



**REGULAR MEETING AGENDA
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT
Meadow Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

Saturday, August 12, 2017 9:00 a.m.

A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE

Roll Call

Bob Moore, President
Jim Griffin, Director
John Cullen, Director

David Ferrari, Director
Robert Allen Director, Director
Sarah Mansergh, Clerk

B. MEMBER COMMENTS

Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

C. PRESIDENT’S REMARKS

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

- Ensure contact information is up to date for emergency procedures
- Ensure Form 700s are filed with the County-review with Sarah
- Ethics training required biennially for board members-review with Sarah
- Meeting Calendar:
 - November 11th, 2017
 - December 9th, 2017

D. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. Approval of minutes June 3, 2017 and June 24, 2017

E. TREASURER'S REPORT

2. Financial Reports
 - Year ended June 30, 2017
 - Warrant listing
 - Accept reports by motion

F. COMMITTEE REPORTS

2. Committee Appointments
3. Finance and Budget Committee
4. Community Membership and Relations Committee
5. Seawall Application and Repair Committee
6. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

G. NEW BUSINESS

7. ITEM – Review and confirm Conflict of Interest Code for 2017

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action

8. ITEM – Review and Update Emergency Action Plan

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action

9. ITEM-Review and consider proposals for audit services for fiscal year ended June 30, 2017

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action

10. ITEM – Consider adopting resolution 2017-xx, for Special Assessment, for general and administrative budgets for the fiscal year ended June 30, 2018.

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action

H. DIRECTORS COMMENTS AND CONCERNS

Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

I. ADJOURNMENT

The next Regular Meeting of the Board of Directors is scheduled for November 11, 2017, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Meadow Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 761-7744, no less than 72 hours prior to the meeting or in the case of a Special Meeting, as soon as possible after the Agenda is posted. Copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District at (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.



**SPECIAL MEETING MINUTES
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT
Owner Lounge, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

Saturday, June 3, 2017 9:00 a.m.

A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE

Roll Call

Bob Moore (P45) President
Robert Allen Director, Director

Jim Griffin (P9), Director
Wendy Cumming, Clerk/Accountant/Secretary

All Present

B. MEMBER COMMENTS

Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

C. PRESIDENT’S REMARKS

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

- Appointment of new board member

Nomination for two new board members, David Ferrari and John Cullen

Item 3, was moved up and the new directors were sworn in.

Following the oath, President Bob Moore, provided the membership and board with a Mission Statement and the current status of the District.

John Cullen asked what the current state of affairs of the District. President Moore provided a brief background on the history of the District, on the engineer of record, and the difficulties in obtaining a new report.

Rob Allen provided a brief history on the prior engineer, and that there had been extensive discussion and analysis on how assessments were determined, including the appropriateness of the allocations.

President Moore clarified that the proposed new assessment of approx. \$500k was to be used not to repair the wall, but to provide to the District with the funds needed to run the District, and to obtain the necessary permits.

There was much discussion around the benefit assessment and the allocations and the engineers.

D. NEW BUSINESS

3. ITEM – Consider action to appoint new board member.
 - a. Staff report
 - b. Public comment
 - c. Board discussion
 - d. Board action
 - e. Oath of Office for Board Members appointed in lieu of an election

Approved by Jim Griffin, Bob Moore, Rob Allen, individually for David Ferrari.

Approved by Jim Griffin, Bob Moore, Rob Allen, individually for John Cullen.

Clerk, Wendy Cumming, performed the oath of office for both new members.

4. ITEM – Consider adopting draft budget for the fiscal period July 1, 2017 through June 30, 2018
 - a. Board report
 - b. Public comment
 - c. Board discussion
 - d. Board action

Motion by John Cullen, seconded by Bob Moore to approve draft budget, approved by all.

5. ITEM – Consider accepting accountant contract renewal for the fiscal period July 1, 2017 to June 30, 2018
 - a. Board report
 - b. Public comment
 - c. Board discussion
 - d. Board action

Motion by Rob Allen, seconded by John Cullen, approved by all.

6. ITEM – Further consideration and direction to Staff concerning the District's Administrative budgets for inclusion in the pending Prop. 218 assessment process and procedures

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Staff was given direction to staff to prepare the documentation for the 218 process prior to the June 24, 2017 special meeting.

E. CLOSED SESSION

The Board will recess to closed session to confer with its attorney regarding litigation pursuant to Government Code Section 54956.9 (a); (d)(2) and is hereby of the opinion that a significant exposure to litigation exists.

The Board will recess to closed session to conduct interviews with and consider the employment of candidates for the position of District Clerk pursuant to Government Code Section 54957(b)(1).

Public comment limited to the identified closed session item will be accepted before the Board recesses.

The board moved into closed session at 10:00. The District moved out of closed session at 10:46.
Approved by all.

The board took no action.

F. DIRECTORS COMMENTS AND CONCERNS

Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

G. ADJOURNMENT

Motion for adjournment by Bob Moore, seconded by John Cullen , approved by all.

There being no further business to come before the Board, the meeting was adjourned at 10:41 a.m.

Attest: _____

Wendy Cumming
Clerk of the Board
Pajaro Dunes Geologic Hazard
Abatement District



**SPECIAL MEETING MINUTES
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Meadow Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076

Saturday, June 24, 2017 9:00 a.m.

A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE

Roll Call

Bob Moore (P45) President
John Cullen, Director
Robert Allen Director

Jim Griffin (P9), Director
David Ferrari, Director
Wendy Cumming, Clerk/Accountant/Secretary

All present, except David Ferrari

B. MEMBER COMMENTS

Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

C. PRESIDENT’S REMARKS

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

1. Meeting policy and schedule for remainder of the year.
August 12, 2017
November 11, 2017
December 9, 2017

President Moore commented that we still do not have the engineers report, and would not have it until the end of June or mid July. There was discussion regarding an assessment election for a line of credit with the bank.

The clerk will contact the County to see if we can conduct a supplemental assessment mid-year.

There was discussion regarding the accepting of the engineers report at the August meeting, if it is available.

Comments regarding what should the District do should there be an event and there are no funds. Bob Moore will ask the PDA to put on their agenda the discussion regarding PDA's support should an event be incurred.

D. NEW BUSINESS

2. ITEM – Consider adopting budget for the fiscal period July 1, 2017 through June 30, 2018
- a. Board report
 - b. Public comment
 - c. Board discussion
 - d. Board action

Motion by John Cullen, second by Rob Allen, approved by all.

3. ITEM – Consider accepting contract with Sarah Mensergh for District Clerk.
- a. Staff report
 - b. Public comment
 - c. Board discussion
 - d. Board action

Bob Moore commented that the District interviewed two candidates at the last meeting, and decided that Sarah was most qualified.

Motion by Rob Allen, and seconded by John Cullen, approved by all.

E. DIRECTORS COMMENTS AND CONCERNS

Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

John Cullen asked to have a greater understanding of the assessment election process, and what will the District be doing to go through an assessment election this time.

Rob Allen asked attorney Mike Rodriquez to provide to the Board how the vote will be weighted.

Clerk, Wendy Cumming, requested to have bank card signers, and election of officers at the next meeting.

