, 2018



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EXECUTIVE SUMMARY

Waldenwood West HOA
Stonegate & Wyngate Communities
Everett, Washington

Number of Buildings:	132 single family homes
Number of Reserve Units:	132
Number of Commercial Units:	0
Date of Incorporation:	December 1, 1993
Date of Construction:	1993
2019 Starting Reserve Balance:	\$34,675.00
Current Annual Reserve Contribution:	\$7,000.00

CURRENT BUDGETED CONTRIBUTION

\$7,000.00	Association Annual

Annual contribution per unit is determined as set forth in the Declaration.

Based on funding requirements for the future repair and/or replacement of common area components, the FULLY FUNDED, or "IDEAL BALANCE," of the Reserve Fund for the beginning of year 2019 is \$67,668.00.

The PROJECTED 2019 STARTING RESERVE ACCOUNT BALANCE is \$34,675.00, which represents 51% of the IDEAL or "Fully Funded".

The Association is currently getting bids to either remove or replace 85 stone fencing pillars. To avoid a supplemental assessment the project may be completed in phases.

Effective July 1, 2018, RCW 64.90.550 requires a Reserve Study include the following funding plans:

FULLY FUNDED CONTRIBUTION RATE – with a 3% annual contribution increase

A contribution rate for a fully funded plan to achieve 100% fully funded reserves by the end of the thirty-year study period.

\$4.42	Average Monthly per Unit
\$53.03	Average Annually per Unit
\$583,33	Association Monthly
\$7,000.00	Association Annual

BASELINE FUNDING PLAN

A baseline funding plan to maintain the reserve balance above zero throughout the thirty-year study plan without special assessments.

\$4.66	Average Monthly per Unit
\$55.90	Average Annually per Unit
\$614.92	Association Monthly
\$7,379.00	Association Annual

RECOMMENDED CONTRIBUTION RATE – with a 1% annual contribution increase

A contribution rate recommended by a reserve study professional.

\$4.92	Average Monthly per Unit
\$59.09	Average Annually per Unit
\$650.00	Association Monthly
\$7,800.00	Association Annual

RECOMMENDATION:

Contribute \$7,800 to reserves in 2019 and then continue to maintain a 1% annual contribution increase through the remaining study period. ASSUMING the study's thirty-year expenditures materialize as projected, the recommended contribution will provide for a fair and stable contribution, insure that adequate funds are available as needed, and reduce the risk of supplementing regular scheduled repairs and replacements of common elements through special assessments.

INTRODUCTION

LEVEL OF STUDY PERFORMED

DATE OF STUDY

GENERAL DESCRIPTION OF PROPERTY

RESERVE STUDY GOAL

SUMMARY OF FINANCIAL ASSUMPTIONS

METHODOLOGY

Introduction

The Community Associations Institute (CAI), a non-profit organization created in 1973 to educate and represent the nation's growing number of community associations, condominium associations, homeowner associations, and cooperatives, defines a reserve study as a combination of:

- 1) Physical Analysis – Information about the physical status and the repair/replacement cost of the major common area components the association is obligation to maintain; and
- 2) Financial Analysis – Evaluation and analysis of the association's reserve balance, income, and expenses.

Per RCW 64.90.535 and 64.90.545, all common interest communities in Washington State must prepare and update a reserve study and establish reserve accounts. Specifically, RCW 64.90.535 provides:

An association required to obtain a reserve study pursuant to RCW 64.90.545 must establish one or more accounts for the deposit of funds, if any, for the replacement costs of reserve components. Any reserve account must be an income-earning account maintained under the direct control of the board, and the board is responsible for administering the reserve account.

And RCW 64.90.545 provides:

- (1) Unless exempt under subsection (2) of this section, an association must prepare and update a reserve study in accordance with this chapter. An initial reserve study must be prepared by a reserve study professional and based upon either a reserve study professional's visual site inspection of completed improvements or a review of plans and specifications of or for unbuilt improvements, or both when construction of some but not all of the improvements is complete. An updated reserve study must be prepared annually. An updated reserve study must be prepared at least every thirds year by a reserve study professional and based upon a visual site inspection conducted by the reserve study professional.
- (2) Unless the governing documents require otherwise, subsection (1) of this section does not apply (a) to common interest communities containing units that are restricted in the declaration to nonresidential use, (b) to common interest communities that have only nominal reserve costs, or (c) when the cost of the reserve study or update exceeds ten percent of the association's annual budget.
- (3) The governing documents may impose greater requirements on the board.

There are three levels of Reserve Studies available:

LEVEL I: Full Reserve Study Analysis and Plan

A Reserve Study in which the following five tasks are performed:

- Component Inventory
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

Level II: Reserve Study Update with Visual Site Inspection

A Reserve Study update in which the following five tasks are performed:

- Component Inventory (verification only, no quantification)
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

Level III: Reserve Study Update with No Visual Site Inspection

A Reserve Study update with no visual site inspection in which the following three tasks are performed:

- Life and Valuation Estimates
- Funding Status
- Funding Plan

Level of Reserve Study Performed

This **LEVEL III: Reserve Study Update with No Visual Site Inspection** was conducted at the request of the Waldenwood West Homeowners Association's Board of Directors and performed per Washington State requirements outlined under RCW 64.90.550.

Date of Study

October 5, 2018

General Description of Property

The following description is general in nature. A detailed description of the property is not included as part of this report. Waldenwood West is a larger homeowners association consisting of two communities – Stonegate and Wyngate. The property was developed about 1993 and is located in Everett, Washington. There are one hundred and thirty-two single family homes. Common areas include tracks of common green areas, bio-retention, play areas, and walkways.

Reserve Study Goal

The Association's Board of Directors has a fiduciary responsibility to maintain the community in a good state of repair and to protect the Association from financial hardship. A long-range plan should be initiated to provide adequate funding for maintenance repairs and/or replacements of common area components. This reserve analysis will help the Association:

- Comply with Washington State requirements.
- Ensure adequate funds are available for future major repair and replacements.
- Maintain the community in a good state of repair.
- Reduce special assessments or borrowing.
- Protect property value and enhance your ability to obtain loans or sell.
- Comply with the American Institute of Certified Public Accountants (AICPA) disclosure requirements for reserves.

