



MANILA COMMUNITY SERVICES DISTRICT

Agenda of Regular Meeting Tuesday June 18th, 2024 6:30 p.m.

Manila Community Center, 1611 Peninsula Drive Room A

Posted by Saturday June 15th, 2024 6:30 p.m.

This meeting is accessible remotely via Zoom <https://us02web.zoom.us/j/3742372467> and phone-in @ 669-900-6833. Unless otherwise noted, all items on the agenda are subject to action by the Board of Directors. Time specific items (if any) are noted on the applicable agenda item and will be discussed at that time or as soon after that time as practical. It is planned to record this meeting so that it is accessible by the public.

1. ROLL CALL, DETERMINE QUORUM:

2. APPROVE AGENDA:

3. PUBLIC INPUT / PETITIONS / ANNOUNCEMENTS: *The public is invited to present petitions, make announcements, or provide other information to the Board on matters **not** on the agenda. The Board may uniformly impose a time limit of 3 minutes for individual presentation to assure every subject is heard. By public law, the Board cannot take action on items not on the agenda.*

4. PRESENTATION ITEMS: Justin Legge, Restoration Manager Friends of the Dunes

5. BUSINESS ACTION ITEMS:

- a) **Consideration of Redwood Coast Montessori Lease Amendments**
- b) **Consideration of District Sponsoring Additional Speed Hump**
- c) **Auditor Contract: Approve Engagement Letters for FY2023 and FY2024:**

6. CONSENT CALENDAR: *(Items may be pulled for future consideration) – Amendments or corrections should be received in writing prior to approval.*

- a) **Draft Minutes of May 21st, 2024**
- b) **Receive Disbursements: May 21st - to date**
- c) **Biennial Conflict of Interest Code certification – no changes required**
- d) **Warrant to County Treasury for FY25 Budgeted Tax Allocations \$32,000**

7. BOARD DISCUSSION ITEMS:

- a) **Committee Member Updates/Reports**
- b) **General Manager's Report**

8. INCOMING COMMUNICATIONS

9. ADJOURNMENT:

If open session items cannot be completed by 8:30 P.M., the meeting may be adjourned to the next regular meeting or the Board may vote to extend the meeting. A request for disability-related modification or accommodation, including auxiliary aids of services, may be made by a person with a disability, who requires a modification or accommodation in order to participate in the public meeting, by contacting the Manila CSD General Manager at least 24 hours prior to commencement of the meeting.



Manila Community Services District Board of Directors

Agenda Summary

Tuesday June 18th, 2024

Presentation by Friends of the Dunes - Justing Legge, Restoration Manager

Summary: Justin has been invited to make a brief presentation and Q&A for the board related to the disposition of the Manila Dunes. Justin's BIO from the Friends of the Dunes website:

Justin loves all things about the Natural Resources of Humboldt! After graduating from HSU, he worked for the US Forest Service in Lake Tahoe. While there, he realized how much he loved the Humboldt Redwood Coast, and had to return. Justin formerly worked as Restoration Volunteer Coordinator with Friends of the Dunes in 2012.

In recent years, he has been working in the Vacation and Tourism Industry as a Property Manager and Private Naturalist Guide. Justin is very excited to return to the non-profit sector and take on the role of Restoration Manager to complete the Foredune restoration along the Friends of the Dunes property! Justin has developed, coordinated, and led a diverse range of outdoor programs for people of all types and ages, in every ecosystem in Humboldt County.

His love is to help other humans find a positive, and meaningful connection with nature and one another. Justin believes that by demonstrating authenticity, passion, and gumption he can help inspire others to give back and live compassionately.

There is no action requested for this item.



Agenda Summary

Tuesday June 18th, 2024

***** It should be noted that the GM's personal residence is adjacent to the subject property *****

Consideration of Redwood Coast Montessori Lease.

