



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

**Saturday, May 21, 2016 9:00 a.m.**

**A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE**

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**Roll Call**

Bill Lyons (H40) President  
Bob Moore (P45) Vice President  
Wendy Cumming, Clerk/Accountant/Secretary

Jim Griffin (P9) Director  
David Bower (P48) Director  
Raul Deju (CY4) Director

**B. MEMBER COMMENTS**

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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**

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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.

- Update on the Coastal Commission application, and Santa Cruz County interaction
- Economic Impact report update
- Sand removal - Neighbor dispute
- FEMA
- Meeting Calendar
- Subcommittee on assessment election
- Report on attorney fees allocated to Zone 2 for last fiscal year, and the current fiscal year.

**D. CONSENT CALENDAR**

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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 March 12, 2016

## **E. TREASURER'S REPORT**

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### 2. Financial Reports

- Ten month period ended April 30, 2016
- Warrant listing
- Accept reports by motion

## **F. COMMITTEE REPORTS**

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### 3. Finance and Budget Committee (Bill Lyons/Wendy Cumming)

### 4. Community Membership and Relations Committee (Bill Lyons/Bob Moore)

### 5. Seawall Application and Repair Committee (Jim Griffin/David Bower)

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**

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### 7. ITEM – Consider proposals for audit services for the fiscal year ended June 30, 2016

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

### 8. ITEM – Consider adopting draft budget for the fiscal period July 1, 2016 through June 30, 2017

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

### 9. ITEM – Consider taking action to provide direction to the Seawall Application and Repair Committee to work with staff to prepare documents for 2016 Assessment Election for county processing costs

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

## **H. DIRECTORS COMMENTS AND CONCERNS**

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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**

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The next Regular Meeting of the Board of Directors is scheduled for June 11, 2016, 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.



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

**Saturday, March 12, 2016 9:00 a.m.**

**A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE**

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**Roll Call**

Bill Lyons (H40) President (Calling in from 4552 Morse Ave., Studio City, CA (209) 531-4077) Present  
 Jim Griffin (Director)(P9) - Absent  
 Bob Moore (P45) Vice President - Present                         David Bower (Director)(P48) - Present  
 Wendy Cumming, Clerk/Accountant/Secretary – Present Raul Deju (Director)(CY4) - 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.

**No comments**

**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.

- Update on the Coastal Commission application, and Santa Cruz County interaction
- Economic Impact report update
- Sand removal - Neighbor dispute
- Banking relationship
- Subcommittee on assessment election

President Bill Lyons commented as follows:

Regarding the Coastal Commission application, ARUP has submitted the GHAD application for a permit from the Coastal Commission. It appears that there has been progress. The committee is planning to meet with the County Planning dept. later this month. The committee plans to stress to the County that this is a repair and maintenance project and will involve removing the rocks on the beach.

Raul Deju commented that the County has been difficult to deal with. The District has responded to the issues and the questions. The questions are not complicated. The only one that needs to be resolved is the issue of the County having to sign off. All other agencies that are affected have signed off. The District expects to have a response from the CCC within 90 days of submitted the response.

Bill Lyons commented on the Economic Impact Report. The updated version has not yet been completed. The report is expected to be completed within the next three weeks.

Bill Lyons commented on the sand removal and the neighbor dispute. PDA asked if ARUP the engineer of record for an estimate to review the site and provide an opinion. The cost would be between \$600-\$1,000, with the cost born by the property owner. Per Raul Deju ARUP would need to go through the existing contract with the District, since the PDA and the parties involved are not under a contract. Further they would need to have a signed legal letter absolving the District from any responsibility. Ken Stephens felt that the conflict of interest is a concern. Steve Broch commented that when an owner wants to make changes to the front of the home that the owner did not have the expertise for moving land in front of their home. David Bower felt that this is a PDA issue and should not involve the District. Raul Deju commented that no one should move remove rocks or anchor anything to the seawall. Bill Lyons commented that this is not an issue we need to deal with today, and this was just an update. David Bower requested that the houses identified, which are house numbers 13 and 12. This was discussed in the prior meeting.

