

RESERVE STUDY FUNDING PLAN

Waldenwood West HOA
Stonegate & Wyngate Communities
Everett, Washington

Number of Residential Units: 132

October 21, 2015



Prepared By

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EXECUTIVE SUMMARY

Waldenwood West HOA
Stonegate & Wyngate Communities
Everett, Washington

Number of Single Family Homes:	132
Date of Incorporation:	December 1, 1993
Date of Construction:	1993
2016 Starting Reserve Balance:	\$20,560.00
Current Monthly Reserve Contribution:	\$0

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 2016 is \$49,293.

The ACTUAL 2016 STARTING RESERVE ACCOUNT BALANCE is \$20,560, which is 42% of the IDEAL or "Fully Funded".

A special assessment may be necessary in 2016 to cover a one-time reserve expenditure for bio-swale clean-up, currently estimated to cost \$50,000.

Effective January 1, 2012, RCW 64.38.070 requires a Reserve Study include the following funding plans:

FULLY FUNDED CONTRIBUTION RATE

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

\$5.06	Average Monthly per Unit
\$60.72	Average Annually per Unit
\$667.92	Association Monthly
\$8,015.00	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.

\$3.97	Average Monthly per Unit
\$47.64	Average Annually per Unit
\$524.00	Association Monthly
\$6,288.00	Association Annual

RECOMMENDED CONTRIBUTION RATE

A contribution rate recommended by a reserve study professional.

\$4.42	Average Monthly per Unit
\$53.03	Average Annually per Unit
\$583.33	Association Monthly
\$7,000.00	Association Annual

RECOMMENDATION:

Contribute \$7,000 annual to the reserve account through the study term. 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 64.38.065, Homeowner Associations in Washington State are required to have reserve studies prepared and establish reserve accounts. Specifically, RCW 64.38.065:

- 1) Encourages associations to establish a reserve account with a financial institution to fund major maintenance, repair, and replacement of common elements, including limited common elements that will require major maintenance, repair, or replacement within thirty years. If the association establishes a reserve account, the account must be in the name of the association. The board of directors is responsible for administering the reserve account.
- 2) Provides that unless doing so would impose an unreasonable hardship, an association with significant assets shall prepare and update a reserve study, in accordance with the association's governing documents and RCW 64.38. The initial reserve study must be based upon a visual site inspection conducted by a reserve study professional.
- 3) Provides that unless doing so would impose an unreasonable hardship, the association shall update the reserve study annually. At least every three years, an updated reserve study must be based upon a visual site inspection conducted by a reserve study professional.

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 I: Full Reserve Study Analysis and Funding Plan** was conducted at the request of the Waldenwood West Homeowners Association's Board of Directors and performed per Washington State requirements outlined under RCW 64.38.070.

Date of Study

A visual site inspection was performed by the Reserve Study Professional on Monday October 19, 2015 in order to identify all common area building components appropriate for reserve funding, compile a useful, descriptive inventory of all identified common area components, and determine the useful life, remaining useful life, and replacement cost for each item, as is required by RCW 64.38.070 for this level of reserve study.

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>	May 10, 2013
<i>Number of Analysis Years to be Covered in the Study</i>	30 Years
<i>Number of Units</i>	168
<i>Year 2016 Starting Reserve Balance</i>	\$20,560.00
<i>Average Current Rate of Investment on Reserve Funds</i>	0.15%
<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>	

**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.*

Reserve Component List

The following worksheet has a list of all components that have been included in this study.

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

ITEM NAME	BASIS FOR EXCLUSION
n/a	n/a
n/a	n/a

Worksheet

October 21, 2015

Sorted Alphabetically
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 Year Built</u>	<u>Useful Life</u>	<u>Life Adj</u>	<u>Year Life</u>	<u>Replace Left</u>	<u>Time?</u>	<u>One</u>
Bio-swail / Clean-up (Special Assessment)	100	0	1	Allowance	0.000.000	100	0	23	0	2016	1	YES	
Entrance Signs - Restoration	100	0	1	Total	2,400.000	100	1993	15	10	2018	3	no	
Fencing -Heavy Timer, Split Rail & Stone Posts	40	0	1	Total	0.000.000	100	1993	60	0	2053	38	no	
Irrigation Systems - Restoration	100	0	1	Total	12,000.000	100	2008	15	0	2023	8	no	
Landscape Overhaul - Common Areas	100	0	1	Allowance	20,000.000	100	1993	15	15	2023	8	no	
Park Benches - Replacement	100	0	2	Each	500.000	100	1993	20	3	2016	1	no	
Play Ground Equipment - Replacement	100	0	2	Each	5,250.000	100	1993	25	0	2018	3	no	
Site Lighting at Community Signs	50	0	1	Allowance	7,500.000	100	2015	20	0	2035	20	no	
Walkway Paths Restoration	100	0	1	Allowance	8,500.000	100	2005	12	0	2017	2	no	

Total 9 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 a 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 64.38.070(2)(a), this list includes any reserve component that would cost more than 1% of the annual budget for major maintenance, repair, or replacement.