F. ADJOURNMENT

Motion for adjournment by Rob Allen, seconded by John Cullen. Approved by all.

There being no further business to come before the Board, the meeting was adjourned at 9:44 a.m.

Attest: _____

Wendy Cumming
Clerk of the Board
Pajaro Dunes Geologic Hazard
Abatement District

Pajaro Dunes Geologic Hazard Abatement District

Balance Sheet

As of June 30, 2017

Jun 30, 17

ASSETS

Current Assets

Checking/Savings

100000 · SCCB Zone 1 - 3957	47,891.38
100001 · SCCB Zone 2 - 3965	66,318.60
100003 · SCCB LTD- 0208	104,904.97
100400 · Union Bank Bond Holding	<u>323,413.94</u>

Total Checking/Savings 542,528.89

Accounts Receivable

120000 · Assessments Receivable	<u>8,291.19</u>
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Total Accounts Receivable 8,291.19

Other Current Assets

121500 · Prepaid Insurance	<u>13,368.68</u>
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Total Other Current Assets 13,368.68

Total Current Assets 564,188.76

Fixed Assets

150000 · Riverwall	3,000,000.00
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160000 · Accumulated Depreciation	<u>-1,249,996.00</u>
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Total Fixed Assets 1,750,004.00

TOTAL ASSETS 2,314,192.76

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

200000 · Accounts Payable	<u>-5,274.25</u>
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Total Accounts Payable -5,274.25

Other Current Liabilities

220000 · Accrued Interest	-6,343.88
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255000 · Unearned Revenue	<u>32,059.00</u>
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Total Other Current Liabilities 25,715.12

Total Current Liabilities 20,440.87

Long Term Liabilities

260000 · NP SCCB (439k) Loan	116,525.27
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261000 · NP SCCB (198k) Loan	15,761.71
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285000 · Bonds Payable Z2	1,380,000.00
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286000 · Bonds Payable Discount Z2	-52,250.00
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286500 · Amort. Bond Discount Z2	<u>25,597.00</u>
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Total Long Term Liabilities 1,485,633.98

Total Liabilities 1,506,074.85

Equity

30000 · Opening Balance Equity	607,355.35
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32000 · Retained Earnings	117,867.39
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Net Income	<u>82,895.17</u>
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Total Equity 808,117.91

TOTAL LIABILITIES & EQUITY 2,314,192.76

Note: GHAD owns \$15k in rock that is held at Granite Rock for future use.

Pajaro Dunes Geologic Hazard Abatement District
Profit & Loss Budget vs. Actual
 July 2016 through June 2017

	Zone 1			Zone 2		
	Jul '16 - Jun 17	Budget	\$ Over Budget	Jul '16 - Jun 17	Budget	\$ Over Budget
Ordinary Income/Expense						
Income						
410000 · Assessment Income	180,249	180,249		236,985	236,985	
410050 · Assess. Income PDA Stairs	4,704	5,485	(781)	1,969	1,881	88
Total Income	<u>184,953</u>	<u>185,734</u>	<u>(781)</u>	<u>238,954</u>	<u>238,866</u>	<u>88</u>
Expense						
610155 · Postage and Mailings	122	1,275	(1,153)			
615115 · Office Expense						
615140 · Audit Expense	7,500	7,750	(250)			
615415 · Accounting/Clerk Expense	23,859	30,363	(6,504)	3,031	3,640	(609)
615617 · Website Maintenance	1,750	3,090	(1,340)			
615650 · Officer Election	75	2,000	(1,925)			
615655 · Dues	159					
615656 · Board/Clerk Education	804	1,000	(196)			
616500 · Legal Fees	10,100	9,000	1,100			
620000 · Continuing Education						
628500 · Insurance Expense	12,996	13,000	(4)			
629030 · SBA Repayment to PHA Z2				92,856	92,856	
629900 · Bond Fee Expense				635		
650000 · Bank Service Charges	9			79		
750000 · Depreciation Expense Z2				99,996	100,000	(4)
Total Expense	<u>57,374</u>	<u>67,478</u>	<u>(10,104)</u>	<u>196,597</u>	<u>196,496</u>	<u>101</u>
Net Ordinary Income	<u>127,579</u>	<u>118,256</u>	<u>9,323</u>	<u>42,357</u>	<u>42,370</u>	<u>(13)</u>
Other Income/Expense						
Other Income						
410070 · Interest Income	218	50	168	145	150	(5)
8000 · Reimbursed Costs	800					
Total Other Income	<u>1,018</u>	<u>50</u>	<u>968</u>	<u>145</u>	<u>150</u>	<u>(5)</u>
Other Expense						
855000 · Interest Expense	11,331	11,331		74,784	74,784	
955500 · Interest Bond Discount				2,088	2,088	
Total Other Expense	<u>11,331</u>	<u>11,331</u>		<u>76,872</u>	<u>76,872</u>	
Net Other Income	<u>(10,313)</u>	<u>(11,281)</u>	<u>968</u>	<u>(76,727)</u>	<u>(76,722)</u>	<u>(5)</u>
Net Income	<u><u>117,266</u></u>	<u><u>106,975</u></u>	<u><u>10,291</u></u>	<u><u>(34,370)</u></u>	<u><u>(34,352)</u></u>	<u><u>(18)</u></u>

Pajaro Dunes Geologic Hazard Abatement District
Profit & Loss Budget vs. Actual
 July 2016 through June 2017

	TOTAL		
	Jul '16 - Jun 17	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
410000 · Assessment Income	417,234	417,234	
410050 · Assess. Income PDA Stairs	6,673	7,366	(693)
Total Income	<u>423,907</u>	<u>424,600</u>	<u>(693)</u>
Expense			
610155 · Postage and Mailings	122	1,275	(1,153)
615115 · Office Expense			
615140 · Audit Expense	7,500	7,750	(250)
615415 · Accounting/Clerk Expense	26,890	34,003	(7,113)
615617 · Website Maintenance	1,750	3,090	(1,340)
615650 · Officer Election	75	2,000	(1,925)
615655 · Dues	159		159
615656 · Board/Clerk Education	804	1,000	(196)
616500 · Legal Fees	10,100	9,000	1,100
620000 · Continuing Education			
628500 · Insurance Expense	12,996	13,000	(4)
629030 · SBA Repayment to PHA Z2	92,856	92,856	
629900 · Bond Fee Expense	635		635
650000 · Bank Service Charges	88		88
750000 · Depreciation Expense Z2	99,996	100,000	(4)
Total Expense	<u>253,971</u>	<u>263,974</u>	<u>(10,003)</u>
Net Ordinary Income	169,936	160,626	9,310
Other Income/Expense			
Other Income			
410070 · Interest Income	363	200	163
8000 · Reimbursed Costs	800		800
Total Other Income	<u>1,163</u>	<u>200</u>	<u>963</u>
Other Expense			
855000 · Interest Expense	86,115	86,115	
955500 · Interest Bond Discount	2,088	2,088	
Total Other Expense	<u>88,203</u>	<u>88,203</u>	
Net Other Income	<u>(87,040)</u>	<u>(88,003)</u>	<u>963</u>
Net Income	<u><u>82,896</u></u>	<u><u>72,623</u></u>	<u><u>10,273</u></u>

