FORESIGHT
FINANCIAL SERVICES, INC.

TEL (800) 555-8075
FAX (800) 771-0765

25108 MARGUERITE PARKWAY *SUITE A-266* *MISSION VIEJO, CA 92692*

February 3, 2014

Capistrano Bay CSD
C/O Mr. Don Russell
3500 Beach Road
Capistrano Beach

Members of the Board,

Enclosed you will find the **DRAFT VERSION** (Revision 0) 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 Draft 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
CSD

RESERVE ANALYSIS

JUNE 30, 2014

REVISION 0

PREPARED BY

FORESIGHT FINANCIAL SERVICES, INC.
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foresightfinancialservices.com

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February 3, 2014

Capistrano Bay CSD
C/O Mr. Don Russell
3500 Beach Road
Capistrano Beach

Members of the Board,

The following report represents the completed Reserve Study for the the Capistrano Bay CSD as of June 30, 2014. 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 $5,915 or $31.80 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 $7,770 or $41.76 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 $482,500 as of June 30, 2014, which is 96% of your Ideal Reserve Balance of $503,873. This indicates an Ideal Reserve Deficiency of $21,373 or $114.91 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.

FORESIGHT FINANCIAL SERVICES

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 which is longer than one year. 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 in the hierarchy is our in house database which is geographically sensitive, 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 in conjunction with decisions made by the Board Of Directors and/or management team the replacement costs are adjusted accordingly.

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. We begin with the reserves currently available (typically supported by a recent Balance Sheet), add anticipated contributions and subtract planned utilization of funds 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's the difference between the Current Reserve Method and the Straight Line Method?

The Current Reserve Method is predicated on Current Replacement Costs and necessitates an annual review and adjustment for actual inflation. It is generally more appropriate when Reserve Studies are being conducted on a regular basis with shorter time intervals. The Straight Line Method is based on Future Replacement Costs, which include a factor for inflation. Theoretically the required funding will remain level until the year of replacement. It is typically more appropriate when Reserve Studies are <u>not</u> being conducted on a regular basis and have much longer time intervals between reviews.

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. For example, 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 and how high should it be?

Reserve Study providers are statutorily mandated by the State of California to perform the percent funded calculation. It is simply a comparison between the total ideal reserve and 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.

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 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, 2014***

COMPONENT	*CURRENT REPLACEMENT COST*	*REMAINING LIFE*	*USEFUL LIFE*	*PROJECTED RESERVES 6/30/14*	*MONTHLY FUNDING REQUIREMENT*	*IDEAL RESERVE*
PAVED SURFACES						
Streets - Seal Coat	**27,000**	**3**	**4**	**6,464**	**570.42**	**6,750**
Streets - Asphalt Overlay	**315,000**	**3**	**20**	**256,393**	**1,628.00**	**267,750**
Streets - Repairs	**28,000**	**3**	**8**	**16,758**	**312.25**	**17,500**
Special Paving	**25,000**	**2**	**10**	**19,152**	**243.67**	**20,000**
Category Total	**$395,000**			**$298,766**	**2,754.34**	**$312,000**
FENCES & GATES						
WOOD CONSTRUCTION;						
Vehicle Entry Gates	**37,000**	**3**	**20**	**30,116**	**191.25**	**31,450**
Pedestrian Gate	**7,500**	**3**	**20**	**6,105**	**38.75**	**6,375**
CHAIN LINK;						
6' Perimeter Fence	**27,900**	**3**	**20**	**22,709**	**144.17**	**23,715**
GATE OPERATORS;						
Swing Type	**14,300**	**2**	**8**	**10,270**	**167.92**	**10,725**
Drop Gates	**3,250**	**2**	**10**	**2,490**	**31.67**	**2,600**
Category Total	**$89,950**			**$71,689**	**573.76**	**$74,865**
PAINT						
WOOD FENCES & RAILS;						
Vehicle Entry Gates	**1,155**	**2**	**4**	**553**	**25.08**	**578**
Pedestrian Gate	**275**	**2**	**4**	**132**	**5.92**	**138**
OTHER PAINTING;						
Guard House - Exterior	**2,750**	**2**	**5**	**1,580**	**48.75**	**1,650**
Guard House - Interior	**850**	**4**	**5**	**163**	**14.33**	**170**
Category Total	**$5,030**			**$2,428**	**94.08**	**$2,536**
LANDSCAPE						
GENERAL LANDSCAPE;						
Landscape Reserve	**15,000**	**2**	**10**	**11,491**	**146.25**	**12,000**
Category Total	**$15,000**			**$11,491**	**146.25**	**$12,000**
ACCESS CONTROL						
GUARDHOUSE CONTENTS;						
Interior Remodel	**20,000**	**14**	**15**	**16,776**	**19.17**	**1,333**
Category Total	**$20,000**			**$16,776**	**19.17**	**$1,333**
OTHER						
COMMON AREA;						
Storm Drain Repairs	**22,000**	**9**	**10**	**2,107**	**184.17**	**2,200**
Storm Drain Filters	**6,050**	**1**	**5**	**4,635**	**117.92**	**4,840**
Wood Palapa Structure	**2,800**	**2**	**10**	**2,145**	**27.33**	**2,240**
Drinking Fountain	**750**	**5**	**15**	**479**	**4.50**	**500**
Gas Torch Assembly	**3,000**	**2**	**10**	**2,298**	**29.25**	**2,400**
Tiki Torches	**300**	**2**	**5**	**172**	**5.33**	**180**

