

January 19, 2012

Capistrano Bay Community Services District
C/O Mr. Don Russell
3500 Beach Road
Capistrano Beach, CA 92624

Members of the Board,

Enclosed you will find the **REVISED VERSION** of the Reserve Study Report for your Association. It is provided for your review and approval in keeping with our dedication to thoroughness and accuracy. The analysis reflects our best efforts to identify and appropriately address all items that could be categorized as a reserve component for which your Association is responsible to maintain. It should be noted however, that the inclusion or omission of certain components may be subject to the interpretation of governing documents, decisions by the Board of Directors, or legal opinion.

To facilitate the cycle of review and the annual budgeting process the Revised Version of the Study is presented in the form of our "Executive Package". This is a condensed version of the analysis which is designed to focus your attention on key schedules and critical indices. It is our intention to provide a dependable document that you can comfortably rely on when making crucial financial decisions. Please review the report carefully.

If the analysis is acceptable in its current configuration simply indicate so with your signature on the enclosed "Final Authorization Form" and return it to us. In the event any changes are required please note them on the Executive Summary or provide them under separate cover and we will make the necessary modifications and generate a revised Study. Once the "Final Authorization Form" has been received the complete Reserve Study Report will issue.

When the annual budget has been finalized, the Reserve Study portion of the publishing requirement is satisfied by *combining* the *Executive Summary* and the proposed *Assessment And Reserve Funding Disclosure Form*. The Disclosure Form is generated by following the simple instructions on the "Disclosure" Tab of the Excel Workbook which has been provided under separate cover.

We would like to take this opportunity to thank you for your time, efforts and involvement in this process. It was a pleasure working with you and we look forward to serving you in the future. As always, should questions arise or if we can be of any further assistance please don't hesitate to call.

Capistrano Bay
Community Services District

RESERVE ANALYSIS

JUNE 30, 2011

REVISION 1

PREPARED BY

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January 19, 2012

Capistrano Bay Community Services District
C/O Mr. Don Russell
3500 Beach Road
Capistrano Beach, CA 92624

Members of the Board,

The following report represents the completed Reserve Study for the the Capistrano Bay Community Services District as of June 30, 2011. The analysis was prepared subsequent to review of the appropriate documents and applicable financial information. Per your direction, an on-site inspection of the reserve components contained in your community was conducted. In addition we have relied on information provided by the Association, its agents and representatives.

Financial parameters incorporated into the Reserve Study are as follows: An inflation factor of 3.0% is applied for cost calculations. Earned interest is applied to the reserve fund with an investment yield estimated at 1.0% net of taxes. Projected annual reserve contributions are increased by a factor of 3.0% for the current reserve method, 0.0% for the straight line method, 0.0% for the present level of funding and 3.0% for the proposed level of funding.

As it presently stands, our analysis yields the following results;

The CURRENT RESERVE METHOD indicates a total monthly contribution to reserves of \$8,115 or \$43.61 per unit will be required to meet the future anticipated needs of your Association. This method is predicated on Current Replacement Costs and necessitates an annual review and adjustment for actual inflation.

The STRAIGHT LINE METHOD of funding indicates a total monthly contribution to reserves of \$9,868 or \$53.05 per unit will be required. This method of funding is predicated on Future Replacement Costs which incorporate a factor for inflation. Theoretically, the required funding will remain level to the year of component replacement.

Available reserves are projected to be \$470,180 as of June 30, 2011, which is 92% of your Ideal Reserve Balance of \$510,727. This indicates an Ideal Reserve Deficiency of \$40,547 or \$217.99 per unit.

Based on the results of our analysis, we recommend that you fund reserves at the level indicated by the Current Reserve Method for the upcoming year with anticipated future adjustments for actual inflation.

Frequently Asked Questions

Which components should be included in the Reserve Study?

There is a nationally standardized test to determine when an asset should be identified as a reserve component. To qualify, the component must be a common area maintenance responsibility for the Association, of material value, with a limited and predictable useful life. It should be noted however, that the inclusion or omission of certain components may be subject to the interpretation of governing documents, decisions by the Board of Directors, or legal opinion.

How are the replacement costs determined?

Strictly defined, the replacement cost is the estimated expense of repairing, replacing or refurbishing a reserve component at current year prices. From a practical standpoint, they are determined through a hierarchy of sources. First, and most accurate, are client records of recently completed projects, closely followed by current bids for work planned in the near future. Next is our in house database and finally national industry cost estimating guidebooks are consulted.