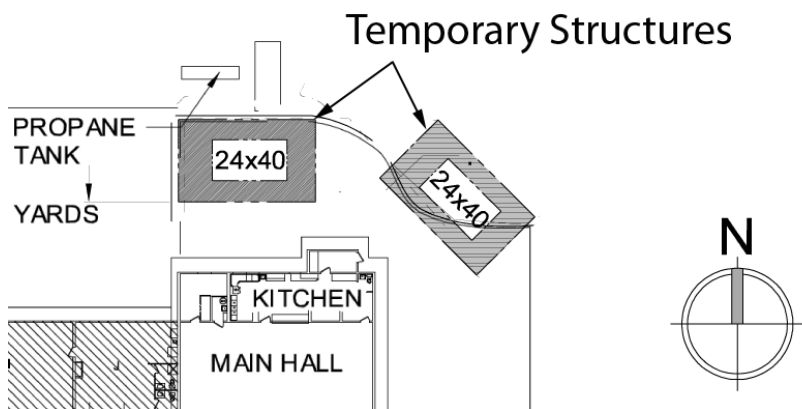
Summary: The board approved a 1-year extension to RCM's lease at May's meeting and staff was directed to return the lease with amendment within 12 months. Staff and the Finance Officer met and collaborated with Lessee to arrive at the following:

1. All changes previously adopted by the board, including rate increases and revisions to Exhibit A.
2. Added charging \$0.20 per sq ft for undeveloped space to be used by Temp Structures (1920sf).
3. Language limiting facility use for school-related events to 10 per year (outside of lease terms).

Below is the schedule of fees for the term:

			Developed		Undeveloped		Total
			Lease	\$/sf	Lease	\$/sf	
Year 1	07/01/25 - 06/30/26	2025	\$ 7,980	\$ 0.601	\$ 384.00	\$ 0.200	\$ 8,364
Year 2	07/01/26 - 06/30/27	2026	\$ 8,100	\$ 0.610	\$ 389.76	\$ 0.203	\$ 8,490
Year 3	07/01/27 - 06/30/28	2027	\$ 8,221	\$ 0.619	\$ 395.61	\$ 0.206	\$ 8,617
Year 4	07/01/28 - 06/30/29	2028	\$ 8,345	\$ 0.628	\$ 401.54	\$ 0.209	\$ 8,746
Year 5	07/01/29 - 06/30/30	2029	\$ 8,470	\$ 0.638	\$ 407.56	\$ 0.212	\$ 8,877

Below is a blow-up of the revised part of Exhibit A:



Recommended Motion:

I move/second to approve RCM's 5-year lease as presented (or as amended). Vote: _____

Alternate Motion:

I move/second to direct staff to present a closed session for future RCM Lease negotiations. Vote: _____

FACILITIES USE AND LEASE AGREEMENT 2025-2030

THIS FACILITIES USE AND LEASE AGREEMENT (“Lease” or “Agreement”) dated as of **July 1, 2025** (“Effective Date”) is entered into between MANILA COMMUNITY SERVICES DISTRICT, a California special district (“Lessor”) and Redwood Coast Montessori School (“Lessee”). This Lease amends and restates in its entirety the original written Lease between the Parties (including any amendments thereto) and any other written or oral agreements between the Parties relating to the Property. Where joint reference is intended Lessor and Lessee are hereinafter referred to as the “Parties.”

Recitals

A. WHEREAS, Lessor is the owner of that certain real property with improvements, commonly known as the Manila Community Center in Manila, California (“the Property”), and more particularly depicted in **Exhibit A** attached hereto.

B. WHEREAS, Lessee seeks to lease from Lessor a portion of the Property, depicted as North Wing and South Wing classrooms on **Exhibit A** (referred to herein as the “Classrooms”) for Lessee’s exclusive use;

C. WHEREAS, Lessee also seeks to lease from Lessor a portion of the common areas of the Premises, depicted on Exhibit A as the Main Hall, Kitchen, Boys #7, Girls #5, House A, Parking Lot, Playfield and Garden area at the west end of the North Wing, (collectively referred to herein as the “Common Areas”) for Lessee’s non-exclusive use; and

D. WHEREAS, Lessor is willing to lease the Classrooms and the Common Areas located on the Property subject to the terms and conditions of this Lease and the appended Exhibits.

E. WHEREAS, Lessee and Lessor acknowledge the Property contains certain deed restrictions and covenants prohibiting the restriction of coastal access.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and incorporating the forgoing recitals of fact as material terms herein, the parties hereby agree as follows:

Agreement

Section 1. Leased Premises

Lessor leases to Lessee and Lessee leases from Lessor the Classrooms and non-exclusive use of the Common Areas, as defined in Recitals B and C, above, and depicted on **Exhibit A**. The Classrooms and Common Areas shall be collectively referred to herein as the “Premises”. Lessee shall have exclusive use of the Classrooms for the term

of this Agreement except for the District's use of space for District Board Meetings or other uses as required. Lessee shall have the non-exclusive right to use the Common Areas, as more particularly described in Section 9, below.