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 64.38.070(2)(i) the following Reserve Study Funding Plans were created:

- A recommended reserve account contribution rate.
- A contribution rate for a full funding plan to achieve 100% fully funded reserves by the end of the 30 year study period.
- 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 21, 2015

Waldenwood West HOA

Year	Amount	Item Description
2016	1,000	Park Benches - Replacement
	0	Bio-swail / Clean-up (Special Assessment)
	<u>1,000</u>	
2017	8,755	Walkway Paths Restoration
	<u>8,755</u>	
2018	11,139	Play Ground Equipment - Replacement
	2,546	Entrance Signs - Restoration
	<u>13,686</u>	
2023	14,758	Irrigation Systems - Restoration
	24,597	Landscape Overhaul - Common Areas
	<u>39,356</u>	
2029	12,483	Walkway Paths Restoration
	<u>12,483</u>	
2033	3,967	Entrance Signs - Restoration
	<u>3,967</u>	
2035	13,151	Site Lighting at Community Signs
	<u>13,151</u>	
2036	1,806	Park Benches - Replacement
	<u>1,806</u>	
2038	22,993	Irrigation Systems - Restoration
	38,322	Landscape Overhaul - Common Areas
	<u>61,315</u>	

Annual Expenditures

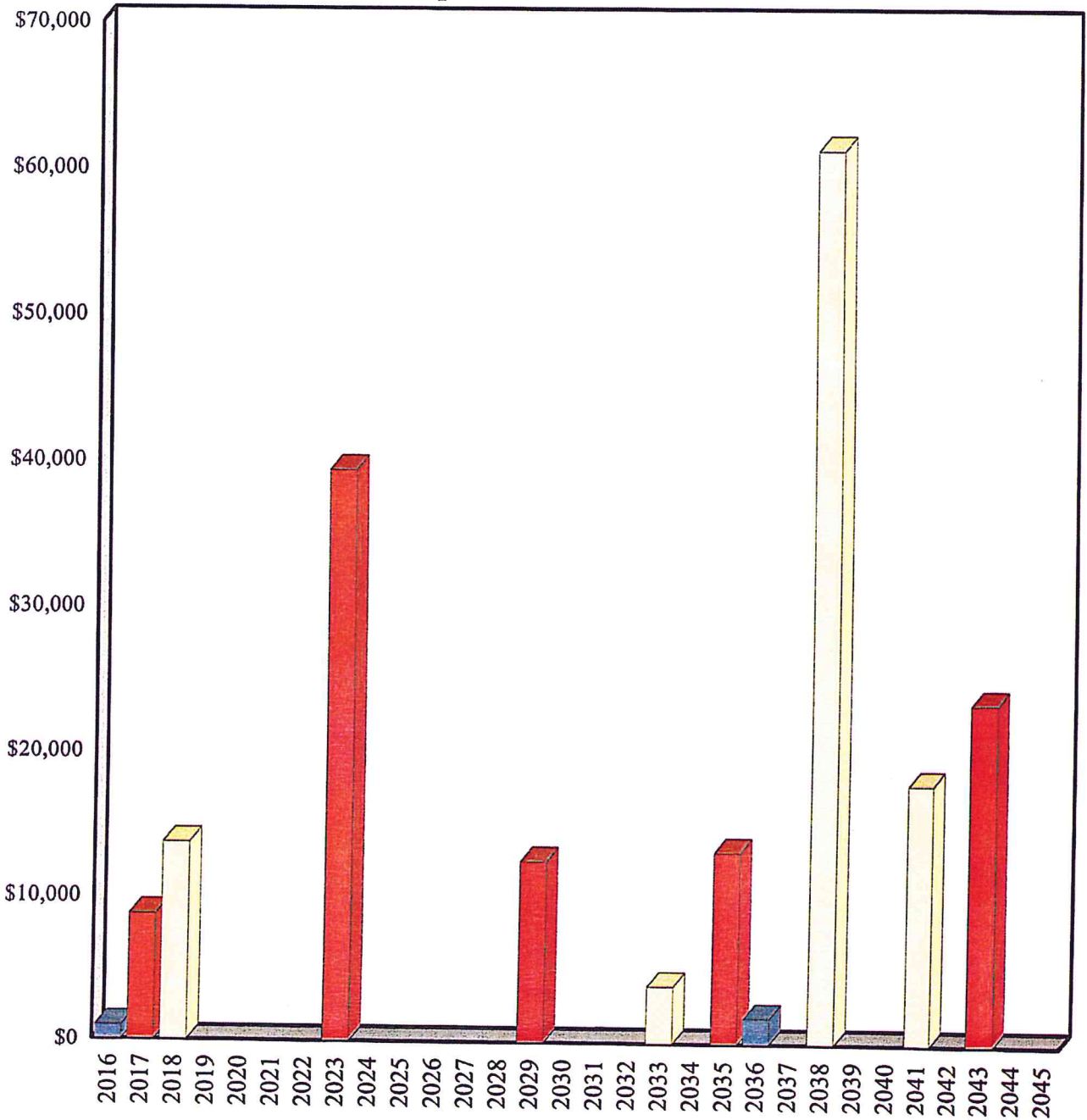
October 21, 2015

Waldenwood West HOA

Year	Amount	Item Description
2041	17,797	Walkway Paths Restoration
	<u>17,797</u>	
2043	23,324	Play Ground Equipment - Replacement
	<u>23,324</u>	

Total:	196,639	

Expenditures



 Expenditures

Current Funding Plan / \$0 Annual Contribution

Funding Plan Summary (Cash Flow)

October 21, 2015

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
2016	48%	42,768	42,768	0.00%	20,560	0	29	(4)	(1,000)	(1,000)
2017	42%	44,884	46,231	0.00%	19,585	0	16	(2)	(8,755)	(8,500)
2018	26%	39,500	41,906	0.00%	10,844	0	-4	1	(13,686)	(12,900)
