



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

Please note the change of venue to the Meadow Room  
**Saturday, November 9th, 2019 9:00 a.m.**

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

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**Roll Call**

John Cullen, Secretary  
David Ferrari, Community Liaison  
Jim Griffin, Director

Jack Feinstein, Director  
Raphael Shannon, Director  
Sarah Mansergh, Clerk

**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.

- **Meeting Calendar 2019**  
December 14<sup>th</sup>

**2020 Regular Meeting Dates**

February 8<sup>th</sup>  
April 11<sup>th</sup>  
May 9<sup>th</sup>  
August 8<sup>th</sup>  
November 14<sup>th</sup>  
December 12<sup>th</sup>

**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 September 21<sup>st</sup>, 2019

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

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2. Financial Reports
  - Financial Report through October 31<sup>st</sup>, 2019
  - Warrant listing
  - Asset Investments and Options

## **F. MEETING reports**

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3. 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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4. ITEM – Designate officers for the Board
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction
  
5. ITEM-Review Emergency Procedures and Contact Information Sheet
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction
  
6. ITEM-Designate a signee(s) for the emergency line of credit with Santa Cruz County Bank and discuss adequacy of current bank signatures lists
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction
  
7. ITEM – Review FY 2018/19 audit report.
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

8. ITEM – Review results of the County planning meeting and discuss next steps to be taken for submission of a maintenance plan for the seawall.
- a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

## **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 Meeting of the Board of Directors is scheduled for December 14th, 2019, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 818-9253, 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. For copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District agenda and board packet e-mail [pdghad@gmail.org](mailto:pdghad@gmail.org) or (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.

# PDGHAD

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

**Director David Ferrari will be joining by phone from:**

W Seattle Hotel  
1112 4th Ave  
Seattle, WA  
98101

Please inquire at the front desk for the appropriate room number

**Saturday, September 21st, 2019 9:00 a.m.**

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

---

### **Roll Call**

John Cullen, Secretary  
David Ferrari, Community Liaison  
Jim Griffin, Director

Jack Feinstein, Director  
Sarah Mansergh, Clerk

**Dan Peluso and Mike Rodriguez**

## **B. MEMBER COMMENTS**

---

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

## **C. PRESIDENT'S REMARKS**

---

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

- Tentative Meeting Calendar 2019  
November 9<sup>th</sup>  
December 14<sup>th</sup>

## 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 May 28<sup>th</sup>, 2019

**Jim moves to approve Jack second. All approve.**

## E. TREASURER'S REPORT

---

2. Financial Reports
  - Financial Report through August 31<sup>st</sup>, 2019
  - Warrant listing
  -

**Reviewed financials. No major updates.**

## F. MEETING reports

---

2. 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 attended by members.**

## G. NEW BUSINESS

---

4. ITEM – Discuss approval of master contract for engineering services and resolution designating a new engineer of record.
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Mike reviewed the scope of work and contract.**

**Decided to make the contract be a nte amount each fiscal year, as decided at a Board meeting. For 2019/2020 will be nte \$55,000. Term of the contract to be 2 years with option to extend by Board motion of up to 2 years. David F. will be interface with CE&G.**

**David F. moves to approve with updates as discussed. Jack F. seconds. All approve.**

5. ITEM – Presentation and review of 2019 seawall inspection report and document review report from CE&G Engineering.
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**First task order for CE&G-compile a succinct overview of the project and set up a meeting with the County with Dan Peluso, David Ferrari, John Cullen. Looking at end of October for a meeting with the County. Also put together a possible timeline for application process.**

6. ITEM-Appointment of new Board member
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Application was submitted from Raphael Kraw, she was interviewed by John C and Jack F. on Thursday by phone.**

**Jack F second David. All approve the appointment of Raphael.**

7. ITEM-Discuss continuation of the line of credit with Santa Cruz County Bank
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Jim G moves to approve the continuation of the line of credit. Jack F seconds. All approve.**

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

---

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

**Add review of the contact sheet and emergency flow chart to every meeting.**

**Add liquidity needs, and what can we do to earn some interest on our emergency funds.**

#### **I. ADJOURNMENT**

---

The next Meeting of the Board of Directors is scheduled for November 9th, 2019, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 818-9253, 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. For copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District agenda and board packet e-mail [pdghad@gmail.org](mailto:pdghad@gmail.org) or (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.

Adjourned at 10:48am

**Pajaro Dunes Geologic Hazard Abatement District**

**Balance Sheet**

As of October 31, 2019

Oct 31, 19

**ASSETS**

**Current Assets**

**Checking/Savings**

100000 · SCCB Zone 1 - 3957	13,975
100001 · SCCB Zone 2 - 3965	44,794
100002 · SCCB Z1 Emerg - 1877	167,808
100003 · SCCB LTD- 0208	49,110
100400 · Union Bank Bond Holding	253,081

**Total Checking/Savings** 528,768

**Accounts Receivable**

120000 · Assessments Receivable	182,900
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**Total Accounts Receivable** 182,900

**Other Current Assets**

121500 · Prepaid Insurance	8,917
121600 · Prepaid Expenses	68,845

**Total Other Current Assets** 77,762

**Total Current Assets** 789,430

**Fixed Assets**

150000 · Riverwall	3,000,000
160000 · Accumulated Depreciation	-1,483,332

**Total Fixed Assets** 1,516,668

**TOTAL ASSETS** 2,306,098

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

200000 · Accounts Payable	10,815
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**Total Accounts Payable** 10,815

**Other Current Liabilities**

220000 · Accrued Interest	10,366
255000 · Unearned Revenue	10,675

**Total Other Current Liabilities** 21,041

**Total Current Liabilities** 31,856

**Long Term Liabilities**

285000 · Bonds Payable Z2	1,165,000
286000 · Bonds Payable Discount Z2	-52,250
286500 · Amort. Bond Discount Z2	30,469

**Total Long Term Liabilities** 1,143,219

**Total Liabilities** 1,175,075

**Equity**

30000 · Opening Balance Equity	608,448
32000 · Retained Earnings	450,480
Net Income	72,095

