

**VENTURA PORT DISTRICT**

**FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2012 and 2011**



VENTURA PORT DISTRICT

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For the years ended June 30, 2012 and 2011

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## INDEPENDENT AUDITORS' REPORT

The Board of Port Commissioners  
of the Ventura Port District  
Ventura, California

We have audited the accompanying basic financial statements of the Ventura Port District (the District), as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2012 and 2011, and the results of its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 14 and 46 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 the 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.

*White Nelson Dickel Evans LLP*

Irvine, California  
March 14, 2013

# VENTURA PORT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

It is our pleasure to submit the Ventura Port District's (District) Management's Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2012. This report was prepared pursuant to the guidelines set forth by the Government Accounting Standards Board (GASB) and sets forth an overview of the District's financial activities and performance for the fiscal years ended June 30, 2012 and 2011. This analysis should be read in conjunction with the audited financial statements that follow this section.

District staff prepared this financial report in conjunction with an unqualified opinion issued by the independent audit firm White Nelson Diehl Evans LLP. This report consists of management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

### **District Structure and Leadership**

The Ventura Port District was established in April 1952 for the purpose of acquiring, constructing and operating a commercial and recreational boat harbor now known as the Ventura Harbor as per the Harbor and Navigation Code of the State of California. The District's legal boundaries encompass all of the City of San Buenaventura as well as some small areas outside the City limits. Construction was completed and Ventura Harbor commenced operations in June 1963.

Other than the 2.74 acre site owned by the Department of Interior, National Park Service, the District is the sole landowner within this multiple use harbor, with current property holdings of approximately 152 acres of land and 122 acres of water area. Initially developed in the early 1960s, there are approximately 23 acres of land area still available for development. The harbor is now home to many diverse business such as marinas for recreational and commercial vessels, commercial fishing offloading facilities, boat charters, a mobile home park, two hotels, a time share, a public launch ramp, two fuel stations, two full service boatyards, and a mixed use commercial development center.

The District is governed by a five-member Board of Port Commissioners, appointed by the City of San Buenaventura's Mayor and confirmed by the City Council, serving four-year terms without compensation.

See independent auditors' report.

## VENTURA PORT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

June 30, 2012

#### **Mission Statement and Services**

The Ventura Port District, a California Independent Special District, is committed to provide quality, marine-oriented, visitor serving assets, and a safe environment for the benefit of the general public.

#### **Financial Highlights**

The District provides public services such as Harbor Patrol and a public launch ramp, which are traditionally associated with a port district. In addition, the District leases certain parcels for private use and is the owner/operator of Ventura Harbor Village, a 32.67 acre commercial, office and marina complex located in the harbor.

- The District's net assets decreased by 2.1% for June 30, 2012 to \$16,505,836.
- Total revenues increased 5.4% to \$8,358,142 during the fiscal year.
- Total expenses increased 25.7% to \$8,712,725 during the fiscal year.

#### **Overview of the basic financial statements**

The District's basic financial statements are comprised of two components: Financial statements and notes to the financial statements. The financial statements consist of the following:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows

The District's activities are accounted for in an enterprise fund. Enterprise funds are operated in a manner similar to private business in that the majority of the Districts revenues are generated through leases, fees and services to the public. These revenues are used to cover all operations, financing and infrastructure needs in the harbor.

This report also includes supplementary information in addition to the basic financial statements.

#### **The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Net Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). The difference between the District's assets and its liabilities is reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recognized on the accrual basis.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

Statements of Net Assets

The following condensed financial information provides an overview of the District's financial position as of June 30, 2012, 2011, and 2010.

**Summary of Net Assets  
June 30, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Assets:</b>				
Current assets	\$ 8,797,074	\$ 9,017,183	\$ (220,109)	-2.4%
Restricted assets	1,680,422	3,092,745	(1,412,323)	-45.7%
Deferred charges	216,513	230,034	(13,521)	-5.9%
Capital assets, net	<u>22,441,439</u>	<u>21,562,213</u>	<u>879,226</u>	4.1%
Total assets	<u>33,135,448</u>	<u>33,902,175</u>	<u>(766,727)</u>	-2.3%
<b>Liabilities:</b>				
Current & other liabilities	1,813,065	1,707,914	105,151	6.2%
Long-term debt obligations	<u>14,816,547</u>	<u>15,333,842</u>	<u>(517,295)</u>	-3.4%
Total liabilities	<u>16,629,612</u>	<u>17,041,756</u>	<u>(412,144)</u>	-2.4%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	7,064,551	5,685,502	1,379,049	24.3%
Restricted net assets	1,680,422	3,023,302	(1,342,880)	-44.4%
Unrestricted net assets	<u>7,760,863</u>	<u>8,151,615</u>	<u>(390,752)</u>	-4.8%
Total net assets	<u>\$ 16,505,836</u>	<u>\$ 16,860,419</u>	<u>\$ (354,583)</u>	-2.1%

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

Statements of Net Assets (Continued)

**Summary of Net Assets  
June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Assets:</b>				
Current assets	\$ 9,017,183	\$ 7,992,790	\$ 1,024,393	12.8%
Restricted assets	3,092,745	3,061,818	30,927	1.0%
Deferred charges	230,034	243,555	(13,521)	-5.6%
Capital assets, net	<u>21,562,213</u>	<u>22,149,061</u>	<u>(586,848)</u>	-2.6%
Total assets	<u>33,902,175</u>	<u>33,447,224</u>	<u>454,951</u>	1.4%
<b>Liabilities:</b>				
Current & other liabilities	1,707,914	1,753,375	(45,461)	-2.6%
Long-term debt obligations	<u>15,333,842</u>	<u>15,833,664</u>	<u>(499,822)</u>	-3.2%
Total liabilities	<u>17,041,756</u>	<u>17,587,039</u>	<u>(545,283)</u>	-3.1%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	5,685,502	5,799,668	(114,166)	-2.0%
Restricted net assets	3,023,302	3,001,786	21,516	0.7%
Unrestricted net assets	<u>8,151,615</u>	<u>7,058,731</u>	<u>1,092,884</u>	15.5%
Total net assets	<u>\$ 16,860,419</u>	<u>\$ 15,860,185</u>	<u>\$ 1,000,234</u>	6.3%

The District's net assets at June 30, 2012 are \$16,505,836. This is a decrease of \$354,583 over the June 30, 2011 net assets of \$16,860,419. The decrease is primarily due to the usage of reserves specifically identified solely for use in covering dredging expenses as discussed in more detail below.

The District's net assets at June 30, 2011 were \$16,860,419. This is a \$1,000,234 increase over fiscal year 2010 net assets of \$15,860,185. This 6.3% increase is a result of operating revenues exceeding the operating expenses.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

Statements of Net Assets (Continued)

Key changes in the statement of net assets are as follows:

Restricted assets decreased \$1,342,880 in fiscal year 2012 primarily because the District used \$1.5 million in reserves to perform dredging of the entrance channel area outside the mouth of the harbor in the sand trap basin. This area has historically been dredged by the Army Corps of Engineers (Corps) using federal appropriations. The Corps contracted with Manson Construction Company to dredge the harbor's federal entrance channel in March 2012. Manson was able to remove approximately 227,000 cubic yards of material at a federal cost of \$2,228,000 but did not have the funds to continue the dredging into the sand trap basin adjacent to the entrance channel. The District's Board of Commissioners made the decision to use reserves that are restricted for dredging to remove approximately 273,000 cubic yards of material from the sand trap basin while the dredge was still mobilized in the area thereby saving future mobilization costs. The sand trap basin was full and in danger of overflowing into the main thoroughfare of the entrance channel with the next large storm. The \$1.5 million will be replenished to the dredging reserves by June 30, 2013.

