



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

**Saturday, December 9, 2017 9:00 a.m.**

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

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**Roll Call**

Bob Moore, President  
Robert Allen Vice President  
John Cullen, Secretary

David Ferrari, Community Liaison  
Jim Griffin, 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 2018: February 10<sup>th</sup>, April 14<sup>th</sup>, May 12<sup>th</sup>, August 11<sup>th</sup>, November 10<sup>th</sup>, and December 8<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 meeting minutes from November 11, 2017 Regular Meeting

**E. MEETINGS ATTENDED/COMMITTEE REPORTS**

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2. Committees needed

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.

## **F. NEW BUSINESS**

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4. ITEM – Consider approval of annual audit report for year ended June 30, 2017

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

5. ITEM – Updates on obtaining a line of credit in conjunction with the PDA

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

6. ITEM-Review the upcoming process for 218 assessment elections

- a. updated budget
- b. Engineers report update
- c. list of documents that will be presented at the February meeting
- d. Outreach efforts/needs, Special Meeting?
- e. Public Comment
- f. Board discussion

## **G. 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.

## **H. ADJOURNMENT**

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



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

**David Ferarri will be teleconferencing in from secondary location:  
Embassy Suites Sacramento Riverfront Promenade, 100 Capitol Mall, Sacramento CA 94010  
For specific room location please inquire at the front desk**

**Saturday, November 11, 2017 9:00 a.m.**

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

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**Roll Call**

Bob Moore, President **not present**  
Jim Griffin, Director **present**  
John Cullen, Director **present**

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

**Also present Carol T. and Mike R.**

**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.

- Rob Allen oath of office
- Review of Directors term dates and election dates
- Meeting Calendar:  
December 9<sup>th</sup>, 2017  
Confirm 2018 Meeting Dates: February 10<sup>th</sup>, April 14th, May 12th, August 11th, November 10th, and December 8th.

**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 August 12, 2017 and September 16, 2017

John C. makes motion for approval, David F seconds. All approve and minutes approved.

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

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2. Financial Reports
  - Financial Report July 1st-October 31<sup>st</sup>, 2017
  - Warrant listing

Jim G. makes motion for approval, John C. seconds. All approve and motion passes.

#### **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.

No meetings attended

#### **G. NEW BUSINESS**

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4. ITEM – Consider accepting PDGHAD's audited financial statements as of June 30,2017

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

Wendy states no surprises in the audit but would like more time to review for final and suggests accepting draft. Move final audit approval to next meeting.

Rob moves to accept draft and review final at next meeting. All agree and motion passes.

5. ITEM – Review job descriptions, seek nominations and appoint additional board officers: vice-president, treasurer and discuss new suggested roles: secretary and community liaison.

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

David F. is interested in community liaison position, John C. is interested in the secretary position and Rob A. is interested in Vice-President.

Motion to approve these officers by Jim G, second by Rob A. All in favor and motion passes.

6. ITEM – Designate additional signers for PDGHAD bank accounts.

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

How often is this needed? Wendy suggests removing Wendy from the account and add 2-3 other signers. David F., Rob A. volunteer.

John C. moves to remove Wendy from the accounts and to add David Ferrari and Rob Allen as additional signers. All approve and motion passes.

Wendy has additional thoughts about this and has suggested adding the clerk (Sarah Mansergh) to the account to create some continuity.

John Cullen moves to amend this decision and add Sarah Mansergh as a signer, Rob Allen seconds. All in favor and motion is amended and approved.

7. ITEM – Discuss creating a resolution (updating Resolution 2016-02) authorizing additional board members to be able to approve and make expenditures in case of emergencies.

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

Rob moves to retain the old resolution. John seconds. All in favor so no new resolution is needed.

8. ITEM – Consider a resolution (Resolution 2017-02) authorizing the Board President to establish a line of credit for up to \$600,000 in collaboration with the Pajaro Dunes Association.

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

Discussion and clarification of what is needed from PDA.

Mike clarifies the PDA needs to verify that they can show the bank that they can recoup the funds. We will be collecting the assessment funds over several years so PDA needs to understand that they will be named on the credit for several years until funds are filled.

Could we wait to seek line of credit after we get the assessment election passed?

Rob says to move with expedience and ensure funds are available sooner-for this winter season

Wendy- Will having the line of credit add a disincentive to homeowners because of the weighted distribution of assessments?

Carol-only ability to get money from the PDA is equitable distribution between all homeowners. So paying back the loan would be assessed equally between homeowners.

Rob-If we did nothing then who would pay for this and how would we get repairs made? That is the fear. PDA may act but could only assess equally etc.

Jim-should provide a sunset provision for the line of credit and PDA

Wendy-as you collect funds you could have the line of credit be decreased.