**Total Equity** 1,131,023

**TOTAL LIABILITIES & EQUITY** 2,306,098

Note ~ GHAD owns \$15k of rock that is stored at Granite Rock

**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
 July through October 2019

	Zone 1			
	Jul - Oct 19	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
410000 · Assessment Income	41,404	41,403	1	100%
410020 · Emergency Reserve Fund	63,581	63,581	-	100%
410050 · Assess. Income PDA Stairs	3,930	3,930	-	100%
<b>Total Income</b>	<u>108,915</u>	<u>108,914</u>	<u>1</u>	<u>100%</u>
<b>Expense</b>				
610155 · Postage and Mailings	66	550	(484)	12%
61510 · Advertising	-	250	(250)	0%
615115 · Office Expense	-	150	(150)	0%
615140 · Audit Expense	5,000	10,000	(5,000)	50%
61518 · Clerk	833	2,800	(1,967)	30%
615415 · Accounting	3,383	8,000	(4,617)	42%
615416 · Assessment Admin. Expense	5,117	7,000	(1,883)	73%
615617 · Website Maintenance	-	500	(500)	0%
615655 · Dues	-	250	(250)	0%
615656 · Board/Clerk Education	-	500	(500)	0%
616500 · Legal Fees	2,840	6,000	(3,160)	47%
617250 · Seawall Inspections	2,506	6,000	(3,494)	42%
619010 · Technical Consulting Costs	6,708	37,000	(30,292)	18%
628500 · Insurance Expense	2,500	5,000	(2,500)	50%
629030 · SBA Repayment to PHA Z2	-			
650000 · Bank Service Charges	9			
750000 · Depreciation Expense Z2	-			
<b>Total Expense</b>	<u>28,962</u>	<u>84,000</u>	<u>(55,038)</u>	<u>34%</u>
<b>Net Ordinary Income</b>	<u>79,953</u>	<u>24,914</u>	<u>55,039</u>	<u>321%</u>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
410070 · Interest & Penalty Income	133	10	123	1,330%
<b>Total Other Income</b>	<u>133</u>	<u>10</u>	<u>123</u>	<u>1,330%</u>
<b>Other Expense</b>				
855000 · Interest Expense	-	-	-	0%
955500 · Interest Bond Discount	-			
<b>Total Other Expense</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0%</u>
<b>Net Other Income</b>	<u>133</u>	<u>10</u>	<u>123</u>	<u>1,330%</u>
<b>Net Income</b>	<u><u>80,086</u></u>	<u><u>24,924</u></u>	<u><u>55,162</u></u>	<u><u>321%</u></u>



**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
 July through October 2019

Zone 2

	<u>Jul - Oct 19</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
410000 · Assessment Income	77,595	77,595	-	100%
410020 · Emergency Reserve Fund	-			
410050 · Assess. Income PDA Stairs	1,254	1,254	-	100%
<b>Total Income</b>	<u>78,849</u>	<u>78,849</u>	<u>-</u>	<u>100%</u>
<b>Expense</b>				
610155 · Postage and Mailings	-			
61510 · Advertising	-			
615115 · Office Expense	-			
615140 · Audit Expense	-			
61518 · Clerk	249	866	(617)	29%
615415 · Accounting	-			
615416 · Assessment Admin. Expense	328	1,039	(711)	32%
615617 · Website Maintenance	-			
615655 · Dues	-			
615656 · Board/Clerk Education	-			
616500 · Legal Fees	-			
617250 · Seawall Inspections	-			
619010 · Technical Consulting Costs	-			
628500 · Insurance Expense	-			
629030 · SBA Repayment to PHA Z2	30,952	30,952	-	100%
650000 · Bank Service Charges	53	167	(114)	32%
750000 · Depreciation Expense Z2	33,332	33,336	(4)	100%
<b>Total Expense</b>	<u>64,914</u>	<u>66,360</u>	<u>(1,446)</u>	<u>98%</u>
<b>Net Ordinary Income</b>	<u>13,935</u>	<u>12,489</u>	<u>1,446</u>	<u>112%</u>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
410070 · Interest & Penalty Income	127	50	77	254%
<b>Total Other Income</b>	<u>127</u>	<u>50</u>	<u>77</u>	<u>254%</u>
<b>Other Expense</b>				
855000 · Interest Expense	21,357	21,357	-	100%
955500 · Interest Bond Discount	696	696	-	100%
<b>Total Other Expense</b>	<u>22,053</u>	<u>22,053</u>	<u>-</u>	<u>100%</u>
<b>Net Other Income</b>	<u>(21,926)</u>	<u>(22,003)</u>	<u>77</u>	<u>100%</u>
<b>Net Income</b>	<u><u>(7,991)</u></u>	<u><u>(9,514)</u></u>	<u><u>1,523</u></u>	<u><u>84%</u></u>