Replacement costs are highly sensitive to many variables including selection of materials and contractors, timing of work to be performed, accessibility issues, geographical and weather impacts, availability of labor, and economies of scale. Since variations in any of these factors can cause dramatic fluctuations in actual costs, the projected replacement costs are intended to provide a reasonable estimation for budgeting purposes. As the reserve components near the end of their useful lives and more specific information becomes available, replacement costs are adjusted to reflect additional data as well as decisions made by the Board Of Directors and/or management team.

How do you arrive at the projected reserve balances?

Ideally, your Reserve Study should coincide with your financial year-end. Since this requires advance preparation it becomes necessary to project the ending balance of available reserves. This is achieved by a simple accounting roll-forward, beginning with the reserves currently available, adding anticipated contributions and subtracting planned utilization to arrive at a projected year-end reserve balance (please refer to the schedule identified as “Projected Available Reserves”).

Once the Projected Available Reserve is established in aggregate form we must distribute them among the various components. This is accomplished formulaically within our software and is common among all reserve study providers. **Since our goal is the calculation of the optimum funding requirement this distribution may not coincide with your Balance Sheet or other financial statements on a line-by-line basis. This is typically corrected by a simple accounting entry at the end of the fiscal year.** It is also important to note that a “line item” mentality should be avoided. A needed repair or replacement project **should not** be postponed due to lack of available reserves **for that particular component**. Your accumulated cash reserves are a pool of resources, which are available at any time for any reserve component.

How is the monthly funding requirement calculated?

The calculation is performed by subtracting the available reserves from the current replacement cost and dividing the result by the remaining life of the component. A one-year remaining life indicates replacement within the next twelve months. A zero remaining life is never used. An underfunded reserve would trigger a calculated contribution which is higher than normal in order to improve financial strength over time. Conversely, an over funded condition would result in a suppressed funding requirement to absorb any excess over future years. As equilibrium is achieved contributions will return to normal levels.

It should be noted that these funding requirements reflect our recommendation as your consultant. Currently, there are no legal requirements that mandate the Association fund its reserves at any specific amount or maintain its reserves at any specific level. However, a Board must act in a manner it believes to be in the best interests of the Association, and with such care as an ordinarily prudent person would use under similar circumstances (the “business judgment rule”). **The Boards decisions should be made in compliance with such standards, and acted upon in accordance with their fiduciary responsibilities to the Association and its members.**

What is the Ideal Reserve?

One of the fundamental goals of reserve funding is to evenly replace physical assets with financial assets over the course of the anticipated life cycles of the components. The concept of an “Ideal Reserve” provides a benchmark to that end. Basically, the calculation is a simple straight-line depreciation model. The ideal reserve for each component is calculated by dividing the current replacement cost by the anticipated useful life and multiplying the result by the consumed life. If a component currently valued at \$10,000 has a useful life of ten years we can estimate the annual wear, or the annual provision for the replacement fund at \$1,000. By the end of year five, assuming no inflation, this component has accrued a liability of \$5,000. This is commonly referred to as its “Ideal Reserve”.

What does the percent funded calculation mean?

Reserve Study providers are statutorily mandated by the State of California to perform the percent funded calculation. It is simply a comparison of the total ideal reserve with the total accumulated reserve fund. Expressed as a percentage, it indicates a measure of the overall financial strength of the Association. To further the above example, if the Association had accumulated \$5,000 in the reserve account by the end of the fifth year it would be “Fully Funded” or 100% funded to its Ideal Reserve. If however the reserve balance was only \$2,500 at the end of the fifth year, the Association would be 50% Funded to its Ideal Reserve.

How high should our percent funded be?

It is generally considered optimum for an Association to be “Fully” or 100% Funded to its Ideal Reserve. When operating at or near this level, cash flow problems are rare and the Association can absorb the inevitable bumps in the road without resulting in financial chaos. However, since each client is unique with a distinctive set of challenges and requirements the following “rule of thumb” is offered for consideration. A reserve fund in the 70% - 100% range is considered good, 30% - 69% fair, and 0% - 29% poor. Again, there are no current legal requirements that mandate the Association maintain its reserves at any specific level, **however, the Boards decisions should be made in compliance with the above mentioned standards, and acted upon in accordance with their fiduciary responsibilities to the Association and its members. A poorly funded Association may face serious consequences.**

How do we satisfy the reporting requirements for the Reserve Study portion of the Annual Budget?