Summary of Financial Assumptions

Assumptions were made based on the following information used to develop the parameters for the Reserve Study calculations:

<i>Date Study Begins</i>	DATE OF INSPECTION
<i>Number of Analysis Years to be Covered in the Study</i>	30 Years
<i>Number of Units</i>	132 residential
<i>Projected Year 2019 Starting Reserve Balance</i>	\$34,675.00
<i>Average Current Rate of Investment on Reserve Funds</i>	0.25%
<i>Tax Rate applied to Interest or Dividends earned on the Invested Funds</i>	15%
<i>Current and Projected Inflation Rate for Construction Costs*</i>	3%
<i>Contribution increase the Association can reasonably adopt</i>	

Reserve Component List

Per RCW 64.90.550(a), the following worksheet has a list of all components that have been included in this study, 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.

The Association has opted to exclude the following components from the study:

ITEM NAME	BASIS FOR EXCLUSION
n/a	n/a

Worksheet

October 5, 2018

Sorted Alphabetically
Waldenwood West HOA

Item Description	Group	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Item Cost	Year Built	Useful Life	Life Adj	Year Replace	One Time?
Bark Ground Cover	100	0	1	Allowance	7,100.000	100	7,100	2018	5	0	2023	5 YES
Entrance Signs - Restoration	100	0	1	Total	2,472.000	100	2,472	1993	15	12	2020	2 no
Fence Rails Replacment	40	0	1,000	Linear Foot	32,960	100	32,960	1993	30	5	2028	10 no
Irrigation Systems - Restoration	100	0	1	Total	12,360.000	100	12,360	2008	15	0	2023	5 no
Landscape Overhaul - Common Areas	100	0	1	Allowance	20,600.000	100	20,600	1993	15	15	2023	5 no
Park Benches - Replacement	100	0	2	Each	515.000	100	1,030	2017	20	3	2040	22 no
Play Ground Equipment - Replacement	100	0	2	Each	5,407.500	100	10,815	1993	25	2	2020	2 no
Site Lighting at Community Signs	50	0	1	Allowance	7,725.000	100	7,725	2015	20	0	2035	17 no
Stone Pillars / Fencing (Scope & Cost TBD)	40	0	1	Total	0.000	100	0	1993	26	0	2019	1 YES
Walkway Paths Restoration	100	0	1	Allowance	5,000.000	100	5,000	2018	12	0	2030	12 no

Total 10 items

There are two main methods used in the preparation of a reserve study, Cash Flow Method and Component Method.

Cash Flow Method: A method of developing a Reserve Funding Plan 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 developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components.

David Bach & Associates utilizes the Cash Flow Method in the preparation of our Reserve Studies. This method examines and projects the reserving needs (i.e., contributions and expenditures) over many years, combining funds from all components, in order to establish a stable annual contribution. This type of method allows an Association to customize its funding plan and usually generates a lower starting contribution.

Steps for Preparing Reserve Study Funding Plan

This Reserve Study was prepared with the assistance of an independent Reserve Study Professional and can be broken down into three main steps.

1. Component Analysis

All components the Association has an obligation to maintain were identified and inventoried. Per RCW 64.90.550a)(2), this list includes 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.

An onsite visit was scheduled to visually inspect all common area components. The Reserve Analysts inspection was limited to components that are normally visible without destructive or intrusive means of inspection or testing, or concealed mechanical, electrical, structural, or other components.

The Useful Life, Remaining Useful Life, and Current Replacement Cost of each component appropriate for reserve funding were established using information entered into a Commercial Cost & Useful Life Database. The data is based upon industry standards, manufacturer's specifications, and/or the actual repair and replacement costs to similar residential and commercial properties. Costs of repairing or replacing components can vary

greatly depending on current labor costs, material costs, and the conditions of the component. Wherever possible, actual quotes from local contractors were used as a comparison.

2. Financial Analysis

The following financial information was provided by the Association and was not audited:

- The Association's current Reserve Balance.
- Current rate of investment on Reserve Fund.
- Special Assessments already implemented or planned.
- Tax rate applied to interest or dividends earned on the invested Reserve Funds.
- Interest and Inflation assumptions.
- Current Reserve Account Contribution Rate.
- Date of Fiscal Year End (FYE).

According to the U.S. Dept. of Labor, Bureau of Labor and Statistics, the average rate of inflation calculated from the Consumer Price Index – All Urban Consumers (CPI-U) for the twenty-year period 1995 to 2014 was 2.29%. In preparing Reserve Funding Plans we use an inflation rate of 3% to calculate inflation adjusted expenditures.

3. Reserve Study

The information obtained during the Component Analysis and Financial Analysis is entered into a Reserve Study Funding Plan computer program. The program calculates the necessary monthly and annual reserve contribution, projected annual expenditures for repair and replacement of identified components, percent funded, and reserve account balances for the analysis period.

Per RCW 64.90.550(i) the following Reserve Study Funding Plans were created:

- A recommended reserve account contribution rate for a full funding plan to achieve 100% fully funded reserves by the end of the 30-year study period.
- A recommended reserve account contribution rate for a baseline funding plan to maintain the reserve balance above 0 throughout the 30- year study period without special assessments.
- A David Bach & Associates recommended reserve account contribution rate.

The computer program provides a projected reserve account balance for 30 years and a funding plan to pay for projected costs from those reserves without reliance on future unplanned special assessments.

All applicable spreadsheets, expenditure graph, and funding charts were developed. In addition, Supplementary Information on Future Major Repairs and Replacement (AICPA) accountant's summary report was prepared.