EXECUTIVE SUMMARY

RESERVE ANALYSIS

CAPISTRANO BAY CSD ***JUNE 30, 2014***

COMPONENT	*CURRENT REPLACEMENT COST*	*REMAINING LIFE*	*USEFUL LIFE*	*PROJECTED RESERVES 6/30/14*	*MONTHLY FUNDING REQUIREMENT*	*IDEAL RESERVE*
Masonry Reserve	**30,000**	**2**	**10**	**22,982**	**292.42**	**24,000**
Landscape Lighting	**2,700**	**2**	**10**	**2,068**	**26.33**	**2,160**
Portable Admin Office	**40,000**	**30**	**30**	**0**	**111.08**	**0**
Portable Restroom	**14,000**	**2**	**30**	**12,513**	**62.00**	**13,067**
Contingency (5%)	**49,552**	**1**	**1**	**31,950**	**1,466.83**	**49,552**
Category Total	**$171,152**			**$81,349**	**2,327.16**	**$101,139**

GRAND TOTALS:	**$696,132**	**$482,500**	**$5,914.76**	**$503,873**
Less Projected Available Reserves				**482,500**
Ideal Reserve Deficiency (Over Funding)*				**$21,373**
Percent Funded To Ideal Reserve				**96%**
Deficiency (Over Funding) Per Unit				**$114.91**

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

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 0

PERCENT FUNDED PROJECTIONS

CURRENT RESERVE METHOD	2014	2015	2016	2017	2018	2019
Projected Ideal Reserve	$503,873	$561,490	$507,025	$90,513	$145,524	$203,866
Projected Available Reserves	482,500	552,394	509,278	104,207	182,234	263,467
Monthly Funding **$5,914.76**						
Ideal Reserve Deficiency (Over Funding)*	**$21,373**	**$9,095**	**($2,253)**	**($13,694)**	**($36,710)**	**($59,601)**
Percent Funded To Ideal	**96%**	**98%**	**100%**	**115%**	**125%**	**129%**

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

STRAIGHT LINE METHOD	2014	2015	2016	2017	2018	2019
Projected Ideal Reserve	$503,873	$561,490	$507,025	$90,513	$145,524	$203,866
Projected Available Reserves	482,500	574,769	552,110	165,498	259,898	355,329
Monthly Funding **$7,770.00**						
Ideal Reserve Deficiency (Over Funding)*	**$21,373**	**($13,279)**	**($45,085)**	**($74,985)**	**($114,373)**	**($151,463)**
Percent Funded To Ideal	**96%**	**102%**	**109%**	**183%**	**179%**	**174%**

