

Cost Proposal
Independent Auditor Services
For The
Capistrano Bay
Community Services District





Charles Z. Fedak & Company

Certified Public Accountants
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January 12, 2011

Mr. Donal S. Russell, Manager
Capistrano Bay Community Services District
35000 Beach Road
Capistrano Beach, CA 92624

Re: Cost Proposal for Continued Independent Auditor Services

Dear Mr. Russell:

Based on our understanding of the Capistrano Bay Community Services District's (District) requirements, our fee for audit services at our discounted rates for the fiscal year ending June 30, 2011 is **\$12,500**. This fee is based on our understanding of the District's audit requirements.

Assuming there is no substantial change in the District's activities and operations, our fee for audit services for the fiscal years ending June 30, 2012 and 2013 would be **\$13,000** and **\$13,500**, respectively.

Our estimate for out-of-pocket expenses is a separate estimate and may not be utilized in total to the amount estimated. Again, these fees are based on the estimated hours using our discounted hourly rates. The components of this audit services fee proposal and out-of-pocket costs for the years ending June 30, 2011 through 2013 are itemized in the attached Exhibits.

Our not-to-exceed fee proposal is contingent upon our understanding of your requirements and the assistance we require as noted in our original audit technical proposal.

Additional services not included in this proposal will be based on our discounted billing rates based on the level of experience required. We would execute a separate contract for these services, if they are requested by the District.

I am authorized to make representations for Charles Z. Fedak & Company, CPAs an Accountancy Corporation and am duly authorized to sign a contract with the District.

Charles Z. Fedak, CPA

January 12, 2011

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for the years ending June 30, 2011 through 2013, the audit of the District will approximate 100 hours. These hours, by major area, are summarized as follows:

<u>Audit Steps</u>	<u>Partner</u>	<u>Manager</u>	<u>Staff</u>	<u>Total</u>
Planning	2	2	2	6
Control Testwork	2	3	18	23
Substantive Testwork	3	10	30	43
Reporting	<u>3</u>	<u>5</u>	<u>20</u>	<u>28</u>
Total Hours	<u>10</u>	<u>20</u>	<u>70</u>	<u>100</u>

As shown above, we expect approximately 30% of engagement hours to come from the Partners and Managers assigned to the engagement.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the District at fees as stated in the attached Schedule of Professional Fees on Page 3 for the years ending June 30, 2011 through 2013, respectively

Our fees are based on the product of the time spent on the engagement and the billing rates of the individuals assigned, plus out-of-pocket costs (such as, report reproductions, typing, postage, travel, copies, telephone, etc.). We will obtain the assistance of the District's personnel to the extent possible and otherwise endeavor to keep these charges to a minimum. We will submit progress billings monthly to your office as our work progresses, which will be due and payable thirty days from the date of the invoice.

Based upon the present size and scope of the activities of the District, we expect to perform the services enumerated above at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audits. We have provided a breakdown of our current hourly rates, which would apply to this engagement on the attached Schedule of Professional Fees on Page 4 of this cost proposal.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128, we will maintain our work papers for at least five years and make them available to the District, state agencies, the General Accounting Office, and other parties upon the direction of the District.

We want the Board to understand that we will provide any assistance and answer any questions that the District's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the District's activities and accounting issues during the entire engagement.

We would like to thank you and the Board for the opportunity to submit a proposal for the auditing services of the District. Because of our experience in special districts and our interest in the District, we will provide you with assistance in your operations as well as meet the audit needs of the organization. We will also continually make recommendations on these and other matters that come to our attention. We are proud of the professional services we provide and encourage you to make inquiries to any of our clients about their satisfaction with our services and the quality of our staff.

Exhibit II – Schedule of Professional Fees

Total Audit Fees By Fiscal Year	District Total Audit Service Fees*	District Not-to-Exceed Estimate Out-of-Pocket Costs**
Fiscal Year 2011	\$ 12,500	1,250
Fiscal Year 2012	13,000	1,250
Fiscal Year 2013	13,500	1,250
Total Three Year Contract Price***	\$ 39,000	3,750

* Professional Audit Service Fees - Labor Only

** Estimate of Out-of-Pocket Costs consist of: Travel, Mileage, Postage and Printing Costs - May not be fully utilized

*** Does Not Include Optional Items Detailed on Next Page

Please note that any additional services requested by the District during the audit period shall be negotiated at the stated hourly rates per year as noted in the following schedules.

Exhibit III – Schedule of Fees By Hours

Breakdown of Fees by Hours

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Fiscal Year 2011 Audit of:			
District's Basic Financial Statements			
Partner	10	\$ 165	\$ 1,650
Manager	20	140	2,800
Staff	70	115	8,050
Total Financial Statement Audit for 2011	<u>100</u>		<u>\$ 12,500</u>
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			<u>1,250</u>
Total Maximum for 2011			<u>\$ 13,750</u>
Optional Items Asked to be Priced by the District			
	<u>Hours</u>	<u>Rates</u>	<u>Total</u>
Preparation of the District's Annual State Controller's Report	<u>7.5</u>	100	<u>\$ 750</u>
Total Maximum with Optional Item for 2011			<u>\$ 14,500</u>

Breakdown of Fees by Hours

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Fiscal Year 2012 Audit of:			
District's Basic Financial Statements			
Partner	10	\$ 170	\$ 1,700
Manager	20	145	2,900
Staff	70	120	8,400
Total Financial Statement Audit for 2012	<u>100</u>		<u>\$ 13,000</u>
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			<u>1,250</u>
Total Maximum for 2012			<u>\$ 14,250</u>
Optional Items Asked to be Priced by the District			
	<u>Hours</u>	<u>Rates</u>	<u>Total</u>
Preparation of the District's Annual State Controller's Report	<u>7.5</u>	100	<u>\$ 750</u>
Total Maximum with Optional Item for 2012			<u>\$ 15,000</u>

Breakdown of Fees by Hours

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Fiscal Year 2013 Audit of:			
District's Basic Financial Statements			
Partner	10	\$ 175	\$ 1,750
Manager	20	150	3,000
Staff	70	125	8,750
Total Financial Statement Audit for 2013	<u>100</u>		<u>\$ 13,500</u>
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			<u>1,250</u>
Total Maximum for 2013			<u>\$ 14,750</u>
Optional Items Asked to be Priced by the District			
	<u>Hours</u>	<u>Rates</u>	<u>Total</u>
Preparation of the District's Annual State Controller's Report	<u>7.5</u>	100	<u>\$ 750</u>
Total Maximum with Optional Item for 2013			<u>\$ 15,500</u>