On the banking relationship, Bill Lyons commented that he has asked Wendy and Mike to work with the bank, and that the relationship has been good.

Bill Lyons commented that with the District application having been submitted, and has asked the David Bower and Jim Griffin to be a part of the assessment election. David commented that the District would need to have the assessment election completed and submitted to the County no later than August 1, 2016, in order to make the assessment roles, and this would not happen this current fiscal year. Fiscal years 2017/2018 would be more likely. Per Raul Deju, come the 2018 year the existing loans would be paid off, except for one, and the assessment at that time would be comparable to what is being paid now.

#### **D. CONSENT CALENDAR**

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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 December 12, 2015

Motion by David Bower, seconded by Raul Deju, approved by all except Jim Griffin, who was absent.

## **E. TREASURER'S REPORT**

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### 2. Financial Reports

- Eight month period ended February 29, 2016
- Warrant listing
- Accept reports by motion

David Bower had a question regarding the legal fee assigned to the Zone 2. Clerk Wendy Cumming will research the legal fees. Steve Broch, asked about the audit report on page 24, from the prior fiscal year and the legal fees on Zone 1 and 2. He wanted to know why there are legal expense for Zone 2. Clerk/Accountant will report back. Bob Moore asked that an item be placed on the agenda for the May meeting.

Mary Paige asked about the emergency funds in account in the emergency reserve account bank account and asked what the use was. Per the clerk/accountant the costs were technical costs from ARUP. Per Raul Deju the costs were allowable under the original assessment documents.

Motion by Raul Deju, seconded by David Bower, approved by all, except Jim Griffin.

## **F. COMMITTEE REPORTS**

---

3. Finance and Budget Committee (Bill Lyons/Wendy Cumming)
4. Community Membership and Relations Committee (Bill Lyons/Bob Moore)
5. Seawall Application and Repair Committee (Jim Griffin/David Bower)
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.

No meetings

## **G. NEW BUSINESS**

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7. ITEM – Approval of the ARUP Task Proposal pursuant to the terms of the 2012 Contract for Professional Services between PDGHAD and ARUP

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

Raul Deju commented the District has received a proposal from ARUP for working with the County on the Coastal Commission repair permit. ARUP will prepare a new engineer allocation report. David Bower commented that PHA has already raised money for the inspection of the riverwall and that Zone 2 should not incur expenses for ARUP to charge for the riverwall. The language in the proposal should be changed to just “seawall” and not “riverwall”. Raul recommended that the District approve for the proposal except for the inspection of the seawall. David Bower commented that if Raul Deju is comfortable with the proposal, than he was I favor. Bill Lyons commented that he is in support of the proposal, except for the inspection due to the lack of activity on the wall.

Motioned by Raul Deju and seconded by David Bower, authorizing the approval of the ARUP Task Proposal to complete task 1, 2, and 3., less the seawall maintenance fees. Also the language should only include the inspection for the seawall, not the riverwall.

## **H. DIRECTORS COMMENTS AND CONCERNS**

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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.

David Bower commented that he had walked the seawall and noticed an outfall pipe that is draining directly on the seawall. Raul Deju commented that the pipe should be removed. David further commented that the pipe needs to be removed. An audience member said the issue should be forwarded to the design committee. David Bower requested the clerk should forward the issue to the Design committee.

## **I. ADJOURNMENT**

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Motion for adjournment by David Bower seconded by Raul Deju, approved by all, except Jim Griffin.