2019	-9%	29,780	32,541	0.00%	-2,845	0	-4	1	0	0
2020	-8%	32,960	37,097	0.00%	-2,849	0	-4	1	0	0
2021	-7%	36,140	41,896	0.00%	-2,853	0	-4	1	0	0
2022	-6%	39,320	46,950	0.00%	-2,856	0	-4	1	0	0
2023	-5%	42,500	52,270	0.00%	-2,860	0	-63	9	(39,356)	(32,000)
2024	-233%	14,347	18,174	0.00%	-42,270	0	-63	10	0	0
2025	-178%	18,193	23,738	0.00%	-42,324	0	-63	10	0	0
2026	-143%	22,040	29,620	0.00%	-42,378	0	-64	10	0	0
2027	-118%	25,887	35,833	0.00%	-42,432	0	-64	10	0	0
2028	-100%	29,733	42,393	0.00%	-42,486	0	-64	10	0	0
2029	-86%	33,580	49,313	0.00%	-42,540	0	-83	12	(12,483)	(8,500)
2030	-126%	28,927	43,754	0.00%	-55,093	0	-83	12	0	0
2031	-108%	32,773	51,060	0.00%	-55,163	0	-83	12	0	0
2032	-94%	36,620	58,764	0.00%	-55,233	0	-83	12	0	0
2033	-83%	40,467	66,885	0.00%	-55,304	0	-89	13	(3,967)	(2,400)
2034	-83%	41,913	71,355	0.00%	-59,346	0	-89	13	0	0
2035	-74%	45,760	80,240	0.00%	-59,422	0	-109	16	(13,151)	(7,500)
2036	-96%	42,107	76,049	0.00%	-72,666	0	-112	17	(1,806)	(1,000)
2037	-89%	44,953	83,626	0.00%	-74,567	0	-112	17	0	0
2038	-80%	48,800	93,506	0.00%	-74,662	0	-204	31	(61,315)	(32,000)
2039	-334%	20,647	40,748	0.00%	-136,150	0	-204	31	0	0
2040	-274%	24,493	49,790	0.00%	-136,324	0	-204	31	0	0
2041	-230%	28,340	59,338	0.00%	-136,498	0	-231	35	(17,797)	(8,500)
2042	-302%	23,687	51,082	0.00%	-154,492	0	-232	35	0	0
2043	-253%	27,533	61,159	0.00%	-154,689	0	-267	40	(23,324)	(10,500)
2044	-373%	20,880	47,772	0.00%	-178,239	0	-267	40	0	0
2045	-306%	24,727	58,270	0.00%	-178,466	0	-268	40	0	0
Total						0	-3,076	461	(196,639)	(124,800)
Average					-61,801	0	-103	15	(6,555)	(4,160)
Maximum			93,506		20,560		29	(4)	(61,315)	(32,000)
Minimum			18,174		-178,466		-268	40	0	0