Mike-we can make suggestions to the bank and requests about the structure of the line of credit.

Rob-suggests start at 600K and remains until we begin to collect taxes. And the amount of PDA's exposure diminishes until we have collected the full amount.

John C-suggest Bob Moore sends a letter that is updated

David- The letter doesn't need to be changed but we can discuss. And could attend the meeting

John C moves to adopt the resolution approving moving forward with a line of credit, Rob A. seconds. All in favor and motion is passed.

Jim has side discussion about concerns about risks to river wall.

Pelicans has funds of \$130,000 for repairs and maintenance.

Rob-does this clarification need to be included in the 218 process. General consensus is to include this in all documentation moving forward-the current 218 reassessment will just be for Zone 1

#### 9. ITEM – Review draft of engineer's report for 218 assessment process

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

Mike-Update reference to fiscal year, took out the names and made it a bit briefer.

Wendy-These numbers are the maximum plus CPI. So would not necessarily assess for Zone 2 until their funds are depleted.

Jim-How do the general admin expenses feed into this part? Will most of the funds for these expenses come from Zone 1? Yes Should Zone 2 be included in this budget at all?

Mike-can we just remove Zone 2 from voting in the reserve. This may be clearer to exclude them so we can simplify the ballots and voting structure. General consensus is that it would be best to remove Zone 2 repair funds from the budget and the vote.

Vote for general and administration budget weighted? Yes it is.

Discussion closed. Will direct ARUP to finalize the engineers report with updated budget numbers.

10. ITEM- Review draft of budget details for 218 assessment process

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

Wendy provides overview-broke out the clerk and accountant positions, budget went down about \$12,000 but keep in mind this is the maximum for each category so are these still appropriate numbers?

David-how many times have these been examined? Why would we change if they have already been reviewed?

John- How did the \$175000 a year come about? Going to a cap of \$600,000 was based on? Inspections have been done in the past?

Wendy-historically this number seemed to be comfortable for a regular emergency.

Carol-originally \$500,000 based on the engineer's assessment of a largish emergency situation. Suggesting in the budget to add more routine inspections.

Rob-If we are successful in obtaining permit from State Parks to remove the rocks from the beach. Does this budget include monies to retrieve those rocks to remove the rocks and make sure fine won't be assessed.

This is for emergencies so there is nothing in the budget to pay for that. The funds for long term costs would be another 218 assessment election process.

How are we paying for ARUP's services. Do we need to add a line for additional engineer of record work.

Consensus is to add this as a line item.

Could be billed to go to meetings, add some research time.

Wendy-will move the \$12,000 from savings and put it as a line item for engineers.

Closed discussion.

11. ITEM – Review draft timeline for 218 assessment process

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

Mike described the process reflecting what was in the document.

John C-How do we prepare the homeowners for this. Do we have separate meetings for homeowners so we can field questions.

Yes, we can certainly add a special meeting to cover questions.

Let's have some materials ready for December meeting to present this to the homeowners in attendance. This will be a good opportunity to describe the process.

Mike-there was a large visual of budget and the difference between what you pay now and what you will be paying.

Jim-Be prepared for it not to pass? What was the issue.

Mike-that was due to an error in the engineer's report that had Zone 2 paying more.

Rob-their analysis suggested that the 85-10-5 split in the allocation of costs is appropriate.

John C-just need to be prepared to answer questions about the split.

Discussion closed.

John C-motion to adjourn. Jim G. seconds. All in favor and meeting is adjourned.

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

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

## **I. ADJOURNMENT**

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





November 22, 2017

To the Board of Directors  
and Management of  
Pajaro Dunes Geologic Hazard Abatement District

We have audited the financial statements of the Pajaro Dunes Geologic Hazard Abatement District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 26, 2017. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the reporting period. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We noted no particularly sensitive accounting estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures:

- Adjustments were made to the government fund financial statements as follows:
  - To adjust beginning fund balance to actual, to eliminate current year depreciation, and to eliminate debt that will not be paid with current financial resources.
    - *While District personnel is capable of preparing these entries, they place reliance on the auditor to record the adjustments necessary to prepare the governmental fund statements.*

No other misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 22, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and Management of the Pajaro Dunes Geologic Hazard Abatement District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

HUTCHINSON AND BLOODGOOD LLP

A handwritten signature in cursive script that reads "Karen Semingson".

Karen Semingson, CPA  
Partner

**PAJARO DUNES GEOLOGIC HAZARD  
ABATEMENT DISTRICT**

Financial Report

June 30, 2017

## 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	17-24
Schedule I - Revenues and Expenditures by Zone - Budget to Actual	25

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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, 2017, 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, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United State of America.