Once the Reserve Study and Annual Budget are finalized simply include the Executive Summary from the Reserve Study and the proposed Assessment And Reserve Funding Disclosure Form (provided under separate cover) in the annual budget package.

EXECUTIVE SUMMARY

RESERVE ANALYSIS

CAPISTRANO BAY CSD

JUNE 30, 2011

COMPONENT	CURRENT REPLACEMENT COST	REMAINING LIFE	USEFUL LIFE	PROJECTED RESERVES 6/30/11	MONTHLY FUNDING REQUIREMENT	IDEAL RESERVE
<u>PAVED SURFACES</u>						
Streets - Seal Coat	27,000	1	4	27,000	0.00	20,250
Streets - Asphalt Overlay	315,000	5	20	262,653	872.42	236,250
Streets - Repairs	28,000	1	8	22,053	495.58	24,500
Special Paving	25,000	4	10	13,502	239.58	15,000
Category Total	\$395,000			\$325,207	1,607.58	\$296,000
<u>FENCES & GATES</u>						
WOOD CONSTRUCTION;						
Vehicle Entry Gates	35,000	4	20	25,203	204.08	28,000
Pedestrian Gate	7,500	4	20	5,401	43.75	6,000
CHAIN LINK;						
6' Perimeter Fence	22,500	4	20	16,202	131.17	18,000
GATE OPERATORS;						
Swing Type	13,500	4	8	6,076	154.67	6,750
Drop Gates	3,250	4	10	1,755	31.17	1,950
Category Total	\$81,750			\$54,637	564.84	\$60,700
<u>PAINT</u>						
WOOD FENCES & RAILS;						
Vehicle Entry Gates	1,155	2	4	520	26.42	578
Pedestrian Gate	275	2	4	124	6.25	138
OTHER PAINTING;						
Guard House - Exterior	2,750	3	5	990	48.92	1,100
Guard House - Interior	850	1	5	612	19.83	680
Category Total	\$5,030			\$2,247	101.42	\$2,496
<u>LANDSCAPE</u>						
GENERAL LANDSCAPE;						
Landscape Reserve	15,000	5	10	6,751	137.50	7,500
Category Total	\$15,000			\$6,751	137.50	\$7,500
<u>ACCESS CONTROL</u>						
GUARDHOUSE CONTENTS;						
Interior Remodel	20,000	1	15	16,802	266.50	18,667
Category Total	\$20,000			\$16,802	266.50	\$18,667
<u>OTHER</u>						
COMMON AREA;						
Storm Drain Repairs	22,000	1	10	17,822	348.17	19,800
Storm Drain Filters	6,050	1	5	6,050	0.00	4,840
Wood Palapa Structure	2,800	4	10	1,512	26.83	1,680
Drinking Fountain	750	8	15	315	4.50	350
Gas Torch Assembly	3,000	4	10	1,620	28.75	1,800
Tiki Torches	300	2	5	162	5.75	180

EXECUTIVE SUMMARY

RESERVE ANALYSIS

CAPISTRANO BAY CSD

JUNE 30, 2011

<i>COMPONENT</i>	<i>CURRENT REPLACEMENT COST</i>	<i>REMAINING LIFE</i>	<i>USEFUL LIFE</i>	<i>PROJECTED RESERVES 6/30/11</i>	<i>MONTHLY FUNDING REQUIREMENT</i>	<i>IDEAL RESERVE</i>
Masonry Reserve	30,000	5	10	13,502	275.00	15,000
Landscape Lighting	2,700	3	10	1,701	27.75	1,890
Portable Admin Office	26,000	5	30	19,503	108.25	21,667
Portable Restroom	14,000	5	30	10,502	58.33	11,667
Contingency (5%)	46,490	1	1	(8,154)	4,553.67	46,490
Category Total	\$154,090			\$64,536	5,437.00	\$125,364

GRAND TOTALS:	\$670,870	\$470,180	\$8,114.84	\$510,727
Less Projected Available Reserves				470,180
Ideal Reserve Deficiency (Over Funding)*				\$40,547
Percent Funded To Ideal Reserve				92%
Deficiency (Over Funding) Per Unit**				\$217.99

*A positive result indicates an Ideal Reserve Deficiency while a (negative balance) reflects an Over Funded Condition.