ANNUAL EXPENDITURES

EXPENDITURES GRAPH

CURRENT FUNDING PLAN

FULLY FUNDING CONTRIBUTION RATE

BASELINE FUNDING PLAN

RECOMMENDED CONTRIBUTION RATE

Annual Expenditures

October 5, 2018

Waldenwood West HOA

Year	Amount	Item Description
2019	0	Stone Pillars / Fencing (Scope & Cost TBD)
	<u>0</u>	
2020	11,139	Play Ground Equipment - Replacement
	2,546	Entrance Signs - Restoration
	<u>13,686</u>	
2023	13,911	Irrigation Systems - Restoration
	23,185	Landscape Overhaul - Common Areas
	7,991	Bark Ground Cover
	<u>45,088</u>	
2028	43,005	Fence Rails Replacment
	<u>43,005</u>	
2030	6,921	Walkway Paths Restoration
	<u>6,921</u>	
2035	12,396	Site Lighting at Community Signs
	3,967	Entrance Signs - Restoration
	<u>16,363</u>	
2038	21,673	Irrigation Systems - Restoration
	36,122	Landscape Overhaul - Common Areas
	<u>57,796</u>	
2040	1,916	Park Benches - Replacement
	<u>1,916</u>	
2042	9,868	Walkway Paths Restoration
	<u>9,868</u>	

Annual Expenditures

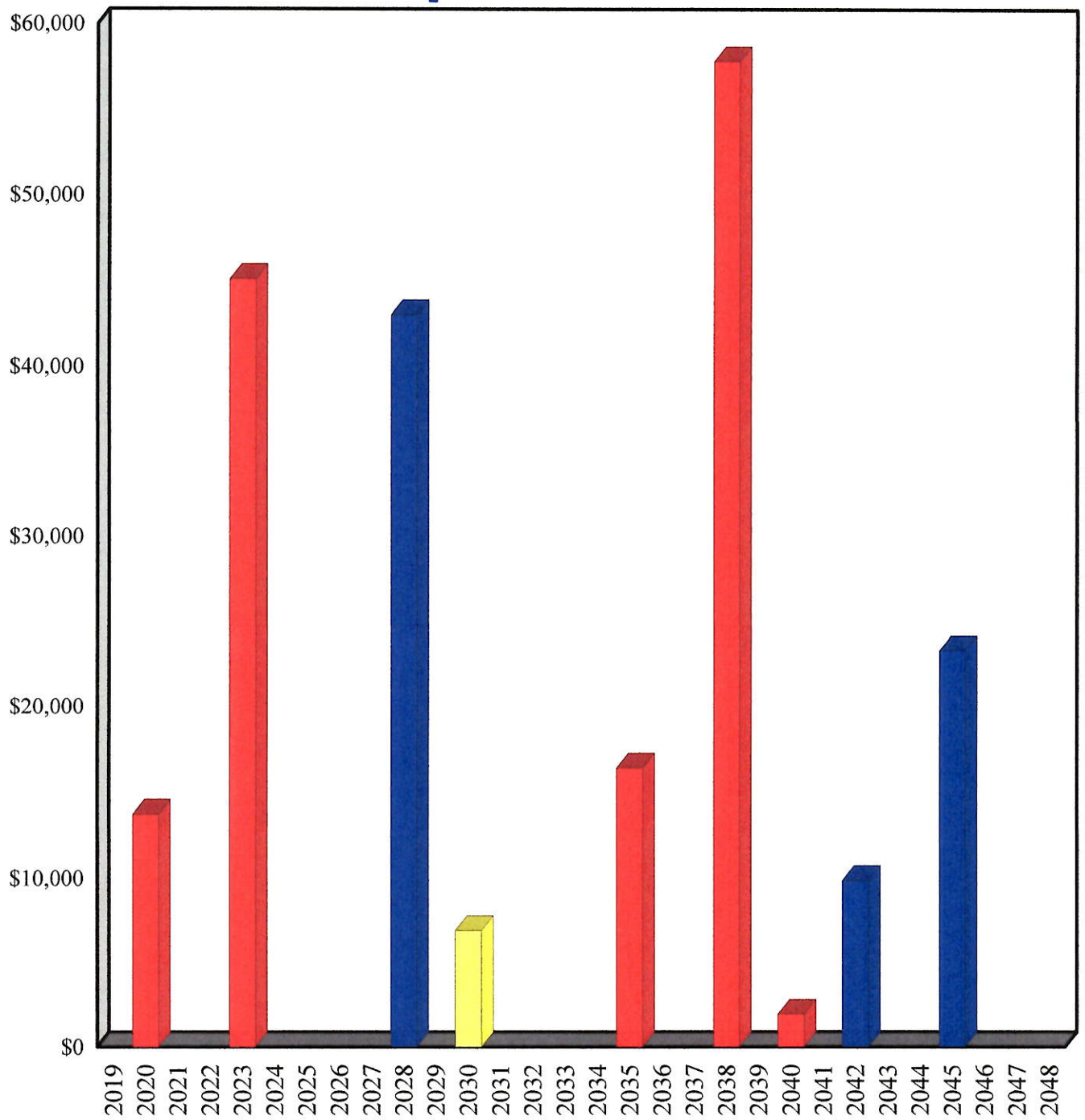
October 5, 2018

Waldenwood West HOA

Year	Amount	Item Description
2045	23,324	Play Ground Equipment - Replacement
	<u>23,324</u>	

Total: 217,966

Expenditures



■ Expenditures

Current Funding Plan / \$7,000 Annual Contribution

Funding Plan Summary (Cash Flow)