In fiscal year 2011, the current assets increased \$1,024,393 which was due to normal operating revenues and expenditures. A contributing factor was that operating revenues were down 8% over the previous year, but the operating expenses did not increase, resulting in less cash outlay and less payables. Other receivables increased to record a premium refund for general liability and workers compensation insurances. There were no other significant events affecting the operating income.

Assets that are invested in capital assets (net of related debt) represent land, land improvements, construction in progress, harbor improvements, leasehold improvements, buildings, and equipment. The District uses these assets to provide facilities and services to the public. Restricted assets are subject to external restrictions on how they may be used. There is \$1,649,883 restricted for dredging activity and \$30,539 restricted for the fisheries complex as of June 30, 2012. Unrestricted assets may be used to meet the District's on-going obligations. The table below reflects each category as a percentage of the total Net Assets.

	<u>June 30, 2012</u>	<u>%</u>	<u>June 30, 2011</u>	<u>%</u>	<u>June 30, 2010</u>	<u>%</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	\$ 7,064,551	42.8%	\$ 5,685,502	33.7%	\$ 5,799,668	36.6%
Restricted net assets	1,680,422	10.2%	3,023,302	17.9%	3,001,786	18.9%
Unrestricted net assets	7,760,863	43.8%	8,151,615	43.8%	7,058,731	43.8%
Total net assets	<u>\$ 16,505,836</u>	100.0%	<u>\$ 16,860,419</u>	100.0%	<u>\$ 15,860,185</u>	100.0%

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

Statements of Net Assets (Continued)

Several major projects that began at the end of fiscal year 2011 were completed during fiscal year 2012 thereby increase capital assets. These projects will be discussed in more detail in the capital asset section below.

In fiscal year 2011, there were very few significant valued capital asset projects completed. There were five large on-going projects in process of which four were completed in fiscal year 2012. These projects are discussed in more detail under the capital asset section of this report.

Statements of Revenues, Expenses and Changes in Net Assets

The following tables summarize the District's operations for fiscal years 2012, 2011, and 2010:

**Summary of Revenues, Expenses and Changes in Net Assets  
Years Ended June 30, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Revenues:</b>				
Operating revenues	\$ 7,048,621	\$ 6,885,601	\$ 163,020	2.4%
Non-operating revenues	1,309,521	1,045,952	263,569	25.2%
Total Revenues	<u>8,358,142</u>	<u>7,931,553</u>	<u>426,589</u>	5.4%
<b>Expenses:</b>				
Operating expenses				
before depreciation	7,082,854	5,284,954	1,797,900	34.0%
Depreciation	818,827	805,254	13,573	1.7%
Non-operating expenses	<u>811,044</u>	<u>841,111</u>	<u>(30,067)</u>	-3.6%
Total Expenses	<u>8,712,725</u>	<u>6,931,319</u>	<u>1,781,406</u>	25.7%
<b>Change in Net Assets</b>	(354,583)	1,000,234	(1,354,817)	-135.5%
Net Assets, Beginning of Year	<u>16,860,419</u>	<u>15,860,185</u>	<u>1,000,234</u>	6.3%
<b>Net Assets, End of Year</b>	<u>\$ 16,505,836</u>	<u>\$ 16,860,419</u>	<u>\$ (354,583)</u>	-2.1%

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

Statements of Revenues, Expenses and Changes in Net Assets (Continued)

**Summary of Revenues, Expenses and Changes in Net Assets  
Years Ended June 30, 2011 and June 30, 2010**

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Revenues:</b>				
Operating revenues	\$ 6,885,601	\$ 7,505,119	\$ (619,518)	-8.3%
Non-operating revenues	1,045,952	1,240,925	(194,973)	-15.7%
Total Revenues	<u>7,931,553</u>	<u>8,746,044</u>	<u>(814,491)</u>	-9.3%
<b>Expenses:</b>				
Operating expenses				
before depreciation	5,284,954	5,469,600	(184,646)	-3.4%
Depreciation	805,254	804,671	583	0.1%
Non-operating expenses	841,111	839,083	2,028	0.2%
Total Expenses	<u>6,931,319</u>	<u>7,113,354</u>	<u>(182,035)</u>	-2.6%
<b>Change in Net Assets</b>	1,000,234	1,632,690	(632,456)	-38.7%
Net Assets, Beginning of Year				
as Restated	<u>15,860,185</u>	<u>14,227,495</u>	<u>1,632,690</u>	11.5%
<b>Net Assets, End of Year</b>	<u>\$ 16,860,419</u>	<u>\$ 15,860,185</u>	<u>\$ 1,000,234</u>	6.3%

Revenues

Total revenues for fiscal year 2012 are \$8,358,142. This is an increase of 5.4%, or \$426,589 over the fiscal year 2011 revenues of \$7,931,553. This was due primarily to a slight increase in property tax income, an equipment grant from the Dept. of Boating and Waterways and an increase in investment income returns.

The total revenues for fiscal year 2011 were \$7,931,553. This was a decrease of \$814,491 from fiscal year 2010. This decrease was due to a onetime appreciation rent received in the prior year. This type of rent is infrequent and was not repeated in fiscal year 2011. Overall the lease revenues remained constant with no increases over the prior year due to the tenants continuing to experience a slow recovery from the sluggish economy.

See independent auditors' report.

VENTURA PORT DISTRICT

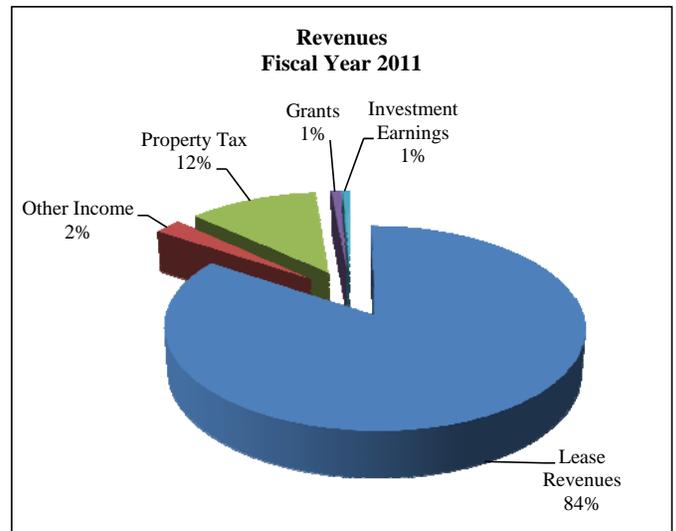
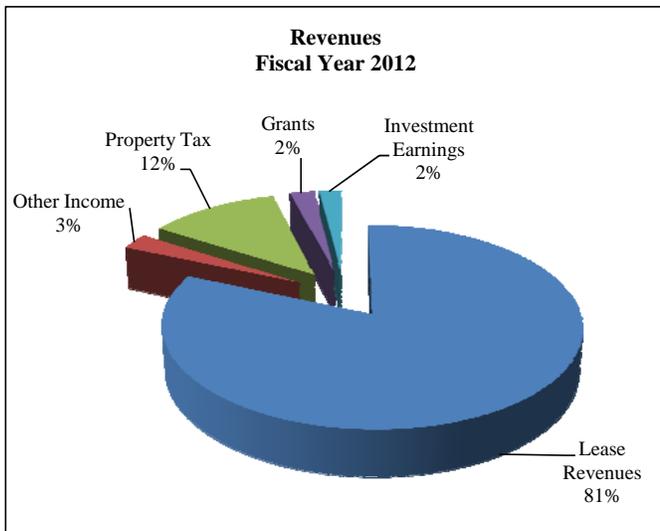
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