Section 2. Term

2.1. Lease Term. This Lease shall be effective from **July 1, 2025** (the "Effective Date") **through June 30, 2030**, unless terminated earlier in accordance with this Lease.

Section 3. Use of Premises

Lessee shall use and occupy the Premises solely for the operation of a Charter School for grades Kindergarten through Eighth Grade, and its related educational programs including the Manila Community Resource Center and in accordance with Lessee's charter and the Education Code.

The Lessee agrees to limit use of the Premises, including RCM enrollment and daily Community Center activities to the designed capacity of the north and south wings. The original capacity of the north and south wings is based on 25 students multiplied by 8 classrooms (200 students).

Section 4. Rent and Deposit

4.1. Rent. Lessee shall pay to Lessor at the address set forth in Section 17, below **Eight Thousand, Three Hundred – Sixty Four (\$8,364)** per month for use of the Classrooms, Office Space, Kitchen, Common Areas (collectively referred to as "Rent"). Rent shall be paid by the 5th business day of each month, commencing on **July 1, 2025**. Additionally, rent will increase annually at a rate of 1.50% beginning **July 1, 2026** through **July 1, 2029** as follows: **July 1, 2026 (\$8,490)**, **July 1, 2027 (\$8,617)**, **July 1, 2028 (\$8,746)** and **July 1, 2029 (\$8,874)**. The rates are based on 13,278 square feet of developed space multiplied by the rate **\$0.601** psf plus 1,920 square feet of undeveloped space for Temporary Structures (see section 9.5) at \$0.20 psf, both of which escalate 1.50% annually.

4.2. Late Charges. If any sum due is from Lessee is not received by Lessor within 14 business days of when due, Lessee shall pay to Lessor a late charge equal to five percent (5%) or seventy-five dollars (\$75.00), whichever is greater. The Parties agree that the late charge represents a fair and reasonable estimate of the costs Lessor will incur because of late payment by Lessee.

4.3. Deposit. [Waived].

Section 5. Maintenance, Repairs and Cleaning

5.1 Maintenance. Except as otherwise provided in this Agreement, during the Lease Term, Tenant accepts repairs of all maintenance issue caused by Tenant or its invitees. Tenant accepts minor repairs of plumbing, electrical, and HVAC systems up to \$500 per incident with Landlord responsible for all major repairs above \$500 per incident. For instance, Tenant will change filters on the furnace with Landlord responsible for replacing the furnace if total replacement is needed. Tenant will also maintain the fields surrounding the building in exchange for using the fields as play areas. Lessee, at its sole expense, shall be responsible for the costs of installation, maintenance and removal of systems or improvements made solely for the purposes of supporting Lessee's activities, including security, fire alarm and communication systems.

Lessor, at its expenses, shall maintain and repair the existing heating, and ventilation system, installed sprinklers, installed sewage system, electrical, installed water supply, foundation, roof, exterior walls and other structural members of the Premises. Lessee shall provide written notice to Lessor of any maintenance required under this section.

5.2. Repairs/Destruction of Premises. Lessor shall have ten (10) days after receiving notice from Lessee to perform any needed maintenance not attributable to the actions of Lessee, except that Lessor shall perform its obligations immediately if the nature of the needed maintenance presents a hazard or emergency, substantially interferes with Lessee's use of the Premises, or otherwise prevents Lessee from the regular use of the premises for school purposes. In the event of any damage or destruction to the Premises necessitating repairs estimated to cost in excess of Ten Thousand Dollars (\$10,000.00) and which results in the dispossession and/or inability of Lessee to occupy the Premises for a period of ten (10) days or longer, during any such period of disruption or dispossession that lasts beyond the ten (10) days permitted for repairs, Lessee shall not be responsible for daily rent for so long as such disruption continues past the ten (10) day period. Furthermore, in the event of any damage or destruction to the Premises necessitating repairs estimated to cost in excess of Ten Thousand Dollars (\$10,000.00) and which will result in the dispossession and/or inability of Lessee to occupy the Premises for a period of ten (10) days or longer, Lessor may chose, in Lessor's sole and absolute discretion, to terminate the Lease immediately and refund any pre-paid rent to Lessee and Lessor shall have no further obligation(s) to Lessee under this Lease. The Lessee shall be responsible for repairing any damage to the Premises that is attributable to the activities of the Lessee, its agents, employees and/or permitted occupants. The Lessee shall have ten (10) days to make the appropriate repairs or replacements after receiving a written request from the Lessor.