October 5, 2018

Waldenwood West HOA

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2019	51%	67,668	67,668	0.00%	34,675	7,000	134	(20)	0	0
2020	56%	72,880	75,067	0.00%	41,789	7,000	111	(17)	(13,686)	(13,287)
2021	51%	64,911	68,864	0.00%	35,197	7,000	135	(20)	0	0
2022	55%	70,228	76,740	0.00%	42,312	7,000	160	(24)	0	0
2023	58%	75,546	85,027	0.00%	49,448	7,000	28	(4)	(45,088)	(40,060)
2024	25%	40,070	46,452	0.00%	11,384	7,000	52	(8)	0	0
2025	35%	44,654	53,319	0.00%	18,428	7,000	77	(12)	0	0
2026	42%	49,238	60,557	0.00%	25,493	7,000	101	(15)	0	0
2027	48%	53,822	68,180	0.00%	32,580	7,000	126	(19)	0	0
2028	52%	58,406	76,207	0.00%	39,687	7,000	1	0	(43,005)	(32,960)
2029	9%	30,187	40,569	0.00%	3,682	7,000	25	(4)	0	0
2030	22%	34,929	48,349	0.00%	10,704	7,000	25	(4)	(6,921)	(5,000)
2031	22%	34,670	49,431	0.00%	10,804	7,000	50	(8)	0	0
2032	31%	39,411	57,876	0.00%	17,847	7,000	75	(11)	0	0
2033	37%	44,152	66,784	0.00%	24,910	7,000	99	(15)	0	0
2034	42%	48,893	76,174	0.00%	31,995	7,000	124	(19)	0	0
2035	45%	53,634	86,067	0.00%	39,100	7,000	92	(14)	(16,363)	(10,197)
2036	37%	48,178	79,631	0.00%	29,815	7,000	117	(17)	0	0
2037	41%	52,919	90,092	0.00%	36,914	7,000	141	(21)	0	0
2038	44%	57,660	101,108	0.00%	44,034	7,000	-36	5	(57,796)	(32,960)
2039	-13%	29,441	53,175	0.00%	-6,792	7,000	-12	2	0	0
2040	0%	34,183	63,590	0.00%	199	7,000	6	(1)	(1,916)	(1,030)
2041	7%	37,900	72,621	0.00%	5,288	7,000	31	(5)	0	0
2042	15%	42,648	84,170	0.00%	12,314	7,000	21	(3)	(9,868)	(5,000)
2043	11%	42,396	86,182	0.00%	9,464	7,000	45	(7)	0	0
2044	17%	47,144	98,709	0.00%	16,502	7,000	70	(11)	0	0
2045	21%	51,892	111,909	0.00%	23,562	7,000	13	(2)	(23,324)	(10,815)
2046	7%	45,824	101,789	0.00%	7,249	7,000	38	(6)	0	0
2047	12%	50,572	115,706	0.00%	14,281	7,000	62	(9)	0	0
2048	16%	55,320	130,365	0.00%	21,334	7,000	87	(13)	0	0
Total						210,000	1,999	(300)	(217,966)	(151,309)
Average					22,807	7,000	67	(10)	(7,266)	(5,044)
Maximum			130,365		49,448		160	(24)	(57,796)	(40,060)
Minimum			40,569		-6,792		-36	5	0	0

0.35% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2019 Contributions
 4.42 Monthly Per Unit
 53.03 Annually Per Unit
 583.33 Association Monthly

Fully Funded at End of 30 Year Term

Funding Plan Summary (Cash Flow)

October 5, 2018

Waldenwood West HOA

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2019	51%	67,668	67,668	3.00%	34,675	7,000	134	(20)	0	0
2020	56%	72,880	75,067	3.00%	41,789	7,210	111	(17)	(13,686)	(13,287)
2021	51%	64,911	68,864	3.00%	35,407	7,426	137	(21)	0	0
2022	56%	70,228	76,740	3.00%	42,950	7,649	164	(25)	0	0
2023	60%	75,546	85,027	3.00%	50,738	7,879	34	(5)	(45,088)	(40,060)
2024	29%	40,070	46,452	3.00%	13,557	8,115	62	(9)	0	0
2025	41%	44,654	53,319	3.00%	21,725	8,358	91	(14)	0	0
2026	50%	49,238	60,557	3.00%	30,160	8,609	121	(18)	0	0
2027	57%	53,822	68,180	3.00%	38,872	8,867	152	(23)	0	0
2028	63%	58,406	76,207	3.00%	47,868	9,133	33	(5)	(43,005)	(32,960)
2029	35%	30,187	40,569	3.00%	14,024	9,407	66	(10)	0	0
2030	49%	34,929	48,349	3.00%	23,487	9,690	75	(11)	(6,921)	(5,000)
2031	53%	34,670	49,431	3.00%	26,319	9,980	110	(16)	0	0
2032	63%	39,411	57,876	3.00%	36,393	10,280	145	(22)	0	0
2033	70%	44,152	66,784	3.00%	46,796	10,588	182	(27)	0	0
2034	76%	48,893	76,174	3.00%	57,539	10,906	220	(33)	0	0
2035	80%	53,634	86,067	3.00%	68,633	11,233	203	(30)	(16,363)	(10,197)
2036	80%	48,178	79,631	3.00%	63,674	11,570	243	(36)	0	0
2037	84%	52,919	90,092	3.00%	75,451	11,917	285	(43)	0	0
2038	87%	57,660	101,108	3.00%	87,610	12,275	126	(19)	(57,796)	(32,960)
2039	79%	29,441	53,175	3.00%	42,196	12,643	170	(25)	0	0
2040	86%	34,183	63,590	3.00%	54,983	13,022	209	(31)	(1,916)	(1,030)
2041	91%	37,900	72,621	3.00%	66,267	13,413	255	(38)	0	0
2042	95%	42,648	84,170	3.00%	79,896	13,815	269	(40)	(9,868)	(5,000)
2043	98%	42,396	86,182	3.00%	84,072	14,230	319	(48)	0	0
2044	100%	47,144	98,709	3.00%	98,573	14,656	371	(56)	0	0
2045	101%	51,892	111,909	3.00%	113,545	15,096	342	(51)	(23,324)	(10,815)
2046	104%	45,824	101,789	3.00%	105,608	15,549	397	(60)	0	0
2047	105%	50,572	115,706	3.00%	121,495	16,015	453	(68)	0	0
2048	106%	55,320	130,365	3.00%	137,895	16,496	512	(77)	0	0
Total						333,028	5,988	(898)	(217,966)	(151,309)
Average					58,740	11,101	200	(30)	(7,266)	(5,044)
Maximum			130,365		137,895		512	(77)	(57,796)	(40,060)
Minimum			40,569		13,557		33	(5)	0	0

0.35% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2019 Contributions
 4.42 Monthly Per Unit
 53.03 Annually Per Unit
 583.33 Association Monthly

Baseline Funding Plan

Funding Plan Summary (Cash Flow)