Statements of Revenues, Expenses and Changes in Net Assets (Continued)

Revenues (Continued)

The following charts show a comparison of revenues by source. Lease revenues represent 81% of the Districts revenue for fiscal year 2012 and 84% in fiscal year 2011. Lease revenues have not really decreased for 2012; the allocation changed due to the increase in non-operating revenues this year:



Expenses

The expenses for fiscal year 2012 increased \$1,781,406 or 26%. This was primarily due to the \$1.5 million dredging expense of the sand trap basin explained in detail earlier.

The fiscal year 2011 expenses were \$6,931,319. This was a decrease of \$182,035 from fiscal year 2010. Staff worked diligently to keep costs down during the slow economic recovery and still maintain a safe and navigable harbor for the public. Retirement pension contributions increased in fiscal year 2011 but the increase was offset by a refund of workers compensation premium resulting from an annual calculation adjustment based on case history. Dredging was performed in fiscal year 2011 in the inner harbor to maintain depth in the main channel that was not necessary in fiscal year 2010.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

**Notes to the Basic Financial Statements**

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

**Supplementary Information**

The supplementary information section provides further detail for selected components of the basic financial statements.

**Capital Assets and Debt Administration**

Capital Assets

The District's investment in capital assets, net of accumulated depreciation at June 30, 2012 is \$22,441,439. There is an increase of \$879,226 over the June 30, 2011 capital assets. This change is due to the purchase of new equipment and the completion of several major projects.

The District's investment in capital assets, net of accumulated depreciation at June 30, 2011 was \$21,562,213. Harbor improvements and equipment purchases offset by the year's depreciation expense created a decrease of \$586,848 over fiscal year 2010 capital assets of \$22,149,061.

The capital assets include land, harbor, building and leasehold improvements, equipment and construction in progress. The following tables show the change in capital assets for fiscal years 2012, 2011, and 2010.

**Capital Assets, Net**  
**Years Ended June 30, 2012 and June 30, 2011**

	2012	2011	Increase/ (Decrease)	%
Land & Land Improvements	\$ 12,247,331	\$ 12,247,331	\$ -	0.0%
Buildings & Improvements	20,163,461	19,542,814	620,647	3.2%
Equipment	1,720,193	1,128,480	591,713	52.4%
Construction in Progress	360,572	229,335	131,237	57.2%
	<u>34,491,557</u>	<u>33,147,960</u>	<u>1,343,597</u>	<u>4.1%</u>
Less: Accumulated depreciation	(12,050,118)	(11,585,747)	(464,371)	4.0%
Total capital assets	<u>\$ 22,441,439</u>	<u>\$ 21,562,213</u>	<u>\$ 879,226</u>	<u>4.1%</u>

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

**Capital Assets and Debt Administration (Continued)**

Capital Assets (Continued)

<b>Capital Assets, Net</b>				
<b>Years Ended June 30, 2011 and June 30, 2010</b>				
	<b>2011</b>	<b>2010</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
		<b>(as restated)</b>		
Land & Land Improvements	\$ 12,247,331	\$ 12,247,331	\$ -	0.0%
Buildings & Improvements	19,542,814	19,578,489	(35,675)	-0.2%
Equipment	1,128,480	1,155,473	(26,993)	-2.3%
Construction in Progress	229,335	100,622	128,713	127.9%
	<u>33,147,960</u>	<u>33,081,915</u>	<u>66,045</u>	<u>0.2%</u>
Less: Accumulated depreciation	(11,585,747)	(10,932,854)	(652,893)	6.0%
Total capital assets	<u>\$ 21,562,213</u>	<u>\$ 22,149,061</u>	<u>\$ (586,848)</u>	<u>-2.6%</u>

Major projects and purchases in fiscal year 2012 were:

- Purchase of Anderson 31 foot custom rescue boat for Harbor Patrol
- Completed the revetment refurbishment along Ventura Harbor Village promenade.
- Completed the Card Key Access System in the public buildings throughout the Ventura Harbor
- Completed the replacement of the electrical pedestals on the cement docks at the Ventura Harbor Village Marina
- Continuing Engineering design reports and environmental studies on refurbishing the boat launch ramp. This improvement is being funded with a grant from the Department of Boating & Waterways (DBW). DBW has approved a grant to the District for the construction portion of this project for \$2.5 million. The construction phase of this project has not begun.
- A Ventura Harbor Village revitalization program was begun. This project is still in the engineering and design stage.

Major projects initiated in fiscal year 2011 were:

- Engineering reports and environmental studies on refurbishing the boat launching ramp. This improvement is being funded with a grant from the Department of Boating & Waterways.
- Revetment refurbishment along Ventura Harbor Village promenade.
- Installation of a new fire alarm and monitoring system in the buildings of the Ventura Harbor Village.
- Install a Card Key Access System in the public buildings throughout the Ventura Harbor.
- Replace electrical pedestals on the cement docks at the Ventura Harbor Village Marina

There were no significant capital commitments to report at June 30, 2012. Additional information on the District's capital assets can be found in Note 2(c) of the basic financial statements.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2012

**Capital Assets and Debt Administration (Continued)**

Debt Administration

The 2012 debt position at June 30, 2012 was \$15,376,888. This is a decrease of \$499,823 over the June 30, 2011 balance of \$15,876,711. The decrease is due to principal payments on the outstanding debt. There has been no new or refinancing of debt since 2008.

The total long term debt of the District at June 30, 2011 was \$15,876,711. The decrease of \$472,682 over the June 30, 2010 balance of \$16,349,393 was due to principal payments on the outstanding debt.

The following tables summarize the changes in the District's long-term obligations as of June 2012, 2011, and 2010:

<b>Summary of Long-term Debt June 30, 2012 and June 30, 2011</b>				
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase/ (decrease)</u>	<u>%</u>
Refinance certificates of participation Series '08	\$ 8,900,000	\$ 9,285,000	\$ (385,000)	-4.1%
Less: Deferred amount on refunding	(536,422)	(569,948)	33,526	-5.9%
Refinance certificates of participation Series '09	2,207,900	2,297,500	(89,600)	-3.9%
Less: Deferred amount on refunding	(149,948)	(159,468)	9,520	-6.0%
Notes payable	4,955,358	5,023,627	(68,269)	-1.4%
Total long-term debt	<u>\$ 15,376,888</u>	<u>\$ 15,876,711</u>	<u>\$ (499,823)</u>	-3.1%

<b>Summary of Long-term Debt June 30, 2011 and June 30, 2010</b>				
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase/ (decrease)</u>	<u>%</u>
Refinance certificates of participation Series '08	\$ 9,285,000	\$ 9,650,000	\$ (365,000)	-3.8%
Less: Deferred amount on refunding	(569,948)	(603,475)	33,527	-5.6%
Refinance certificates of participation Series '09	2,297,500	2,382,900	(85,400)	-3.6%
Less: Deferred amount on refunding	(159,468)	(168,988)	9,520	-5.6%
Notes payable	5,023,627	5,088,956	(65,329)	-1.3%
Total long-term debt	<u>\$ 15,876,711</u>	<u>\$ 16,349,393</u>	<u>\$ (472,682)</u>	-2.9%

Additional information on the District's long-term debt can be found in Note 2(e) of the basic financial statements.