5.3. Cleaning. Lessee at its sole cost and expense shall provide routine custodial services for the interior of the Classrooms and restrooms. The Lessee at its sole cost and expense shall provide routine custodial service and maintenance of all common areas necessary to sustain the area and Premises in the same condition as of the commencement date of this Lease. If a private or Civic event is authorized by Lessor, Lessor at its sole cost and expense shall provide custodial service and maintenance of

these common areas necessary to sustain the area and Premises in the same condition as of the commencement date of this Lease.

Section 6. Utilities

Lessee shall be solely responsible for payment of electrical (PG&E), propane gas, telephone services, internet, and any other services delivered to the Premises for the sole use of Lessee.

Section 7. Alterations and Improvements

Lessee shall not construct any improvements or make any alterations to the Premises without Lessor's prior written consent. All such approved alterations or improvements shall be made at the sole cost and expense of the Lessee, and except as otherwise agreed by Lessor in writing, the same shall become the property of the Lessor at no cost to Lessor. The Lessee shall obtain any and all necessary permits and approvals from appropriate governmental agencies prior to constructing any such improvements or alterations.

Section 8. Signs

With Lessor's approval, which shall not be unreasonably withheld, Lessee may erect and maintain on the Premises at Lessee's sole cost and expense, signs relating to the conduct of its business during the term of the Agreement. Any signs and the location thereof shall be subject to prior written approval of the Lessor.

Section 9. Common Areas

Common Areas are available for limited free use by lessee for school events and may require payment for other uses.

9.1 Parking. Lessee and Lessee's employees and invitees shall be entitled to use all designated vehicle parking spaces on the Property. Lessee acknowledges that the parking lot is a shared use parking lot and shall not prohibit other users of the Property from using the vehicle parking spaces on the Property.

9.2 Main Hall. Lessee acknowledges that the Main Hall is a shared use facility for public events and other civic uses. Lessee shall have use of the Main Hall during the hours of 7 a.m. to 5 p.m. during school days and at other times when it is not being used to accommodate special community or civic events or private rentals. Lessee shall be allowed 10 (Ten) school-related special events free of charge during each school session, annually, outside of the lease hours depicted above. Additional events or use outside of these parameters will incur additional rental fees at current rental rates for the general public.

9.3 Kitchen. Lessee acknowledges that the kitchen is a shared use facility and is currently being operated as a commercial kitchen available for rent by members of the public. Lessee shall be entitled to use the Kitchen for a school lunch program and other incidental uses during the hours of 7 a.m. to 5 p.m. during school days and at other times when it is not being used to accommodate special community or civic events or private rentals. In the event that Lessee causes the hood fire suppression system in the Kitchen to be activated, Lessee shall be liable for payment of the cost to recharge the system.

9.4 Restrooms. Lessee shall have the exclusive use of the restrooms depicted on Exhibit A as Boys #7 and Girls #5 during the hours of 7 a.m. to 5 p.m., Monday through Friday. Lessee acknowledges that the restrooms may be used by other users of the Property during all other days and hours. Lessee will be responsible for their own toilet paper, soap, paper towels and other consumables. Lessor shall replace any used materials in kind that are consumed outside hours listed above. Lessor will also leave facility in the same functional condition as of the commencement date of this Lease.

9.5 Garden Area. Lessee shall be entitled to use Garden Area at the west end of the North Wing as depicted on Exhibit A during the hours of 7 a.m. to 5 p.m., Monday through Friday. Lessee acknowledges that the Garden Area is a shared use area which is open to the public for recreational purposes and that Lessee's use during the hours specified in this Section is non-exclusive.

9.5 Temporary Structures. Lessee shall be entitled to install (2) temporary structures of approximately 24' by 40' each for the duration of this Lease for exclusive use by Lessee, at Lessee's sole expense. Lessee shall be solely responsible for all costs of installation, maintenance and removal of the temporary structures.