**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
 July through October 2019

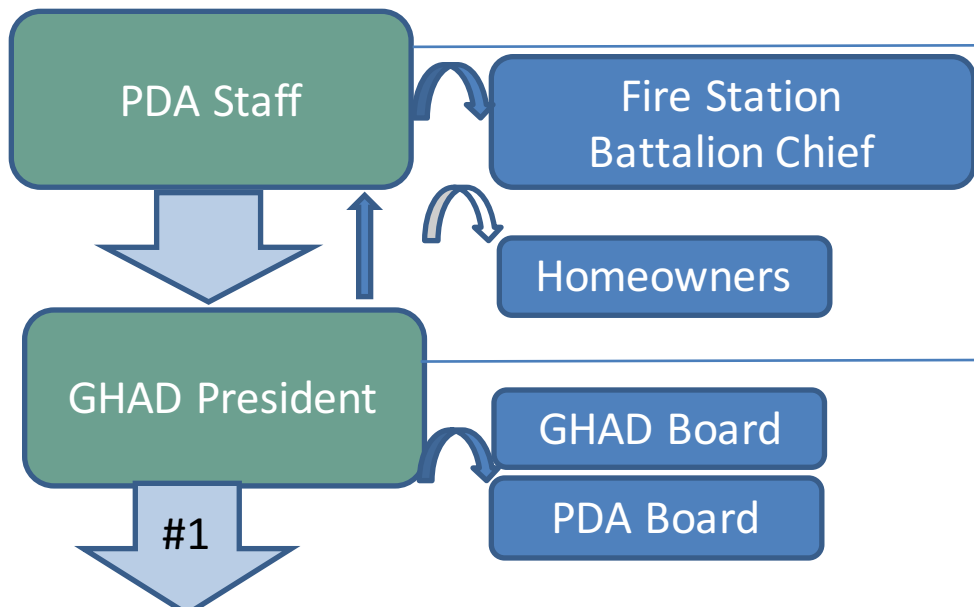
	TOTAL			
	Jul - Oct 19	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
410000 · Assessment Income	118,999	118,998	1	100%
410020 · Emergency Reserve Fund	63,581	63,581	-	100%
410050 · Assess. Income PDA Stairs	5,184	5,184	-	100%
<b>Total Income</b>	<u>187,764</u>	<u>187,763</u>	<u>1</u>	<u>100%</u>
<b>Expense</b>				
610155 · Postage and Mailings	66	550	(484)	12%
61510 · Advertising	-	250	(250)	0%
615115 · Office Expense	-	150	(150)	0%
615140 · Audit Expense	5,000	10,000	(5,000)	50%
61518 · Clerk	1,082	3,666	(2,584)	30%
615415 · Accounting	3,383	8,000	(4,617)	42%
615416 · Assessment Admin. Expense	5,445	8,039	(2,594)	68%
615617 · Website Maintenance	-	500	(500)	0%
615655 · Dues	-	250	(250)	0%
615656 · Board/Clerk Education	-	500	(500)	0%
616500 · Legal Fees	2,840	6,000	(3,160)	47%
617250 · Seawall Inspections	2,506	6,000	(3,494)	42%
619010 · Technical Consulting Costs	6,708	37,000	(30,292)	18%
628500 · Insurance Expense	2,500	5,000	(2,500)	50%
629030 · SBA Repayment to PHA Z2	30,952	30,952	-	100%
650000 · Bank Service Charges	62	167	(105)	37%
750000 · Depreciation Expense Z2	33,332	33,336	(4)	100%
<b>Total Expense</b>	<u>93,876</u>	<u>150,360</u>	<u>(56,484)</u>	<u>62%</u>
<b>Net Ordinary Income</b>	<u>93,888</u>	<u>37,403</u>	<u>56,485</u>	<u>251%</u>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
410070 · Interest & Penalty Income	260	60	200	433%
<b>Total Other Income</b>	<u>260</u>	<u>60</u>	<u>200</u>	<u>433%</u>
<b>Other Expense</b>				
855000 · Interest Expense	21,357	21,357	-	100%
955500 · Interest Bond Discount	696	696	-	100%
<b>Total Other Expense</b>	<u>22,053</u>	<u>22,053</u>	<u>-</u>	<u>100%</u>
<b>Net Other Income</b>	<u>(21,793)</u>	<u>(21,993)</u>	<u>200</u>	<u>99%</u>
<b>Net Income</b>	<u><u>72,095</u></u>	<u><u>15,410</u></u>	<u><u>56,685</u></u>	<u><u>468%</u></u>

**Pajaro Dunes Geologic Hazard Abatement District**  
**Bank Account Activity**  
As of October 31, 2019

<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>38,663.56</b>
Deposit	09/01/2019			109.99		38,773.55
Bill Pmt -Check	09/20/2019	1368	Jarvis, Fay, Doporto & Gibson, LLP		260.00	38,513.55
Bill Pmt -Check	09/20/2019	1369	Sarah Mansergh		370.57	38,142.98
Bill Pmt -Check	09/20/2019	1370	Wendy L. Cumming, CPA		2,674.65	35,468.33
Bill Pmt -Check	10/16/2019	1371	County of Santa Cruz -		20,000.00	15,468.33
Deposit	10/28/2019			1,561.00		17,029.33
Deposit	10/28/2019			4.84		17,034.17
Bill Pmt -Check	10/31/2019	1372	County of Santa Cruz -		1,000.00	16,034.17
Bill Pmt -Check	10/31/2019	1373	County of Santa Cruz -		2,059.00	13,975.17
Total 100000 · SCCB Zone 1 - 3957				1,675.83	26,364.22	13,975.17
<b>100001 · SCCB Zone 2 - 3965</b>						<b>105,840.73</b>
Deposit	09/01/2019			96.28		105,937.01
Bill Pmt -Check	09/20/2019	1321	Pajaro Dunes Geologic Abatement District		54,637.31	51,299.70
Bill Pmt -Check	09/20/2019	1322	Pelican Home Owner's Association		7,738.00	43,561.70
Bill Pmt -Check	09/20/2019	1323	Sarah Mansergh		110.69	43,451.01
Bill Pmt -Check	09/20/2019	1324	Wendy L. Cumming, CPA		47.85	43,403.16
Deposit	10/28/2019			1,388.64		44,791.80
Deposit	10/28/2019			1.97		44,793.77
Total 100001 · SCCB Zone 2 - 3965				1,486.89	62,533.85	44,793.77
<b>100002 · SCCB Z1 Emerg - 1877</b>						<b>165,724.10</b>
Deposit	10/28/2019			2,084.26		167,808.36
Total 100002 · SCCB Z1 Emerg - 1877				2,084.26	0.00	167,808.36
<b>100003 · SCCB LTD- 0208</b>						<b>49,109.92</b>
Total 100003 · SCCB LTD- 0208						49,109.92
<b>100400 · Union Bank Bond Holding</b>						<b>305,599.43</b>
Check	09/01/2019	atm	Union Bank Bond Holding		107,972.50	197,626.93
Bill	09/10/2019		Pajaro Dunes Geologic Abatement District	54,637.31		252,264.24
Check	09/30/2019	1	Union Bank		27.89	252,236.35
Deposit	09/30/2019			8.42		252,244.77
Bill	10/28/2019		Pajaro Dunes Geologic Abatement District	836.20		253,080.97
Total 100400 · Union Bank Bond Holding				55,481.93	108,000.39	253,080.97
				<b>60,728.91</b>	<b>196,898.46</b>	<b>528,768.19</b>