0.15% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2016 Contributions
 0.00 Monthly Per Unit
 0.00 Annually Per Unit
 0.00 Association Monthly

Fully Funded at End of 30 Year Term-/ \$8,015 Annual Contribution

Funding Plan Summary (Cash Flow)

October 21, 2015

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
2016	48%	42,768	42,768	0.00%	20,560	8,015	35	(5)	(1,000)	(1,000)
2017	60%	44,884	46,231	0.00%	27,605	8,015	34	(5)	(8,755)	(8,500)
2018	64%	39,500	41,906	0.00%	26,894	8,015	26	(4)	(13,686)	(12,900)
2019	65%	29,780	32,541	0.00%	21,246	8,015	38	(6)	0	0
2020	79%	32,960	37,097	0.00%	29,293	8,015	50	(7)	0	0
2021	89%	36,140	41,896	0.00%	37,350	8,015	62	(9)	0	0
2022	97%	39,320	46,950	0.00%	45,418	8,015	74	(11)	0	0
2023	102%	42,500	52,270	0.00%	53,496	8,015	27	(4)	(39,356)	(32,000)
2024	122%	14,347	18,174	0.00%	22,178	8,015	39	(6)	0	0
2025	127%	18,193	23,738	0.00%	30,226	8,015	51	(8)	0	0
2026	129%	22,040	29,620	0.00%	38,285	8,015	63	(10)	0	0
2027	129%	25,887	35,833	0.00%	46,354	8,015	76	(11)	0	0
2028	128%	29,733	42,393	0.00%	54,433	8,015	88	(13)	0	0
2029	127%	33,580	49,313	0.00%	62,523	8,015	81	(12)	(12,483)	(8,500)
2030	133%	28,927	43,754	0.00%	58,124	8,015	93	(14)	0	0
2031	130%	32,773	51,060	0.00%	66,218	8,015	105	(16)	0	0
2032	126%	36,620	58,764	0.00%	74,323	8,015	117	(18)	0	0
2033	123%	40,467	66,885	0.00%	82,438	8,015	124	(19)	(3,967)	(2,400)
2034	121%	41,913	71,355	0.00%	86,591	8,015	136	(20)	0	0
2035	118%	45,760	80,240	0.00%	94,722	8,015	128	(19)	(13,151)	(7,500)
2036	118%	42,107	76,049	0.00%	89,694	8,015	138	(21)	(1,806)	(1,000)
2037	115%	44,953	83,626	0.00%	96,020	8,015	150	(23)	0	0
2038	111%	48,800	93,506	0.00%	104,163	8,015	70	(11)	(61,315)	(32,000)
2039	125%	20,647	40,748	0.00%	50,922	8,015	82	(12)	0	0
2040	119%	24,493	49,790	0.00%	59,008	8,015	95	(14)	0	0
2041	113%	28,340	59,338	0.00%	67,103	8,015	80	(12)	(17,797)	(8,500)
2042	112%	23,687	51,082	0.00%	57,389	8,015	92	(14)	0	0
2043	107%	27,533	61,159	0.00%	65,482	8,015	69	(10)	(23,324)	(10,500)
2044	105%	20,880	47,772	0.00%	50,232	8,015	81	(12)	0	0
2045	100%	24,727	58,270	0.00%	58,316	8,015	93	(14)	0	0
Total						240,450	2,400	(360)	(196,639)	(124,800)
Average					55,887	8,015	80	(12)	(6,555)	(4,160)
Maximum			93,506		104,163		150	(23)	(61,315)	(32,000)
Minimum			18,174		20,560		26	(4)	0	0

0.15% Investment Rate
15.00% Tax Rate
3.00% Inflation Rate

2016 Contributions
3.98 Monthly Per Unit
47.71 Annually Per Unit
667.92 Association Monthly

Baseline Funding Plan / \$6,288 Annual Contribution

Funding Plan Summary (Cash Flow)