There being no further business to come before the Board, the meeting was adjourned at 10:12 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 April 30, 2016

Apr 30, 16

**ASSETS**

**Current Assets**

**Checking/Savings**

100000 · SCCB Zone 1 - 3957	8,601.22
100001 · SCCB Zone 2 - 3965	62,089.78
100002 · SCCB Z1 Emerg - 1877	23,221.20
100003 · SCCB LTD- 0208	57,378.68
100400 · Union Bank Bond Holding	<u>300,343.18</u>

**Total Checking/Savings** 451,634.06

**Accounts Receivable**

120000 · Assessments Receivable	95,595.53
120500 · Assess. Rec. Delinquent	<u>11,246.53</u>

**Total Accounts Receivable** 106,842.06

**Other Current Assets**

121500 · Prepaid Insurance	<u>15,720.00</u>
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**Total Other Current Assets** 15,720.00

**Total Current Assets** 574,196.12

**Fixed Assets**

150000 · Riverwall	3,000,000.00
160000 · Accumulated Depreciation	<u>-1,133,330.00</u>

**Total Fixed Assets** 1,866,670.00

**TOTAL ASSETS** 2,440,866.12

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

200000 · Accounts Payable	<u>12,184.26</u>
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**Total Accounts Payable** 12,184.26

**Other Current Liabilities**

220000 · Accrued Interest	16,975.69
255000 · Unearned Revenue	<u>39,187.00</u>

**Total Other Current Liabilities** 56,162.69

**Total Current Liabilities** 68,346.95

**Long Term Liabilities**

260000 · NP SCCB (439k) Loan	170,279.44
261000 · NP SCCB (198k) Loan	46,154.81
263000 · SCCB Emergency Loan Z1	21,433.69
285000 · Bonds Payable Z2	1,445,000.00
286000 · Bonds Payable Discount Z2	-52,250.00
286500 · Amort. Bond Discount Z2	<u>23,161.00</u>

**Total Long Term Liabilities** 1,653,778.94

**Total Liabilities** 1,722,125.89

**Equity**

30000 · Opening Balance Equity	607,355.35
32000 · Retained Earnings	89,202.21

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



**Pajaro Dunes Geologic Hazard Abatement District**

**Balance Sheet**

As of April 30, 2016

Apr 30, 16

Net Income	<u>22,182.67</u>
Total Equity	<u>718,740.23</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u><u>2,440,866.12</u></u></b>

**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
July 2015 through April 2016

	Zone 1			Zone 2		
	Jul '15 - Apr 16	Budget	\$ Over Budget	Jul '15 - Apr 16	Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>						
<b>Income</b>						
410000 · Assessment Income	161,067	161,067	-	204,445	204,445	-
410050 · Assess. Income PDA Stairs	5,787	5,787	0	1,969	1,948	21
<b>Total Income</b>	<u>166,854</u>	<u>166,854</u>	<u>0</u>	<u>206,414</u>	<u>206,393</u>	<u>21</u>
<b>Expense</b>						
610155 · Postage and Mailings	26	250	(224)	5	200	(195)
615115 · Office Expense	5	580	(575)	-		
615140 · Audit Expense	7,650	6,500	1,150	50	50	-
615415 · Accounting/Clerk Expense	19,484	25,000	(5,516)	3,689	3,944	(255)
615617 · Website Maintenance	1,500	1,500	-	-		
615650 · Officer Election	150	-	150	150	-	150
615655 · Dues	149		149	-	25	(25)
615656 · Board/Clerk Education	-	750	(750)	-		
616500 · Legal Fees	14,524	5,834	8,690	4,096	1,666	2,430
616525 · Econ. Study	3,000		3,000	-		
619010 · Technical Consulting Costs	43,893		43,893	-		
628500 · Insurance Expense	7,500	7,500	-	3,330	3,334	(4)
629030 · SBA Repayment to PHA Z2	-			77,380	77,380	-
750000 · Depreciation Expense Z2	-			83,330	83,334	(4)
<b>Total Expense</b>	<u>97,880</u>	<u>47,914</u>	<u>49,966</u>	<u>172,030</u>	<u>169,933</u>	<u>2,097</u>
<b>Net Ordinary Income</b>	<u>68,974</u>	<u>118,940</u>	<u>(49,966)</u>	<u>34,384</u>	<u>36,460</u>	<u>(2,076)</u>
<b>Other Income/Expense</b>						
<b>Other Income</b>						
410070 · Interest Income	159	42	117	151	124	27
<b>Total Other Income</b>	<u>159</u>	<u>42</u>	<u>117</u>	<u>151</u>	<u>124</u>	<u>27</u>
<b>Other Expense</b>						
855000 · Interest Expense	15,146	15,146	-	64,600	64,600	-
955500 · Interest Bond Discount	-			1,740	1,740	-
<b>Total Other Expense</b>	<u>15,146</u>	<u>15,146</u>	<u>-</u>	<u>66,340</u>	<u>66,340</u>	<u>-</u>
<b>Net Other Income</b>	<u>(14,987)</u>	<u>(15,104)</u>	<u>117</u>	<u>(66,189)</u>	<u>(66,216)</u>	<u>27</u>
<b>Net Income</b>	<u><u>53,987</u></u>	<u><u>103,836</u></u>	<u><u>(49,849)</u></u>	<u><u>(31,804)</u></u>	<u><u>(29,756)</u></u>	<u><u>(2,048)</u></u>