## Emergency Action Plan

### Contact Tree



### Responsibilities

#### Identify Event:

- 1) Locate and document (pics, video)
- 2) contact GHAD and Fire Station
- 3) Provide access for Engineer etc.
- 4) Contact Homeowners after decisions, as needed

#### Assess and choose:

- TBD: Protocol-developed with engineer
- 1) Implement protocol
  - 2) Assess more/wait and see
  - 3) No further action
- Inform PDA Staff, PDA Board and Fire Station of decision

#### Oversight and Determines:

- 1) Urgency-emergency or wait
- 2) Severity-local or larger disaster
- 3) Supplies, equip needed
- 4) Permits needed
- 5) Informs all parties

#1

Engineer of Record  
(Emergency Coordinator for GHAD  
on-site and main contact point)

Need  
Supplies

Work  
Proceeding

Larger  
Disaster

Graniterock  
(Equipment, Rock)

County, State Parks and  
Coastal Commission  
(Permits and Inform)

Local Disaster Coordinator  
(Consult on Safety, Access to  
site etc.)

**PAJARO DUNES GEOLOGIC HAZARD  
ABATEMENT DISTRICT**

Financial Report

June 30, 2019

DRAFT

## TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities and Changes in Net Position	11
Governmental Fund Financial Statements:	
Balance Sheet-Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget to Actual	16
Notes to Basic Financial Statements	17-23
Schedule I - Revenues and Expenditures by Zone - Budget to Actual	24

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Pajaro Dunes Geologic Hazard Abatement District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pajaro Dunes Geologic Hazard Abatement District as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The information included in the accompanying Schedule I (page 24) is presented for additional analysis and is not a required part of the basic financial statements.

The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 9, 2019



# PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

## *Management's Discussion and Analysis* For the Year Ended June 30, 2019

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As management of the Pajaro Dunes Geologic Hazard Abatement District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the year ended June 30, 2019. Please read this in conjunction with the District's basic financial statements.

### **Using This Financial Report**

This annual report consists of management's discussion and analysis, the basic financial statements and notes to financial statements. Management's discussion and analysis provides a narrative of the District's financial performance and activities for the year ended June 30, 2019. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Government-Wide Financial Statements –**

#### **Statement of Net Position and Statement of Activities and Changes in Net Position**

One of the most important questions asked about the District's finances is, "Is the District better off, or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base to assess the *overall health* of the District.

### **Government Fund Financial Statements –**

#### **Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near term financial requirements.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2019

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### **Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the District's budgetary information.

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## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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### Government-wide Financial Analysis

#### Statements of Net Position (page 10)

##### Condensed Statements of Net Position

	6/30/2019	6/30/2018
<b>Assets:</b>		
Current and other assets	\$ 763,642	\$ 600,142
Capital assets net of depreciation	<u>1,550,000</u>	<u>1,650,000</u>
<b>Total assets</b>	<u>\$ 2,313,642</u>	<u>\$ 2,250,142</u>
<b>Liabilities:</b>		
Current liabilities	\$ 96,982	\$ 166,901
Long-term debt	<u>1,142,523</u>	<u>1,215,435</u>
<b>Total liabilities</b>	<u>1,239,505</u>	<u>1,382,336</u>
<b>Deferred Inflows of Resources:</b>		
Prepaid assessments	<u>10,675</u>	<u>17,803</u>
<b>Net Position:</b>		
Investment in capital assets, net of related debt	332,477	364,565
Restricted for debt service	144,825	144,825
Unrestricted	<u>586,160</u>	<u>340,613</u>
<b>Total net position</b>	<u>1,063,462</u>	<u>850,003</u>
	<u>\$ 2,313,642</u>	<u>\$ 2,250,142</u>

As noted earlier in this analysis, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities and deferred inflows by \$1,063,462 as of June 30, 2019. At June 30, 2019, the District reflected an accumulated balance in its unrestricted net position of \$586,160.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2019

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### Government-wide Financial Analysis (Continued)

The District has 200 tons of riprap, which is stored at a site provided by Granite Rock. The cost of the rock and storage was \$15,000 and was incurred and expensed in September 2012. The agreement with Granite Rock expires December 31, 2022, at which point any unused rock is to be forfeited unless a new agreement is reached.

### *Statements of Activities and Changes in Net Position (page 11)*

#### Condensed Statements of Activities and Changes in Net Position

	6/30/2019	6/30/2018
<b>Expenses:</b>		
Hazard abatement program	\$ 157,393	\$ 184,824
Interest on long-term obligations	71,039	76,767
Depreciation	100,000	100,000
<b>Total expenses</b>	<u>328,432</u>	<u>361,591</u>
<b>General Revenues</b>	<u>541,891</u>	<u>397,397</u>
<b>Change in net position</b>	213,459	35,806
Net position - beginning of year	<u>850,003</u>	<u>814,197</u>
Net position - end of year	<u>\$ 1,063,462</u>	<u>\$ 850,003</u>

The statement of activities and changes in net position shows how the government's net position changed during the year. In the case of the District, net position increased by \$213,459 during the current year.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2019

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### Governmental Funds Financial Analysis

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2019, the District's General Fund reported a fund balance of \$409,786. The fund balance is not available for future spending because it has already been reserved for specific provisions (page 12).

### Financial Highlights

- The District's general fund balance increased \$226,259, from \$183,527 to \$409,786 (page 14).
- The District's debt service fund balance decreased by \$49,854, from \$403,710 to \$353,856 (page 14).
- Assessment revenues of \$533,306 were above prior year by \$144,258, due to the new assessments of \$175,000 for the emergency reserve fund, offset by the paydown of one loan.
- General fund operating expenses of \$157,393 (before depreciation) were below the prior reporting period by 14.84%, or \$27,431, due to expenditures incurred for contractors in assisting with the 218 election in the prior year.