** Assumes uniform assessment per ownership, if assessments vary by size or type of ownership interest see attached schedule.

NOTE: Monthly Funding Requirement is predicated on the Current Reserve Method of funding.

NOTE: This schedule reflects summary data only, for supporting details and/or additional information please refer to the complete Reserve Study Report

Revision 1

PERCENT FUNDED PROJECTIONS

CURRENT RESERVE METHOD	2011	2012	2013	2014	2015	2016
Projected Ideal Reserve	\$510,727	\$466,798	\$528,165	\$588,734	\$531,919	\$106,630
Projected Available Reserves	470,180	465,195	568,803	672,331	658,684	277,934
<i>Monthly Funding</i> \$8,114.84						
Ideal Reserve Deficiency (Over Funding)*	\$40,547	\$1,603	(\$40,638)	(\$83,597)	(\$126,765)	(\$171,304)
Percent Funded To Ideal	92%	100%	108%	114%	124%	261%

* A positive result indicates an Ideal Reserve Deficiency while a (negative balance) reflects an Over Funded Condition.

STRAIGHT LINE METHOD	2011	2012	2013	2014	2015	2016
Projected Ideal Reserve	\$510,727	\$466,798	\$528,165	\$588,734	\$531,919	\$106,630
Projected Available Reserves	470,180	486,333	608,355	727,456	726,424	355,207
<i>Monthly Funding</i> \$9,867.58						
Ideal Reserve Deficiency (Over Funding)*	\$40,547	(\$19,535)	(\$80,189)	(\$138,722)	(\$194,505)	(\$248,577)
Percent Funded To Ideal	92%	104%	115%	124%	137%	333%

* A positive result indicates an Ideal Reserve Deficiency while a (negative balance) reflects an Over Funded Condition.

PRESENT LEVEL OF FUNDING	2011	2012	2013	2014	2015	2016
Projected Ideal Reserve	\$510,727	\$466,798	\$528,165	\$588,734	\$531,919	\$106,630
Projected Available Reserves	470,180	508,971	653,858	796,053	818,346	470,686
<i>Monthly Funding</i> \$11,744.75						
Ideal Reserve Deficiency (Over Funding)*	\$40,547	(\$42,174)	(\$125,693)	(\$207,320)	(\$286,427)	(\$364,057)
Percent Funded To Ideal	92%	109%	124%	135%	154%	441%

* A positive result indicates an Ideal Reserve Deficiency while a (negative balance) reflects an Over Funded Condition.

PROPOSED LEVEL OF FUNDING	2011	2012	2013	2014	2015	2016
Projected Ideal Reserve	\$510,727	\$466,798	\$528,165	\$588,734	\$531,919	\$106,630
Projected Available Reserves	470,180	465,195	568,803	672,331	658,684	277,934
<i>Monthly Funding</i> \$8,114.84						
Ideal Reserve Deficiency (Over Funding)*	\$40,547	\$1,603	(\$40,638)	(\$83,597)	(\$126,765)	(\$171,304)
Percent Funded To Ideal	92%	100%	108%	114%	124%	261%

* A positive result indicates an Ideal Reserve Deficiency while a (negative balance) reflects an Over Funded Condition.

PROJECTED AVAILABLE RESERVES

CURRENT BALANCE OF AVAILABLE RESERVES:

** Available Reserves 6/30/11* **\$470,180**

** Typically acquired from submitted Balance Sheet (Cash Section Of Current Assets)*

ADD: PLANNED ADDITIONS TO RESERVES:

Budgeted Monthly Additions - *0 Months* *\$0*

Total Additions: **0**

LESS: ANTICIPATED UTILIZATION OF RESERVES:

