

**VENTURA PORT DISTRICT**

**FINANCIAL STATEMENTS**

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

**JUNE 30, 2013 AND 2012**



VENTURA PORT DISTRICT

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June 30, 2013 and 2012

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Ventura Port District (the District) which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements or revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Ventura Port District as of June 30, 2013 and 2012 and the changes in financial position and cash flows thereof for the years then ended in accordance 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.

## **Emphasis of Matters**

As discussed in Note 1D to the basic financial statements, the District incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* for the year ended June 30, 2013. The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1D to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities for the year ended June 30, 2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in a \$626,052 and \$665,349 reduction of previously reported net position as of July 1, 2012 and 2011, respectively. Our opinion is not modified with respect to this matter.

## **Other Matters:**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, as identified in the accompanying table of contents, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*White Nelson Nick Evans LLP*

Irvine, California  
January 31, 2014

## VENTURA PORT DISTRICT

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

June 30, 2013

It is our pleasure to submit the Ventura Port District's (District) Management's Discussion and Analysis (MD&A) for the fiscal year ending June 30, 2013. 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, 2013 and 2012. 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. The port was formed as per Sections 6200 to 6372 of 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 under an option to lease for development. The Developer, Sondermann Ring Partners has obtained all the necessary entitlements and is in the final planning phase of the project. It is possible building permits could be issued by the City of Ventura by the end of the third quarter of 2014. 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.

#### **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.

## VENTURA PORT DISTRICT

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

June 30, 2013

#### **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 offers long term ground (50 years) on 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 position increased by 4.5% for June 30, 2013 to \$16,591,860.
- Total revenues decreased 4% to \$8,025,795 during the fiscal year.
- Total expenses decreased 15.7% to \$7,313,719 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 Position
- Statements of Revenues, Expenses and Changes in Net Position
- 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 Position and the Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Net Position (formerly 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 position. Over time, increases and decreases in net position 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 Position (formerly net assets) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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.

VENTURA PORT DISTRICT

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

June 30, 2013

Statements of Net Position

The following condensed financial information provides an overview of the District's financial position as of June 30, 2013, 2012, and 2011.

**Summary of Net Position  
June 30, 2013 and June 30, 2012**

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Assets:</b>				
Current assets	\$ 8,034,305	\$ 8,798,074	\$ (763,769)	-8.7%
Restricted assets	3,036,870	1,680,422	1,356,448	80.7%
Capital assets, net	<u>22,079,559</u>	<u>22,441,439</u>	<u>(361,880)</u>	-1.6%
Total assets	<u>33,150,734</u>	<u>32,919,935</u>	<u>230,799</u>	0.7%
Deferred Outflows of Resources	258,592	275,831	(17,239)	-6.2%
Total assets and deferred outflows	<u>33,409,326</u>	<u>33,195,766</u>	<u>213,560</u>	0.6%
<b>Liabilities:</b>				
Current & other liabilities	1,902,699	1,813,065	89,634	4.9%
Long-term debt obligations	<u>14,914,767</u>	<u>15,502,917</u>	<u>(588,150)</u>	-3.8%
Total liabilities	<u>16,817,466</u>	<u>17,315,982</u>	<u>(498,516)</u>	-2.9%
<b>Net Position:</b>				
Invested in capital assets, net of related debt	6,835,233	6,654,012	181,221	2.7%
Restricted assets	3,036,870	1,680,422	1,356,448	80.7%
Unrestricted assets	<u>6,719,757</u>	<u>7,545,350</u>	<u>(825,593)</u>	-10.9%
Total net position	<u>\$ 16,591,860</u>	<u>\$ 15,879,784</u>	<u>\$ 712,076</u>	4.5%

VENTURA PORT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2013

Statements of Net Position (Continued)