### General Fund Budgetary Highlights

- Total revenues over expenditures for the District's general fund operations were above budget by \$70,309. Actual assessment revenues were below budget by \$1,526.
- General fund operating expenses were below budget by \$70,578 or 30.56%. The underbudget variance is primarily due to anticipated technical consulting and seawall inspection costs, that while budgeted, will occur in the next fiscal year.

### Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance 6/30/2018	Additions/ Transfers	Balance 6/30/2019
Depreciable capital asset	\$ 3,000,000	\$ --	\$ 3,000,000
Less accumulated depreciation	(1,350,000)	(100,000)	(1,450,000)
Total capital assets, net	<u>\$ 1,650,000</u>	<u>\$ (100,000)</u>	<u>\$ 1,550,000</u>

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2019

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### Capital Asset Administration (Continued)

At June 30, 2019, the District's investment in capital assets amounted to \$1,550,000 (net of accumulated depreciation). This investment in capital assets consists solely of a riverwall. See note 3 for further information on the District's capital assets.

### Debt Administration

Changes in long-term debt for the year were as follows:

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>6/30/2019</u>
Ltd Obligation improvement bonds	\$ 1,310,000	\$ --	\$ (70,000)	\$ 1,240,000
Other long-term debt	59,752	--	(59,752)	--
Total liabilities, net	<u>\$ 1,369,752</u>	<u>\$ --</u>	<u>\$ (129,752)</u>	<u>\$ 1,240,000</u>

### Future Plans

The District's future plans are focused on developing applications for Santa Cruz County (SCC) and the California Coastal Commission to repair and maintain the seawall. The District through our previous Engineer of Record (EOR) has completed several studies, gathered technical information and considered construction alternatives. Base on that analysis, we adopted a 'repair and maintenance' verses 'replacement' approach to seawall fortification.

As was previously reported, the District held a successful 218 election and has now begun collecting revenue that can be utilized for any future emergencies should there be a failure of the seawall. We have also secured a Letter of Credit for \$600,000, should additional funds be necessary in an emergency. We have also developed for this year going forward, operating budgets that will allocate a greater percentage of our budget to the professional services necessary for work related to applications and permits.

Over the past year, the District has successfully added four new Directors with skill sets that compliment the work-tasks before us. Most recently a new EOR, Cal Engineering and Geology, has been brought on-board to execute our permit and development applications, and manage any inspections or emergency repairs that are required. The District is working closely with SCC to gain agreement on the most efficient and effective engineering approach and future process considerations. A draft timeline and action steps have been developed to guide our application(s) submission which will occur in this fiscal year. Depending on the speed and outcome of application reviews by primary jurisdictions, the District may begin the community groundwork for our next 218 election which would raise funds to finance seawall repairs construction.

Overall, given the capacity building and goals clarification being achieved this year, the future looks very positive for continued District progress.

## **PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2019

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### **Contacting the District's Financial Management**

The financial report is designed to provide a general overview of the District's accountability for the District's assets. If you have questions about this report or need additional financial information, contact the Pajaro Dunes Geologic Hazard Abatement District at 2661 Beach Road, Watsonville, California 95076 or (831) 761-7744.

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# PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Government-Wide  
Statement of Net Position  
June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents, unrestricted (Note 2)	\$ 332,945
Cash and cash equivalents, restricted (Note 2)	144,825
Assessments receivable	204,479
Prepaid expenses	81,393
Capital assets, net of accumulated depreciation (Note 3)	<u>1,550,000</u>
Total assets	<u>\$ 2,313,642</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
Liabilities:	
Accrued interest	\$ 21,982
Long-term obligations:	
Long-term obligations - due within one year (Note 4)	75,000
Long-term obligations - due in more than one year (Note 4)	<u>1,142,523</u>
Total liabilities	<u>1,239,505</u>
Deferred Inflows of Resources:	
Prepaid assessments	<u>10,675</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>	
Net Position:	
Invested in capital assets, net of related debt	332,477
Restricted for debt service	144,825
Unrestricted	<u>586,160</u>
Total net position	<u>1,063,462</u>
	<u>\$ 2,313,642</u>



**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Government-Wide  
 Statement of Activities and Changes in Net Position  
 Year Ended June 30, 2019

Function	Expenses	Revenue	Total
Hazard abatement program	\$ 157,393	\$ --	\$ (157,393)
Interest on long-term obligations	71,039	--	(71,039)
Depreciation	100,000	--	(100,000)
	<u>\$ 328,432</u>	<u>\$ --</u>	<u>(328,432)</u>

**General Revenues:**

Assessment income	365,434
Emergency reserve fund assessments	175,000
Interest earnings	<u>1,457</u>
Total general revenues	<u>541,891</u>
Change in net position	213,459
Net position - beginning of year	<u>850,003</u>
Net position - end of year	<u>\$ 1,063,462</u>

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**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Balance Sheet-Governmental Funds

June 30, 2019

	<b>Governmental Fund Types</b>		<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Debt Service</b>	
<b>ASSETS</b>			
Cash and cash equivalents, unrestricted (Note 2)	\$ 123,914	\$ 209,031	\$ 332,945
Cash and cash equivalents, restricted (Note 2)	--	144,825	144,825
Assessments receivable	204,479	--	204,479
Prepaid expenses	81,393	--	81,393
	<u>409,786</u>	<u>353,856</u>	<u>763,642</u>
Total assets	<u>\$ 409,786</u>	<u>\$ 353,856</u>	<u>\$ 763,642</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
None to report	\$ --	\$ --	\$ --
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>			
Fund balances:			
Fund balance - reserved for debt service	--	353,856	353,856
Fund balance - reserved for reimbursement	409,786	--	409,786
	<u>409,786</u>	<u>353,856</u>	<u>763,642</u>
Total fund balances	<u>409,786</u>	<u>353,856</u>	<u>763,642</u>
	<u>\$ 409,786</u>	<u>\$ 353,856</u>	<u>\$ 763,642</u>