October 21, 2015

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
2016	48%	42,768	42,768	0.00%	20,560	6,288	34	(5)	(1,000)	(1,000)
2017	56%	44,884	46,231	0.00%	25,877	6,288	30	(5)	(8,755)	(8,500)
2018	56%	39,500	41,906	0.00%	23,436	6,288	19	(3)	(13,686)	(12,900)
2019	49%	29,780	32,541	0.00%	16,055	6,288	29	(4)	0	0
2020	60%	32,960	37,097	0.00%	22,367	6,288	38	(6)	0	0
2021	68%	36,140	41,896	0.00%	28,688	6,288	48	(7)	0	0
2022	75%	39,320	46,950	0.00%	35,016	6,288	57	(9)	0	0
2023	79%	42,500	52,270	0.00%	41,353	6,288	8	(1)	(39,356)	(32,000)
2024	46%	14,347	18,174	0.00%	8,291	6,288	17	(3)	0	0
2025	61%	18,193	23,738	0.00%	14,594	6,288	27	(4)	0	0
2026	71%	22,040	29,620	0.00%	20,905	6,288	36	(5)	0	0
2027	76%	25,887	35,833	0.00%	27,223	6,288	46	(7)	0	0
2028	79%	29,733	42,393	0.00%	33,550	6,288	55	(8)	0	0
2029	81%	33,580	49,313	0.00%	39,885	6,288	46	(7)	(12,483)	(8,500)
2030	77%	28,927	43,754	0.00%	33,729	6,288	55	(8)	0	0
2031	78%	32,773	51,060	0.00%	40,064	6,288	65	(10)	0	0
2032	79%	36,620	58,764	0.00%	46,407	6,288	74	(11)	0	0
2033	79%	40,467	66,885	0.00%	52,758	6,288	78	(12)	(3,967)	(2,400)
2034	77%	41,913	71,355	0.00%	55,146	6,288	87	(13)	0	0
2035	77%	45,760	80,240	0.00%	61,508	6,288	77	(12)	(13,151)	(7,500)
2036	72%	42,107	76,049	0.00%	54,711	6,288	84	(13)	(1,806)	(1,000)
2037	71%	44,953	83,626	0.00%	59,264	6,288	94	(14)	0	0
2038	70%	48,800	93,506	0.00%	65,631	6,288	11	(2)	(61,315)	(32,000)
2039	26%	20,647	40,748	0.00%	10,614	6,288	21	(3)	0	0
2040	34%	24,493	49,790	0.00%	16,919	6,288	30	(5)	0	0
2041	39%	28,340	59,338	0.00%	23,233	6,288	13	(2)	(17,797)	(8,500)
2042	23%	23,687	51,082	0.00%	11,735	6,288	22	(3)	0	0
2043	29%	27,533	61,159	0.00%	18,042	6,288	-3	0	(23,324)	(10,500)
2044	2%	20,880	47,772	0.00%	1,003	6,288	6	(1)	0	0
2045	13%	24,727	58,270	0.00%	7,297	6,288	16	(2)	0	0
Total						188,640	1,220	(183)	(196,639)	(124,800)
Average					30,529	6,288	41	(6)	(6,555)	(4,160)
Maximum			93,506		65,631		94	(14)	(61,315)	(32,000)
Minimum			18,174		1,003		-3	0	0	0

0.15% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2016 Contributions
 3.12 Monthly Per Unit
 37.43 Annually Per Unit
 524.00 Association Monthly

Recommended Funding Plan / \$7,000 Annual Contribution

Funding Plan Summary (Cash Flow)

October 21, 2015

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
2016	48%	42,768	42,768	0.00%	20,560	7,000	35	(5)	(1,000)	(1,000)
2017	58%	44,884	46,231	0.00%	26,589	7,000	32	(5)	(8,755)	(8,500)
2018	59%	39,500	41,906	0.00%	24,862	7,000	22	(3)	(13,686)	(12,900)
2019	56%	29,780	32,541	0.00%	18,195	7,000	33	(5)	0	0
2020	68%	32,960	37,097	0.00%	25,222	7,000	43	(6)	0	0
2021	77%	36,140	41,896	0.00%	32,259	7,000	54	(8)	0	0
2022	84%	39,320	46,950	0.00%	39,305	7,000	64	(10)	0	0
2023	89%	42,500	52,270	0.00%	46,359	7,000	16	(2)	(39,356)	(32,000)
2024	77%	14,347	18,174	0.00%	14,017	7,000	26	(4)	0	0
2025	89%	18,193	23,738	0.00%	21,039	7,000	37	(6)	0	0
2026	95%	22,040	29,620	0.00%	28,070	7,000	47	(7)	0	0
2027	98%	25,887	35,833	0.00%	35,110	7,000	58	(9)	0	0
2028	99%	29,733	42,393	0.00%	42,160	7,000	68	(10)	0	0
2029	100%	33,580	49,313	0.00%	49,218	7,000	60	(9)	(12,483)	(8,500)
2030	100%	28,927	43,754	0.00%	43,787	7,000	71	(11)	0	0
2031	100%	32,773	51,060	0.00%	50,847	7,000	82	(12)	0	0
2032	99%	36,620	58,764	0.00%	57,916	7,000	92	(14)	0	0
2033	97%	40,467	66,885	0.00%	64,995	7,000	97	(15)	(3,967)	(2,400)
2034	95%	41,913	71,355	0.00%	68,110	7,000	107	(16)	0	0
2035	94%	45,760	80,240	0.00%	75,201	7,000	98	(15)	(13,151)	(7,500)
2036	91%	42,107	76,049	0.00%	69,134	7,000	106	(16)	(1,806)	(1,000)
2037	89%	44,953	83,626	0.00%	74,418	7,000	117	(18)	0	0
2038	87%	48,800	93,506	0.00%	81,517	7,000	36	(5)	(61,315)	(32,000)
2039	67%	20,647	40,748	0.00%	27,232	7,000	46	(7)	0	0
2040	69%	24,493	49,790	0.00%	34,271	7,000	57	(8)	0	0
2041	70%	28,340	59,338	0.00%	41,319	7,000	41	(6)	(17,797)	(8,500)
2042	60%	23,687	51,082	0.00%	30,557	7,000	51	(8)	0	0
2043	61%	27,533	61,159	0.00%	37,600	7,000	27	(4)	(23,324)	(10,500)
2044	45%	20,880	47,772	0.00%	21,299	7,000	37	(6)	0	0
2045	49%	24,727	58,270	0.00%	28,331	7,000	48	(7)	0	0
Total						210,000	1,707	(256)	(196,639)	(124,800)
Average					40,983	7,000	57	(9)	(6,555)	(4,160)
Maximum			93,506		81,517		117	(18)	(61,315)	(32,000)
Minimum			18,174		14,017		16	(2)	0	0