See independent auditors' report.

## VENTURA PORT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

June 30, 2012

#### **Economic Outlook**

The California economy is one of the ten largest in the world, yet the recovery from a long recession has been a slow one in the Central Coast Region.

The harbor has some advantages as a result of the broad level of business diversification that benefits the harbor economy. For example, the commercial fishing industry with the off-loading market squid has put Ventura County on the national map as being in the top ten commercial fisheries ports in the U.S. (National Oceanic Atmospheric Administration 2010 & 2011).

In 2011 & 2012 we saw an increase of overnight stays in our hotels as a result of our proximity to a large drive market from Los Angeles. Travelers staying closer to home for their vacations resulted in higher revenues to hoteliers and the District. Charters to the Channel Islands and whale watching trips have also seen an increase in sales for the same reason.

Some restaurants in the harbor have changed their business model to adjust to the recession by offering more value meals, more unique dining experiences and/or better service. This has resulted in a limited number of restaurants that have been up year after year even during the recession. Unfortunately, not all restaurants have been able to improve sales performance. Retail, which is the smallest business segment in the harbor, has not improved since 2007. For "mom & pop" retailers in the harbor, more time is needed to recover from the recession.

The recreational marinas in the state have experienced higher vacancy levels in 2011 & 2012. It is not unusual to see vacancy levels as high as 30%. The exception to this has been recreational marinas that cater to live-aboards. In these marinas, the vacancy level is less than 10% because of the higher level of boaters that make this their primary residence. San Diego and Marina Del Rey are beginning to show signs of recovery; these communities lead the way out of the last recession for the marina industry.

The stability of the mobile home park provides a constant source of revenue to the District. Although it has a rent control element in place, revenues from this business operation have been steady and predictable during the recession.

The District's outlook is good due to the diversification of the businesses in the harbor. We anticipate minimum losses to our overall revenues in the next year. Being an enterprise fund has been beneficial to the district because we are not a tax dependent district.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Accounting Manager, at (805) 642-8538 or 1603 Anchors Way Drive, Ventura, CA 93001.

See independent auditors' report.

VENTURA PORT DISTRICT  
STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,060,367	\$ 3,273,544
Restricted cash and cash equivalents	1,680,422	3,092,745
Investments	5,016,660	4,967,465
Accounts receivable, net	220,816	204,734
Due from other governments	180,490	129,812
Other receivables	115,480	234,962
Prepaid expenses	179,772	180,968
Inventories	23,489	25,698
<b>TOTAL CURRENT ASSETS</b>	<b>10,477,496</b>	<b>12,109,928</b>
<b>NONCURRENT ASSETS:</b>		
Deferred charges	216,513	230,034
Capital assets not being depreciated	12,607,903	12,476,666
Capital assets being depreciated (net of accumulated depreciation)	9,833,536	9,085,547
<b>TOTAL NONCURRENT ASSETS</b>	<b>22,657,952</b>	<b>21,792,247</b>
<b>TOTAL ASSETS</b>	<b>33,135,448</b>	<b>33,902,175</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	159,897	50,334
Accrued liabilities	444,931	504,989
Unearned revenue	55,539	113,669
Security deposits	162,326	154,376
Current portion of compensated absences	165,124	153,116
Current portion of long-term debt obligations	560,341	542,869
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,548,158</b>	<b>1,519,353</b>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	56,589	48,797
Net OPEB obligation	208,318	139,764
Noncurrent portion of long-term debt obligations	14,816,547	15,333,842
<b>TOTAL NONCURRENNT LIABILITIES</b>	<b>15,081,454</b>	<b>15,522,403</b>
<b>TOTAL LIABILITIES</b>	<b>16,629,612</b>	<b>17,041,756</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	7,064,551	5,685,502
Restricted for dredging	1,649,883	3,000,000
Restricted for fisheries complex	30,539	23,302
Unrestricted	7,760,863	8,151,615
<b>TOTAL NET ASSETS</b>	<b>\$ 16,505,836</b>	<b>\$ 16,860,419</b>

See independent auditors' report and notes to basic financial statements.

VENTURA PORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Leases:		
General	\$ 4,551,634	\$ 4,468,599
Harbor Village slips	960,326	986,477
Fishing	292,905	295,563
Boat yard	273,962	233,351
Charter	224,923	201,818
Tenant reimbursements	409,238	403,098
Dry storage	97,260	100,263
Other	238,373	196,432
TOTAL OPERATING REVENUES	<u>7,048,621</u>	<u>6,885,601</u>
OPERATING EXPENSES:		
Administration	187,891	161,565
Salaries and benefits	3,241,485	2,880,322
Merchant promotion	212,115	211,358
Professional services	416,901	404,571
Depreciation	818,827	805,254
Repairs and maintenance	620,451	620,647
Harbor dredging	1,727,932	407,288
Utilities	298,531	310,148
Insurance	195,536	116,168
Other	182,012	172,887
TOTAL OPERATING EXPENSES	<u>7,901,681</u>	<u>6,090,208</u>
OPERATING INCOME (LOSS)	<u>(853,060)</u>	<u>795,393</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	966,518	932,475
Investment income	161,364	48,175
Intergovernmental	181,639	65,302
Loss on disposition of capital assets	(29,154)	(34,888)
Interest expense	(781,890)	(806,223)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>498,477</u>	<u>204,841</u>
CHANGES IN NET ASSETS	(354,583)	1,000,234
NET ASSETS - BEGINNING OF YEAR	<u>16,860,419</u>	<u>15,860,185</u>
NET ASSETS - END OF YEAR	<u>\$ 16,505,836</u>	<u>\$ 16,860,419</u>

See independent auditors' report and notes to basic financial statements.

VENTURA PORT DISTRICT  
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	\$ 6,756,477	\$ 6,729,952
Cash received from others	346,327	53,931
Cash paid to employees	(3,164,770)	(2,804,714)
Cash paid for goods and services	<u>(3,757,202)</u>	<u>(2,605,250)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>180,832</u>	 <u>1,373,919</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes received	954,093	953,670
Receipts from other governments	<u>130,961</u>	<u>100,787</u>
 NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	 <u>1,085,054</u>	 <u>1,054,457</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,727,207)	(253,294)
Payments on long-term debt	(542,869)	(515,729)
Interest payments on related debt	<u>(736,991)</u>	<u>(760,744)</u>
 NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(3,007,067)</u>	 <u>(1,529,767)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	92,750	120,007
Purchase and sale of investments (net)	<u>22,931</u>	<u>3,442</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>115,681</u>	 <u>123,449</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>(1,625,500)</u>	 <u>1,022,058</u>
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>6,366,289</u>	 <u>5,344,231</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 4,740,789</u>	 <u>\$ 6,366,289</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:		
Cash and cash equivalents	\$ 3,060,367	\$ 3,273,544
Restricted cash and cash equivalents	<u>1,680,422</u>	<u>3,092,745</u>
	<u>\$ 4,740,789</u>	<u>\$ 6,366,289</u>

See independent auditors' report and notes to basic financial statements.