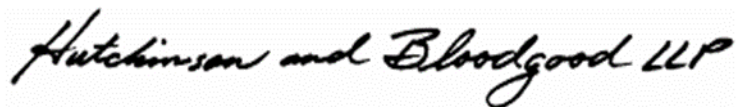
**Other Matters***Required Supplementary Information*

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 25) 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 22, 2017

# PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

## *Management's Discussion and Analysis* For the Year Ended June 30, 2017

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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, 2017. 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, 2017. 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, 2017

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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.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2017

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### Government-wide Financial Analysis

#### *Statement of Net Position (page 10)*

#### Condensed Statement of Net Position

	6/30/2017	6/30/2016
<b>Assets:</b>		
Current and other assets	\$ 608,514	\$ 697,151
Capital assets net of depreciation	<u>1,750,000</u>	<u>1,850,000</u>
<b>Total assets</b>	<u>\$ 2,358,514</u>	<u>\$ 2,547,151</u>
<b>Liabilities:</b>		
Current liabilities	\$ 176,247	\$ 206,532
Long-term debt	<u>1,343,139</u>	<u>1,483,572</u>
<b>Total liabilities</b>	<u>1,519,386</u>	<u>1,690,104</u>
<b>Deferred Inflows of Resources:</b>		
Prepaid assessments	<u>24,931</u>	<u>32,059</u>
<b>Net Position:</b>		
Investment in capital assets, net of related debt	396,653	433,741
Restricted for debt service	144,825	144,825
Unrestricted	<u>272,719</u>	<u>146,422</u>
<b>Total net position</b>	<u>814,197</u>	<u>724,988</u>
	<u>\$ 2,358,514</u>	<u>\$ 2,447,151</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 \$814,197 as of June 30, 2017. At June 30, 2017, the District reflected an accumulated balance in its unrestricted net position of \$272,719.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2017

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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.

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

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

	6/30/2017	6/30/2016
<b>Expenses:</b>		
Hazard abatement program	\$ 160,731	\$ 218,497
Interest on long-term obligations	84,848	94,578
Depreciation	<u>100,000</u>	<u>100,000</u>
<b>Total expenses</b>	<u>345,579</u>	<u>413,075</u>
<b>General Revenues</b>	<u>434,788</u>	<u>443,487</u>
<b>Change in net position</b>	89,209	30,412
Net position - beginning of year	<u>724,988</u>	<u>694,576</u>
Net position - end of year	<u>\$ 814,197</u>	<u>\$ 724,988</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 \$89,209 during the year.

# PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2017

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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, 2017, the District's General Fund reported a fund balance of \$136,895. 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 \$13,295, from \$123,600 to \$136,895 (page 14).
- The District's debt service fund balance decreased by \$2,706, from \$467,294 to \$464,588 (page 14).
- Assessment revenues of \$427,119 were below prior year by \$19,322, due to the paydown of one loan, and revenues were above budget by \$2,519.
- General fund operating expenses of \$160,731 (before depreciation) were below the prior reporting period by 26.43%, or \$57,766, due to lower technical consulting and legal costs. General fund operating expenses were below budget by \$3,243, or 1.97%.

## General Fund Budgetary Highlights

Total revenues over expenditures for the District's general fund operations slightly exceeded the budget by \$1,105. Actual assessment revenues were slightly below budget by \$2,479.

## Capital Asset Administration

Changes in capital assets for the year were as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions/</u> <u>Transfers</u>	<u>Balance</u> <u>6/30/2017</u>
Depreciable capital asset	\$ 3,000,000	\$ --	\$ 3,000,000
Less accumulated depreciation	(1,150,000)	(100,000)	(1,250,000)
Total capital assets, net	<u>\$ 1,850,000</u>	<u>\$ (100,000)</u>	<u>\$ 1,750,000</u>

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2017

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### Capital Asset Administration (Continued)

At June 30, 2017, the District's investment in capital assets amounted to \$1,750,000 (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>6/30/2016</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>6/30/2017</u>
Ltd Obligation improvement bonds	\$ 1,445,000	\$ --	\$ (65,000)	\$ 1,380,000
Other long-term debt	237,868	--	(105,581)	132,287
Total liabilities, net	<u>\$ 1,682,868</u>	<u>\$ --</u>	<u>\$ (170,581)</u>	<u>\$ 1,512,287</u>

### Future Plans

The District's future plans involve solidifying plans to shore up the seawall by means of cost savings alternatives that do not involve rebuilding the entire wall. The District has now completed, through its Engineering contractor "ARUP", a study that recommends that a new wall is not needed. Their recommendation is to proceed with an aggressive program to repair and maintain the existing wall. A preliminary meeting was held with the California Coastal Commission to discuss the possible approaches.