**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
July 2015 through April 2016

	TOTAL		
	Jul '15 - Apr 16	Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
410000 · Assessment Income	365,512	365,512	-
410050 · Assess. Income PDA Stairs	7,756	7,735	21
<b>Total Income</b>	<u>373,268</u>	<u>373,247</u>	<u>21</u>
<b>Expense</b>			
610155 · Postage and Mailings	31	450	(419)
615115 · Office Expense	5	580	(575)
615140 · Audit Expense	7,700	6,550	1,150
615415 · Accounting/Clerk Expense	23,172	28,944	(5,772)
615617 · Website Maintenance	1,500	1,500	-
615650 · Officer Election	300	-	300
615655 · Dues	149	25	124
615656 · Board/Clerk Education	-	750	(750)
616500 · Legal Fees	18,620	7,500	11,120
616525 · Econ. Study	3,000	-	3,000
619010 · Technical Consulting Costs	43,893	-	43,893
628500 · Insurance Expense	10,830	10,834	(4)
629030 · SBA Repayment to PHA Z2	77,380	77,380	-
750000 · Depreciation Expense Z2	83,330	83,334	(4)
<b>Total Expense</b>	<u>269,910</u>	<u>217,847</u>	<u>52,063</u>
<b>Net Ordinary Income</b>	103,358	155,400	(52,042)
<b>Other Income/Expense</b>			
<b>Other Income</b>			
410070 · Interest Income	310	166	144
<b>Total Other Income</b>	<u>310</u>	<u>166</u>	<u>144</u>
<b>Other Expense</b>			
855000 · Interest Expense	79,746	79,746	-
955500 · Interest Bond Discount	1,740	1,740	-
<b>Total Other Expense</b>	<u>81,486</u>	<u>81,486</u>	<u>-</u>
<b>Net Other Income</b>	<u>(81,176)</u>	<u>(81,320)</u>	<u>144</u>
<b>Net Income</b>	<u><u>22,183</u></u>	<u><u>74,080</u></u>	<u><u>(51,897)</u></u>