9.6 House A: The Lessee acknowledges that "House A" has been created primarily for Manila Community Resource Center activities. While the building may be used for school activities on an as-needed basis, it is not regularly scheduled for classroom use. During school hours, the building may be used for Resource Center activities that are appropriate and safe for a school environment. Lessee shall have use of House A during school days and at other times when it is not being used to accommodate special community or civic events or private rentals.

9.7 Scheduling Use of Common Areas. Lessee and Lessor shall maintain a shared online calendar to schedule use of the Common Areas in order to avoid conflicts with other users of the Common Areas.

Section 10. Warranties of Title and Quiet Possession

Lessor covenants and represents that it has the full right and power to execute and perform this Agreement and that Lessor has a fee simple interest in the Property. Subject

to the limitations stated in this Lease, Lessee shall have quiet and peaceable possession of the Premises during the term of this Agreement for all purposes contemplated by this Agreement.

Section 11. Lessor's Right of Entry

Lessee shall permit Lessor or Lessor's agents, representatives, or employees to enter the Premises at all reasonable times and with the purpose of inspecting said Premises to determine whether the Lessee is complying with the terms of this Lease and for the purpose of doing other lawful acts that may be necessary to protect the Lessor's interest in said Premises under this Agreement, or to perform Lessor's duties under this Lease, including but not limited to, posting notices, making any necessary repairs, alterations or additions to any portion of the Premises.

Section 12. Issuance of Keys

Lessee shall provide at least one (1) set of keys to Lessor to any leased rooms where the locks have been changed for the purposes described in Section 11. Keys provided by Lessor to Lessee shall not be duplicated without prior written consent of Lessor which shall not be unreasonably withheld, and use of the key is limited to use by the Lessee and its agents and employees in accord with the terms of this Lease. Upon termination of this Lease, all keys are to be returned to the Lessor.

Section 13. Subletting and Assignment

Lessee shall not at any time voluntarily or by operation of law, assign, sublet or otherwise transfer all or any portion of Tenant's interest in this Agreement or the Premises without the express written consent of Lessor.

Section 14. Limitation of Liability and Indemnity

14.1 Liability. Lessor shall not be liable for injuries to any person or damage to any property sustained by the Lessee or by any third party arising in any way out of the Lessee's use, operation or occupancy of the Premises.

14.2 Indemnity. The Lessee covenants and agrees to indemnify, defend, and hold harmless the Lessor and Lessor's employees, agents, and affiliates from and against any and all claims, costs, damages and liabilities of every kind or nature arising from or in connection with any and all injuries to persons (including, without limitation, death) or damage to property in, on, or about the Premises, or any portions thereof, or resulting from Lessee's use of the Premises, in whole or in part.

Section 15. Insurance

15.1 Workers' Compensation Insurance. Lessee shall maintain workers'

compensation insurance as required by the laws of the State of California.

15.2. Commercial General Liability Insurance. Lessee shall maintain commercial general liability insurance covering Lessee against claims of bodily injury and property damage arising out of the use, occupancy or maintenance of the Premises. Such insurance shall be on an occurrence basis with minimum coverage of \$1,000,000 (one million dollars) per incident with an annual aggregate of not less than \$2,000,000. Such policy shall name Lessor and its officers, agents and employees as additional insured on the policy. Lessee shall provide Lessor with proof of insurance prior to entering the Premises. The insurance policy shall not be cancelled, reduced or amended by Lessee during the Term of the Agreement without prior written consent of Lessor.

Section 16. Default

16.1 Default. The occurrence of any of the following shall constitute a default (“Default”) by Lessee under this Agreement:

A. The failure of Lessee to pay rent and/or other pro rata share or amounts of money due and owing to Lessor hereunder when and as the same becomes due and the continuation of such failure for a period of thirty (30) days after receipt of written notice from Lessor to Lessee specifying the nature of such failure.

B. The failure by Lessee to observe or perform any of the non-monetary covenants or provisions of this Agreement to be observed or performed by Lessee, where such failure has continued for a period of thirty (30) days, after receipt of written notice from Lessor to Lessee.

Lessor shall be in default and in material breach of this Agreement if Lessor fails to perform any obligation required by this Agreement within a reasonable time, but in no event later than thirty (30) days after receipt of written notice by Lessee to Lessor specifying wherein Lessor has failed to perform such obligation.