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## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Position  
June 30, 2019

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<b>Total fund balances of governmental funds</b>	\$ 763,642
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	1,550,000
Accrued interest on debt that will not be paid with current financial resources are not considered in the Governmental Funds Balance Sheet.	(21,982)
Prepaid property assessments for limited obligation bonds were considered other financing sources in the year they were received in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These funds are considered deferred inflows of resources of the District on the Statement of Net Position and are recognized as assessment income over a fifteen year period in the Statement of Activities and Changes in Net Position.	(10,675)
Long-term obligations are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. The long-term obligations were adjusted as follows:	
Long-term obligations - due within one year	(75,000)
Long-term obligations - due in more than one year	<u>(1,142,523)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 1,063,462</u></u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2019

	General	Debt Service	Total (Memorandum Only)
<b>PROGRAM REVENUES</b>			
Assessment income	\$ 224,157	\$ 134,149	\$ 358,306
Emergency reserve fund assessments	175,000	--	175,000
Interest income	1,457	--	1,457
	<u>400,614</u>	<u>134,149</u>	<u>534,763</u>
Total revenues			
<b>EXPENDITURES</b>			
Insurance	14,774	--	14,774
Legal	14,420	--	14,420
Accounting	12,045	--	12,045
Clerk	4,784	--	4,784
Assessment administration	7,177	--	7,177
Office	1,187	--	1,187
Officer election	75	--	75
Permits	1,000	--	1,000
Website maintenance	540	--	540
Audit	7,900	--	7,900
Bond fee	635	--	635
Reimbursements:			
Pelican Homeowners Association	92,856	--	92,856
Debt service:			
Principal	--	129,752	129,752
Interest	--	71,213	71,213
	<u>157,393</u>	<u>200,965</u>	<u>358,358</u>
Total expenditures			
<b>Excess (deficiency) of revenue over expenditures</b>	<u>243,221</u>	<u>(66,816)</u>	<u>176,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer out	(16,962)	--	(16,962)
Operating transfer in	--	16,962	16,962
	<u>(16,962)</u>	<u>16,962</u>	<u>--</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCE</b>	226,259	(49,854)	176,405
<b>BEGINNING FUND BALANCE</b>	<u>183,527</u>	<u>403,710</u>	<u>587,237</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 409,786</u>	<u>\$ 353,856</u>	<u>\$ 763,642</u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Government-Wide  
Statement of Activities and Changes in Net Position  
Year Ended June 30, 2019

<b>Net change in fund balances of governmental funds</b>	\$ 176,405
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(100,000)
The bond discount is reported as amortizable interest expense in the Government-Wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, the discount was reported as an expenditure the year the bonds were issued in Governmental Funds.	(2,088)
Accrued interest on long-term debt is reported as interest expense in the Government-Wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, the accrued interest relating to the special assessment bonds is not reported in Governmental Funds.	2,262
The prepaid assessment revenue is classified as deferred inflows of resources in the Government-Wide Statement of Net Position and is recognized as assessment income over fifteen years in the Statement of Activities and Changes in Net Position. The prepaid assessments were considered other financing sources in the year they were paid and recognized entirely during that period in the Statement of Revenues, Expenditures, and Changes in Fund Balances.	7,128
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	
Current year principal debt repayments	<u>129,752</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 213,459</u></u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
Year Ended June 30, 2019

	General Fund			Debt Service Fund		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
<b>REVENUES</b>						
Assessment income	\$ 225,683	\$ 224,157	\$ (1,526)	\$ 202,752	\$ 134,149	\$ (68,603)
Emergency reserve fund	175,000	175,000	--	--	--	--
Interest income	200	1,457	1,257	--	--	--
<b>Total revenues</b>	<b>400,883</b>	<b>400,614</b>	<b>(269)</b>	<b>202,752</b>	<b>134,149</b>	<b>(68,603)</b>
<b>EXPENDITURES</b>						
Insurance	10,000	14,774	4,774	--	--	--
Legal	18,000	14,420	(3,580)	--	--	--
Accounting	18,315	12,045	(6,270)	--	--	--
Clerk	10,900	4,784	(6,116)	--	--	--
Assessment administration	9,000	7,177	(1,823)	--	--	--
Office	11,825	1,187	(10,638)	--	--	--
Officer election	2,475	75	(2,400)	--	--	--
Board and clerk training	2,200	--	(2,200)	--	--	--
Website maintenance	5,400	540	(4,860)	--	--	--
Audit	10,000	7,900	(2,100)	--	--	--
Bond fee	--	635	635	--	--	--
Permits	--	1,000	1,000	--	--	--
Riverwall inspection	550	--	(550)	--	--	--
Seawall annual inspection	24,450	--	(24,450)	--	--	--
Technical planning	12,000	--	(12,000)	--	--	--
Reimbursements (Note 6)						
Pelican Homeowners Association	92,856	92,856	--	--	--	--
Debt service:						
Principal	--	--	--	129,752	129,752	--
Interest	--	--	--	73,000	71,213	(1,787)
<b>Total expenditures</b>	<b>227,971</b>	<b>157,393</b>	<b>(70,578)</b>	<b>202,752</b>	<b>200,965</b>	<b>(1,787)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>172,912</b>	<b>243,221</b>	<b>70,309</b>	<b>--</b>	<b>(66,816)</b>	<b>(66,816)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer out	--	(16,962)	(16,962)	--	--	--
Operating transfer in	--	--	--	--	16,962	16,962
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>(16,962)</b>	<b>(16,962)</b>	<b>--</b>	<b>16,962</b>	<b>16,962</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 172,912</b>	<b>226,259</b>	<b>\$ 53,347</b>	<b>\$ --</b>	<b>(49,854)</b>	<b>\$ (49,854)</b>
<b>BEGINNING FUND BALANCE</b>		<b>183,527</b>			<b>403,710</b>	
<b>ENDING FUND BALANCE</b>		<b>\$ 409,786</b>			<b>\$ 353,856</b>	

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of the District:** The Pajaro Dunes Geologic Hazard Abatement District (the District) was formed October 27, 1998 to reduce damage caused by severe storms to the Pajaro Dunes area located in southern Santa Cruz County. The District maintains two areas as follows:

- Zone 1, the boundaries of which are coterminous with the development known as Pajaro Dunes, the District maintains a rock revetment seawall.
- Zone 2, the boundaries of which are coterminous with the Pelican Point Condominium Project, the District maintains a sheet pile river wall.