Pajaro Dunes Geologic Hazard Abatement District
Bank Account Activity
 As of June 30, 2017

Type	Date	Num	Name	Debit	Credit	Balance
100000 · SCCB Zone 1 - 3957						27,807.58
Bill Pmt -Check	05/15/2017	1287	Jarvis, Fay, Doporto & Gibson, LLP		1,100.00	26,707.58
Bill Pmt -Check	05/15/2017	1288	Pajaro Dunes Association		6.65	26,700.93
Bill Pmt -Check	05/15/2017	1289	Wendy L. Cumming, CPA		2,554.84	24,146.09
Bill Pmt -Check	06/02/2017	1290	Wendy L. Cumming, CPA		1,804.65	22,341.44
Deposit	06/14/2017			34.51		22,375.95
Payment	06/14/2017	13139	Pajaro Dunes Association-	4,703.87		27,079.82
Bill Pmt -Check	06/23/2017	1291	Jarvis, Fay, Doporto & Gibson, LLP		1,220.00	25,859.82
Bill Pmt -Check	06/23/2017	1292	Wendy L. Cumming, CPA		1,441.80	24,418.02
Deposit	06/23/2017			23,473.36		47,891.38
Total 100000 · SCCB Zone 1 - 3957				28,211.74	8,127.94	47,891.38
100001 · SCCB Zone 2 - 3965						56,939.09
Bill Pmt -Check	05/15/2017	1257	Pelican Home Owner's Association		15,476.00	41,463.09
Bill Pmt -Check	05/15/2017	1258	Union Bank		635.00	40,828.09
Bill Pmt -Check	05/15/2017	1259	Wendy L. Cumming, CPA		319.27	40,508.82
Bill Pmt -Check	06/02/2017	1260	Pelican Home Owner's Association		7,738.00	32,770.82
Bill Pmt -Check	06/02/2017	1261	Wendy L. Cumming, CPA		222.75	32,548.07
Deposit	06/14/2017			41.58		32,589.65
Payment	06/14/2017	13139	Pajaro Dunes Association-	1,969.00		34,558.65
Bill Pmt -Check	06/23/2017	1262	Pajaro Dunes Geologic Abatement District		60,224.58	-25,665.93
Bill Pmt -Check	06/23/2017	1263	Wendy L. Cumming, CPA		178.20	-25,844.13
Bill Pmt -Check	06/23/2017	1264	Pelican Home Owner's Association		7,738.00	-33,582.13
Deposit	06/23/2017			99,900.73		66,318.60
Total 100001 · SCCB Zone 2 - 3965				101,911.31	92,531.80	66,318.60
100003 · SCCB LTD- 0208						63,800.93
Deposit	05/31/2017			5.42		63,806.35
Deposit	06/23/2017			41,091.33		104,897.68
Deposit	06/30/2017			7.29		104,904.97
Total 100003 · SCCB LTD- 0208				41,104.04	0.00	104,904.97
100400 · Union Bank Bond Holding						263,189.36
Bill	06/23/2017		Pajaro Dunes Geologic Abatement District	60,224.58		323,413.94
Total 100400 · Union Bank Bond Holding				60,224.58	0.00	323,413.94
TOTAL				231,451.67	100,659.74	542,528.89

CONFLICT OF INTEREST CODE FOR THE
PAJARO DUNES GEOLOGICAL HAZARD ABATEMENT DISTRICT

The Political Reform Act, Government Code Section 81000, ~~Eet. seq.~~ ~~R~~requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. Section 168730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act. Therefore, the terms of 2 Cal. Code of Regs. Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the attached Table 1 (Categories) and Table 2 (Designated Positions) in which members and employees are designated and disclosure categories are set forth, constitute the conflict of interest code of the PAJARO DUNES GEOLOGICAL HAZARD ABATEMENT DISTRICT.

Designated employees and directors shall file their statements of economic interest, as specified in this Code, with PAJARO DUNES GEOLOGICAL HAZARD ABATEMENT DISTRICT, who will thereafter make the statements available for public inspection and reproduction. (GOV. Section 81008). Statements for all designated employees will be retained by PAJARO DUNES GEOLOGICAL HAZARD ABATEMENT DISTRICT.

**TABLE 1
CATEGORIES FOR
CONFLICT OF INTEREST CODES
FOR PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

- Category 1:** Officials and employees whose duties are broad and indefinable:
- Investments, business positions, and income from source located in or doing business in the jurisdiction.
- Interests in real property located in jurisdiction, including property located within a two mile radius of any property owned or used by the agency.
- Category 2:** Officials and employees whose duties involve contracting or purchasing:
- Investments, business positions, and sources of income of the type which:
- Provide services, supplies, materials, machinery or equipment of the type utilized by the agency.
- Category 3:** Agencies with regulatory powers:
- Investments, business positions, and sources of income of any type which:
- Are subject to the regulatory, permit or licensing authority of the agency.
- Category 4:** Designated employees whose decisions may affect real property interests:
- Investments, business positions and sources of income of the type which:
- Engage in land development, construction or the acquisition or sale of real property.
- Interests in real property located within the jurisdiction, including property located within a two mile radius of any property owned or used by the agency.
- Category 5:** Agencies which Provide pooled self-insurance benefits:
- Interests in real property located within the jurisdiction, including property located within a two mile radius of any property owned or used by the agency.

Investment, business positions, and sources of income of the type which:

The agency is empowered to invest its funds.

Provide services, supplies, materials, machinery or equipment of the type utilized by the agency.

Engaged in the business of insurance including, but not limited to, insurance companies, carriers, holding companies, underwriters, brokers, solicitors, agents, adjusters, claims managers and actuaries.

Financial institutions including, but not limited to, banks, savings and loan associations and credit unions.

Have filed a claim, or have a claim pending, against the agency.