\$0

Total Utilization: **0**

TOTAL CASH RESERVES AVAILABLE 6/30/11 **\$470,180**

30 YEAR CASH FLOW SUMMARY

PROJECTED RESERVE BALANCES

<u>CURRENT RESERVE METHOD</u>	<u>STRAIGHT LINE METHOD</u>	<u>YEAR</u>	<u>PRESENT FUNDING LEVEL</u>	<u>PROPOSED FUNDING LEVEL</u>
\$470,180	\$470,180	2011	\$470,180	\$470,180
465,195	486,333	2012	508,971	465,195
568,803	608,355	2013	653,858	568,803
672,331	727,456	2014	796,053	672,331
658,684	726,424	2015	818,346	658,684
277,934	355,207	2016	470,686	277,934
384,169	467,765	2017	607,039	384,169
504,496	591,075	2018	754,380	504,496
625,446	711,533	2019	899,110	625,446
683,552	765,530	2020	977,621	683,552
816,147	890,257	2021	1,127,107	816,147
915,627	977,959	2022	1,239,816	915,627
1,040,477	1,086,967	2023	1,374,082	1,040,477
1,142,521	1,168,948	2024	1,481,572	1,142,521
1,243,730	1,245,705	2025	1,584,095	1,243,730
1,333,737	1,306,706	2026	1,671,118	1,333,737
1,456,162	1,395,394	2027	1,786,088	1,456,162
1,535,909	1,436,492	2028	1,853,732	1,535,909
1,705,872	1,562,708	2029	2,006,759	1,705,872
1,889,539	1,697,338	2030	2,168,468	1,889,539
2,055,537	1,808,810	2031	2,307,290	2,055,537
2,148,337	1,841,391	2032	2,367,494	2,148,337
2,348,546	1,975,476	2033	2,529,479	2,348,546
2,547,253	2,101,937	2034	2,684,118	2,547,253
2,563,516	2,039,604	2035	2,650,246	2,563,516
1,914,828	1,305,741	2036	1,945,128	1,914,828
2,120,829	1,419,747	2037	2,088,167	2,120,829
2,352,422	1,552,278	2038	2,250,020	2,352,422
2,555,968	1,649,439	2039	2,376,798	2,555,968
2,741,490	1,720,991	2040	2,478,262	2,741,490
2,996,042	1,853,716	2041	2,641,198	2,996,042

30 YEAR CASH FLOW DETAIL

RESERVE BALANCES

Page 1 of 3

CURRENT RESERVE METHOD

3.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BEG. BALANCE	\$470,180	\$465,195	\$568,803	\$672,331	\$658,684	\$277,934	\$384,169	\$504,496	\$625,446	\$683,552
CONTRIBUTION	97,378	100,299	103,308	106,408	109,600	112,888	116,274	119,763	123,356	127,056
INTEREST	4,654	5,144	6,175	6,622	4,660	3,294	4,421	5,622	6,512	7,461
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	107,017	1,835	5,955	126,676	495,010	9,946	369	4,434	71,763	1,922
BALANCE	\$465,195	\$568,803	\$672,331	\$658,684	\$277,934	\$384,169	\$504,496	\$625,446	\$683,552	\$816,147

STRAIGHT LINE METHOD

0.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BEG. BALANCE	\$470,180	\$486,333	\$608,355	\$727,456	\$726,424	\$355,207	\$467,765	\$591,075	\$711,533	\$765,530
CONTRIBUTION	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411
INTEREST	4,759	5,446	6,646	7,233	5,381	4,094	5,268	6,481	7,349	8,238
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	107,017	1,835	5,955	126,676	495,010	9,946	369	4,434	71,763	1,922
BALANCE	\$486,333	\$608,355	\$727,456	\$726,424	\$355,207	\$467,765	\$591,075	\$711,533	\$765,530	\$890,257

PRESENT LEVEL OF FUNDING

0.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BEG. BALANCE	\$470,180	\$508,971	\$653,858	\$796,053	\$818,346	\$470,686	\$607,039	\$754,380	\$899,110	\$977,621
CONTRIBUTION	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937
INTEREST	4,871	5,785	7,213	8,032	6,413	5,362	6,773	8,226	9,337	10,471
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	107,017	1,835	5,955	126,676	495,010	9,946	369	4,434	71,763	1,922
BALANCE	\$508,971	\$653,858	\$796,053	\$818,346	\$470,686	\$607,039	\$754,380	\$899,110	\$977,621	\$1,127,107

PROPOSED LEVEL OF FUNDING

3.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BEG. BALANCE	\$470,180	\$465,195	\$568,803	\$672,331	\$658,684	\$277,934	\$384,169	\$504,496	\$625,446	\$683,552
CONTRIBUTION	97,378	100,299	103,308	106,408	109,600	112,888	116,274	119,763	123,356	127,056
INTEREST	4,654	5,144	6,175	6,622	4,660	3,294	4,421	5,622	6,512	7,461
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	107,017	1,835	5,955	126,676	495,010	9,946	369	4,434	71,763	1,922
BALANCE	\$465,195	\$568,803	\$672,331	\$658,684	\$277,934	\$384,169	\$504,496	\$625,446	\$683,552	\$816,147