0.15% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2016 Contributions
 3.47 Monthly Per Unit
 41.67 Annually Per Unit
 583.33 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:

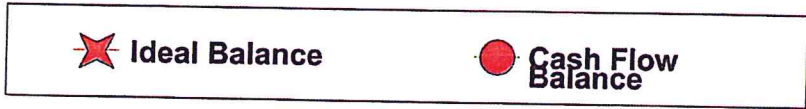
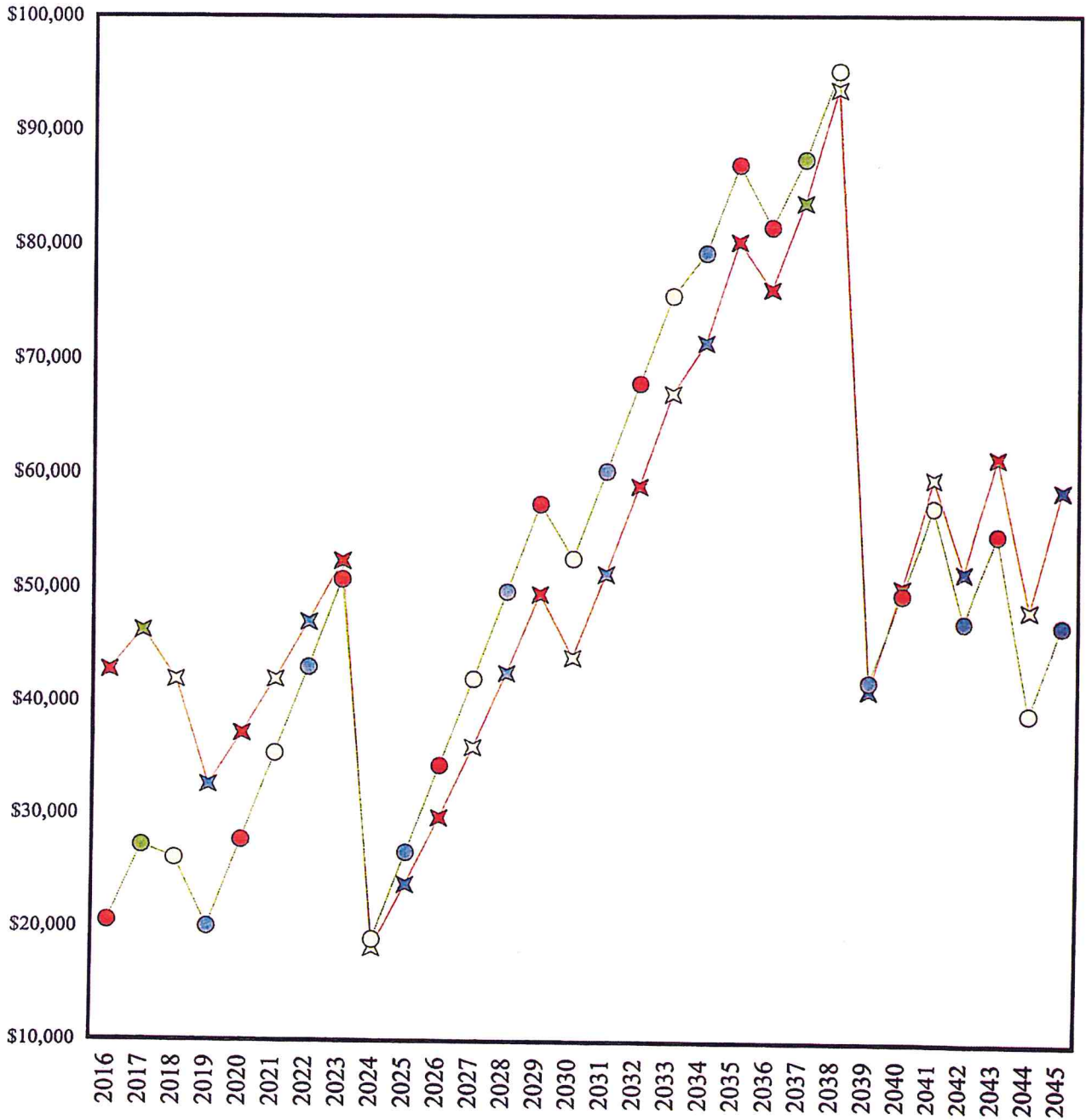
$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