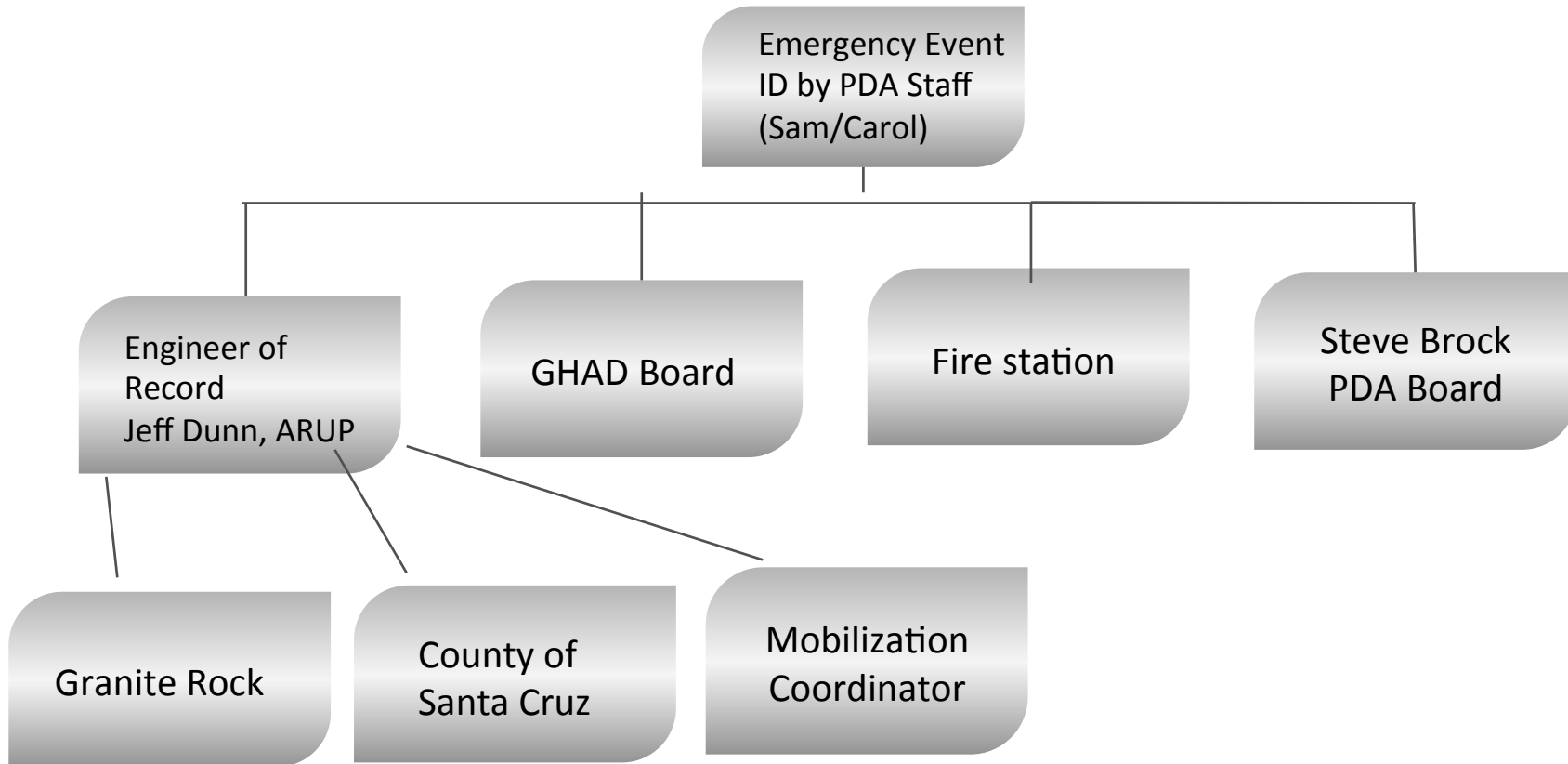
**TABLE 2
CATEGORIES FOR
DESIGNATED POSITIONS OF INTEREST CODES
FOR PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

<u>Designated Position</u>	<u>Disclosure Category</u>
Members of the Board of Directors	Categories 1, 2
Clerk	Categories 1, 2
General Counsel	Categories 1, 2
Consultants*	Categories 1, 2

* The definition of "Consultant" contained in 2 Cal. Code of Regs., Section 18701 (a)(2), and any amendment to said section duly adopted by the Fair Political Practices Commission, is incorporated herein by reference.

The Board of Directors may determine in writing that a particular consultant is hired to perform a range of duties that are limited in scope and thus not required to comply with disclosure requirements described in these categories. Such determination shall include a description of the consultant's duties, and based upon that description, a statement of the extent of the disclosure requirements. The Board shall direct that a copy of this determination be forwarded to the Fair Political Practices Commission. Nothing herein excuses any such consultant from any other provision of this Conflict of Interest Code.

Pajaro Dunes Geologic Hazard Abatement District Emergency Plan Diagram



- Pajaro Dunes Staff – Carol Turley/Sam Holback
- ARUP Jeff Dunn
- Fire Station –
- Granite Rock – Karl Philipovitch
- PDA – Steve Brock
- County of Santa Cruz
- State Parks – Bill Wolcott

- GHAD Board:**
- President - Bill Lyons
 - Clerk – Wendy Cumming
 - Bob Moore
 - James Griffin
 - David Bower



July 26, 2017

Mr. Bob Moore, President
Board of Directors
Pajaro Dunes Geologic Hazard Abatement District
Watsonville, California 95076

Dear Mr. Moore:

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Pajaro Dunes Geologic Hazard Abatement District (the "District"), for the year ended June 30, 2017. Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
- c. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- d. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- e. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package; and
- f. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit;
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that District complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not

be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Board is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

Pajaro Dunes Geologic Hazard Abatement District agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, Pajaro Dunes Geologic Hazard Abatement District agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

Because Hutchinson and Bloodgood LLP will rely on Pajaro Dunes Geologic Hazard Abatement District and its management to discharge the foregoing responsibilities, Pajaro Dunes Geologic Hazard Abatement District holds harmless and releases Hutchinson and Bloodgood LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Pajaro Dunes Geologic Hazard Abatement District's management which has caused, in any respect, Hutchinson and Bloodgood LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Pajaro Dunes Geologic Hazard Abatement District's Records and Assistance

If circumstances arise relating to the condition of the District's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the District's books and records. The District will determine that all such data, if necessary, will be so reflected. Accordingly, the District will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Wendy Cumming. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from District personnel.
- b. Timely responses to our inquiries.
- c. Timely completion and delivery of client assistance requests.
- d. Timely communication of all significant accounting and financial reporting matters.
- e. The assumption that unexpected circumstances will not be encountered during the engagement.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$7,700. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your 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 you and arrive at a new fee estimate before we incur the additional costs.

In the event we are requested or authorized by Pajaro Dunes Geologic Hazard Abatement District or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for Pajaro Dunes Geologic Hazard Abatement District, Pajaro Dunes Geologic Hazard Abatement District will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Hutchinson and Bloodgood LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Hutchinson and Bloodgood LLP audit personnel and at a location designated by our Firm.

It is our policy to keep records related to this engagement for seven years. However, the Firm does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. By your signature below, you acknowledge and agree that upon the expiration of the seven-year period the Firm shall be free to destroy our records related to this engagement.

Hutchinson and Bloodgood LLP is a member of PKF International Limited, an association of legally independent member firms. Neither the other member firms nor PKF International Limited is responsible or accept liability for the work or advice which Hutchinson and Bloodgood LLP provides to its clients and in signing and returning to us the enclosed copy of this Engagement Letter you acknowledge and accept that such other member firms and PKF International Limited do not owe you any duty in relation to the work or advice which we will from time to time provide to you or are required to provide to you.

Claim Resolution

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. Any mediation initiated as a result of this engagement shall be administered within the county of Santa Cruz, California, by a member of the American Arbitration Association or the American Bar Association Section of Dispute Resolution, according to its mediation rules, and any ensuing litigation shall be conducted within said county, according to California law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Reporting

We will issue a written report upon completion of our audit of Pajaro Dunes Geologic Hazard Abatement District's financial statements. Our report will be addressed to the Board of Pajaro Dunes Geologic Hazard Abatement District. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of agreement between Hutchinson and Bloodgood LLP and Pajaro Dunes Geologic Hazard Abatement District, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

HUTCHINSON AND BLOODGOOD LLP



Karen Semingson, CPA
Partner

Accepted:

By: _____
President, Board of Directors

Date: _____



System Review Report

To the Partners of
Hutchinson and Bloodgood LLP
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Hutchinson and Bloodgood LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended September 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Hutchinson and Bloodgood LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Hutchinson and Bloodgood LLP has received a peer review rating of *pass*.