(Continued)

VENTURA PORT DISTRICT

STATEMENTS OF CASH FLOWS  
(CONTINUED)

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (853,060)	\$ 795,393
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	818,827	805,254
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(16,082)	(33,071)
Other receivables	128,395	(142,501)
Prepaid expenses	1,196	9,779
Inventories	2,209	577
Increase (decrease) in liabilities:		
Accounts payable	109,563	(88,532)
Accrued liabilities	(48,390)	(115,026)
Unearned revenue	(58,130)	73,854
Security deposits	7,950	(8,008)
Compensated absences	19,800	6,806
Net OPEB obligation	68,554	69,394
Total adjustments	<u>1,033,892</u>	<u>578,526</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 180,832</u>	<u>\$ 1,373,919</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES:		
Amortization on deferred amount on bond refunding	<u>\$ 43,046</u>	<u>\$ 43,047</u>
Amortization on deferred charges	<u>\$ 13,521</u>	<u>\$ 13,521</u>
Retirement of capital assets	<u>\$ 29,155</u>	<u>\$ -</u>
NONCASH INVESTING ACTIVITIES:		
Unrealized (gain)/loss on investments	<u>\$ (60,685)</u>	<u>\$ 65,785</u>

See independent auditors' report and notes to basic financial statements.

# VENTURA PORT DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Reporting Entity:

The Ventura Port District (District) was organized under Sections 6200 to 6372 of the Harbor and Navigation Code of the State of California on April 15, 1952, for the purpose of acquiring, constructing and operating a small boat harbor now known as Ventura Harbor. The District is governed by a board of five commissioners appointed by the City Council of the City of San Buenaventura. They serve for a term of four years without compensation. The Board of Port Commissioners appoints legal counsel, an auditor, and a general manager to implement Board policies and direct operational aspects of the harbor.

The District receives a pro-rata share of the general tax levy from the County of Ventura. The District also has the power of eminent domain.

The accounting policies of the Ventura Port District conform to generally accepted accounting principles as applicable to governmental units.

The financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. A blended component unit, although a legally separate entity is, in substance, part of the District's operations and data from this unit is combined with data of the District. The blended component unit has a June 30 year end. The District had no discretely presented component units. The following entity is reported as a blended component unit.

The Ventura Port District Public Facilities Corporation (Corporation) was formed and organized in 1992 as a non-profit public benefit corporation pursuant to the laws of the State of California. The District's Board of Port Commissioners acts as the governing board of the Corporation. The Corporation was formed for the purpose of financing and owning certain improvements on land leased from the District consisting of a portion of a multiple use center and marina, commonly referred to as "Ventura Harbor Village". Separate financial statements are not prepared for the Corporation.

#### B. Basis of Presentation:

The basic financial statements (i.e. Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows) report information on all of the activities of the District.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation (Continued):

The District's activities are accounted for in an enterprise fund. An enterprise fund is a proprietary-type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District applies all Governmental Accounting Standards Board (GASB) pronouncements.

**Use of 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

C. Measurement Focus and Basis of Accounting:

"Measurement focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting (Continued):

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services. The principal operating revenues of the District are lease revenues. Operating expenses include costs of providing services in relation to the leased properties, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then use unrestricted resources as needed.

The District leases parcels of land within the harbor. The lessees develop the parcels and pay rent to the District. The leases are primarily for a period of 50 years.

Most of the lease agreements provide for future minimum lease payments with additional rentals contingent upon sales volumes of the lessees. Future minimum lease payments are subject to periodic renegotiation.

D. Assets, Liabilities and Net Assets:

**Cash and Cash Equivalents**

For the purposes of the Statements of Cash Flows, the District considers cash on hand and in bank, money market funds, as well as cash held and invested by the County Treasurer, and the pooled funds held by the State of California - Local Agency Investment Fund (LAIF), which are readily convertible to known amounts of cash, to be cash and cash equivalents.

Cash and cash equivalents, as reported in the Statements of Cash Flows, include both restricted and unrestricted amounts.

**Investments**

Investments are stated at fair value generally based on quoted market prices. Statutes authorize the District to invest in obligations of the U.S. Government, U.S. Government Sponsored Agency Securities, state and local governmental agencies, negotiable certificates of deposit, bankers' acceptances, commercial paper, reverse repurchase agreements, and a variety of other investment instruments subject to certain portfolio percentage limitations, which are allowable under the California Government Code § 53600 et seq.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities and Net Assets:

**Accounts Receivable**

The District grants unsecured credit to its customers. Bad debts are accounted for by the reserve method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts.

**Inventories**

Inventories consist primarily of materials and supplies used in the general maintenance of vehicles, boats and leased land. They are valued at cost using the first-in, first-out method.

**Capital Assets**

Capital assets over \$5,000 are capitalized. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation has been provided over estimated useful lives using the straight line method. The estimated useful lives are as follows:

Harbor improvements	5 - 50 years
Leasehold improvements	5 - 50 years
Buildings and structures	5 - 50 years
Boats	3 - 10 years
Trucks	3 - 10 years
Equipment	3 - 10 years
Signs	5 years

**Property Taxes Receivables**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on a July 1 to June 30 fiscal year. Taxes are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Ventura bills and collects the taxes for the District. Tax revenues are recognized by the District in the year levied. Property tax receivables are adjusted to their net realizable values by deducting any estimated uncollectible amounts reported to the District.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities and Net Assets (Continued):

**Compensated Absences**

The District employees earn vacation and sick leave in accordance with the personnel policies of the District. The liability for vested vacation and sick leave is recorded as an expense when earned.

**Long-Term Debt**

In the Statements of Net Assets long-term debt obligations are reported as liabilities. Certificates of Participation issuance costs are deferred and amortized over the life of the debt. Deferred amounts on refunding are reported net of the debt obligation.

**Net Assets**

In the statements of net assets, net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in Capital Assets, Net of Related Debt - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or judgment. At June 30, 2012 and 2011, the Restricted Net Assets are \$1,680,422 and \$3,023,302, respectively, of which, \$1,649,883 and \$3,000,000, respectively, is restricted for dredging of the harbor by a court judgment against the District in 1979.
- Unrestricted Net Assets - This category represents net assets of the District not restricted for any project or other purpose.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES:

A. Cash and Investments:

**Cash and Investments**

Cash and investments as of June 30 are reported in the Statements of Net Assets as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 3,060,367	\$ 3,273,544
Restricted cash and cash equivalents	1,680,422	3,092,745
Investments	<u>5,016,660</u>	<u>4,967,465</u>
Total cash and investments	<u>\$ 9,757,449</u>	<u>\$ 11,333,754</u>

Cash and investments as of June 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Demand accounts (bank balance)	\$ 249,660	\$ 298,295
Add deposits in transit	680	-
Less outstanding checks	<u>(111,963)</u>	<u>(53,769)</u>
Book balance	138,377	244,526
Petty cash	<u>1,363</u>	<u>2,344</u>
Total deposits and petty cash	<u>139,740</u>	<u>246,870</u>
Investments:		
State of California Local Agency Investment Fund	4,585,010	6,103,738
U.S. Government Sponsored Agency Securities	5,016,660	4,967,465
Ventura County Treasury Pool	<u>16,039</u>	<u>15,681</u>
Total investments	<u>9,617,709</u>	<u>11,086,884</u>
Total cash and investments	<u>\$ 9,757,449</u>	<u>\$ 11,333,754</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

**Investments Authorized by the California Government Code and the District's Investment Policy**

The District's investment policy authorizes investment in all investments authorized under provisions of California Government Code Section 53601. The District's investment policy is not more restrictive than the California Government Code.