Several meetings and discussions have taken place between the District's Engineer of Record (ARUP) and public agencies such as the California Coastal Commission and the California Parks Department in the obtaining of an emergency repair and maintenance a permit. A revised application was submitted to the California Coastal Commission in November 2015.

As of the date of this report there are insufficient funds to respond to permit application questions from the County of Santa Cruz. In order to move forward with the repair project permit the District would need to conduct an assessment election to raise approximately \$300,000 to respond to the County.

Additionally, the District is subject to penalties for rocks that were placed on State Parks property during emergency repairs in 2003 and 2004. The District is currently liable for penalties of \$5,045 per month. Total penalties to date are \$752,555, or \$2,940 per homeowner. The State has indicated that it is willing to abate those penalties once the rocks are removed as long as the District makes a good faith effort to continue to secure the needed permits from State agencies. In the interim, progress on the permit application for the seawall repair is stalled for lack of funds. An assessment election is required to raise those funds.

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

*Management's Discussion and Analysis*  
For the Year Ended June 30, 2017

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The GHAD is in the process of preparing the necessary documents to obtain a Letter of Credit for \$600,000. These funds will be necessary to be available to marshal the resources necessary to respond in the event of an emergency situation.

The GHAD is also in the process of developing the documents to conduct a 218 assessment election. If approved a portion of these funds will be used to complete the permitting process to allow us to begin the repair process outlined above

### **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.

# PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Government-Wide  
Statement of Net Position  
June 30, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents, unrestricted (Note 2)	\$ 433,973
Cash and cash equivalents, restricted (Note 2)	144,825
Assessments receivable	11,859
Prepaid expenses	17,857
Capital assets, net of accumulated depreciation (Note 3)	<u>1,750,000</u>
Total assets	<u>\$ 2,358,514</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
Liabilities:	
Accrued interest	\$ 26,721
Accounts payable	7,031
Long-term obligations:	
Long-term obligations - due within one year (Note 4)	142,495
Long-term obligations - due in more than one year (Note 4)	<u>1,343,139</u>
Total liabilities	<u>1,519,386</u>
Deferred Inflows of Resources:	
Prepaid assessments	<u>24,931</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>	
Net Position:	
Invested in capital assets, net of related debt	396,653
Restricted for debt service	144,825
Unrestricted	<u>272,719</u>
Total net position	<u>814,197</u>
	<u>\$ 2,358,514</u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Government-Wide  
 Statement of Activities and Changes in Net Position  
 Year Ended June 30, 2017

<b>Function</b>	<b>Expenses</b>	<b>Revenue</b>	<b>Total</b>
Hazard abatement program	\$ 160,731	\$ --	\$ (160,731)
Interest on long-term obligations	84,848	--	(84,848)
Depreciation	100,000	--	(100,000)
	<u>\$ 345,579</u>	<u>\$ --</u>	<u>(345,579)</u>
<b>General Revenues:</b>			
Assessment income			434,247
Interest earnings			<u>541</u>
Total general revenues			<u>434,788</u>
Change in net position			89,209
Net position - beginning of year			<u>724,988</u>
Net position - end of year			<u>\$ 814,197</u>



**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Balance Sheet-Governmental Funds

June 30, 2017

	<b>Governmental Fund Types</b>		<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>(Memorandum Only)</b>
<b>ASSETS</b>			
Cash and cash equivalents, unrestricted (Note 2)	\$ 114,210	\$ 319,763	\$ 433,973
Cash and cash equivalents, restricted (Note 2)	--	144,825	144,825
Assessments receivable	11,859	--	11,859
Prepaid expenses	17,857	--	17,857
	<u>17,857</u>	<u>--</u>	<u>17,857</u>
Total assets	<u>\$ 143,926</u>	<u>\$ 464,588</u>	<u>\$ 608,514</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 7,031	\$ --	\$ 7,031
	<u>7,031</u>	<u>--</u>	<u>7,031</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>			
Fund balances:			
Fund balance - reserved for debt service	--	464,588	464,588
Fund balance - reserved for reimbursement	136,895	--	136,895
	<u>136,895</u>	<u>--</u>	<u>136,895</u>
Total fund balances	<u>136,895</u>	<u>464,588</u>	<u>601,483</u>
	<u>\$ 143,926</u>	<u>\$ 464,588</u>	<u>\$ 608,514</u>

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Position  
June 30, 2017

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<b>Total fund balances of governmental funds</b>	\$ 601,483
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.	1,750,000
Accrued interest on debt that will not be paid with current financial resources are not considered in the Governmental Funds Balance Sheet.	(26,721)
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.	(24,931)
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	(142,495)
Long-term obligations - due in more than one year	<u>(1,343,139)</u>
<b>Net position of governmental activities</b>	<u>\$ 814,197</u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2017