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

PRESENT LEVEL OF FUNDING	2014	2015	2016	2017	2018	2019
Projected Ideal Reserve	$503,873	$561,490	$507,025	$90,513	$145,524	$203,866
Projected Available Reserves	482,500	552,216	506,780	97,162	168,327	240,290
Monthly Funding **$5,900.00**						
Ideal Reserve Deficiency (Over Funding)*	**$21,373**	**$9,273**	**$245**	**($6,650)**	**($22,802)**	**($36,424)**
Percent Funded To Ideal	**96%**	**98%**	**100%**	**107%**	**116%**	**118%**

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

PROPOSED LEVEL OF FUNDING	2014	2015	2016	2017	2018	2019
Projected Ideal Reserve	$503,873	$561,490	$507,025	$90,513	$145,524	$203,866
Projected Available Reserves	482,500	552,394	509,278	104,207	182,234	263,467
Monthly Funding **$5,914.76**						
Ideal Reserve Deficiency (Over Funding)*	**$21,373**	**$9,095**	**($2,253)**	**($13,694)**	**($36,710)**	**($59,601)**
Percent Funded To Ideal	**96%**	**98%**	**100%**	**115%**	**125%**	**129%**

* 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 1/31/14*	**$463,000**

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

ADD: PLANNED ADDITIONS TO RESERVES:

Budgeted Monthly Additions -	5 *Months*	$29,500
Interest		15,000
Excess Operating		15,000
Total Additions:		**59,500**

LESS: ANTICIPATED UTILIZATION OF RESERVES:

Admin Office		$40,000
Total Utilization:		**40,000**

TOTAL CASH RESERVES AVAILABLE 6/30/14 **$482,500**

30 YEAR CASH FLOW SUMMARY

PROJECTED RESERVE BALANCES

CURRENT RESERVE METHOD	*STRAIGHT LINE METHOD*	*YEAR*	*PRESENT FUNDING LEVEL*	*PROPOSED FUNDING LEVEL*
$482,500	$482,500	**2014**	$482,500	$482,500
552,394	574,769	**2015**	552,216	552,394
509,278	552,110	**2016**	506,780	509,278
104,207	165,498	**2017**	97,162	104,207
182,234	259,898	**2018**	168,327	182,234
263,467	355,329	**2019**	240,290	263,467
339,819	443,612	**2020**	304,871	339,819
391,248	504,612	**2021**	341,931	391,248
482,890	603,364	**2022**	416,504	482,890
548,117	673,141	**2023**	461,860	548,117
625,424	752,333	**2024**	516,387	625,424
642,613	768,633	**2025**	507,775	642,613
626,270	748,516	**2026**	462,498	626,270
734,235	849,708	**2027**	538,277	734,235
812,461	918,042	**2028**	580,945	812,461
886,206	978,653	**2029**	615,633	886,206
996,444	1,072,389	**2030**	683,186	996,444
1,115,809	1,171,752	**2031**	756,105	1,115,809
1,217,955	1,250,263	**2032**	807,907	1,217,955
1,214,379	1,219,279	**2033**	749,947	1,214,379
1,350,242	1,323,816	**2034**	827,239	1,350,242
1,481,267	1,419,450	**2035**	895,355	1,481,267
1,462,726	1,361,299	**2036**	809,411	1,462,726
792,089	646,674	**2037**	66,715	792,089
939,053	745,111	**2038**	136,800	939,053
1,093,447	846,268	**2039**	209,322	1,093,447
1,206,529	901,232	**2040**	235,364	1,206,529
1,242,838	874,359	**2041**	179,281	1,242,838
1,413,715	976,809	**2042**	252,227	1,413,715
1,489,570	978,800	**2043**	224,420	1,489,570
1,571,500	981,230	**2044**	196,754	1,571,500