30 YEAR CASH FLOW DETAIL

RESERVE BALANCES

CURRENT RESERVE METHOD

3.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR 11 2022	YEAR 12 2023	YEAR 13 2024	YEAR 14 2025	YEAR 15 2026	YEAR 16 2027	YEAR 17 2028	YEAR 18 2029	YEAR 19 2030	YEAR 20 2031
BEG. BALANCE	\$816,147	\$915,627	\$1,040,477	\$1,142,521	\$1,243,730	\$1,333,737	\$1,456,162	\$1,535,909	\$1,705,872	\$1,889,539
CONTRIBUTION	130,868	134,794	138,838	143,003	147,293	151,712	156,263	160,951	165,780	170,753
INTEREST	8,616	9,732	10,861	11,872	12,823	13,880	14,886	16,128	17,888	19,627
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	40,004	19,676	47,654	53,667	70,109	43,167	91,402	7,116	0	24,383
BALANCE	\$915,627	\$1,040,477	\$1,142,521	\$1,243,730	\$1,333,737	\$1,456,162	\$1,535,909	\$1,705,872	\$1,889,539	\$2,055,537

STRAIGHT LINE METHOD

0.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR 11 2022	YEAR 12 2023	YEAR 13 2024	YEAR 14 2025	YEAR 15 2026	YEAR 16 2027	YEAR 17 2028	YEAR 18 2029	YEAR 19 2030	YEAR 20 2031
BEG. BALANCE	\$890,257	\$977,959	\$1,086,967	\$1,168,948	\$1,245,705	\$1,306,706	\$1,395,394	\$1,436,492	\$1,562,708	\$1,697,338
CONTRIBUTION	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411
INTEREST	9,295	10,273	11,223	12,013	12,699	13,443	14,089	14,921	16,219	17,444
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	40,004	19,676	47,654	53,667	70,109	43,167	91,402	7,116	0	24,383
BALANCE	\$977,959	\$1,086,967	\$1,168,948	\$1,245,705	\$1,306,706	\$1,395,394	\$1,436,492	\$1,562,708	\$1,697,338	\$1,808,810

PRESENT LEVEL OF FUNDING

0.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR 11 2022	YEAR 12 2023	YEAR 13 2024	YEAR 14 2025	YEAR 15 2026	YEAR 16 2027	YEAR 17 2028	YEAR 18 2029	YEAR 19 2030	YEAR 20 2031
BEG. BALANCE	\$1,127,107	\$1,239,816	\$1,374,082	\$1,481,572	\$1,584,095	\$1,671,118	\$1,786,088	\$1,853,732	\$2,006,759	\$2,168,468
CONTRIBUTION	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937
INTEREST	11,776	13,004	14,207	15,252	16,195	17,200	18,109	19,206	20,772	22,267
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	40,004	19,676	47,654	53,667	70,109	43,167	91,402	7,116	0	24,383
BALANCE	\$1,239,816	\$1,374,082	\$1,481,572	\$1,584,095	\$1,671,118	\$1,786,088	\$1,853,732	\$2,006,759	\$2,168,468	\$2,307,290

PROPOSED LEVEL OF FUNDING

3.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR 11 2022	YEAR 12 2023	YEAR 13 2024	YEAR 14 2025	YEAR 15 2026	YEAR 16 2027	YEAR 17 2028	YEAR 18 2029	YEAR 19 2030	YEAR 20 2031
BEG. BALANCE	\$816,147	\$915,627	\$1,040,477	\$1,142,521	\$1,243,730	\$1,333,737	\$1,456,162	\$1,535,909	\$1,705,872	\$1,889,539
CONTRIBUTION	130,868	134,794	138,838	143,003	147,293	151,712	156,263	160,951	165,780	170,753
INTEREST	8,616	9,732	10,861	11,872	12,823	13,880	14,886	16,128	17,888	19,627
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	40,004	19,676	47,654	53,667	70,109	43,167	91,402	7,116	0	24,383
BALANCE	\$915,627	\$1,040,477	\$1,142,521	\$1,243,730	\$1,333,737	\$1,456,162	\$1,535,909	\$1,705,872	\$1,889,539	\$2,055,537