	General	Debt Service	Total (Memorandum Only)
<b>PROGRAM REVENUES</b>			
Assessment income	\$ 165,425	\$ 261,694	\$ 427,119
Interest income	541	--	541
	<u>165,966</u>	<u>261,694</u>	<u>427,660</u>
Total revenues	<u>165,966</u>	<u>261,694</u>	<u>427,660</u>
<b>EXPENDITURES</b>			
Insurance	15,745	--	15,745
Legal	11,780	--	11,780
Accounting	26,890	--	26,890
Office	1,412	--	1,412
Officer election	75	--	75
Website maintenance	1,750	--	1,750
Audit	7,500	--	7,500
Bond fee	635	--	635
Technical planning	2,088	--	2,088
Reimbursements:			
Pelican Homeowners Association	92,856	--	92,856
Debt service:			
Principal	--	170,581	170,581
Interest	--	85,759	85,759
	<u>160,731</u>	<u>256,340</u>	<u>417,071</u>
Total expenditures	<u>160,731</u>	<u>256,340</u>	<u>417,071</u>
<b>Excess of revenue over expenditures</b>	<u>5,235</u>	<u>5,354</u>	<u>10,589</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer in	8,060	--	8,060
Operating transfer out	--	(8,060)	(8,060)
	<u>8,060</u>	<u>(8,060)</u>	<u>--</u>
Total other financing sources (uses)	<u>8,060</u>	<u>(8,060)</u>	<u>--</u>
<b>NET CHANGE IN FUND BALANCE</b>	13,295	(2,706)	10,589
<b>BEGINNING FUND BALANCE</b>	<u>123,600</u>	<u>467,294</u>	<u>590,894</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 136,895</u>	<u>\$ 464,588</u>	<u>\$ 601,483</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, 2017

<b>Net change in fund balances of governmental funds</b>	\$ 10,589
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.	2,999
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>170,581</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 89,209</u></u>

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
Year Ended June 30, 2017

	General Fund			Debt Service Fund		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
<b>REVENUES</b>						
Assessment income	\$ 167,904	\$ 165,425	\$ (2,479)	\$ 256,696	\$ 261,694	\$ 4,998
Interest income	200	541	341	--	--	--
<b>Total revenues</b>	<b>168,104</b>	<b>165,966</b>	<b>(2,138)</b>	<b>256,696</b>	<b>261,694</b>	<b>4,998</b>
<b>EXPENDITURES</b>						
Insurance	13,000	15,745	2,745	--	--	--
Legal	9,000	11,780	2,780	--	--	--
Accounting	34,003	26,890	(7,113)	--	--	--
Office	2,275	1,412	(863)	--	--	--
Officer election	2,000	75	(1,925)	--	--	--
Website maintenance	3,090	1,750	(1,340)	--	--	--
Audit	7,750	7,500	(250)	--	--	--
Bond fee	--	635	635	--	--	--
Technical planning	--	2,088	2,088	--	--	--
Reimbursements (Note 6)						
Pelican Homeowners Association	92,856	92,856	--	--	--	--
Debt service:						
Principal	--	--	--	170,581	170,581	--
Interest	--	--	--	86,115	85,759	(356)
<b>Total expenditures</b>	<b>163,974</b>	<b>160,731</b>	<b>(3,243)</b>	<b>256,696</b>	<b>256,340</b>	<b>(356)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,130</b>	<b>5,235</b>	<b>1,105</b>	<b>--</b>	<b>5,354</b>	<b>5,354</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer out	--	8,060	8,060	--	--	--
Operating transfer in	--	--	--	--	(8,060)	(8,060)
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>8,060</b>	<b>8,060</b>	<b>--</b>	<b>(8,060)</b>	<b>(8,060)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 4,130</b>	<b>13,295</b>	<b>\$ 9,165</b>	<b>\$ --</b>	<b>(2,706)</b>	<b>\$ (2,706)</b>
<b>BEGINNING FUND BALANCE</b>		<b>123,600</b>			<b>467,294</b>	
<b>ENDING FUND BALANCE</b>		<b>\$ 136,895</b>			<b>\$ 464,588</b>	

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2017

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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, 2017

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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, 2017

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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
-----------	----------

Depreciation expense totaled \$100,000 for the year ended June 30, 2017.