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio *	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Agency Securities	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	5%
CD Placement Service	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Repurchase Agreements	1 year	None	None
Commercial Paper	270 days	25%	10%
Medium-term Notes	5 years	30%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

N/A - Not Applicable

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

June 30, 2012

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
LAIF	\$ 4,585,010	\$ -	\$ -	\$ 4,585,010
United States Government Sponsored				
Agency Securities (1)	-	-	5,016,660	5,016,660
Ventura County Treasury Pool	16,039	-	-	16,039
	<u>\$ 4,601,049</u>	<u>\$ -</u>	<u>\$ 5,016,660</u>	<u>\$ 9,617,709</u>

(1) All securities have call features that begin no later than ten months after year end.

June 30, 2011

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
LAIF	\$ 6,103,738	\$ -	\$ -	\$ 6,103,738
United States Government Sponsored				
Agency Securities (2)	-	-	4,967,465	4,967,465
Ventura County Treasury Pool	15,681	-	-	15,681
	<u>\$ 6,119,419</u>	<u>\$ -</u>	<u>\$ 4,967,465</u>	<u>\$ 11,086,884</u>

(2) All securities have call features that begin no later than fifteen months after year end.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that all issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. The District's U.S. Government Sponsored Agency Securities had actual ratings, by Standard and Poors, of AA+ at June 30, 2012 and 2011. The Ventura County Treasury Pool had an actual rating of AAf, at June 30, 2012 and 2011.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District's investment in the following U.S. Government Sponsored Agency Securities represents investments in one issuer that are 5% or more of the District's total investments:

	<u>2012</u>	<u>2011</u>
Federal National Mortgage Association securities	\$ 5,016,660	\$ 4,967,465

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

**Custodial Credit Risk (Continued)**

None of the District's deposits with financial institutions exceeded the federal depository insurance limits for the years ended June 30, 2012 and 2011.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District and are held by either the counterparty, or the counterparty's trust department or agent but not in the District's name. At June 30, 2012, \$4,516,660 of the District's investments held in an account with the counterparty are exposed to custodial credit risk.

**Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

B. Accounts Receivable, Net:

As of June 30, 2012 accounts receivable net, consists primarily of lease receivables of \$248,721 with an allowance for uncollectible accounts of \$27,905. As of June 30, 2011 accounts receivable net, consists primarily of lease receivables of \$206,734, with an allowance for uncollectible accounts of \$2,000.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

C. Capital Assets:

A summary of changes in the capital assets for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 2,342,629	\$ -	\$ -	\$ 2,342,629
Land improvements	9,904,702	-	-	9,904,702
Construction in progress	<u>229,335</u>	<u>245,044</u>	<u>(113,807)</u>	<u>360,572</u>
 Total capital assets, not being depreciated	 <u>12,476,666</u>	 <u>245,044</u>	 <u>(113,807)</u>	 <u>12,607,903</u>
Capital assets, being depreciated:				
Buildings and structures	13,951,428	215,294	(284,928)	13,881,794
Equipment	1,128,480	657,187	(65,474)	1,720,193
Harbor improvements	3,832,296	723,490	(28,209)	4,527,577
Leasehold improvements	<u>1,759,090</u>	<u>-</u>	<u>(5,000)</u>	<u>1,754,090</u>
 Total capital assets, being depreciated	 20,671,294	 1,595,971	 (383,611)	 21,883,654
Less accumulated depreciation	<u>(11,585,747)</u>	<u>(818,827)</u>	<u>354,456</u>	<u>(12,050,118)</u>
 Total capital assets, being depreciated, net	 <u>9,085,547</u>	 <u>777,144</u>	 <u>(29,155)</u>	 <u>9,833,536</u>
 Total capital assets, net	 <u>\$ 21,562,213</u>	 <u>\$ 1,022,188</u>	 <u>\$ (142,962)</u>	 <u>\$ 22,441,439</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

C. Capital Assets (Continued):

A summary of changes in the capital assets for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010 <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 2,342,629	\$ -	\$ -	\$ 2,342,629
Land improvements	9,904,702	-	-	9,904,702
Construction in progress	<u>100,622</u>	<u>163,601</u>	<u>(34,888)</u>	<u>229,335</u>
 Total capital assets, not being depreciated	 <u>12,347,953</u>	 <u>163,601</u>	 <u>(34,888)</u>	 <u>12,476,666</u>
Capital assets, being depreciated:				
Buildings and structures	13,919,613	54,930	(23,115)	13,951,428
Equipment	1,155,473	34,763	(61,756)	1,128,480
Harbor improvements	3,899,786	-	(67,490)	3,832,296
Leasehold improvements	<u>1,759,090</u>	<u>-</u>	<u>-</u>	<u>1,759,090</u>
 Total capital assets, being depreciated	 20,733,962	 89,693	 (152,361)	 20,671,294
Less accumulated depreciation	<u>(10,932,854)</u>	<u>(805,254)</u>	<u>152,361</u>	<u>(11,585,747)</u>
 Total capital assets, being depreciated, net	 <u>9,801,108</u>	 <u>(715,561)</u>	 <u>-</u>	 <u>9,085,547</u>
 Total capital assets, net	 <u>\$ 22,149,061</u>	 <u>\$ (551,960)</u>	 <u>\$ (34,888)</u>	 <u>\$ 21,562,213</u>

Depreciation expense was \$818,827 and \$805,254 for the years ended June 30, 2012 and 2011, respectively.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

D. Unearned Revenue:

Unearned revenue represents lease rent amounts to be credited to future years rent per the terms of leases executed between lessees and the District. Unearned revenue totaled \$55,539 and \$113,669 for the years ended June 30, 2012 and 2011, respectively.

E. Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
2008 Refunding certificates					
of participation	\$ 9,285,000	\$ -	\$ (385,000)	\$ 8,900,000	\$ 395,000
Less deferred amount on refunding	(569,948)	-	33,526	(536,422)	-
2009 Refunding certificates					
of participation	2,297,500	-	(89,600)	2,207,900	94,000
Less deferred amount on refunding	(159,468)	-	9,520	(149,948)	-
Notes payable	5,023,627	-	(68,269)	4,955,358	71,341
Net OPEB obligation (Note 3D)	139,764	74,506	(5,952)	208,318	-
Compensated absences	<u>201,913</u>	<u>19,800</u>	<u>-</u>	<u>221,713</u>	<u>165,124</u>
Total	<u>\$ 16,218,388</u>	<u>\$ 94,306</u>	<u>\$ (505,775)</u>	<u>\$ 15,806,919</u>	<u>\$ 725,465</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
2008 Refunding certificates					
of participation	\$ 9,650,000	\$ -	\$ (365,000)	\$ 9,285,000	\$ 385,000
Less deferred amount on refunding	(603,475)	-	33,527	(569,948)	-
2009 Refunding certificates					
of participation	2,382,900	-	(85,400)	2,297,500	89,600
Less deferred amount on refunding	(168,988)	-	9,520	(159,468)	-
Notes payable	5,088,956	-	(65,329)	5,023,627	68,269
Net OPEB obligation (Note 3D)	70,370	74,506	(5,112)	139,764	-
Compensated absences	<u>195,107</u>	<u>6,806</u>	<u>-</u>	<u>201,913</u>	<u>153,116</u>
Total	<u>\$ 16,614,870</u>	<u>\$ 81,312</u>	<u>\$ (477,794)</u>	<u>\$ 16,218,388</u>	<u>\$ 695,985</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