30 YEAR CASH FLOW DETAIL

RESERVE BALANCES

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CURRENT RESERVE METHOD

3.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	21	22	23	24	25	26	27	28	29	30
	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
BEG. BALANCE	\$2,055,537	\$2,148,337	\$2,348,546	\$2,547,253	\$2,563,516	\$1,914,828	\$2,120,829	\$2,352,422	\$2,555,968	\$2,741,490
CONTRIBUTION	175,875	181,152	186,586	192,184	197,949	203,888	210,005	216,305	222,794	229,478
INTEREST	20,915	22,373	24,357	25,427	22,280	20,078	22,255	24,420	26,356	28,545
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	103,990	3,315	12,236	201,348	868,918	17,964	666	37,179	63,627	3,471
BALANCE	\$2,148,337	\$2,348,546	\$2,547,253	\$2,563,516	\$1,914,828	\$2,120,829	\$2,352,422	\$2,555,968	\$2,741,490	\$2,996,042

STRAIGHT LINE METHOD

0.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	21	22	23	24	25	26	27	28	29	30
	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
BEG. BALANCE	\$1,808,810	\$1,841,391	\$1,975,476	\$2,101,937	\$2,039,604	\$1,305,741	\$1,419,747	\$1,552,278	\$1,649,439	\$1,720,991
CONTRIBUTION	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411	118,411
INTEREST	18,160	18,989	20,286	20,605	16,644	13,560	14,786	15,929	16,768	17,785
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	103,990	3,315	12,236	201,348	868,918	17,964	666	37,179	63,627	3,471
BALANCE	\$1,841,391	\$1,975,476	\$2,101,937	\$2,039,604	\$1,305,741	\$1,419,747	\$1,552,278	\$1,649,439	\$1,720,991	\$1,853,716

PRESENT LEVEL OF FUNDING

0.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	21	22	23	24	25	26	27	28	29	30
	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
BEG. BALANCE	\$2,307,290	\$2,367,494	\$2,529,479	\$2,684,118	\$2,650,246	\$1,945,128	\$2,088,167	\$2,250,020	\$2,376,798	\$2,478,262
CONTRIBUTION	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937	140,937
INTEREST	23,258	24,363	25,938	26,539	22,863	20,066	21,583	23,019	24,155	25,470
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	103,990	3,315	12,236	201,348	868,918	17,964	666	37,179	63,627	3,471
BALANCE	\$2,367,494	\$2,529,479	\$2,684,118	\$2,650,246	\$1,945,128	\$2,088,167	\$2,250,020	\$2,376,798	\$2,478,262	\$2,641,198

PROPOSED LEVEL OF FUNDING

3.0% Annual Funding Increase

3.0% Inflation

1.0% Interest Rate

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	21	22	23	24	25	26	27	28	29	30
	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
BEG. BALANCE	\$2,055,537	\$2,148,337	\$2,348,546	\$2,547,253	\$2,563,516	\$1,914,828	\$2,120,829	\$2,352,422	\$2,555,968	\$2,741,490
CONTRIBUTION	175,875	181,152	186,586	192,184	197,949	203,888	210,005	216,305	222,794	229,478
INTEREST	20,915	22,373	24,357	25,427	22,280	20,078	22,255	24,420	26,356	28,545
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	103,990	3,315	12,236	201,348	868,918	17,964	666	37,179	63,627	3,471
BALANCE	\$2,148,337	\$2,348,546	\$2,547,253	\$2,563,516	\$1,914,828	\$2,120,829	\$2,352,422	\$2,555,968	\$2,741,490	\$2,996,042

FORESIGHT FINANCIAL SERVICES, INC.

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RESERVE STUDY FINAL AUTHORIZATION

The Board of Directors of the Capistrano Bay Community Services District has reviewed the Reserve Study Report prepared January 19, 2012, and presented as the June 30, 2011 Revision 1 edition. We find the analysis acceptable in its current configuration. We have adopted this presentation of the Reserve Study Report as the final edition and authorize its distribution.

SIGNATURE

DATE

TITLE

Capistrano Bay Community Services District

Revision 1
3500 Beach Road
Mr. Don Russell