**Pajaro Dunes Geologic Hazard Abatement District**  
**Bank Account Activity**

As of April 30, 2016

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
<b>100000 - SCCB Zone 1 - 3957</b>						<b>41,147.82</b>
Bill Pmt -Check	03/10/2016	1256	ARUP North America, LTD		29,300.00	11,847.82
Bill Pmt -Check	03/10/2016	1257	Jarvis, Fay, Doportto & Gibson, LLP		951.60	10,896.22
Bill Pmt -Check	03/10/2016	1258	Wendy L. Cumming, CPA		2,295.00	8,601.22
Total 100000 - SCCB Zone 1 - 3957				0.00	32,546.60	8,601.22
<b>100001 - SCCB Zone 2 - 3965</b>						<b>156,386.98</b>
Bill Pmt -Check	03/10/2016	1226	Jarvis, Fay, Doportto & Gibson, LLP		268.40	156,118.58
Bill Pmt -Check	03/10/2016	1225	Pajaro Dunes Geologic Abatement District		85,885.80	70,232.78
Bill Pmt -Check	03/10/2016	1224	Pelican Home Owner's Association		7,738.00	62,494.78
Bill Pmt -Check	03/10/2016	1223	Wendy L. Cumming, CPA		405.00	62,089.78
Total 100001 - SCCB Zone 2 - 3965				0.00	94,297.20	62,089.78
<b>100002 - SCCB Z1 Emerg - 1877</b>						<b>23,217.33</b>
Deposit	03/31/2016			1.97		23,219.30
Deposit	04/30/2016			1.90		23,221.20
Total 100002 - SCCB Z1 Emerg - 1877				3.87	0.00	23,221.20
<b>100003 - SCCB LTD- 0208</b>						<b>57,369.12</b>
Deposit	03/31/2016			4.86		57,373.98
Deposit	04/30/2016			4.70		57,378.68
Total 100003 - SCCB LTD- 0208				9.56	0.00	57,378.68
<b>100400 - Union Bank Bond Holding</b>						<b>338,339.43</b>
Check	03/01/2016	atm	Union Bank		37,996.25	300,343.18
Total 100400 - Union Bank Bond Holding				0.00	37,996.25	300,343.18
<b>TOTAL</b>				<b>13.43</b>	<b>164,840.05</b>	<b>451,634.06</b>

May 4, 2016

To the Board of Directors  
Pajaro Dunes Geologic Hazard Abatement District  
Watsonville, California

Re: Audit Fee for the Year Ending June 30, 2016

At the request of Wendy Cumming, we are pleased to confirm that our fee for the audit of the District for the year ending June 30, 2016 would again be \$7,700.

We appreciate the opportunity to continue working with the District.

Very truly yours,

HUTCHINSON AND BLOODGOOD LLP



Karen Semingson, CPA  
Partner



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**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**

**May 12, 2016**

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Exhibit A: Cost Proposal ..... 9

# BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

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

May 12, 2016

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, 2016. The all-inclusive fee for June 30, 2016 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](mailto: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", written over a horizontal line.

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, 2015

**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, 2015

**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, 2015

**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, 2015

**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.

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# EXHIBIT A

## TOTAL MAXIMUM PRICE – RESPONSE TO DISTRICT RFP

	2016 Total
District Audit	\$ 7,500
State Controller Report, if assistance is needed	\$ 500
<b>Grand Total</b>	<b>\$ 8,000</b>

**\*\*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: May 12, 2016



## BUDGET FOR FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	County Object Number		
	404823	404830	404847
	Operating	Ln. 1&2	Ln. 3,4,LOC
	Assessment	Assess.	Assess.
<b>FUNDING SOURCES FOR ZONE 1</b>			
Property Assessments:	\$	177,046	
From Members		171,818	
From PDA for Stairways		5,228	
Interest income		50	
<b>Total Revenue for Zone 1</b>		<u>177,096</u>	
<b>EXPENDITURES FOR ZONE 1</b>			
Insurance		9,000	9,000
Legal Consultant		7,000	7,000
Website maintenance/annual fee		3,090	3,090
Postage/shipping/office supplies		1,000	1,000
Officer election		1,000	1,000
Audit Fees		7,700	7,700
Assessment Administration		8,000	8,000
Accounting/Clerk Contract		21,000	21,000
Board and Clerk training		1,000	1,000
<b>Total Administrative Costs</b>		<u>58,790</u>	<u>58,790</u>
<b>Debt Service:</b>			
Loan payments (\$198,000 to year 2017)		32,516	32,516
Loan payment (\$439,000 to year 2019)		62,386	62,386
Loan payment (\$200,000 to year 2016)		23,404	23,404
<b>Sub Total</b>		<u>118,306</u>	
<b>Total Expenditures for Zone 1</b>		<u>177,096</u>	<u>85,790</u>
<b>Net Change in Fund Balance</b>	\$	<u>-</u>	