**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, 2017

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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, 2017, consist of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Riverwall	\$ 3,000,000	\$ --	\$ --	\$ 3,000,000
Less accumulated depreciation	1,150,000	100,000	--	1,250,000
	<u>\$ 1,850,000</u>	<u>\$ (100,000)</u>	<u>\$ --</u>	<u>\$ 1,750,000</u>

# PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2017

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## NOTE 4. LONG-TERM OBLIGATIONS

Long-term obligations and the related current portion as of June 30, 2017, 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	\$ 1,380,000
--	--------------

*Notes Payable:*

Santa Cruz County Bank; secured by Zone 1 District assessment revenues; payable semi-annually on March 1 and September 1 with interest at prime plus 1%, with a floor of 5.5%; final payment due September 1, 2017	15,762
--	--------

Santa Cruz County Bank; secured by Zone 1 District assessment revenues; payable semi-annually on March 1 and September 1 with interest at prime plus 1%, with a floor of 5.5%; final payment due March 1, 2019	<u>116,525</u>
--	----------------

1,512,287

Less bond discount, net	(26,653)
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Less current portion	<u>(142,495)</u>
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\$ 1,343,139

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Notes to Basic Financial Statements  
June 30, 2017

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

Changes in long-term obligations for the year ended June 30, 2017, are as follows:

Debt	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
2005 Ltd Oblig.					
Improv. Bonds	\$ 1,445,000	\$ --	\$ 65,000	\$ 1,380,000	\$ 70,000
SCCB	46,155	--	30,393	15,762	15,762
SCCB	170,279	--	53,754	116,525	56,733
SCCB	<u>21,434</u>	<u>--</u>	<u>21,434</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,682,868</u>	<u>\$ --</u>	<u>\$ 170,581</u>	<u>\$ 1,512,287</u>	<u>\$ 142,495</u>

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	Loan Principal	Loan Interest	Total
2018	70,000	71,125	72,495	5,181	218,801
2019	70,000	67,678	59,792	4,907	202,377
2020	75,000	64,071	--	--	139,071
2021	80,000	60,155	--	--	140,155
2022	85,000	55,863	--	--	140,863
2023-2027	500,000	204,395	--	--	704,395
2028-2032	<u>500,000</u>	<u>55,890</u>	<u>--</u>	<u>--</u>	<u>555,890</u>
Total	<u>\$ 1,380,000</u>	<u>\$ 579,177</u>	<u>\$ 132,287</u>	<u>\$ 10,088</u>	<u>\$ 2,101,552</u>

**NOTE 5. INSURANCE**

The District carries directors' and officers' coverage.

## PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT

Notes to Basic Financial Statements  
June 30, 2017

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### 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.

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

	Principal	Interest	Total
2018	69,812	23,044	92,856
2019	72,656	20,200	92,856
2020	75,616	17,240	92,856
2021	78,697	14,159	92,856
2022	81,903	10,953	92,856
2023-2027	<u>229,184</u>	<u>12,343</u>	<u>241,527</u>
	<u>\$ 607,868</u>	<u>\$ 97,939</u>	<u>\$ 705,807</u>

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

Notes to Basic Financial Statements  
June 30, 2017

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

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. SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through November 22, 2017, the date the financial statements were available to be issued.

**PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

Schedule I - Revenues and Expenditures by Zone - Budget to Actual  
Year Ended June 30, 2017

	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	\$ 185,734	\$ 188,980	\$ 3,246	\$ 238,866	\$ 238,139	\$ (727)	\$ 424,600	\$ 427,119	\$ 2,519
Interest income	50	231	181	150	310	160	200	541	341
<b>Total revenues</b>	<b>185,784</b>	<b>189,211</b>	<b>3,427</b>	<b>239,016</b>	<b>238,449</b>	<b>(567)</b>	<b>424,800</b>	<b>427,660</b>	<b>2,860</b>
<b>EXPENDITURES</b>									
Insurance	13,000	15,745	2,745	--	--	--	13,000	15,745	2,745
Legal	9,000	11,780	2,780	--	--	--	9,000	11,780	2,780
Accounting	30,363	23,859	(6,504)	3,640	3,031	(609)	34,003	26,890	(7,113)
Office	2,275	1,412	(863)	--	--	--	2,275	1,412	(863)
Officer election	2,000	75	(1,925)	--	--	--	2,000	75	(1,925)
Website maintenance	3,090	1,750	(1,340)	--	--	--	3,090	1,750	(1,340)
Audit	7,750	7,500	(250)	--	--	--	7,750	7,500	(250)
Bond fee	--	--	--	--	635	635	--	635	635
Technical planning	--	2,088	2,088	--	--	--	--	2,088	2,088
Reimbursements (Note 6):									
Pelican HOA	--	--	--	92,856	92,856	--	92,856	92,856	--
Debt service:									
Principal	105,581	105,581	--	65,000	65,000	--	170,581	170,581	--
Interest	11,331	11,343	12	74,784	74,416	(368)	86,115	85,759	(356)
<b>Total expenditures</b>	<b>184,390</b>	<b>181,133</b>	<b>(3,257)</b>	<b>236,280</b>	<b>235,938</b>	<b>(342)</b>	<b>420,670</b>	<b>417,071</b>	<b>(3,599)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,394</b>	<b>8,078</b>	<b>6,684</b>	<b>2,736</b>	<b>2,511</b>	<b>(225)</b>	<b>4,130</b>	<b>10,589</b>	<b>6,459</b>
<b>NET CHANGE IN ZONE BALANCE</b>	<b>\$ 1,394</b>	<b>8,078</b>	<b>\$ 6,684</b>	<b>\$ 2,736</b>	<b>2,511</b>	<b>\$ (225)</b>	<b>\$ 4,130</b>	<b>10,589</b>	<b>\$ 6,459</b>
<b>BEGINNING ZONE BALANCE</b>		<b>91,488</b>			<b>499,406</b>			<b>590,894</b>	
<b>ENDING ZONE BALANCE</b>		<b>\$ 99,566</b>			<b>\$ 501,917</b>			<b>\$ 601,483</b>	