30 YEAR CASH FLOW DETAIL

RESERVE BALANCES

CURRENT RESERVE METHOD

3.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 1 2015	YEAR 2 2016	YEAR 3 2017	YEAR 4 2018	YEAR 5 2019	YEAR 6 2020	YEAR 7 2021	YEAR 8 2022	YEAR 9 2023	YEAR 10 2024
BEG. BALANCE	$482,500	$552,394	$509,278	$104,207	$182,234	$263,467	$339,819	$391,248	$482,890	$548,117
CONTRIBUTION	70,977	73,106	75,299	77,558	79,885	82,282	84,750	87,293	89,912	92,609
INTEREST	5,149	5,282	3,052	1,425	2,217	3,001	3,637	4,349	5,129	5,839
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	6,232	121,505	483,422	957	869	8,932	36,958	0	29,814	21,140
BALANCE	**$552,394**	**$509,278**	**$104,207**	**$182,234**	**$263,467**	**$339,819**	**$391,248**	**$482,890**	**$548,117**	**$625,424**

STRAIGHT LINE METHOD

0.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 1 2015	YEAR 2 2016	YEAR 3 2017	YEAR 4 2018	YEAR 5 2019	YEAR 6 2020	YEAR 7 2021	YEAR 8 2022	YEAR 9 2023	YEAR 10 2024
BEG. BALANCE	$482,500	$574,769	$552,110	$165,498	$259,898	$355,329	$443,612	$504,612	$603,364	$673,141
CONTRIBUTION	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240
INTEREST	5,260	5,606	3,570	2,116	3,061	3,975	4,718	5,512	6,351	7,092
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	6,232	121,505	483,422	957	869	8,932	36,958	0	29,814	21,140
BALANCE	**$574,769**	**$552,110**	**$165,498**	**$259,898**	**$355,329**	**$443,612**	**$504,612**	**$603,364**	**$673,141**	**$752,333**

PRESENT LEVEL OF FUNDING

0.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 1 2015	YEAR 2 2016	YEAR 3 2017	YEAR 4 2018	YEAR 5 2019	YEAR 6 2020	YEAR 7 2021	YEAR 8 2022	YEAR 9 2023	YEAR 10 2024
BEG. BALANCE	$482,500	$552,216	$506,780	$97,162	$168,327	$240,290	$304,871	$341,931	$416,504	$461,860
CONTRIBUTION	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800
INTEREST	5,148	5,269	3,005	1,321	2,033	2,712	3,218	3,773	4,370	4,867
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	6,232	121,505	483,422	957	869	8,932	36,958	0	29,814	21,140
BALANCE	**$552,216**	**$506,780**	**$97,162**	**$168,327**	**$240,290**	**$304,871**	**$341,931**	**$416,504**	**$461,860**	**$516,387**

PROPOSED LEVEL OF FUNDING

3.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 1 2015	YEAR 2 2016	YEAR 3 2017	YEAR 4 2018	YEAR 5 2019	YEAR 6 2020	YEAR 7 2021	YEAR 8 2022	YEAR 9 2023	YEAR 10 2024
BEG. BALANCE	$482,500	$552,394	$509,278	$104,207	$182,234	$263,467	$339,819	$391,248	$482,890	$548,117
CONTRIBUTION	70,977	73,106	75,299	77,558	79,885	82,282	84,750	87,293	89,912	92,609
INTEREST	5,149	5,282	3,052	1,425	2,217	3,001	3,637	4,349	5,129	5,839
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	6,232	121,505	483,422	957	869	8,932	36,958	0	29,814	21,140
BALANCE	**$552,394**	**$509,278**	**$104,207**	**$182,234**	**$263,467**	**$339,819**	**$391,248**	**$482,890**	**$548,117**	**$625,424**

30 YEAR CASH FLOW DETAIL

RESERVE BALANCES

CURRENT RESERVE METHOD

3.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 11 2025	YEAR 12 2026	YEAR 13 2027	YEAR 14 2028	YEAR 15 2029	YEAR 16 2030	YEAR 17 2031	YEAR 18 2032	YEAR 19 2033	YEAR 20 2034
BEG. BALANCE	$625,424	$642,613	$626,270	$734,235	$812,461	$886,206	$996,444	$1,115,809	$1,217,955	$1,214,379
CONTRIBUTION	95,387	98,249	101,196	104,232	107,359	110,580	113,897	117,314	120,834	124,459
INTEREST	6,309	6,313	6,769	7,695	8,451	9,366	10,509	11,611	12,101	12,759
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	84,507	120,905	0	33,700	42,065	9,708	5,041	26,779	136,510	1,355
BALANCE	**$642,613**	**$626,270**	**$734,235**	**$812,461**	**$886,206**	**$996,444**	**$1,115,809**	**$1,217,955**	**$1,214,379**	**$1,350,242**