**DRAFT PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT - ZONE 2**

**BUDGET FOR FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**REVENUE FOR ZONE 2**

Property Assessments	247,554
Pelican	245,604
Total PDA for stairway	1,950
Interest	150
<b>Total Revenue for Zone 2</b>	<b>247,704</b>

**EXPENDITURES FOR ZONE 2**

*Administrative Costs*

Insurance	4,000
Legal Consultant	2,000
Officer Election	1,000
Postage/office supplies	250
Dues and subscriptions	25
Audit Fees	50
Contract for Assessment Administration	1,000
Accountant/Clerk Contract	4,003
<b>Total Administrative Costs</b>	<b>12,328</b>

*Loan Payments*

SBA Loan Payment	92,856
Payment on bond issue (82 members)	142,520
<b>Total loan payments</b>	<b>235,376</b>

<b>Total Expenditures for Zone 2</b>	<b>247,704</b>
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<b>Net Change in Fund Balance</b>	<b>-</b>
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**DATE:** May 17, 2016

**TO:** Board of the Pajaro Dunes Geological Hazard Abatement District

**FROM:** Michael F. Rodriquez, District Counsel

**RE:** Direction to the Seawall Application and Repair Committee to Work with Staff to Prepare Documents for 2016 Assessment Election for County Processing Costs

By way of background, Bill Lyons, Raul Deju, Jeff Dunn and I met with County Planning Director Kathy Previsich, County Geologist Joe Hanna and County Civil Engineer Carolyn Burke on March 30, 2016 at the County offices in Santa Cruz to discuss the District's proposed Seawall Repair Project (the "Project"). As you will recall, County approval of the Project is a prerequisite to the Coastal Commission's approval and issuance of necessary Seawall Repair permits.

After lengthy discussion, County Planning Staff made it clear that the Project will need to be processed through the County's Planning Commission. At a minimum, this will entail the submission of a project application, completion of an analysis of the Project pursuant to the California Environmental Quality Act ("CEQA"), consideration for and issuance of a grading permit, and at least one appearance before the County Planning Commission. All of these tasks may necessitate the need for the retention of additional consultants, and will require the deposit of application processing fees and the execution of a reimbursement agreement with the County. The County is supposed to provide the District with a list of application requirements and fees.

CEQA will require the District to establish a "lead agency" for the Project, basically the public entity responsible for ushering the Project through the environmental process. Given the District's lack of a true planning staff, it appears likely that we will need to contract with the County to act as lead agency. The County would be charged with preparing the environmental analysis of the Project. The County has staff members who can prepare the necessary analysis, and using the County will enable the District to avoid delays associated with retaining an environmental consultant. (Preparing and issuing a Request for Proposals, analyzing the proposals, selecting a consultant and then awarding a contract.)

Finally, the above-referenced District representatives and consultants believe that the Board should consider retaining a consultant to help the District get through the Planning Commission approval process. Using an individual familiar with County procedures and Staff requirements should help to expedite the approval process.

The District currently has no funds budgeted for the unanticipated costs associated with processing the Seawall Project with the County, and no available unencumbered funding sources. As such, it will be necessary for the District to assess property owners for such costs. Although at the time of this writing we do not have County estimates for application, consulting and processing costs, Staff is recommending that the Board authorize and direct the Seawall Application and Repair Committee to oversee and provide Staff with direction in the preparation

To: Board of the Pajaro Dunes Geological Hazard Abatement District  
Date: May 17, 2016  
Page: 2

of necessary ballots and related materials for an assessment election to take place prior to August of 2016. We should have estimates for the variety of project related costs, including but not limited to the matters set forth above, within the next few weeks to bring before the Board for consideration in setting the proposed new assessment.