E. Long-Term Liabilities (Continued):

**2008 Refunding Certificates of Participation**

On June 25, 2008, the District issued \$10 million Refunding Certificates of Participation Series 2008 with an average interest rate of 4.43 percent to advance partial refund \$10.805 million of outstanding Series 1998 bonds with an average interest rate of 6.375 percent. The old certificates were defeased by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements. The defeased bonds have been paid in full. The 2008 certificates are secured by the District's pledge of all Net Revenues in the amount of \$464,244 and \$1,805,488 for fiscal years 2012 and 2011, respectively. The certificates are also subject to prepayment on or after August 1, 2014 at prices ranging from 101% to 100%.

The annual debt service requirements on these Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 395,000	\$ 385,521	\$ 780,521
2014	415,000	367,579	782,579
2015	435,000	348,752	783,752
2016	450,000	329,149	779,149
2017	470,000	308,771	778,771
2018 - 2022	2,675,000	1,205,957	3,880,957
2023 - 2027	3,310,000	545,333	3,855,333
2028	750,000	16,613	766,613
Subtotal	8,900,000	3,507,675	12,407,675
Less deferred loss on refunding	(536,422)	-	(536,422)
Totals	<u>\$ 8,363,578</u>	<u>\$ 3,507,675</u>	<u>\$ 11,871,253</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

E. Long-Term Liabilities (Continued):

**2009 Refunding Certificates of Participation**

On March 12, 2009, the District issued \$2,477,200 Refunding Certificates of Participation Series 2009 with an average interest rate of 4.80 percent to advance refund \$2,565,000 of outstanding Series 1998 bonds with an average interest rate of 6.375 percent. All Net Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2009 Certificates. For fiscal years 2012 and 2011, the pledged Net Revenues are \$464,244 and \$1,805,488, respectively, which exceed the debt covenant requirements. The net proceeds of \$2,414,953 (after payment of \$62,247 in underwriting fees, insurance, and other issuance costs) plus an additional \$234,050 of Series 1998 reserve fund monies plus an additional \$62,247 of District's available funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1998 bonds. As a result, the Series 1998 bonds are considered to be defeased and the liability for those bonds is not included in the District's financial statements. The defeased bonds have been paid in full.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,889. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized through the year 2028.

The annual debt service requirements on these Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 94,000	\$ 103,723	\$ 197,723
2014	98,600	99,101	197,701
2015	103,400	94,253	197,653
2016	108,500	89,167	197,667
2017	113,800	83,832	197,632
2018 - 2022	658,900	329,474	988,374
2023 - 2027	837,700	150,708	988,408
2028	<u>193,000</u>	<u>4,632</u>	<u>197,632</u>
Subtotal	2,207,900	954,890	3,162,790
Less deferred loss on refunding	<u>(149,948)</u>	-	<u>(149,948)</u>
Totals	<u>\$ 2,057,952</u>	<u>\$ 954,890</u>	<u>\$ 3,012,842</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

E. Long-Term Liabilities (Continued):

**Notes Payable**

The Ventura Port District has two notes payable to the State of California Department of Boating and Waterways. The loans are to be used for construction of the Ventura Harbor under provisions of the Small Craft Harbor Construction Loan and Operation Contract and are secured by the gross revenues originating from fees and rentals charged and received for services, facilities and leaseholds within the Ventura Harbor subordinate to the Certificates of Participations' debt service payments. As of June 30, 2012 and 2011, the principal balance of the first note is \$3,654,893 and \$3,693,310, respectively, and is payable annually on August 1 each year at 4.50% interest over 50 years. As of June 30, 2012 and 2011, the principal balance of the second note is \$1,300,465 and \$1,330,317, respectively, payable annually on August 1 each year at 4.50% interest over 30 years.

The following is a schedule of the payments due on the first note payable as of June 30, 2012:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 40,146	\$ 164,470	\$ 204,616
2014	41,952	162,664	204,616
2015	43,840	160,776	204,616
2016	45,813	158,803	204,616
2017	47,875	156,741	204,616
2018 - 2022	273,694	749,386	1,023,080
2023 - 2027	341,073	682,007	1,023,080
2028 - 2032	425,039	598,041	1,023,080
2033 - 2037	529,675	493,405	1,023,080
2038 - 2042	660,072	363,008	1,023,080
2043 - 2047	822,570	200,510	1,023,080
2048 - 2049	383,144	26,052	409,196
Totals	<u>\$ 3,654,893</u>	<u>\$ 3,915,863</u>	<u>\$ 7,570,756</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. DETAILED NOTES (CONTINUED):

E. Long-Term Liabilities (Continued):

**Notes Payable (Continued)**

The following is a schedule of the payments due on the second note payable as of June 30, 2012:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 31,195	\$ 58,521	\$ 89,716
2014	32,599	57,117	89,716
2015	34,066	55,650	89,716
2016	35,599	54,117	89,716
2017	37,201	52,515	89,716
2018 - 2022	212,672	235,908	448,580
2023 - 2027	265,028	183,552	448,580
2028 - 2032	330,274	118,306	448,580
2033 - 2036	<u>321,831</u>	<u>37,001</u>	<u>358,832</u>
Totals	<u>\$ 1,300,465</u>	<u>\$ 852,687</u>	<u>\$ 2,153,152</u>

3. OTHER INFORMATION:

A. Operating Leases:

The District receives the majority of its operating revenues in the form of rent payments from lessees of the parcels of land in Ventura Harbor. The period of these non-cancellable leases could range from 3-50 years.

The rent paid to the District by each lessee is the greater of the established minimum annual rent for each parcel or rent computed as a percentage of the lessee's gross revenues.

The level of income received by the District is dependent upon the success of the businesses operating in the Ventura Harbor.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

A. Operating Leases (Continued):

Future minimum rent payments due to the District for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 3,278,721
2014	2,916,643
2015	2,436,150
2016	2,034,169
2017	<u>1,691,988</u>
	<u>\$ 12,357,671</u>

The carrying value and accumulated depreciation of related assets under the leases are \$5,476,323 and \$5,848,526, respectively.

Rental income of \$6,810,248 and \$6,689,169 for the years ended June 30, 2012 and 2011 includes contingent rental income of \$ 1,970,396 and \$1,863,409, respectively.

B. Dredging Reserve:

As the result of a litigation settlement during the year ended June 30, 1979, the District is required to maintain a \$3,000,000 reserve to be utilized to maintain the channel from the open sea to the Ventura Keys. Should the reserve fall below \$3,000,000, the District is required to budget and fund annually 25% of total operating revenue of the prior year until such time as the reserve balance reaches \$3 million again.