Both of those structures were designed to reduce damage from 30-year storm events.

**Basis of Accounting:** The accounts of the District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

**Basis of Presentation:** Management's Discussion and Analysis – Government auditing standards require the financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of management's discussion and analysis (MD&A).

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These two statements present summaries of Governmental Activities.

Government-Wide Financial Statements:

These statements are presented on an "economic resource" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities and Changes in Net Position presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Assessments and other items not properly included among program revenues are reported instead as general revenues.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Presentation (continued):**

##### Governmental Fund Financial Statements:

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in government fund balances as presented in these statements to the net position presented in the Government-Wide Financial Statements. The District has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net position. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period (the District considers all revenues available if they are collected within 60 days after year-end). Property taxes are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**Budgets:** The District’s Board of Directors annually adopts the budget for the District. Board of Directors action is required for the approval of budget revisions.

**Property Assessment Revenue:** Property assessments are governed by Proposition 218, which requires that assessments to operate the District be put to a vote of the members of the District. Property assessments are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Santa Cruz County bills, collects, and remits the property assessments to the District. Taxes remitted within 60 days of year-end are accrued as assessments receivable.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Capital Assets:** The District's capital assets are capitalized at historic cost. The District does not have a capitalization threshold for reporting capital assets. Donations or contributions of capital assets are recorded at fair market value when received.

Depreciation is recorded on a straight-line basis over the estimated useful life of the capital asset as follows:

Riverwall	30 years
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Depreciation expense totaled \$100,000 for the year ended June 30, 2019.

**Total Columns on Governmental Fund Financial Statement:** Total columns on the Governmental Fund financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**Classification of Net Position:** In the Government-Wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or the District's enabling legislation.

Unrestricted net position – This category represents the net position of the District, which is not restricted for any project or other purpose.

**Use of Restricted/Unrestricted Net Position:** When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

### NOTE 2. CASH AND CASH EQUIVALENTS

The District maintains cash balances at two financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2019

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### NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

As described in Note 1, the District uses the County of Santa Cruz to bill, collect, and remit property assessments. During the time the County holds the District's funds, the County maintains those funds in a cash and investment pool that is available for use by all funds with various financial institutions and a safekeeping agent. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents". Statutes authorize the County to invest in obligations of the U.S Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's investment pool.

As detailed in the 2005 Limited Obligation Bond issuance statement the District is required to maintain a reserve fund in the amount of \$144,825 for the benefit of the District and the owners of the bonds as a reserve for the payment of principal and interest on the bonds.

### NOTE 3. CAPITAL ASSETS

In accordance with government auditing standards, the District reported all capital assets in the Government-Wide Statement of Net Position. The District elected to use the "basic approach", whereby accumulated depreciation and depreciation expense have been recorded.

District capital assets consist solely of a riverwall. Title to the riverwall transferred from the Pelican Homeowners Association to the District in 2009 after the issuance date of the 2005 Limited Obligation Improvement Bonds. The contribution of this asset is recorded in the Government-Wide financial statements as donated capital. The District currently does not anticipate constructing additional capital assets.

Capital assets of the District for the year ended June 30, 2019, consist of the following:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Riverwall	\$ 3,000,000	\$ --	\$ --	\$ 3,000,000
Less accumulated depreciation	1,350,000	100,000	--	1,450,000
	<u>\$ 1,650,000</u>	<u>\$ (100,000)</u>	<u>\$ --</u>	<u>\$ 1,550,000</u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Notes to Basic Financial Statements  
June 30, 2019

**NOTE 4. LONG-TERM OBLIGATIONS**

Long-term obligations and the related current portion as of June 30, 2019, consist of the following:

*Bonds:*

2005 Limited Obligation Improvement Bonds, variable interest at 3.2% - 5.1%, payable on March 2 and September 2; final payment September 2, 2030

	\$ 1,240,000
Less bond discount, net	(22,477)
Less current portion	(75,000)
	\$ 1,142,523

Changes in long-term obligations for the year ended June 30, 2019, are as follows:

Debt	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
2005 Ltd Oblig. Improv. Bonds	\$ 1,310,000	\$ --	\$ 70,000	\$ 1,240,000	\$ 75,000
SCCB	59,752	--	59,752	--	--
	\$ 1,369,752	\$ --	\$ 129,752	\$ 1,240,000	\$ 75,000

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2019

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### NOTE 4. LONG-TERM OBLIGATIONS (Continued)

Aggregate maturities or payments required on principal and interest for each of the succeeding five years and thereafter in five -year increments are as follows:

Year	Bond Principal	Bond Interest	Total
2020	\$ 75,000	\$ 64,070	\$ 139,070
2021	80,000	60,155	140,155
2022	85,000	55,862	140,862
2023	90,000	51,225	141,225
2024	95,000	46,323	141,323
2025-2029	550,000	148,292	698,292
2030-2034	265,000	14,445	279,445
Total	<u>\$ 1,240,000</u>	<u>\$ 440,372</u>	<u>\$ 1,680,372</u>

### NOTE 5. INSURANCE

The District carries directors' and officers' coverage.

### NOTE 6. COMMITMENTS AND CONTINGENCIES

Pelican Homeowners Association:

The District entered into a contract on December 9, 2000 with the Pelican Homeowners Association, Inc. The terms of the contract call for the Pelican Homeowners Association, Inc. to obtain the necessary funds to repair the river wall, and for the District to reimburse the Pelican Homeowners Association, Inc. through Zone 2 property assessments.