16.2 Remedies on Default.

A. Lessee’s Default. In the event of a Default by Lessee, Lessor, in addition to any and all remedies Lessor may have at law or in equity, shall have right of reentry using all lawful means and may remove all persons and property from the Premises. The property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Lessee. Should Lessor elect to re-enter the Premises, as herein provided, or to take possession pursuant to legal proceedings, and there after re-let the Premises to another Tenant, and if Lessor pursues legal action to obtain the rent which would have been due under Lessee’s lease term, then any rent received from a new Tenant during Lessee’s lease term will be applied as a credit to Lessee for any further monies owed by Lessee to Lessor. Lessee waives all claims for damages which may be

caused by reentry and the taking of possession of the Premises or removal or storage of any property as herein provided. Furthermore, no such entry will be considered or construed to be a forcible entry. Should Lessor at any time terminate this Lease for any default, in addition to any other remedy it may have at law Lessor may recover the balance of any unpaid Rent for the remainder of the Term of the Agreement plus any reasonable expense to restore the Premises to the layout or configuration of the Premises at the time of initial deliver of the Premises to Lessee.

B. Lessor's Default. In the event of a Default by Lessor, Lessee may, at any time thereafter without limiting Lessee in the exercise of any right or remedy at law or in equity which Lessee may have by reason of default and subject to the limitations stated in this Lease, terminate the Lease with no further obligation to Lessor upon the provision of thirty (30) days written notice to Lessor to cure any default should Lessor fail to cure the default during said time period.

16.3 Attorneys Fees. In any action or proceeding by either party to enforce this Agreement or any provision of this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees and all other costs incurred.

Section 17. Notices

Any notice required or permitted to be given hereunder shall be in writing and may be served personally or may be sent by registered or certified mail, return receipt requested, and shall be deemed given upon actual deliver or 72 hours after deposited in the United States mail, certified and postage prepaid, and addressed as follows:

To Lessor: Manila Community Services District
Attn: Christopher Drop
1901 Park Street Arcata, CA 95521

To Lessee: Redwood Coast Montessori School
Attn: Bryan Little
P.O Box 6103, Eureka CA. 95502

The address to which any notice, demand or other writing may be given or made or sent to any party as above provided may be changed by written notice given by such party as above provided.

Section 18. Compliance with Laws

Lessee shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Lessor and Lessee shall each do all acts required to comply with all applicable laws, applicable ordinances, regulations and rules of any authority relating to their respective maintenance obligations as set forth herein.

Section 19. Surrender

Upon termination or expiration of the Term of this Agreement, Lessee shall peaceably and quietly quit and surrender the Premises to Lessor in good order and condition, ordinary wear and tear excepted.

Section 20. Holding Over

Any holding over by Lessee after the expiration of the Term of this Agreement, shall not be construed as a renewal of the term of this Agreement but shall constitute a month-to-month tenancy which may be terminated by either party upon thirty (30) days prior written notice, and shall otherwise be on the same terms and conditions herein set forth herein and at the Rent required to be paid by Lessee for the period immediately prior to the expiration of the term hereof.

Section 21. Severability

The invalidity of any portion of this Agreement shall not affect the remainder, and any invalid portion shall be deemed rewritten to make it valid so as to carry out as near as possible the expressed intention of the parties.

Section 22. Titles

The titles or headings to sections shall have no effect on interpretation of provisions.

Section 23. Waiver

The failure of Lessor to enforce a provision of this Agreement shall not be deemed a waiver for any purpose.

Section 24. Entire Agreement

This Agreement, together with each attached exhibit shall constitute the entire agreement of the parties, and may be modified only by a writing signed by the parties.

Section 25. Governing Law

This Agreement shall be governed by and construed in accordance with California law.

IN WITNESS HEREOF, the Parties have executed this Agreement on the date first written above.

LESSOR:

Manila Community Services District

By: _____
Name: Meghan Ryan
Its: President of the Board

LESSEE:

Redwood Coast Montessori School

By: _____
Name: Bryan Little
Its: Director

EXHIBIT A Revised 06/05/2024

1911 PENINSULA DR.

ARCATA CA 95521





Manila Community Services District Board of Directors

Agenda Summary

Tuesday June 18th, 2024

Consideration of District Sponsoring Additional Speed Hump

Summary:

The board had previously approved 8 hours of staff time to further efforts in getting an additional speed hump installed in front of the Manila Community Center. The 8 hours has long been exhausted and the effort is now being managed by RCAA.