Weaver and Tidwell, LLP
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 16, 2015



**PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES**

Pajaro Dunes Geologic Hazard Abatement District



Bryant L. Jolley, CPA

**901 "N" Street, Suite 104
Firebaugh, Ca 93622
Phone: (559) 659-3045
Fax: (559) 659-0615
FID #94-2706107**

July 18, 2017

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BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Jaribu Nelson C.P.A.
Lan T. Kimoto
Jeffrey M. Schill

July 18, 2017

Bill Lyons, President
Pajaro Dunes Geologic Hazard Abatement District

We are pleased to provide this response to the Pajaro Dunes Geologic Hazard Abatement District (the "District"), request for proposal for an independent accounting firm to provide audit and related financial services for the fiscal year ending June 30, 2017. The all-inclusive fee for June 30, 2017 is \$8,000. (see Exhibit A for detail of all inclusive fee).

We understand the scope of work will include Audited Financial Statements, the Annual Financial Transaction Report, and a Management Report. We also understand the audit and reports are to be conducted in accordance with generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA), generally accepted government auditing standards (GAGAS) as set forth by the General Accounting Office's (GAO) Government Auditing Standards, U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and State of California Controller's Minimum Audit Requirements for California Special Districts. Finally, we understand the objective of the services to be performed and commit to performing those services within the time period specified by the Pajaro Dunes Geologic Hazard Abatement District.

We have specialized in the auditing of cities, special districts and companies over the past 35 years and have performed over 500 such audits. Our firm consists of three CPA's who have over sixty years combined auditing experience making us premier auditors.

We seek to conduct the District audit because we feel our experience and expertise with auditing makes us a perfect fit for the engagement. We can provide value to the District through the quality of our work, the timeliness of our performance, our knowledge of governments, team consistency, and, most important, a strong relationship among the people on our team.

In the following proposal, you will see that our firm is capable of consistently delivering high levels of value to the District. You will work with an auditor that is stable and responsive. You will receive accurate, reliable, and timely service that is fairly priced. And you will have continual access to senior-level team members who are knowledgeable, qualified, and consistent. Unlike other firms, our Partners participate in all parts of the audit engagement.

Bryant L. Jolley, CPA will serve as the principle contact authorized to make representations on behalf of this bid. This proposal is firm and irrevocable offer for 60 days. He can be reached by phone at 559-659-3045, by e-mail at jollmann@sbcglobal.net, or by mail at 901 "N" Street, Suite 104, Firebaugh, CA 93622.

We are eager to work with the District and look forward to demonstrating to your Board of Directors our commitment to providing a cost-effective, high-quality audit of the District. We look forward to your response. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Bryant L. Jolley". The signature is fluid and cursive, with a prominent initial "B" and "J".

Bryant L. Jolley, CPA

TECHNICAL PROPOSAL

Our firm is independent of the Pajaro Dunes Geologic Hazard Abatement District as defined by the U.S. General Accounting Office's Government Auditing Standards. Our firm is licensed to operate as a certified public accounting firm by the State of California. All professional staff is properly licensed to practice in California.

Our firm consists of three CPA's and two other professionals who have over sixty years combined auditing experience making us premier auditors of local governments. Our firm performs approximately 45 governmental audits annually. Because of the size of our firm and the experience of the individuals, all members of our firm will be involved in this engagement. Our office is located Firebaugh, CA and this office will be responsible for the audit.

Our firm is in compliance with all GAO standards for continuing education and we recently completed a peer-review of our work, which included government engagements, by an independent CPA firm. The review resulted in a qualified opinion on our system of quality control.

The people who serve you today will be the people who serve you tomorrow. **Our firm's turnover rate is 0%, which ensures continuity on your engagement. Our firm only consists of senior level members who have significant years of auditing experience.** Your engagement team will not contain staff accountants nor will you have to train new audit team members in succeeding years. We highly emphasize senior level involvement because these are the team members who know the most about you and your operations. Their involvement assures quick resolution of issues, better job management, closer supervision, and expeditious review of work papers. These are the people who will remain consistently committed to your engagement.

The following information outlines the qualifications and experience of the individuals who would be assigned to the engagement.

QUALIFICATIONS OF YOUR AUDIT TEAM

BRYANT JOLLEY, CPA

AUDIT ROLE: CLIENT SERVICE PARTNER/ENGAGEMENT REVIEWER

Bryant Jolley will be the in-charge person for the District audit. He has been a licensed CPA since 1976 and has operated his own firm since 1980. He graduated from Brigham Young University in 1974 and did graduate accounting studies at the University of Southern California. His initial training as an auditor was with Deloitte Touche, an international CPA firm. The first governmental audit he performed was in 1979 and he has been extensively engaged in governmental accounting since that date. He is the in charge person on an average of thirty city or special district audits each year. This experience allows him to have a unique understanding of the accounting and fiscal problems facing governmental units and provide concrete recommendations to improve overall efficiencies. He has received over 80 hours of government-specific continuing professional education over the last two years and is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

RYAN JOLLEY, CPA

AUDIT ROLE: ENGAGEMENT PARTNER

Ryan Jolley is a licensed certified public accountant who joined our firm in 2004. He graduated with an undergraduate degree in accounting in 2002 and entered the Masters program in accounting at San Diego State University the same year. During this period he started work as a staff auditor with Moss Adams LLP, a large national CPA firm. He interned with our firm for several summers during college and worked on numerous governmental audits. He was the primary senior non-profit/governmental auditor for the Moss Adams San Diego office. Since then he has worked extensively with several cities helping them with the GASB 34 conversion process. He has over 10 years of experience with auditing municipalities, colleges, and commercial entities as well as conducting Single Audits under OMB Circular A-133 standards.

DARRYL SMITH, CPA

AUDIT ROLE: ENGAGEMENT SENIOR MANAGER

Darryl Smith is a licensed certified public accountant who joined the firm in 1982. Since that time he has worked closely with Bryant Jolley on all audit engagements including approximately 200 governmental audits. Additionally, he has helped many cities and districts with temporary accounting projects or other operational emergencies. This has provided him with extensive working knowledge of the commonly used governmental accounting software programs and allows him to be available for normal accounting questions or assistance throughout the year. He is a member of the American Institute of Certified Public Accountants.