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



Starting Balance Funds Distribution (Cash Flow)

October 21, 2015

Sorted by Group

Waldenwood West HOA

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2016</u>
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>
<u>40 - Fencing</u>						
Fencing -Heavy Timer, Split Rail & Stone Posts	60	38	2053	0	0	0
SubTotal	<i>1 items</i>		0	0	0	0
<u>50 - Lights</u>						
Site Lighting at Community Signs	20	20	2035	7,500	375	0
SubTotal	<i>1 items</i>		7,500	375	0	478
<u>100 - Grounds</u>						
Walkway Paths Restoration	12	2	2017	8,500	7,792	7,792
Park Benches - Replacement	20	1	2016	1,000	1,000	1,000
Irrigation Systems - Restoration	15	8	2023	12,000	6,400	0
Play Ground Equipment - Replacement	25	3	2018	10,500	9,660	9,560
Entrance Signs - Restoration	15	3	2018	2,400	2,208	2,208
Bio-swail / Clean-up (Special Assessment)	23	1	2016	0	0	0
Landscape Overhaul - Common Areas	15	8	2023	20,000	15,333	0
SubTotal	<i>7 items</i>		54,400	42,393	20,560	7,134
Total	<i>9 items</i>		61,900	42,768	20,560	7,612

0.15% Investment Rate

15.00% Tax Rate

3.00% Inflation Rate

Ideally Funded - 48%

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

AICPA Report

October 21, 2015

Waldenwood West HOA

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY16 Funding Requirement</u>	<u>Components of Fund Balance End of FY15</u>
Fencing	37 to 37	0	0	0
Lights	19 to 19	7,500	478	0
Grounds	0 to 7	54,400	7,134	20,560
Total	<i>9 items</i>	61,900	7,612	20,560

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

AICPA Report

October 21, 2015

Waldenwood West HOA

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY16 Funding Requirement</u>	<u>Components of Fund Balance End of FY15</u>
<u>40 - Fencing</u>				
Fencing -Heavy Timer, Split Rail & Stone Posts	37	0	0	0
SubTotal <i>1 items</i>	37 to 37	0	0	0
<u>50 - Lights</u>				
Site Lighting at Community Signs	19	7,500	478	0
SubTotal <i>1 items</i>	19 to 19	7,500	478	0
<u>100 - Grounds</u>				
Bio-swail / Clean-up (Special Assessment)	0	0	0	0
Entrance Signs - Restoration	2	2,400	116	2,208
Irrigation Systems - Restoration	7	12,000	2,074	0
Landscape Overhaul - Common Areas	7	20,000	3,457	0
Park Benches - Replacement	0	1,000	61	1,000
Play Ground Equipment - Replacement	2	10,500	569	9,560
Walkway Paths Restoration	1	8,500	857	7,792
SubTotal <i>7 items</i>	0 to 7	54,400	7,134	20,560
Total <i>9 items</i>		61,900	7,612	20,560

COMPONENT INVENTORY WORKSHEET

DISCLOSURES

RESERVE STUDY TERMS

WALKWAY PATHS RESTORATION



**** Useful Life Range 8, 10, 12**

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.

Group 100-Grounds

Number of Items- Allowance

Cost Per Item- \$8,500

Year Built—2005

Life Expectancy—12 years

PARK BENCHES - REPLACEMENT



**** Useful Life Range 12, 15, 18, 20**

2- 6' wood benches, galvanized steel frame.