The District maintains a separate, restricted, cash account for dredging related expenses. As of June 30, 2012 and 2011, the restricted cash and cash equivalent had a balance of \$1,649,883 and \$3,069,443, respectively.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans:

**Plan Description**

The District contributes to the Miscellaneous 2% at 55 Risk Pool and Safety 2% at 55 Risk Pool of the California Public Employees Retirement System (PERS), cost sharing, multiple-employer, public employee, defined benefit pension plans. As of February 24, 2000, the District established a separate plan for safety workers. The safety workers previously were included in the District's miscellaneous employee plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the District was mandated by the State to participate in these risk pools. The risk pools combine assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. Benefit provisions and all other requirements are established by state provisions and all other requirements are established by state statute. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814.

**Funding Policy**

Participants are required to contribute 7% of their annual covered salary. Except for Harbor Patrol employees, the District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; for the year ended June 30, 2012 the rate was 16.266% (for miscellaneous employees) and 12.434% (for safety employees), and for the year ended June 30, 2011 the rate was 15.668% (for miscellaneous employees) and 8.702% (for safety employees) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

The District's employer contributions to PERS for the last three years are as follows:

<u>June 30,</u>	<u>Miscellaneous</u>	<u>Safety</u>
2012	\$ 238,458	\$ 67,316
2011	\$ 216,673	\$ 44,730
2010	\$ 202,907	\$ 40,951

These contributions were equal to the required contributions for each year.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits:

**Plan Description**

Ventura Port District administers a multiple-employer defined benefit healthcare plan (the Plan). The Plan provides medical healthcare insurance for eligible retirees and their spouses through the California Public Employees' Retirement System (CalPERS) Health Benefits Program under the Public Employee' Medical and Hospital Care Act (PEMHCA). The benefit contribution has been long-standing and approved by the Board of Port Commissioners on June 23, 1999. The District's employer contribution for each employee shall be the minimum required by PEMHCA. The District pays \$105 per retiree and this contribution is paid directly to CalPERS. No dental, vision, or life insurance benefits are provided. Currently there are 5 retired employees and 34 active employees participating in the Plan.

**Funding Policy**

There is no statutory requirement for the District to pre-fund its OPEB obligation. The District has currently chosen to pay plan benefits on a pay-as-you-go basis and does not maintain a trust fund for its other postemployment benefits. There are no employee contributions. The District's fixed dollar benefit contribution cannot be less than the PEMHCA minimum for PEMHCA actives and retirees. At this time the District's pays \$105 per month for each retiree participating in the PEMCHA plan. For fiscal year 2011-12, the District paid \$5,952 directly to CalPERS for the District's health premium contributions under PEMHCA for retiree medical healthcare plan post employment benefits. PEMHCA is, for most employers, a community rated plan and is not required to value implied subsidies for retirees under GASB 45.

**Annual OPEB Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2012, the components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including pay-as-you-go amounts), and changes in the District's net OPEB obligation to the plan are as follows. The Alternative Measurement Method under GASB No. 45 was used to calculate the actuarial obligation since the District has fewer than 100 plan members:

Annual required contribution (ARC)	\$ 74,506
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>74,506</u>
Actual contributions made (pay-as-you-go)	<u>(5,952)</u>
Increase in net OPEB obligation	68,554
Net OPEB Obligation - July 1, 2011	<u>139,764</u>
Net OPEB Obligation - June 30, 2012	<u>\$ 208,318</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 74,506	8.0%	\$ 208,318
6/30/11	74,506	6.9%	139,764
6/30/10	74,506	5.6%	70,370

**Funded Status**

The funded status of the plan as of July 1, 2009, the date of the latest actuarial review, was as follows:

Actuarial accrued liabilities (AAL)	\$ 476,265
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 476,265</u>
 Funded ratio	 0.00%
 Covered payroll (active plan members)	 \$ 1,970,461
 UAAL as a percentage of covered payroll	 24.17%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, currently presents the funded status of the plan as of July 1, 2009 but will present multi-year trend information in the future about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of the benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. The July 1, 2009 actuarial valuation was used to determine the ARC for fiscal year 2012 and disclose the funded status of the plan.

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the 1994 GAM Male and Female Mortality Tables published by the Society of Actuaries.

*Turnover* - Non-group-specific age-based turnover data from the Alternative Measurement Method formulas, Table 1, paragraph 35 of GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7 percent initially, reduced to an ultimate rate of 5 percent after two years, was used.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

**Actuarial Methods and Assumptions (Continued)**

*Health insurance premiums* - Health insurance premiums under the CalPERS Public Employees Medical and Hospital Care Act were used as the basis for calculation of the present value of total benefits to be paid.

*Medical inflation rate* - The typical medical inflation assumption of -1 was based on historical averages.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was twenty-eight years.

E. Related Party Transactions:

The City of Ventura provides utility services to the District for water and sewage. The cost for these services for the years ended June 30, 2012 and 2011 were \$123,877 and \$119,786, respectively.

F. Liability, Property and Workers' Compensation Protection:

**Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The Ventura Port District is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

F. Liability, Property and Workers' Compensation Protection (Continued):

**Self-Insurance Programs of the Authority**

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

Total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

*Liability* - In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

F. Liability, Property and Workers' Compensation Protection (Continued):

**Self-Insurance Programs of the Authority (Continued)**

Workers' Compensation – In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which established the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy and employer's liability losses from \$5 million to \$10 million are pooled among members.

**Purchased Insurance**

Pollution Legal Liability Insurance - The District participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Ventura Port District. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance - The District participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Ventura Port District property is currently insured according to a schedule of covered property submitted by the Ventura Port District to the Authority. The District property currently has all-risk property insurance protection in the amount of \$18,199,099. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

3. OTHER INFORMATION (CONTINUED):

F. Liability, Property and Workers' Compensation Protection (Continued):

**Purchased Insurance (Continued)**

Crime Insurance - The District purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance - The District further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on District property. The insurance premium is paid by the tenant user and is paid to the District according to a schedule. The District then pays for the insurance. The insurance is arranged by the Authority.

**Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2011-12.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

VENTURA PORT DISTRICT

SCHEDULE OF FUNDING PROGRESS

For the years ended June 30, 2012 and 2011

**SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
07/01/09	\$ 476,265	\$ -	\$ 476,265	0.00%	\$ 1,970,461	24.17%

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Port Commissioners  
of the Ventura Port District  
Ventura, California

We have audited the accompanying basic financial statements of the Ventura Port District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described below, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Internal Control Over Financial Reporting (Continued)

### Payroll

Due to the small amount of staff available at the District, there is an overall lack of segregation of duties surrounding payroll. There are four functions that should be segregated whenever possible, including authorization, custody, record keeping, and reconciliation. The Accounting Technician enters the payroll information, including employee information and rate changes, processes payroll, distributes payroll checks, and automatically posts the information to the general ledger when processing payroll. These duties represent all four functions. The Accounting Manager reviews and approves the wire transfer prior to transmission and the check processing report prior to printing manual checks. In addition, actual payroll expense and budgeted payroll are compared on a monthly basis. An additional internal control is required to provide segregation of duties. We recommend only the Accounting Manager have access to and make employee rate and information changes, to reduce the risk surrounding payroll.

### **Management's Response:**

The District has implemented this recommendation in August 2011.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the District in a separate letter dated March 14, 2013.

The District's response to the finding is identified above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Ventura Port District Directors and management of the Ventura Port District and is not intended to be and should not be used by anyone other than these specific parties.

*White Nelson Dick Evans LLP*

Irvine, California  
March 14, 2013