OUR EXPERIENCE AUDITING ENTITIES

Moss Landing Harbor District

Principal Contacts: Marie Della Maggiore, Director of Admin. Services (831-633-5417)

Engagement Dates: June 30, 2016

Approximate Staff Hours Expended: 150 hours

Scope of Work: Audited Financial Statements

City of San Juan Bautista

Principal Contacts: Roger Grimsley, City Manager (831-623-4661)

Engagement Dates: June 30, 2016

Approximate Staff Hours Expended: 120 hours

Scope of Work: Audited Financial Statements, Annual Financial Transaction Report

Second Harvest Food Bank Santa Cruz County

Principal Contacts: Jeanette Hager, Finance Director (831-722-7110 x207)

Engagement Dates: June 30, 2016

Approximate Staff Hours Expended: 150 hours

Scope of Work: Audited Financial Statements

Chowchilla Water District

Principal Contacts: Lela Beatty, Treasurer (559-665-3747)

Engagement Dates: December 31, 2016

Approximate Staff Hours Expended: 80 hours

Scope of Work: Audited Financial Statements, Annual Financial Transaction Report

Calaveras County Water District

Principal Contacts: Patti Christensen, Finance Officer (209-754-3543)

Engagement Dates: June 30, 2015

Approximate Staff Hours Expended: 200 hours

Scope of Work: Audited Financial Statements, Annual Financial Transaction Report, Single Audit

HOW WE APPROACH YOUR AUDIT

Our effective and efficient audit approach combines knowledge of governmental accounting and auditing with an understanding of the associated risks. We are value-driven and seek to maximize the return on your investment in the audit process through in-depth analysis of your financial statements and your internal controls. Throughout the engagement, our team will collaborate with your staff whenever possible to minimize costs and improve efficiencies. Of course, we will need assistance with preparing schedules, finding documents, explaining processes, and providing sample documentation, budget related materials, organizational charts, and manuals.

Audit Standards

The auditor's opinion will be directed toward the fairness of presentation of the financial statements in accordance with Generally Accepted Auditing Standards (GAAS), generally accepted government auditing standards (GAGAS), and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. We will prepare the Annual Financial Report in conformity with Government Code Section 26909, Generally Accepted Accounting Principles (GAAP), and Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States General Accounting Office.

Pre-Audit

We are very familiar with the audit issues facing the District. We have adjusted our audit services to incorporate these specialized areas and approach the audit from the following aspects:

- ◆ Where are the District's greatest exposures?
- ◆ How does the District safeguard against risks?
- ◆ How does the District internally evaluate its organization?
- ◆ What are the controls used by the District to measure accountability?

Our approach to the District audit is truly a design that will be as unique as the entity itself and is based on the areas we find to be the most vulnerable. Our focus includes evaluating internal controls that ensure adherence to applicable federal and state laws and regulations. We place a substantial amount of our time reviewing and assessing such high-risk areas during our evaluation. This risk-based approach focuses our efforts on what is important to you and your stakeholders and enables us to present you with meaningful suggestions.

We monitor our performance using a variety of qualitative and quantitative measures. First and foremost, we honor our agreement with you, completing the engagement on-time and on-budget. When you talk to our references, you will find that this sets us apart from most regional and national CPA firms. Typically in a first year audit engagement, we invest additional time in your audit, which is **not** billed to you as cost over-runs. Rather, we view it as an investment in our long-term professional relationship.

We measure our audit performance in the response we receive from the entity and its staff. In addition, we report directly to management and the Board in face-to-face meetings, providing meaningful information and answering questions directly.

Segmentation of the Audit

Our audit involves a logical sequence of five steps that ensures compliance with the applicable professional standards and the expeditious completion of the audit. We will tailor our audit to the needs and complexity of the District.

1. **Planning** – First, we learn everything we can about the District and its related organizations - from organizational structure to policies and procedures. We read meeting minutes, review budgets, assess manuals and programs, hold discussions with key management staff, and evaluate management information systems. Based on what we learn, we develop our expectations regarding current year results, and then compare our expectations to actual results. This helps us develop risk assessments for each audit segment to determine what level of control testing and/or substantive testing is necessary to address the assessed risk. We then design our audit program accordingly.
2. **Control Testing** – Depending on our risk assessments, we determine specific audit cycles to test for internal controls and we evaluate the results. Based on the results against our expectations, we then determine if any modification is necessary to our planned substantive audit procedures on ending account balances and transactions. Based on the information we have obtained to date, we plan to test controls to obtain moderate to substantial reliance over cash and investments, revenues and related receivables, expenses and related payables, capital outlay, and long-term debt. This is subject to change once we gather more information as part of our audit planning procedures.
3. **Substantive Testing** – Our overall objective is to achieve a low level of risk of error in ending account balances. After we have performed our preliminary analytical and internal control tests and evaluated the results, we determine the nature, timing, and extent of detailed audit procedures on ending account balances and transactions necessary to achieve a low level of risk that errors could be present without detection.

4. **Compliance Testing** – The State requires testing organizational compliance with certain laws and regulations. In addition, we will test your compliance with federal laws. We have specially-designed audit programs that ensure we adequately address both areas.

5. **Report Writing and Review** – After all the fieldwork is complete, we draft our opinions and other reports. As part of our firm’s quality control process, Bryant Jolley is required to review our audit files and audit report to improve the quality of our audits and to ensure optimum quality. We have a requirement that only personnel involved in our audit service team can be involved in the review of our work. This ensures that our clients are served with professionals trained in auditing and accounting standards.

6. **Statistical Sampling** - Sampling to be used during our audit will include random sampling methods for tests of controls and for substantive tests of details. Sampling will be used throughout the engagement to test most financial statement balances.

We will select the most appropriate sampling technique for a given compliance test, tailored to the type and nature of the test.

7. **Analytical Procedures** - Analytical procedures are generally performed throughout the audit engagement, and result in substantial discussion with management. Initially, at the planning phase of the audit, comparisons are made between current and prior year results, actual and budgetary information, and to industry benchmarks. We use common size financial statements and trend and ratio analyses to aid us in developing our audit plan and programs. Non-financial data and external information are incorporated in our procedures to enhance their validity, and information is disaggregated as much as possible to improve precision.

During our substantive testing of balances, we typically analyze the detail of changes to certain accounts. For example, this approach is often used with sampling in our testing of capital asset, long-term debt and investment accounts.

At the conclusion of the audit, we again employ analytical procedures similar to those used at the planning phase. The audit team takes a holistic view of the financial statements in light of the results of all other auditing procedures performed. We discuss our observations with management and provide information to the Board as part of our audit result presentation. Our clients find this to be the most important value of their annual audit process. It produces beneficial information far beyond the audit of the financial statements they initially expect.

AUDIT: Documenting internal control structure

- ◆ Obtain copies of all available system and policy/procedure documentation from the District finance, treasury, human resources, information technology, grant management, budget department, and personnel. This will include organization charts, narratives and flowcharts. Copies will be retained in our permanent working paper file. This documentation will be updated annually for any changes.
- ◆ Review the above-described documentation and meet with the District personnel to make inquiries about, and discuss questions that arise from, our review.
- ◆ Document and assess the adequacy of internal controls over the various systems, and develop preliminary risk assessments for each of them. As mentioned earlier in our discussion of audit approach, the framework of this system incorporates the requirements of auditing standards related to internal control and fraud detection.

At the planning phase of our audit and in accordance with Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*, we will hold a brainstorming meeting to discuss fraud risks related to the District and design the audit to take those risks into account. Provisions of this new and important auditing standard will be incorporated throughout our audit.

EXHIBIT A

TOTAL MAXIMUM PRICE – RESPONSE TO DISTRICT RFP

	2017 Total
District Audit	\$ 7,500
State Controller Report, if assistance is needed	\$ 500
Grand Total	\$ 8,000

****There will be no additional out-of-pocket expenses. Total all-inclusive hours is expected to be approximately 45 hours.**

Submitted By:

Firm Name: Bryant L. Jolley, CPA

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the District, for the services identified in the Request For Proposal.

