

ITEM NO. L.1

**CAPISTRANO BAY COMMUNITY SERVICES
DISTRICT**

Proposal for Professional Auditing Services

*For the fiscal year ending June 30, 2012, 2013 & 2014
(with the option for an additional two years)*

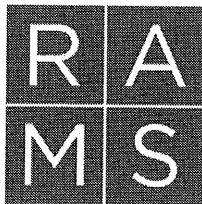
PREPARED BY:

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

February 14, 2012

CAPISTRANO BAY COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

1. Executive summary

February 22, 2012

Board of Directors
Capistrano Bay Community Services District
35000 Beach Road
Capistrano Beach, CA 92624

Rogers, Anderson, Malody & Scott, LLP is pleased to present this proposal for professional auditing services to the Capistrano Bay Community Services District (the District).

For 64 years, Rogers, Anderson, Malody & Scott, LLP has been providing honest, accurate, and objective results to all of our clients, including governmental agencies such as yours. We pride ourselves on developing solid relationships with all of our clients, but first and foremost, we view our relationship with you as professional; we are your auditor and advisor. That is what we have been hired to do; these are the responsibilities we are hired to fulfill.

Our extensive experience has helped us understand the complex requirements and issues encountered by agencies like yours. We also understand the desire for the timely delivery of accurate reports (including the timely submission of the Comprehensive Annual Financial Report (CAFR) and the desire for a quality audit performed in a competent and efficient manner. We pride ourselves on helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and by providing you with quality audit services.

We understand that the District has requested proposals from many other firms, but feel we would be the most qualified choice for the District's engagement based on the following:

1. As a recognized leader in the governmental accounting and auditing community, we are committed to providing excellent, timely service and quality reports to all of our clients. We take pride in providing the most experienced and technically skilled professionals on all of our engagements. We strive to recruit and retain the best and brightest professionals in our field ensuring you receive qualified professional staff on your engagement. In addition, our staff prides itself on being able to take a proactive approach to serving the District by actively seeking opportunities to improve the efficiency and effectiveness of its operations. Simply stated, we are a full service firm committed to providing the highest standards of quality and professionalism to all of our clients.

CAPISTRANO BAY COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

1. Executive summary (continued)

2. We understand that the audit process as a whole can be a taxing experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit period. For all of our clients, we make every effort to ensure the audit process, from the interim field work to the preparation of any required reports, will be as trouble-free as possible for you and your staff. We do this by planning the audit properly and utilizing our staff in the most efficient and effective manner. Also, we keep an open line of communication with all parties involved in the audit process.
3. As governmental accountants and auditors, we understand the time constraints that our clients face. Therefore, as with all of our clients, we will be committed to performing quality work within any required time frames.

After reading through our proposal, we hope that you will have gained an understanding of our firm's commitment to our clients. We are committed to providing exceptional and timely service, quality products, and experienced staff to all of our clients, whether new or continuing. As you can see, we are also upfront and honest in dealing with all of our clients.

We understand the scope of the work to be performed, auditing standards to be followed, and the reports to be issued, as described in the District's *Request for Proposal*. In addition, we will be committed to performing the work within the proposed time period.

Mr. Shea and Mr. Manno, Partners, are authorized to act on behalf of Rogers, Anderson, Malody & Scott, LLP. They can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, tshea@ramscpa.net or smanno@ramscpa.net.

Thank you for the opportunity to serve the Capistrano Bay Community Services District. We look forward to having a long and mutually beneficial association.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Terry P. Shea, Certified Public Accountant
Partner

CAPISTRANO BAY COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

8. Cost proposal

Cost proposal – audit

Our proposed fee is based on the assumption that unexpected circumstances will not arise which would significantly increase the scope of our audit engagement. Should we perceive that the scope of our work has increased, we would discuss with you the circumstances and estimated additional hours involved, in detail, prior to performing the additional work. Our total all-inclusive maximum price for performing the engagement for the fiscal years listed below is as follows:

Services	Fiscal Year Ending 6/30/12	Fiscal Year Ending 6/30/13	Fiscal Year Ending 6/30/14
Financial audit - District	\$ 8,500	\$ 8,600	\$ 8,700
Assessment District No. 99-1	1,900	2,000	2,100
Travel expenses	-	-	-
Totals	\$ 10,400	\$ 10,600	\$ 10,800

Hourly rates:			
Partner	\$ 225	\$ 225	\$ 225
Manager	135	135	135
Senior	105	105	110
Staff	85	90	90

Fedak Engagement for 2012

\$15,000

The audit documentation for this engagement will be retained for a minimum of seven years under California State Law after the report release date.

We expect to begin our audit in May 2012 and to issue our reports no later than November 2012. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$15,000 (with out-of-pocket expenses not exceeding \$1,250 and preparation of the State Controller's Report for \$750). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the District's audit. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if the District's account becomes 30 days or more overdue and may not be resumed until the District's account is paid in full. If we elect to terminate our services for nonpayment, our engagement will have been deemed to have been completed upon written notification of termination, even if we have not completed our report. The District will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from the District's personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with the District's management and arrive at a new fee estimate before we incur the additional costs.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms of and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

The District may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with the District regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If the District has any questions, please let us know. If the District agrees with the terms of our engagement described in this letter, please sign below and return it to us in the envelope provided. We have enclosed a copy for the District's files.

Very truly yours,

Charles Z. Fedak & Company, CPAs
An Accountancy Corporation

RESPONSE:

This letter correctly sets forth the understanding of the Capistrano Bay Community Services District.

By: _____

Title: _____

Date: _____

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