Group 100-Grounds

Number of Items— 2

Cost Per Item— \$500

Year Built—1993

Life Expectancy—20 years

Life Adjustment— 3 years

FENCING -HEAVY TIMER, SPLIT RAIL & STONE POSTS



**** 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.

Maintenance should be funded through annual landscape maintenance operating budget. Full replacement currently falls outside of the study period. Listed for informational purposes as a common element that may require reserve funding in the future.

Group 40-Fencing

Number of Items— Total

Cost Per Item— \$

Year Built—1993

Life Expectancy—60 years

IRRIGATION SYSTEMS RESTORATION



** 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.

Group 100-Grounds

Number of Items— Total

Cost Per Item— \$12,000

Year Built—2008

Life Expectancy—15 years

SITE LIGHTING AT COMMUNITY SIGNS



**** Useful Life Range 10, 15, 18, 20**

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

Group 50-Lights

Number of Items— Allowance

Cost Per Item— \$7,500

Year Built—1993

Life Expectancy—20 years

Life adjustment— 5 years

PLAY GROUND EQUIPMENT REPLACEMENT



**** 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

Group 100-Grounds

Number of Items— 2

Cost Per Item— \$5,250

Year Built—1993

Life Expectancy—25 years

ENTRANCE SIGNS - RESTORATION



**** Useful Life Range 8, 10, 12, 15**

Stonegate and Wyngate community entrance signs restoration.

Cost to clean, grout restoration, and clear seal

Group 100-Grounds

Number of Items- Total

Cost Per Item- \$2,400

Year Built-1993

Life Expectancy-15 years

Life Adjustment- 10 years

BIO-SWAIL / CLEAN-UP (SPECIAL ASSESSMENT)



The bio areas are in need of a one-time major clean-up. This expenditure will need to be funded through special assessment.

Group 100-Grounds

Number of Items— Allowance

Cost Per Item— \$

Year Built—1993

Life Expectancy—23 years

LANDSCAPE OVERHAUL COMMON AREAS



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.

Group 100-Grounds

Number of Items— Allowance

Cost Per Item— \$20,000

Year Built—1993

Life Expectancy—15 years

Life Adjustment— 15 years

Worksheet

October 21, 2015

Sorted by Group

Waldenwood West HOA

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

Fencing -Heavy Timer, Split Rail & Stone Posts	40	0	1 Total	0.000	100	0	1993	60	0	2053	38	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.

Maintenance should be funded through annual landscape maintenance operating budget. Full replacement currently falls outside of the study period. Listed for informational purposes as a common element that may require reserve funding in the future.

Sub-Total 1 items

50 - Lights

Site Lighting at Community Signs	50	0	1 Allowance	7,500.000	100	7,500	2015	20	0	2035	20	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	8,500.000	100	8,500	2005	12	0	2017	2	no
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Comments: ** Useful Life Range 8, 10, 12

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.

Worksheet

October 21, 2015

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 Replaces</u>	<u>One Left Time?</u>		

Park Benches - Replacement	100	0	2	Each	500,000	100	1,000	1993	20	3	2016	1	no
Comments: ** Useful Life Range 12, 15, 18, 20													
2- 6' wood benches, galvanized steel frame.													

Irrigation Systems - Restoration	100	0	1	Total	12,000,000	100	12,000	2008	15	0	2023	8	no
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	5,250,000	100	10,500	1993	25	0	2018	3	no
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	2,400,000	100	2,400	1993	15	10	2018	3	no
Comments: ** Useful Life Range 8, 10, 12, 15													
Stonegate and Wyngate community entrance signs restoration.													
Cost to clean, grout restoration, and clear seal													

Bio-swail / Clean-up (Special Assessment)	100	0	1	Allowance	0,000	100	0	1993	23	0	2016	1	YES
Comments: The bio areas are in need of a one-time major clean-up. This expenditure will need to be funded through													

Worksheet

October 21, 2015

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 Item Cost</u>	<u>Year Built</u>	<u>Useful Life</u>	<u>Year</u>	<u>Life Left</u>	<u>One Time?</u>	
special assessment.												
Landscape Overhaul - Common Areas	100	0	1 Allowance	20,000.000	100	20,000	1993	15	15	2023	8	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.												
Sub-Total												
Total												

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 you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component. RCW 64.38.070(3).

Every reasonable effort has been made to insure 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 that 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 described under RCW 64.38.065.
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 64.38.065, in which the reserve account balance equals the sum of 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> $\text{Ideal Balance} = (\text{Current Age/Useful Life}) \times \text{Current Cost}$ <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 current cost of replacing, repairing, or restoring 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 common element whose cost of 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 64.34.380 and 64.34.382.
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.