STRAIGHT LINE METHOD

0.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 11 2025	YEAR 12 2026	YEAR 13 2027	YEAR 14 2028	YEAR 15 2029	YEAR 16 2030	YEAR 17 2031	YEAR 18 2032	YEAR 19 2033	YEAR 20 2034
BEG. BALANCE	$752,333	$768,633	$748,516	$849,708	$918,042	$978,653	$1,072,389	$1,171,752	$1,250,263	$1,219,279
CONTRIBUTION	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240
INTEREST	7,567	7,548	7,951	8,795	9,436	10,204	11,165	12,050	12,286	12,652
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	84,507	120,905	0	33,700	42,065	9,708	5,041	26,779	136,510	1,355
BALANCE	**$768,633**	**$748,516**	**$849,708**	**$918,042**	**$978,653**	**$1,072,389**	**$1,171,752**	**$1,250,263**	**$1,219,279**	**$1,323,816**

PRESENT LEVEL OF FUNDING

0.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 11 2025	YEAR 12 2026	YEAR 13 2027	YEAR 14 2028	YEAR 15 2029	YEAR 16 2030	YEAR 17 2031	YEAR 18 2032	YEAR 19 2033	YEAR 20 2034
BEG. BALANCE	$516,387	$507,775	$462,498	$538,277	$580,945	$615,633	$683,186	$756,105	$807,907	$749,947
CONTRIBUTION	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800
INTEREST	5,095	4,827	4,979	5,568	5,953	6,462	7,161	7,781	7,751	7,847
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	84,507	120,905	0	33,700	42,065	9,708	5,041	26,779	136,510	1,355
BALANCE	**$507,775**	**$462,498**	**$538,277**	**$580,945**	**$615,633**	**$683,186**	**$756,105**	**$807,907**	**$749,947**	**$827,239**

PROPOSED LEVEL OF FUNDING

3.0% Annual Funding Increase **3.0%** Inflation **1.0%** Interest Rate

	YEAR 11 2025	YEAR 12 2026	YEAR 13 2027	YEAR 14 2028	YEAR 15 2029	YEAR 16 2030	YEAR 17 2031	YEAR 18 2032	YEAR 19 2033	YEAR 20 2034
BEG. BALANCE	$625,424	$642,613	$626,270	$734,235	$812,461	$886,206	$996,444	$1,115,809	$1,217,955	$1,214,379
CONTRIBUTION	95,387	98,249	101,196	104,232	107,359	110,580	113,897	117,314	120,834	124,459
INTEREST	6,309	6,313	6,769	7,695	8,451	9,366	10,509	11,611	12,101	12,759
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	84,507	120,905	0	33,700	42,065	9,708	5,041	26,779	136,510	1,355
BALANCE	**$642,613**	**$626,270**	**$734,235**	**$812,461**	**$886,206**	**$996,444**	**$1,115,809**	**$1,217,955**	**$1,214,379**	**$1,350,242**

30 YEAR CASH FLOW DETAIL

RESERVE BALANCES

CURRENT RESERVE METHOD

3.0% Annual Funding Increase 3.0% Inflation 1.0% Interest Rate

	YEAR 21 2035	YEAR 22 2036	YEAR 23 2037	YEAR 24 2038	YEAR 25 2039	YEAR 26 2040	YEAR 27 2041	YEAR 28 2042	YEAR 29 2043	YEAR 30 2044
BEG. BALANCE	$1,350,242	$1,481,267	$1,462,726	$792,089	$939,053	$1,093,447	$1,206,529	$1,242,838	$1,413,715	$1,489,570
CONTRIBUTION	128,192	132,038	135,999	140,079	144,282	148,610	153,068	157,660	162,390	167,262
INTEREST	14,087	14,647	11,218	8,613	10,112	11,443	12,186	13,217	14,444	15,229
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	11,255	165,226	817,854	1,728	0	46,971	128,946	0	100,979	100,561
BALANCE	**$1,481,267**	**$1,462,726**	**$792,089**	**$939,053**	**$1,093,447**	**$1,206,529**	**$1,242,838**	**$1,413,715**	**$1,489,570**	**$1,571,500**