Staff has been advised that the county recently approved the installation and we've been asked to reconsider applying for funding through various channels (Coast Central Credit Union, Measure Z, etc.). Considering the Harbor District's Clean Ca Grant (Caltrans) might actually fund this project, this action is essentially a backup plan in case that does not transpire.

Recommended Motion:

I move/second to approve of Manila CSD Sponsoring an additional Speed Hump.

Vote: _____



Manila Community Services District Board of Directors

Agenda Summary

Tuesday June 18th, 2024

Auditor Contract: Approve Engagement Letter for FY2023

Summary:

At the May meeting, the board approved extending a contract with our District Auditor, Don Cole CPA and since that time, Mr. Cole has provided engagement letters for FY23 and FY 24 that are *mostly* compliant with the board's May 2024 requests (presentations and a completion dates).

Considering the FY24 engagement was contingent on FY23's completion date (as well as a date error), staff will not present FY24's letter at this meeting. In addition, neither letter appears to specifically address the presentation request. Staff has a pending inquiry to Mr. Cole for clarification/confirmation Zoom or other presentation options and will report back. Below is the language in that clause:

Reporting

I will issue a written report upon completion of my audit of the Manila Community Services District's financial statements. My report will be addressed to the Board of Directors of the Manila Community Services District. Circumstances may arise in which my report may differ from its expected form and content based on the results of my audit. Depending on the nature of these circumstances, it may be necessary for me to modify my opinions, add a separate section, or add emphasis-of-matter or other-matter paragraph to my auditor's report, or if necessary, withdraw from this engagement.

Considering the approaching July 25th expected start date, staff recommends the board approve the FY23 letter as presented and direct staff to address the presentation component at a future meeting.

Alternatively, the board could delay action until July 16th's regular meeting, or a future meeting. This might cause further delays in our efforts to catch up.

Recommended Motion:

I move/second to approve Done Cole, CPA's Engagement letter for FY2023.

Vote: _____

Alternate Motion:

I move/second to direct staff to place audit engagement letters on a future agenda

Vote: _____

Attachments:

Don Cole, CPA Engagement letter (contract) for FY2023

June 11, 2024

Manila Community Services District
Board of Directors
1901 Park Street
Arcata, California 95521

I am pleased to confirm our understanding of the services I am to provide Manila Community Services District for the year ended June 30, 2023.

Audit Scope and Objectives

I will audit the financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of the Manila Community Services District as of and for the year ended June 30, 2023. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Manila Community Services District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of my engagement, I will apply certain limited procedures to the Manila Community Services District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's discussion and analysis,
- 2) Budgetary information.

I have also been engaged to report on supplementary information other than RSI that accompanies the Manila Community Services District's financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and I will provide an opinion on it in relation to the financial statements as a whole, in a report combined with my auditor's report on the financial statements:

- 1) Combining schedule of water and wastewater departments statement of activity

The objectives of my audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes my opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

I will conduct my audit in accordance with GAAS, the State Controller's Minimum Audit Requirements for California Special Districts and will include tests of the accounting records and other procedures I consider necessary to enable me to express such opinions. As part of an audit in accordance with GAAS, I exercise professional judgment and maintain professional skepticism throughout the audit.

I will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimate made by management. I will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation. I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because I will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by me, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriations of assets that comes to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditor.

I will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions.

My audit of the financial states does not relieve you of your responsibilities.

Audit Procedures – Internal Control

I will obtaining an understanding of the government and its environment, including internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud my involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, I will express no such opinion. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

I have identified the following significant risks of material misstatement as part of my audit planning:

- 1) Management override of controls,
- 2) Revenue recognition,
- 3) Management oversight.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of the Manila Community Services District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of my audit will not be to provide an opinion on overall compliance and I will not express such an opinion.