Signature:  _____

Printed Name: Bryant L. Jolley

Date: July 18, 2017

RESOLUTION NO. 2017-

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PAJARO DUNES
GEOLOGIC HAZARD ABATEMENT DISTRICT LEVYING ANNUAL ASSESSMENTS
FOR FISCAL YEAR 2017-2018**

WHEREAS, pursuant to District Resolution No. 24-99 and an election undertaken in 2009, the District assesses property owners in Zones 1 and 2 for District annual operating costs, as determined by the District's budget; and

WHEREAS, the District also assesses property owners in Zones 1 and/or 2 for debt related to a SBA loan obtained by the Pelican Homeowner's Association, a line of credit obtained in 2001, a loan obtained in 2004, and a loan obtained in 2009, all of which were approved by property owner election, and for which the Debt Service Schedules and attendant assessments were approved and restated by Resolution No. 003-12- "Resolution Approving Assessment Rolls and Related Debt Service Schedules;" adopted by the Board on June 30, 2012; and

WHEREAS, on June 24, 2017, District Staff presented the Board of Directors of the Pajaro Dunes Geologic Hazard Abatement District with the draft annual operations budget for Fiscal Year 2017-2018 at a noticed meeting, and after Board discussion, and consideration of all oral and written statements, protests and communications made or filed by interested persons regarding such matters, the Fiscal Year 2017-2018 annual budget, as set forth in Exhibit "A" hereto, was approved.

NOW THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Pajaro Dunes Geologic Hazard Abatement District, that annual assessments made pursuant to previously approved Debt Service Schedules, and assessments for the District's annual and general budget, in accordance with the charts set forth in Exhibit "B," attached hereto and by this reference incorporated herein, are hereby confirmed and ordered to be levied on Properties located within District Zones 1 and 2. All amounts to be assessed upon the lands within the District Zones 1 and 2 for Fiscal Year 2017-2018 are in accordance with and apportioned by a formula and method which fairly distributes the net amount among all eligible parcels in proportion to the estimated benefits to be received by each parcel from the related improvements and services, including administrative services.

BE IT FURTHER RESOLVED, that the assessments confirmed hereby shall be collected at the same time and in the same manner as county taxes are collected and all laws providing for the collection and enforcement of county taxes shall apply to the collection and enforcement of assessments. Such funds are ordered to be used for the maintenance, operation and servicing of improvements under the District's jurisdiction, and any and all other items of work necessary and incidental to the proper maintenance and operation thereof, including administrative costs.

BE IT FURTHER RESOLVED that the District Clerk is hereby authorized and directed to file a copy of this resolution and the involved assessments, based on the charts set forth in

Exhibit B, with the County Auditor of Santa Cruz, who shall thereafter enter upon the county assessment roll opposite each lot or parcel of land the amount assessed thereupon.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Pajaro Dunes Geologic Hazard Abatement District held on the 12th day of August, 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Robert Moore, President

ATTEST:

Sarah Mansergh, District Clerk

I, the undersigned District Clerk, hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of the Pajaro Dunes Geologic Hazard Abatement District, Santa Cruz County, California, at a regular meeting thereof held on the 12th day of August, 2017, by the above-stated vote of the members thereof, a majority being present.

Dated:

Sarah Mansergh, District Clerk

Resolution 2017-xx Exhibit A
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

ANNUAL BUDGET SUMMARIZED FOR FY 2017/18

	<u>Notes</u>	<u>Zone 1</u>	<u>Zone 2</u>
Administrative and Operating Expenses:			
General and Administrative		\$ 17,888	\$ 1,030
Professional/Clerk/Accountant/Admin. Services	(A)	46,525	2,640
Special District Compliance Costs		3,090	-
Total Administrative and Operating Expenses		67,503	3,670

Costs to be allocated to each zone based on estimated proportional benefit. Based on standard cost allocation formulas for GHAD as recorded by the engineer of record July 1, 2009.

(A) Contract for Accountant/Clerk, services to include audit support, budget preparation, administration, outreach and additional requests as required by the board.

Resolution 2017-xx Exhibit A
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT - ZONE 1

BUDGET FOR FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FUNDING SOURCES FOR ZONE 1	Current Year <u>Budget</u>	<u>Notes</u>	Prior Year <u>Budget</u>	Dollar <u>Change</u>
Property Assessments:	\$ 146,097		\$ 185,734	\$ (39,637)
From Members	141,783		180,249	38,467
From PDA for Stairways	4,314		5,485	1,170
Interest income	50		50	-
Total Revenue for Zone 1	<u>146,147</u>		<u>185,784</u>	<u>39,637</u>
EXPENDITURES FOR ZONE 1				
Insurance	13,391	(1)	13,000	391
Legal Consultant	9,271	(1)	9,000	271
Website maintenance/annual fee	3,183	(1)	3,090	93
Postage/shipping/office supplies	1,313	(1)	1,275	38
Officer election	2,060	(1)	2,000	60
Audit Fees	7,983	(1)	7,750	233
Assessment Administration	8,241	(1)	8,000	241
Accountant Contract	16,830	(1)(2)	22,363	(5,533)
Clerk Contract	4,200	(1)(2)	-	4,200
Board and Clerk training	1,030	(1)	1,000	30
Total Administrative Costs	<u>67,503</u>		<u>67,478</u>	25
Debt Service:			-	
Loan payments (\$198,000 to year 2017)	16,258		32,516	(16,258)
Loan payment (\$439,000 to year 2019)	62,386		62,386	-
Loan payment (\$200,000 to year 2016)	-		23,404	(23,404)
Sub Total	<u>78,644</u>		<u>118,306</u>	<u>(39,662)</u>
Total Expenditures for Zone 1	<u>146,147</u>		<u>185,784</u>	<u>\$ (39,637)</u>
Net Change in Fund Balance	<u>\$ -</u>		<u>\$ -</u>	

Notes ~

- (1) General and administrative expenses increased over 2016/2017 budget by CPI of 3.10%, using all urban consumers (San Francisco-Oakland-San Jose, CA)
- (2) Clerk and Accountant positions seperated for budget presentation. Clerk costs anticipated at \$35/per hour, averaging 10 hours per month. Accountant position, at \$165 per hour (4 hrs per month financial statements, check run, deposits + 30 hours annual audit, 5 board meetings at 2 hours per meeting, debt admin. 3 hrs annually, annual compliance reports 3 hrs, budget preparation 8 hrs. annually) Total hours = 102

Resolution 2017-xx Exhibit A
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT - ZONE 2