October 5, 2018

Waldenwood West HOA

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2019	51%	67,668	67,668	0.00%	34,675	7,379	134	(20)	0	0
2020	56%	72,880	75,067	0.00%	42,168	7,379	113	(17)	(13,686)	(13,287)
2021	52%	64,911	68,864	0.00%	35,957	7,379	139	(21)	0	0
2022	57%	70,228	76,740	0.00%	43,454	7,379	165	(25)	0	0
2023	60%	75,546	85,027	0.00%	50,973	7,379	34	(5)	(45,088)	(40,060)
2024	29%	40,070	46,452	0.00%	13,293	7,379	59	(9)	0	0
2025	39%	44,654	53,319	0.00%	20,723	7,379	85	(13)	0	0
2026	47%	49,238	60,557	0.00%	28,174	7,379	112	(17)	0	0
2027	52%	53,822	68,180	0.00%	35,648	7,379	138	(21)	0	0
2028	57%	58,406	76,207	0.00%	43,144	7,379	13	(2)	(43,005)	(32,960)
2029	19%	30,187	40,569	0.00%	7,529	7,379	39	(6)	0	0
2030	31%	34,929	48,349	0.00%	14,941	7,379	41	(6)	(6,921)	(5,000)
2031	31%	34,670	49,431	0.00%	15,434	7,379	67	(10)	0	0
2032	40%	39,411	57,876	0.00%	22,870	7,379	93	(14)	0	0
2033	45%	44,152	66,784	0.00%	30,328	7,379	119	(18)	0	0
2034	50%	48,893	76,174	0.00%	37,808	7,379	145	(22)	0	0
2035	53%	53,634	86,067	0.00%	45,311	7,379	114	(17)	(16,363)	(10,197)
2036	46%	48,178	79,631	0.00%	36,424	7,379	140	(21)	0	0
2037	49%	52,919	90,092	0.00%	43,922	7,379	167	(25)	0	0
2038	51%	57,660	101,108	0.00%	51,443	7,379	-9	1	(57,796)	(32,960)
2039	2%	29,441	53,175	0.00%	1,018	7,379	16	(2)	0	0
2040	13%	34,183	63,590	0.00%	8,411	7,379	36	(5)	(1,916)	(1,030)
2041	19%	37,900	72,621	0.00%	13,904	7,379	62	(9)	0	0
2042	25%	42,648	84,170	0.00%	21,336	7,379	53	(8)	(9,868)	(5,000)
2043	22%	42,396	86,182	0.00%	18,892	7,379	79	(12)	0	0
2044	27%	47,144	98,709	0.00%	26,338	7,379	105	(16)	0	0
2045	30%	51,892	111,909	0.00%	33,806	7,379	50	(7)	(23,324)	(10,815)
2046	18%	45,824	101,789	0.00%	17,904	7,379	76	(11)	0	0
2047	22%	50,572	115,706	0.00%	25,347	7,379	102	(15)	0	0
2048	25%	55,320	130,365	0.00%	32,813	7,379	128	(19)	0	0
Total						221,370	2,613	(392)	(217,966)	(151,309)
Average					28,466	7,379	87	(13)	(7,266)	(5,044)
Maximum			130,365		51,443		167	(25)	(57,796)	(40,060)
Minimum			40,569		1,018		-9	1	0	0

0.35% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2019 Contributions
 4.66 Monthly Per Unit
 55.90 Annually Per Unit
 614.92 Association Monthly

Recommended Funding Plan

Funding Plan Summary (Cash Flow)

October 5, 2018

Waldenwood West HOA

<u>Year</u>	<u>Percent Funded</u>	<u>Unadjusted Ideal Balance</u>	<u>Inflation Adjusted Ideal Bal</u>	<u>Contrib Increase Rate</u>	<u>Starting Balance</u>	<u>Annual Contribution</u>	<u>Interest Income</u>	<u>Tax Liability</u>	<u>Inflation Adjusted Expenditures</u>	<u>Unadjusted Expenditures</u>
2019	51%	67,668	67,668	1.00%	34,675	7,800	135	(20)	0	0
2020	57%	72,880	75,067	1.00%	42,590	7,878	115	(17)	(13,686)	(13,287)
2021	54%	64,911	68,864	1.00%	36,880	7,957	143	(21)	0	0
2022	59%	70,228	76,740	1.00%	44,958	8,036	171	(26)	0	0
2023	62%	75,546	85,027	1.00%	53,140	8,117	42	(6)	(45,088)	(40,060)
2024	35%	40,070	46,452	1.00%	16,205	8,198	71	(11)	0	0
2025	46%	44,654	53,319	1.00%	24,463	8,280	100	(15)	0	0
2026	54%	49,238	60,557	1.00%	32,828	8,363	130	(19)	0	0
2027	61%	53,822	68,180	1.00%	41,301	8,446	159	(24)	0	0
2028	65%	58,406	76,207	1.00%	49,883	8,531	39	(6)	(43,005)	(32,960)
2029	38%	30,187	40,569	1.00%	15,441	8,616	69	(10)	0	0
2030	50%	34,929	48,349	1.00%	24,116	8,702	75	(11)	(6,921)	(5,000)
2031	53%	34,670	49,431	1.00%	25,961	8,789	106	(16)	0	0
2032	60%	39,411	57,876	1.00%	34,841	8,877	137	(21)	0	0
2033	66%	44,152	66,784	1.00%	43,835	8,966	169	(25)	0	0
2034	70%	48,893	76,174	1.00%	52,945	9,056	201	(30)	0	0
2035	72%	53,634	86,067	1.00%	62,171	9,146	176	(26)	(16,363)	(10,197)
2036	69%	48,178	79,631	1.00%	55,104	9,238	209	(31)	0	0
2037	72%	52,919	90,092	1.00%	64,519	9,330	242	(36)	0	0
2038	73%	57,660	101,108	1.00%	74,055	9,423	73	(11)	(57,796)	(32,960)
2039	48%	29,441	53,175	1.00%	25,745	9,517	107	(16)	0	0
2040	56%	34,183	63,590	1.00%	35,353	9,613	134	(20)	(1,916)	(1,030)
2041	59%	37,900	72,621	1.00%	43,164	9,709	168	(25)	0	0
2042	63%	42,648	84,170	1.00%	53,015	9,806	168	(25)	(9,868)	(5,000)
2043	62%	42,396	86,182	1.00%	53,096	9,904	203	(30)	0	0
2044	64%	47,144	98,709	1.00%	63,173	10,003	239	(36)	0	0
2045	66%	51,892	111,909	1.00%	73,378	10,103	193	(29)	(23,324)	(10,815)
2046	59%	45,824	101,789	1.00%	60,322	10,204	229	(34)	0	0
2047	61%	50,572	115,706	1.00%	70,721	10,306	266	(40)	0	0
2048	62%	55,320	130,365	1.00%	81,252	10,409	303	(45)	0	0
Total						271,322	4,574	(686)	(217,966)	(151,309)
Average					46,304	9,044	152	(23)	(7,266)	(5,044)
Maximum			130,365		81,252		303	(45)	(57,796)	(40,060)
Minimum			40,569		15,441		39	(6)	0	0