Other Services

I will also prepare the financial statements of the Manila Community Services District in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

I will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. I, in my sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services I provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

My audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principle; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial record, and related information available to me and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing me with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that I may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom I determine it necessary to obtain audit evidence. At the conclusion of my audit, I will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communication from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include my report on the supplementary information in any document that contains, and indicates that I have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes my report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with my report thereon. Your responsibilities include acknowledging to me in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Engagement Administration, Fees, and Other

I understand that your employees will prepare all cash, accounts receivable, or other confirmations I request and will locate any documents selected by me for testing.

The audit documentation for this engagement is the property of Don Cole & Company and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to regulatory agencies or its designee. I will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Don Cole & Company personnel. Furthermore, upon request, I may provide copies of selected audit documentation to the aforementioned parties or its designee. These parties or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

Donald Cole is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. I expect to begin my audit on approximately July 25, 2024 and to issue my reports no later than August 15, 2024.

My fee for these services will be at my standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, confirmation service provider fees, etc.) except that I agree that my gross fee, including expenses, will not exceed \$10,400. My standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. My invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with my firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If I elect to terminate my services for nonpayment, my engagement will be deemed to have been completed upon written notification of termination, even if I have not completed my report. You will be obligated to compensate me for all time expended and to reimburse me for all out-of-pocket costs through the date of termination. 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, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs.

Reporting

I will issue a written report upon completion of my audit of the Manila Community Services District's financial statements. My report will be addressed to the Board of Directors of the Manila Community Services District. Circumstances may arise in which my report may differ from its expected form and content based on the results of my audit. Depending on the nature of these circumstances, it may be necessary for me to modify my opinions, add a separate section, or add emphasis-of-matter or other-matter paragraph to my auditor's report, or if necessary, withdraw from this engagement. If my opinions are other than unmodified, I will discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or are unable to form or have not formed opinions, I may decline to express opinions or may withdraw from this engagement.

I appreciate the opportunity to be of service to the Manila Community Services District and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you agree with the terms of the engagement as described in this letter, please sign this letter below and return it to me.

Very truly yours,

Don Cole & Company

Don Cole & Company

RESPONSE:

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

Management signature:

Title:

Date:

Governance signature:

Title:

Date:



MANILA COMMUNITY SERVICES DISTRICT

Minutes of Regular Meeting Tuesday May 21st, 2024

1. **ROLL CALL, DETERMINE QUORUM:** *Broderick, Bachamin, Ryan, Faulk-Kellogg and Muniz present.*
Staff present: GM Drop, A. Watson

2. **APPROVE AGENDA:** *there were no changes to the agenda.*

3. **PUBLIC INPUT / PETITIONS / ANNOUNCEMENTS:** *The public is invited to present petitions, make announcements, or provide other information to the Board on matters **not** on the agenda. The Board may uniformly impose a time limit of 3 minutes for individual presentation to assure every subject is heard. By public law, the Board cannot take action on items not on the agenda.*

4. **BUSINESS ACTION ITEMS:**

a) **Consideration of Contract Extension for Auditing Services and Receive FY22 Audit.**

*Broderick/Muniz to approve extension for 1 year and the remainder contingent on FY23 completion by August 15th, 2024. **Vote: 5-0** It is noted the board sought to enforce language in contract for audit presentations (via Zoom if need be).*

b) **Consideration of Redwood Coast Montessori Lease.**

*Muniz/Broderick to extend current lease to 06/31/2025 and consider remaining 5-year lease within 12 months addressing rates and facility use language. **Vote:4-0-1** with Faulk-Kellogg abstaining. It is noted the board considered +.10 per sf increase, language addressing use of main hall and revisions to Exhibit A.*

c) **Consideration of Budget FY2025.**

*Muniz/Faulk-Kellogg to adopt FY2025 budget as presented. **Vote: 5-0***

5. **CONSENT CALENDAR:**

a) **Draft Minutes of March 19th, 2024**

b) **Receive Disbursements: March 19th, 2024 - to date**

*Faulk-Kellogg/Muniz to approve Consent Calendar. **Vote: 5-0***

6. **BOARD DISCUSSION ITEMS:**

a) **Committee Member Updates/Reports**

b) **General Manager's Report**

7. **INCOMING COMMUNICATIONS:** *n/a*

The board discussed future agenda items re; MoU w/ FRC and speed humps

8. **ADJOURNMENT:** 7:52pm

_____, Secretary Date: _____

_____, Board President Date: _____