BUDGET FOR FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Current Year budget</u>	<u>Prior Year Budget</u>	<u>Dollar Change</u>
REVENUE FOR ZONE 2			
Property Assessments	238,976	238,866	110
Pelican	237,093	236,985	108
Total PDA for stairway	1,882	1,881	1
			-
Interest	150	150	-
Total Revenue for Zone 2	239,126	239,016	110
EXPENDITURES FOR ZONE 2			
<i>Administrative Costs</i>			
Insurance	-	-	-
Legal Consultant	-	-	-
Officer Election	-	-	-
Postage/office supplies	-	-	-
Dues and subscriptions	-	-	-
Audit Fees	-	-	-
Contract for Assessment Administration	1,030	1,000	30
Accountant/Clerk Contract	2,719	2,640	79
			-
Total Administrative Costs	3,750	3,640	110
<i>Loan Payments</i>			
SBA Loan Payment	92,856	92,856	-
Payment on bond issue (82 members)	142,520	142,520	-
			-
Total loan payments	235,376	235,376	-
			-
Total Expenditures for Zone 2	239,126	239,016	110
Net Change in Fund Balance	-	-	0

Current year CPI = 3.01%

Resolution 2017-xx Exhibit B

TABLE 1(B) - ASSESSMENTS FOR ALL ZONE 1 PROPERTIES FOR FY2017/18

	A	B	C	D	E
1	The Zone 1 total assessment 2017/18		\$148,307	Zone 1 assessment operating	
2			Object 404823		
3	Category	Zone 1 cost	Assessment	No. of	Total
4		per \$1000	for FY2017/18	Units	
5					
6			Must use even numbers to the County		
7	Row 1 houses	8.51 to 17.14	592.84 to 1,194.02	67	44,665.42
8					
9	Row 2 houses	1.72	119.82	44	5,272.10
10					
11	Rows 3, 4 & 5	0.94	65.48	40	2,619.33
12					
13	Cypress	5.15	358.76	23	8,251.58
14					
15	Pelicans	1.17	81.50	87	7,090.13
16					
17	Stairways (PDA)	0.0969	6.76	261	1,764.45
18					
19	Total				69,663.00
20					
21		TAX ROLL			
22	Less stairways				-1,764.45
23	Less 4 of 5 common parcels				-261.93
24					
25					67,636.62

Resolution 2017-xx Exhibit B

TABLE 1(B) - ASSESSMENTS FOR ALL ZONE 1 PROPERTIES FOR FY2017/18

	A	B	C	D	E
1	The Zone 1 total assessment for FY2017/2018 is \$148,307				
2			BREAK OUT LOANS 1 & 2 \$16,258		
3	Category	Zone 1 cost	Assessment	No. of	Total
4		per \$1000	for FY2017/18	Units	
5			Object 404830		
6			Must use even numbers to the County		
7	Row 1 houses	8.51 to 17.14	138.36 to 278.66	67	10,421.00
8					
9	Row 2 houses	1.72	27.96	44	1,230.41
10					
11	Rows 3, 4 & 5	0.94	15.28	40	611.30
12					
13	Cypress	5.15	83.74	23	1,925.99
14					
15	Pelicans	1.17	19.02	87	1,654.90
16					
17	Stairways (PDA)	0.0969	1.58	261	411.18
18					
19	Total				16,254.78
20					
21					
22		TAX ROLL			
23	Less stairways				-411.18
24	Less 4 of the 5 common parcels				-61.13
25					
26					15,782.47
27					
28					
29					
30					
31					

Resolution 2017-xx Exhibit B

TABLE 1(B) - ASSESSMENTS FOR ALL ZONE 1 PROPERTIES FOR FY2017/18

	A	B	C	D	E
1	The Zone 1 total assessment for FY2017/18 is \$148,307				
2			BREAK OUT LOAN 3 & 4 \$62,386		
3	Category	Zone 1 cost	Assessment	No. of	Total
4		per \$1000		Units	
5					
6			Must use even numbers to the County		
7	Row 1 houses	8.51 to 17.14	530.92 to 1069.30	67	39,997.51
8					
9	Row 2 houses	1.72	107.30	44	4,721.37
10					
11	Rows 3, 4 & 5	0.94	58.64	40	2,345.71
12					
13	Cypress	5.15	321.30	23	7,389.85
14					
15	Pelicans	1.17	73.00	87	6,351.14
16					
17	Stairways (PDA)	0.0969	6.06	261	1,580.41
18					
19	Total				62,386.00
20					
21					
22		TAX ROLL			
23	Less stairways				-1,580.41
24	Less 4 of the 5 common area parcels				-234.57
25					
26					60,571.02

Resolution 2017-xx Exhibit B

ATTACHMENT 4

TABLE 2 - MAXIMUM ASSESSMENTS ALL ZONE 2 PROPERTIES FOR FY2017/2018

	A	B	C	D	E
2					
3		Zone 2 cost	Assessment	No. of	Total
4		per \$1000	for Each Unit	Units	
5					
6	PART A				
7					
8	The administrative budget for Zone 2 for FY2017/2018 is \$3,750				
9					
10	Pelican	11.40	28.13	87	2,447
11					
12	PDA for Stairway				66
13					
14	Interest				150
15					
16	Stair Income from bond				1,142
17					
18				Subtotal	3,805
19					
20					
21	PART B & C				
22					
23	The budget to continue payments on an increase of \$917,000 in the SBA loan in 2017/2018				
24	is a total fo \$92,856				
25	Pelican	11.40	1,058.56	87	92,095
26					
27	PDA for stairway				761
28					
29				Subtotal	92,856
30					
31	PART D				
32					
33	The budget to make payments on the bond issue by 82 Pelican owners is \$142,520				
34					
35	Pelican		1,724.12	82	141,378
36					
37	PDA for stairway payment related to the bond issue				1,142
38	Other PDA payments for stairs				827
39	Total PDA payments for stairs				1,969
40					
41	* Note: It was decided to leave the assessment for each unit at \$1,770.06, the number given by				
42	Marc Stocks, the bond issuer, rather than reduce it to account for the stairway as was done in				
43	Parts A, B, and C. The stairway contribution by PDA was calaulated as follows:				
44	145,145/52,128 x 410 = 1,142. In Part D, the stairway contributionby PDA will not be used to make				
45					

Resolution 2017-xx Exhibit B

ATTACHMENT 4

TABLE 2 - MAXIMUM ASSESSMENTS ALL ZONE 2 PROPERTIES FOR FY2017/2018

	A	B	C	D	E
46		Zone 2 cost	Assessment	No. of	Total
47		per \$1001	for Each Unit	Units	
48					
49	PART A				
50					
51	The administrative budget for Zone 2 for FY2017/2018 is \$3,751				
52					
53					
54		Zone 2 cost	Assessment	No. of	Total
55		per \$1001	for Each Unit	Units	
56					
57	PART A				
58					
59	The administrative budget for Zone 2 for FY2017/2018 is \$3,751				
60					
61	Pelican	11.40	-4.31	88	-379
62					
63	PDA for Stairway				1,260
64					1,529
65	Interest				1,798
66					2,067
67	Stair Income from bond				2,336
68					
69				Subtotal	5,014
70					
71					
72	PART B & C				
73					
74	The budget to continue payments on an increase of \$917,000 in the SBA loan in 2017/2019				
75	is a total fo \$92.857				
76	Pelican	11.40	1,058.56	87	92,095
77					
78	PDA for stairway				762
79					
80				Subtotal	92,857
81					
82	PART D				
83					
84	The budget to make payments on the bond issue by 82 Pelican owners is \$142,521				
85					
86	Pelican		1,717.11	83	142,520