0.35% Investment Rate
15.00% Tax Rate
3.00% Inflation Rate

2019 Contributions
4.92 Monthly Per Unit
59.09 Annually Per Unit
650.00 Association Monthly

IDEAL vs CASH FLOW BALANCES

STARTING BALANCE FUNDS DISTRIBUTION

AICPA REPORT

The basis to any reserve funding plan first starts with computing the ideal balance. The ideal balance is a benchmark against which the cash flow calculations can be compared. The formula for the ideal balance is:

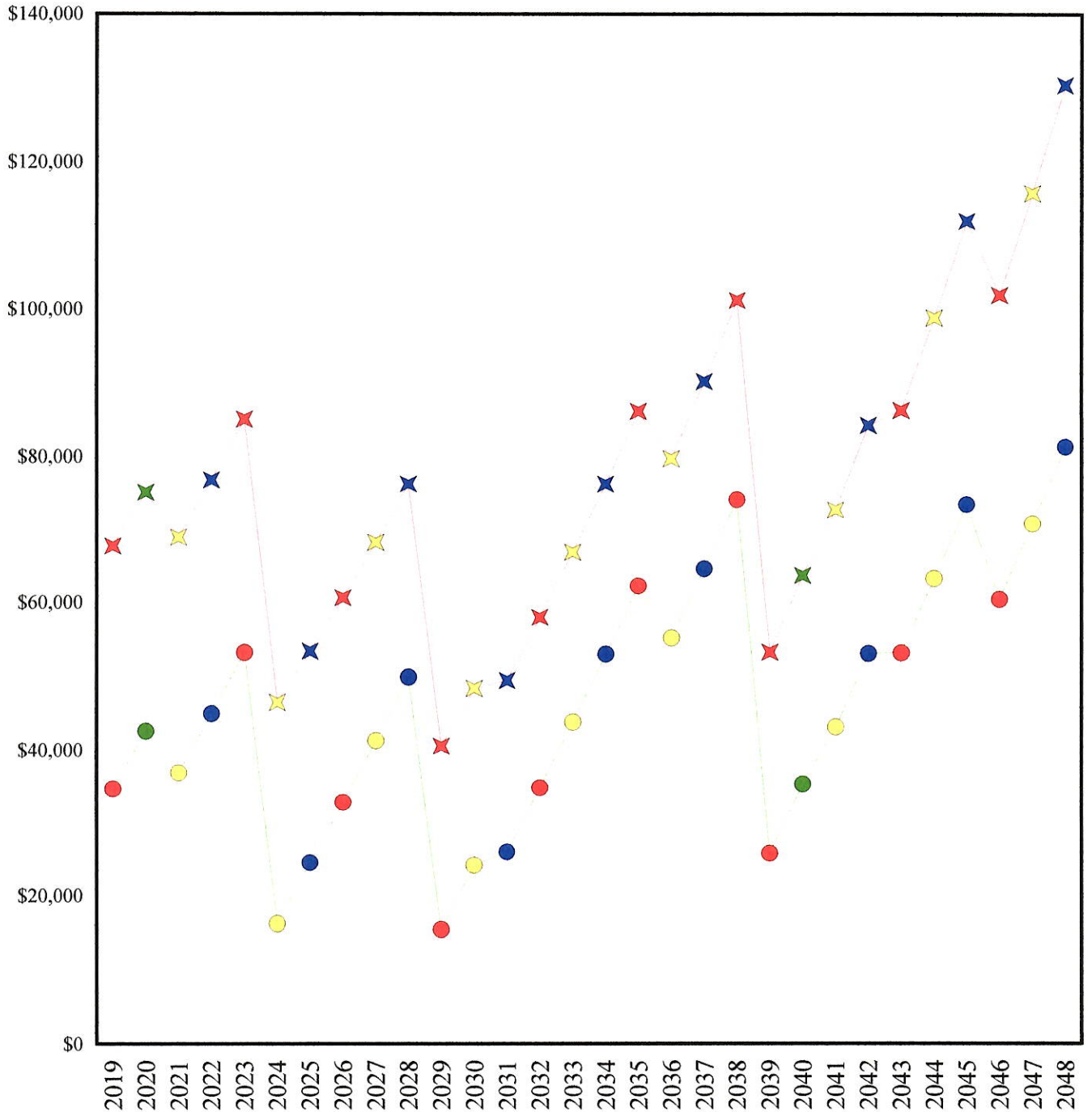
$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

Inflation and interest are also incorporated into this formula.

The Ideal vs. Cash Flow Balances Graph on the next page shows the cash flow balance in relationship to the "Ideal" balance. The spread between the annual cash flow and the "Ideal" is consistent.

This information is also presented in spread sheet form on the Funding Plan Summary page.

Ideal vs. Cash Flow Balances



Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

October 5, 2018

Waldenwood West HOA

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY19 Funding Requirement</u>	<u>Components of Fund Balance End of FY18</u>
40 - Fencing				
Fence Rails Replacement	9	32,960	2,949	0
Stone Pillars / Fencing (Scope & Cost TBD)	0	0	0	0
SubTotal <i>2 items</i>	0 to 9	32,960	2,949	0
50 - Lights				
Site Lighting at Community Signs	16	7,725	389	0
SubTotal <i>1 items</i>	16 to 16	7,725	389	0
100 - Grounds				
Bark Ground Cover	4	7,100	1,429	0
Entrance Signs - Restoration	1	2,472	74	2,380
Irrigation Systems - Restoration	4	12,360	1,678	4,027
Landscape Overhaul - Common Areas	4	20,600	553	17,853
Park Benches - Replacement	21	1,030	39	0
Play Ground Equipment - Replacement	1	10,815	323	10,414
Walkway Paths Restoration	11	5,000	366	0
SubTotal <i>7 items</i>	1 to 21	59,377	4,462	34,675
Total <i>10 items</i>		100,062	7,800	34,675