STRAIGHT LINE METHOD

0.0% Annual Funding Increase 3.0% Inflation 1.0% Interest Rate

	YEAR 21 2035	YEAR 22 2036	YEAR 23 2037	YEAR 24 2038	YEAR 25 2039	YEAR 26 2040	YEAR 27 2041	YEAR 28 2042	YEAR 29 2043	YEAR 30 2044
BEG. BALANCE	$1,323,816	$1,419,450	$1,361,299	$646,674	$745,111	$846,268	$901,232	$874,359	$976,809	$978,800
CONTRIBUTION	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240	93,240
INTEREST	13,648	13,835	9,990	6,924	7,917	8,694	8,834	9,210	9,729	9,751
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	11,255	165,226	817,854	1,728	0	46,971	128,946	0	100,979	100,561
BALANCE	**$1,419,450**	**$1,361,299**	**$646,674**	**$745,111**	**$846,268**	**$901,232**	**$874,359**	**$976,809**	**$978,800**	**$981,230**

PRESENT LEVEL OF FUNDING

0.0% Annual Funding Increase 3.0% Inflation 1.0% Interest Rate

	YEAR 21 2035	YEAR 22 2036	YEAR 23 2037	YEAR 24 2038	YEAR 25 2039	YEAR 26 2040	YEAR 27 2041	YEAR 28 2042	YEAR 29 2043	YEAR 30 2044
BEG. BALANCE	$827,239	$895,355	$809,411	$66,715	$136,800	$209,322	$235,364	$179,281	$252,227	$224,420
CONTRIBUTION	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800	70,800
INTEREST	8,570	8,481	4,359	1,013	1,722	2,212	2,063	2,147	2,371	2,095
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	11,255	165,226	817,854	1,728	0	46,971	128,946	0	100,979	100,561
BALANCE	**$895,355**	**$809,411**	**$66,715**	**$136,800**	**$209,322**	**$235,364**	**$179,281**	**$252,227**	**$224,420**	**$196,754**

PROPOSED LEVEL OF FUNDING

3.0% Annual Funding Increase 3.0% Inflation 1.0% Interest Rate

	YEAR 21 2035	YEAR 22 2036	YEAR 23 2037	YEAR 24 2038	YEAR 25 2039	YEAR 26 2040	YEAR 27 2041	YEAR 28 2042	YEAR 29 2043	YEAR 30 2044
BEG. BALANCE	$1,350,242	$1,481,267	$1,462,726	$792,089	$939,053	$1,093,447	$1,206,529	$1,242,838	$1,413,715	$1,489,570
CONTRIBUTION	128,192	132,038	135,999	140,079	144,282	148,610	153,068	157,660	162,390	167,262
INTEREST	14,087	14,647	11,218	8,613	10,112	11,443	12,186	13,217	14,444	15,229
OTHER	0	0	0	0	0	0	0	0	0	0
EXPENDITURES	11,255	165,226	817,854	1,728	0	46,971	128,946	0	100,979	100,561
BALANCE	**$1,481,267**	**$1,462,726**	**$792,089**	**$939,053**	**$1,093,447**	**$1,206,529**	**$1,242,838**	**$1,413,715**	**$1,489,570**	**$1,571,500**

FORESIGHT FINANCIAL SERVICES, INC.

25108 MARGUERITE PARKWAY
SUITE A-266
MISSION VIEJO, CA 92692

PHONE : (800) 555-8075 **FAX: (800) 771-0765**

RESERVE STUDY FINAL AUTHORIZATION

The Board of Directors of the Capistrano Bay CSD has reviewed the Reserve Study Report prepared February 3, 2014, and presented as the June 30, 2014 Revision 0 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.

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SIGNATURE *DATE*

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TITLE

Capistrano Bay CSD

2014

Revision 0

3500 Beach Road

Mr. Don Russell