**Pajaro Dunes Geologic Hazard Abatement District  
218 Budget  
Proportional Benefit Allocation Charts**

November 15, 2017

<b>GHAD Budget by Benefit Category</b>	<b>Zone 1 Annual Budget</b>						
<b>Category</b>	<b>Proportional Benefit</b>	<b>General &amp; Administration Assessment Amount</b>	<b>Reserve Assessment Amount</b>	<b>No. of Units</b>	<b>Annual Payment per Unit</b>	<b>Monthly Payment</b>	
Row 1 Houses	64.12%	\$ 84,037.57	\$ 112,208.25	67	\$ 2,929.04	\$	244.09
Row 2 Houses	7.57%	\$ 9,919.00	\$ 13,244.00	44	\$ 526.43	\$	43.87
Row 3,4 & 5 Houses	3.76%	\$ 4,928.04	\$ 6,580.00	40	\$ 287.70	\$	23.98
Cypress Townhomes	11.85%	\$ 15,524.65	\$ 20,728.75	23	\$ 1,576.23	\$	131.35
Pelican Condominiums	10.18%	\$ 13,341.11	\$ 17,813.25	87	\$ 358.10	\$	29.84
PDA Stairs	2.53%	\$ 3,314.63	\$ 4,425.75	1	\$ 7,740.38	\$	645.03
Total:		<u>\$ 131,065.00</u>	<u>\$ 175,000.00</u>	<u>262</u>			

**The amounts set forth herein are preliminary and are provided for presentation and discussion purposes only.**

**Pajaro Dunes Geologic Hazard Abatement District  
218 Budget  
Proportional Benefit Allocation Charts**

November 15, 2017

<b>GHAD Budget by Benefit Category</b>	<b>Zone 2 Annual Budget</b>				
<b>Category</b>	<b>Proportional Benefit</b>	<b>General &amp; Administration Assessment Amount</b>	<b>No. of Units</b>	<b>Annual Payment</b>	<b>Monthly Payment</b>
Pelican Condominiums	99.47%	\$ 4,028.54	87	\$ 46.31	\$ 3.86
PDA Stairs	0.53%	\$ 21.46	1	\$ 21.46	\$ 1.79
Total:		\$ 4,050.00	88		

**The amounts set forth herein are preliminary and are provided for presentation and discussion purposes only.**



## SUPPLEMENTAL SUPPORT FOR 218 BUDGET CALCULATIONS

Administrative and Operating Expenses	<u>Notes</u>	<u>Zone 1</u>		<u>Zone 2</u>	
<b>General and Administrative Expenses</b>					
Printing and mailings	(A)	\$ 7,425		\$ -	
Communications and Website maintenance	(B)	5,400		-	
Office Supplies	(C)	550		-	
Advertising	(D)	2,200		-	
Insurance	(E)	10,000		-	
Membership Dues	(F)	1,650		-	
<b>Total General and Administrative Expenses</b>		<b>27,225</b>	<b>8.9%</b>	<b>-</b>	<b>0.0%</b>
<b>Professional Services</b>					
Legal Consultant	(G)	18,000		-	
Contract costs for Assessment calculations	(H)	8,000		1,000	
Audit Fees	(I)	10,000		-	
Accountant Contract	(J)	18,315			
Engineer Fees	(K)	12,000			
Clerk Contract/Admin. & Outreach	(L)	8,400		2,500	
<b>Total Professional Services</b>		<b>74,715</b>	<b>24.4%</b>	<b>3,500</b>	<b>86.4%</b>
<b>Special District Compliance Costs</b>					
Elections	(M)	2,475		-	
Board and Clerk Training	(N)	2,200		-	
<b>Total Special District Compliance Costs</b>		<b>4,675</b>	<b>1.5%</b>	<b>-</b>	<b>0.0%</b>
<b>Seawall and River Wall Annual Inspection</b>	(O)	<b>24,450</b>	<b>8.0%</b>	<b>550</b>	<b>13.6%</b>
<b>Total Administrative and Operating Expenses</b>		<b>131,065</b>	<b>42.8%</b>	<b>4,050</b>	<b>100.0%</b>
<b>Capital Repair Costs/Expenses and Reserve</b>	(P)	<b>175,000</b>	<b>57.2%</b>	<b>-</b>	<b>0.0%</b>
<b>Total Proposed Budgets</b>		<b>\$ 306,065</b>	<b>100.0%</b>	<b>\$ 4,050</b>	<b>100.0%</b>