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

October 5, 2018

Waldenwood West HOA

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY19 Funding Requirement</u>	<u>Components of Fund Balance End of FY18</u>
Fencing	0 to 9	32,960	2,949	0
Lights	16 to 16	7,725	389	0
Grounds	1 to 21	59,377	4,462	34,675
Total	<i>10 items</i>	100,062	7,800	34,675

Starting Balance Funds Distribution (Cash Flow)

Sorted by Group

October 5, 2018

Waldenwood West HOA

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2019</u>
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>
40 - Fencing						
Fence Rails Replacment	30	10	2028	32,960	24,485	0 2,949
Stone Pillars / Fencing (Scope & Cost TBD)	26	1	2019	0	0	0 0
SubTotal	<i>2 items</i>			32,960	24,485	0 2,949
50 - Lights						
Site Lighting at Community Signs	20	17	2035	7,725	1,545	0 389
SubTotal	<i>1 items</i>			7,725	1,545	0 389
100 - Grounds						
Walkway Paths Restoration	12	12	2030	5,000	417	0 366
Park Benches - Replacement	20	22	2040	1,030	90	0 39
Irrigation Systems - Restoration	15	5	2023	12,360	9,064	4,027 1,678
Play Ground Equipment - Replacement	25	2	2020	10,815	10,414	10,414 323
Entrance Signs - Restoration	15	2	2020	2,472	2,380	2,380 74
Landscape Overhaul - Common Areas	15	5	2023	20,600	17,853	17,853 553
Bark Ground Cover	5	5	2023	7,100	1,420	0 1,429
SubTotal	<i>7 items</i>			59,377	41,638	34,675 4,462
Total	<i>10 items</i>			100,062	67,668	34,675 7,800

0.35% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

Ideally Funded - 51%

COMPONENT INVENTORY WORKSHEET

DISCLOSURES

RESERVE STUDY TERMS

Worksheet

October 5, 2018

Sorted by Group
Waldenwood West HOA

<u>Item Description</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Year Useful Life</u>	<u>Year Life</u>	<u>One</u>
						<u>Life Adj</u>	<u>Replace Left</u>	<u>Time?</u>

Fence Rails Replacement	40	0	1,000 Linear Foot	32,960	100	30	5	2028	10	no
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Comments: ** Useful Life Range 45, 50+

Approximately 1,000 lf of split rail fence at Stonegate and Wyngate community entrances and property boundary at 116th Street.

Each rail section has two 6"x6" heavy timer rails supported by stone column posts.

Cost is to replace with 2 rail white vinyl rail.

Stone Pillars / Fencing (Scope & Cost TBD)	40	0	1 Total	0.000	100	0	1993	26	0	2019	1	YES
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Comments: Association is currently getting bids to either remove, or replace 85 stone pillars. To avoid supplemental assessment the project may need to be completed in phases.

Sub-Total 2 items

50 - Lights

Site Lighting at Community Signs	50	0	1 Allowance	7,725.000	100	20	2015	20	0	2035	17	no
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Comments: ** Useful Life Range 10, 15, 18, 20

Allowance for repair, replacement, upgrades to exterior site lighting at Stonegate and Wyngate community entrances.

Sub-Total 1 items

100 - Grounds

Walkway Paths Restoration	100	0	1 Allowance	5,000.000	100	12	2018	12	0	2030	12	no
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Comments: ** Useful Life Range 8, 10, 12

Worksheet

October 5, 2018

Sorted by Group
Waldenwood West HOA

<u>Item Description</u>	<u>Group</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Item Cost</u>	<u>Year Built</u>	<u>Useful Life Adj</u>	<u>Year Replace</u>	<u>One Life Left</u>	<u>Time?</u>
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Gravel and paved walking paths throughout the community - restore as needed.

Allowance for top layer of gravel for gravel paths, and clean and seal coat asphalt paved paths.

Park Benches - Replacement	100	0	2	Each	515,000	100	1,030,000	2017	20	3	2040	22	no
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Comments: ** Useful Life Range 12, 15, 18, 20
2- 6' wood benches, galvanized steel frame.

Irrigation Systems - Restoration	100	0	1	Total	12,360,000	100	12,360,000	2008	15	0	2023	5	no
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Comments: ** Useful Life Range 10, 12, 14, 16

Irrigation system maintenance should be funded through annual landscape maintenance operating budget. This cost is for major overhaul of the irrigation system including new pipe, valves, controllers, risers, and sprinkler heads.

Play Ground Equipment - Replacement	100	0	2	Each	5,407,500	100	10,815,000	1993	25	2	2020	2	no
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Comments: ** Useful Life Range 15, 20, 25

Playground equipment replacement including:

Steel pipe horizontal and vertical ladders and fireman's slide pole; wood "loft" platform, and traditional polyethylene slide

Entrance Signs - Restoration	100	0	1	Total	2,472,000	100	2,472,000	1993	15	12	2020	2	no
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Comments: ** Useful Life Range 8, 10, 12, 15

Stonegate and Wyngate community entrance signs restoration.

Cost to clean, grout restoration, and clear seal

Worksheet

October 5, 2018

Sorted by Group

Waldenwood West HOA

Item Description	Group	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Item Cost	Year Built	Useful Life	Life Adj	Year Replace	One Left	Time?
Landscape Overhaul - Common Areas	100	0	1	Allowance	20,600,000	100	20,600	1993	15	15	2023	5	no
Comments: This cost is an allowance for common area landscape maintenance not covered in operating budget, including removal and replacement of overgrown trees, plants and shrubs, drainage restoration, and ground cover.													
Bark Ground Cover	100	0	1	Allowance	7,100,000	100	7,100	2018	5	0	2023	5	YES
Comments: Allowance for bark and play area chips. Last completed in 2017 for \$5K													

Sub-Total 7 items

Total 10 items

Disclosures

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. RCW 64.90.550(3).