The District is obligated to reimburse the Homeowners Association with funds received from property assessments for the following obligation:

The Pelican Homeowners Association note is payable in monthly installments of \$7,738, including interest at 4.0%. Final payment is due in February 2025. The District will reimburse the Pelican Homeowners Association's monthly payments as long as Zone 2 property assessments are collected.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2019

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### NOTE 6. COMMITMENTS AND CONTINGENCIES (Continued)

Reimbursements for the note listed above for each of the succeeding five years and thereafter in five-year increments are:

	Principal	Interest	Total
2020	\$ 75,668	\$ 14,001	\$ 89,669
2021	78,855	10,789	89,644
2022	82,067	7,445	89,512
2023	85,411	3,965	89,376
2024	88,891	550	89,441
2025-2029	<u>50,787</u>	<u>--</u>	<u>50,787</u>
	<u>\$ 461,679</u>	<u>\$ 36,750</u>	<u>\$ 498,429</u>

California Department of Parks and Recreation:

The District has been in discussions with the Department of Parks and Recreation, regarding the "Right of Entry Permit" connected with the existing seawall. At present there are insufficient funds to respond to permit application questions from the County of Santa Cruz. In order to move forward with the permit the District would need to conduct an assessment election to raise approximately \$300,000 to respond to the County. Additionally, the Department of Parks and Recreation assessed a penalty fee for not removing the rip-rap rocks buried in State Parks property adjacent to the revetment. The Department of Parks and Recreation has verbally agreed to hold the rip-rap rocks buried issues in abeyance until the permit is resolved. The District's management believes the matter will be settled without material adverse financial impact to the District as long as an assessment election is held.

### NOTE 7. LINE OF CREDIT

The District entered into a borrowing agreement with Santa Cruz County Bank for a line of credit with an established limit of \$600,000, which expired on August 24, 2019. The interest rate on the line of credit was a fixed rate determined by the Bank to be 1.00% above Prime. The interest rate as of June 30, 2019 was 6.50%. There was no balance outstanding under the line of credit at June 30, 2019. The District is currently working with the bank to renew the line of credit.

### NOTE 8. SUBSEQUENT EVENTS

The District's management has evaluated its June 30, 2019 financial statements for subsequent events through November 9, 2019, the date of issuance of the financial statements. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Schedule I - Revenues and Expenditures by Zone - Budget to Actual  
Year Ended June 30, 2019

	ZONE 1			ZONE 2			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
<b>PROGRAM REVENUES</b>									
Assessment income	\$ 193,401	\$ 128,790	\$ (64,611)	\$ 235,034	\$ 229,516	\$ (5,518)	\$ 428,435	\$ 358,306	\$ (70,129)
Emergency reserve fund	175,000	175,000	--	--	--	--	175,000	175,000	--
Interest income	50	790	740	150	667	517	200	1,457	1,257
<b>Total revenues</b>	<b>368,451</b>	<b>304,580</b>	<b>(63,871)</b>	<b>235,184</b>	<b>230,183</b>	<b>(5,001)</b>	<b>603,635</b>	<b>534,763</b>	<b>(68,872)</b>
<b>EXPENDITURES</b>									
Insurance	10,000	14,774	4,774	--	--	--	10,000	14,774	4,774
Legal	18,000	14,420	(3,580)	--	--	--	18,000	14,420	(3,580)
Accounting	18,315	12,045	(6,270)	--	--	--	18,315	12,045	(6,270)
Clerk	8,400	3,767	(4,633)	2,500	1,017	(1,483)	10,900	4,784	(6,116)
Assessment administration	8,000	6,287	(1,713)	1,000	390	(110)	9,000	7,177	(1,823)
Office	11,825	963	(10,862)	--	224	224	11,825	1,187	(10,638)
Officer election	2,475	75	(2,400)	--	--	--	2,475	75	(2,400)
Board and clerk training	2,200	--	(2,200)	--	--	--	2,200	--	(2,200)
Website maintenance	5,400	540	(4,860)	--	--	--	5,400	540	(4,860)
Audit	10,000	7,900	(2,100)	--	--	--	10,000	7,900	(2,100)
Bond fee	--	--	--	--	635	635	--	635	635
Permits	--	1,000	1,000	--	--	--	--	1,000	1,000
Riverwall inspection	--	--	--	550	--	(550)	550	--	(550)
Seawall annual inspection	24,450	--	(24,450)	--	--	--	24,450	--	(24,450)
Technical planning	12,000	--	(12,000)	--	--	--	12,000	--	(12,000)
Reimbursements (Note 6):									
Pelican HOA	--	--	--	92,856	92,856	--	92,856	92,856	--
Debt service:									
Principal	59,752	59,752	--	70,000	70,000	--	129,752	129,752	--
Interest	2,634	71,213	68,579	70,366	--	(70,366)	73,000	71,213	(1,787)
<b>Total expenditures</b>	<b>193,451</b>	<b>192,736</b>	<b>(715)</b>	<b>237,272</b>	<b>165,622</b>	<b>(71,650)</b>	<b>430,723</b>	<b>358,358</b>	<b>(72,365)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>175,000</b>	<b>111,844</b>	<b>(63,156)</b>	<b>(2,088)</b>	<b>64,561</b>	<b>66,649</b>	<b>172,912</b>	<b>176,405</b>	<b>3,493</b>
<b>NET CHANGE IN ZONE BALANCE</b>	<b>\$ 175,000</b>	<b>111,844</b>	<b>\$ (63,156)</b>	<b>\$ (2,088)</b>	<b>64,561</b>	<b>\$ 66,649</b>	<b>\$ 172,912</b>	<b>176,405</b>	<b>\$ 3,493</b>
<b>BEGINNING ZONE BALANCE</b>		<u>81,740</u>			<u>505,497</u>			<u>587,237</u>	
<b>ENDING ZONE BALANCE</b>		<u>\$ 193,584</u>			<u>\$ 570,058</u>			<u>\$ 763,642</u>	