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

- (A) 8 mailings per year, 262 properties, estimated \$1.50 per mailing
- (B) To include communication with membership, the public and other agencies, and website maintenance.
- (C) To include paper, envelopes, board meetings, misc.
- (D) Public notices of meetings to include newspaper advertisement.
- (E) Current insurance policy cost.
- (F) Annual dues to California Special District Association, California GHAD Association.
- (G) Legal costs for District council at meetings and for consultations. Estimate \$1,500 per month.
- (H) Contract costs annually \$9,900 for outsourcing of assessment administration and property transfer of ownership information
- (I) Fees for annual audit required by the County of Santa Cruz and as a requirement of a public agency.
- (J) Contract Accountant to include accounting, audit support, budgets preparation, and special accounting projects as needed  
(4 hrs per month financial statements, check run, deposits + 35 hours annual audit, 5 board meetings at 2 hours per meeting, annual compliance reports 5 hrs, budget preparation 8 hrs annually) = 111 hrs.
- (K) Contract for Clerk, secretarial services, administration, and outreach.  
outreach and additional requests. Estimate 20 hours per month at \$35.00 per hour.
- (L) Santa Cruz County Annual Election Costs \$2,475, based on an election held every 2 years at \$4,950.
- (M) Mandatory compliance training and consultation as required by the State. Estimate \$2,200 per year.
- (N) Consulting Engineering inspection, to include annual inspection, survey work, presentations, and minor consultations. Estimated at \$25,000 per year.
- (O) **Capital Repair Costs/Expenses and Reserve Fund** include rock purchase and storage; emergency event response; major event repairs; legal support; insurance increases; penalties; mitigation; repair, permit costs (consultants, surveying, application and compliance costs, seawall repairs, negotiations, and project management), administrative overhead costs associated with capital repairs, and project costs (contractors, materials, construction management).

Regarding the reserve fund unused monies will be set aside for future emergency events and corresponding expenses. The goal is to maintain a minimum of \$600,000, for such events and expenses.

**The amounts set forth herein are preliminary and are provided for presentation and discussion purposes only.**

# PDGHAD

Documents to be presented at the February 10<sup>th</sup>, 2018 meeting  
218 assessment process

- 1) Resolution accepting engineer's report and declaring intention to levy assessment for updated budgets for Zone 1
  - a. The resolution accepts the engineer's report and assessments to be levied per parcel
  - b. Approves a cost-of-living adjustment to fund Admin and Operating budget and to add in annual inspections of the seawall and establish an emergency repair fund.
- 2) Resolution accepting the President's Report on the assessment election (overview of engineer's report)
  - a. Provides an overview of the information in the engineer's report as well as a further explanation of use of funds and assessments to be levied and a description of how these amounts were calculated.
- 3) Resolution approving balloting procedures for the assessment election
  - a. Outlines how the balloting and voting will be conducted and the weight of votes
- 4) Resolution approving the ballots
  - a. Approves the specific ballot that will be sent to the homeowners
- 5) Resolution approving "Notice of Assessment Balloting and Public Hearing"
  - a. Approves the noticing of the assessment and the public hearing date that will be sent to the homeowners.

**Examples of all of these documents can be found on the [pdghad.org](http://pdghad.org) website in the board packets for the June 13, 2015 meeting. Items 1-3 are in packet A and Items 4-5 are in packet B.**

**Please note-the new documents will reflect that the new assessment will only be for Zone 1.**

## Permanent Links for Board Packets

June 13, 2015 Packet A: <http://pdghad.org/wp-content/uploads/2015/06/PDGHAD-Board-Pack-June-13-2015-A.pdf>

June 13, 2015 Packet B: <http://pdghad.org/wp-content/uploads/2015/06/PDGHAD-Board-Pack-June-13-2015-B.pdf>