Every reasonable effort has been made to that the data obtained in this report is based on accurate information. The nature of this study requires assumptions be made about future events which may or may not occur as predicted. The study must be viewed in light of circumstances existing at the actual time of the study. In addition, the cost of repairing or replacing components can vary greatly depending on current labor costs, material costs, and the conditions of the component. This Reserve Study Funding Plan is a **budgeting tool to be used for general planning purposes only**. As the component nears the end of its useful life, estimates from qualified contractors should be obtained.

In conclusion, this study should be regarded as a guideline for developing sound business decisions to insure adequate funds will be accumulated in anticipation of major repair and/or replacement projects. It is recommended that you review your reserve plan on an annual basis and make adjustments as necessary.

Conflict of Interest

No relationship exists between David Bach & Associates, LLC and the client which could result in a conflict of interest.

David Bach & Associates, LLC has earned the Community Association Institute's **Reserve Specialist Designation**, the only national credential for community association reserve study providers. The **RS** designation is awarded to experienced, qualified professionals who help condominium, co-operative, and homeowner associations plan for long-term repair and replacement of major components. The Reserve Specialist Designation Review Board recognizes David Bach's professionalism and dedication to the highest standard of reserve study preparation. **RS** designees must adhere to CAI's Professional Reserve Specialist Code of Ethics. David Bach is also an Honored Member in good standing with the Association of Professional Reserve Analysts.

ACCUMULATED RESERVE BALANCE	The anticipated Reserve Balance on the first day of the fiscal year for which the report has been prepared.
ALLOCATION (Net Monthly)	The sum of the monthly contribution and interest contribution figures.
ANNUAL CONTRIBUTION INCREASE	The percentage rate at which the association will increase its contribution to Reserves at the end of each year until the year in which the item is replaced.
BASELINE FUNDING PLAN	Establishing a Reserve Funding goal of maintaining a Reserve Account Balance above zero dollars throughout the thirty year study period.
CASH FLOW	The collection and expenditure of money over time.
CASH FLOW METHOD	A method of developing a Reserve Funding Plan where contributions to the Reserve Fund are designed to offset the variable annual expenditures from the Reserve Fund.
COMPONENT	The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for 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 can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the association or cooperative.
COMPONENT METHOD	A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components.
CONDITION ASSESSMENT	The task of evaluating the current condition of the component based on observed or reported characteristics.

CONTRIBUTION RATE	The amount contributed to the Reserve Account so that the association will have cash Reserves to pay major maintenance, repair, or replacement costs without the need of a special assessment.
CURRENT RESERVE FUNDS	The amount currently held in Reserve for repair and replacement of components, with funds being allocated to projects with the shortest remaining useful life first.
DEFICIT	A actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a surplus.
EFFECTIVE AGE	The difference between the estimated useful life and remaining useful life.
EXPECTED LIFE	The estimated time, in years, that a Reserve item can be expected to perform its intended function.
EXPENDITURES	Disbursement of Reserve Funds for repair or replacement of Reserve Study identified components.
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, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.
FISCAL YEAR ENDING (FYE)	The budgetary year for which the report is prepared. For association with fiscal years ending December 31 st , the monthly contribution figures indicated are for the twelve-month period beginning 01/01/XX and ending 12/31/XX.
FULL FUNDING PLAN	Setting a Reserve Funding goal of achieving 100% fully funded reserves by the end of the thirty-year study period described under RCW 64.90.550, in which the reserve account balance equals the sum of the estimated costs required to maintain, repair, or replace the deteriorated portion of all reserve components.
FULLY FUNDED	100% funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE	The current value of the deteriorated portion, not the total replacement value, of all the reserve components. The Fully Funded Balance for each reserve component is calculated by multiplying the current replacement cost of that reserve component by its effective age, then dividing the result by that reserve component's useful life. The sum total of all reserve components' Fully Funded Balance is the association's Fully Funded Balance.
FUND STATUS	The status of the Reserve Fund as compared to an established benchmark such as Percent Funding.
FUNDING PLAN	An association's plan to provide income to a Reserve Fund to offset anticipated expenditures from that fund.
IDEAL BALANCE	<p>The basis to any Reserve Funding Plan first starts with computing the Ideal Balance. The Ideal Balance is the benchmark against which the standard cash flow calculations can be compared. The formula for the Ideal Balance is:</p> <p><i>Ideal Balance = (Current Age/Useful Life) x Current Cost</i></p> <p>Inflation and interest are also calculated into the basic formula.</p>
INFLATION	Cost factors are adjusted for inflation at the rate defined in the Funding Plan Summary, compounded annually.
LIFE & VALUATION ESTIMATES	The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.
MONTHLY CONTRIBUTION	The assessment for Reserves required by the association each month.
PERCENT FUNDED	The ratio, as 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.
PHYSICAL ANALYSIS	The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

REMAINING USEFUL LIFE	The estimated time, in years, before a Reserve component will require major maintenance, repair, or replacement to perform its intended function.
REPLACEMENT COST	The estimated total cost to maintain, repair, or replace a Reserve component to its original functional condition.
RESERVE 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.
RESERVE COMPONENT	A physical component of the common interest community which the association is obligated to maintain, repair, or replace, which has an estimated useful life of less than thirty years, and for which the cost of such maintenance, repair, or replacement is infrequent, significant, and impractical to include in an annual budget.
RESERVE STUDY PROFESSIONAL	An independent person suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study in accordance with RCW 64.90.545 and 64.90.550.
RESERVE STUDY	A budget planning tool which identifies the current status of the Reserve Fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.
SIGNIFICANT ASSETS	The current total cost of major maintenance, repair, and replacement of the reserve components is 50% or more of the gross budget of the association, excluding reserve account funds.
SPECIAL ASSESSMENT	An assessment levied on the members of an association in addition to regular assessments.
STARTING BALANCE FUNDS DISTRIBUTION	A listing of how the starting balance is distributed to each reserve item. The first year's contribution for each item is listed.
STRAIGHT LINE CALCULATIONS & FUNDING MODEL	The most conservative method for Reserve Funding. It assures that the association will achieve and maintain an ideal level of reserves for the analysis period.

SURPLUS	An actual (or projected) Reserve Balance greater than the Fully Funded Balance.
TAXES LIABILITY	The estimated percentage of interest income which will be set-aside for taxes.
USEFUL LIFE	The estimated time, between years, that major maintenance, repair, or replacement is estimated to occur.