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

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Assets:</b>				
Current assets	\$ 8,798,074	\$ 9,018,183	\$ (220,109)	-2.4%
Restricted assets	1,680,422	3,092,745	(1,412,323)	-45.7%
Capital assets, net	<u>22,441,439</u>	<u>21,562,213</u>	<u>879,226</u>	4.1%
Total assets	<u>32,919,935</u>	<u>33,673,141</u>	<u>(753,206)</u>	-2.2%
Deferred Outflows of Resources	275,831	293,071	(17,240)	-5.9%
Total assets and deferred outflows	<u>33,195,766</u>	<u>33,966,212</u>	<u>(770,446)</u>	-2.3%
<b>Liabilities:</b>				
Current & other liabilities	1,813,065	1,707,914	105,151	6.2%
Long-term debt obligations	<u>15,502,917</u>	<u>16,063,258</u>	<u>(560,341)</u>	-3.5%
Total liabilities	<u>17,315,982</u>	<u>17,771,172</u>	<u>(455,190)</u>	-2.6%
<b>Net Position:</b>				
Invested in capital assets, net of related debt	6,654,012	4,956,086	1,697,926	34.3%
Restricted assets	1,680,422	3,023,302	(1,342,880)	-44.4%
Unrestricted assets	<u>7,545,350</u>	<u>8,215,652</u>	<u>(670,302)</u>	-8.2%
Total net position	<u>\$ 15,879,784</u>	<u>\$ 16,195,040</u>	<u>\$ (315,256)</u>	-1.9%

The District's net position is \$16,591,860 at June 30, 2013. This is an increase of \$712,076 from the June 30, 2012 net position of \$15,879,784. This increase was primarily due to a significant reduction in operating expenditures in fiscal year 2013 thereby reducing cash outlay as discussed in more detail below.

The District's net position at June 30, 2012 was \$15,879,784. This is a decrease of \$315,256 over the June 30, 2011 net position of \$16,195,040. The decrease was primarily due to the usage of reserves specifically identified solely for use in covering dredging expenses as discussed in more detail below.

VENTURA PORT DISTRICT

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

June 30, 2013

Statements of Net Position (Continued)

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

Current assets decreased in fiscal year 2013 primarily due to the net effect of two events. 1) operating expenses decreased significantly in fiscal year 2013 as it was not necessary to spend another \$1.5 million on emergency dredging as was the case in the previous year thereby reducing cash outlay which increases current assets and 2) the available cash was then used to replenish the \$1.5 million to the restricted dredging reserves used in the prior year as discussed below. This replenishment of funds reduced current assets and increased restricted assets.

In fiscal year 2012, restricted assets decreased \$1,412,323 primarily because the District used \$1.5 million in reserves to perform emergency 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) as a federal project 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 and ensuring a safe and navigable harbor for recreational and commercial vessels. The sand trap basin was full and in danger of overflowing into the main thoroughfare of the entrance channel with the next large storm.

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. As of June 30, 2013, there is \$3,006,229 restricted for dredging activity as required by the Ellison Judgment and \$30,641 restricted for the fisheries complex. 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 Position.

	<u>June 30, 2013</u>	<u>%</u>	<u>June 30, 2012</u>	<u>%</u>	<u>June 30, 2011</u>	<u>%</u>
<b>Net Position:</b>						
Invested in capital assets, net of related debt	\$ 6,835,233	41%	\$ 6,654,012	42%	\$ 4,956,086	30%
Restricted assets	3,036,870	18%	1,680,422	11%	3,023,302	19%
Unrestricted assets	6,719,757	41%	7,545,350	47%	8,215,652	51%
Total net position	<u>\$ 16,591,860</u>	100.0%	<u>\$ 15,879,784</u>	100%	<u>\$ 16,195,040</u>	100%

The increase in capital assets at June 30, 2013 is due to the purchase of equipment and capital improvements. These assets will be discussed in detail in the capital asset section of this report.

VENTURA PORT DISTRICT

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

June 30, 2013

Statements of Net Position (Continued)

Capital assets at June 30, 2012 had a significant increase over the previous year because several major projects that began at the end of fiscal year 2011 were completed and capitalized during fiscal year 2012. These projects are also discussed in more detail in the capital asset section of this report.

Restricted assets increased at June 30, 2013 due to the replenishing of dredging reserves used in fiscal year 2012 discussed previously. Similarly, the June 30, 2012 restricted reserves decreased over fiscal 2011 due to the using of the reserves also discussed previously in detail.

Statements of Revenues, Expenses and Changes in Net Position

The following tables summarize the District's operations for fiscal years 2013, 2012, and 2011:

**Summary of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2013 and June 30, 2012**

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<b>Revenues:</b>				
Operating revenues	\$ 7,041,276	\$ 7,048,621	\$ (7,345)	-0.1%
Non-operating revenues	<u>984,519</u>	<u>1,309,521</u>	<u>(325,002)</u>	-24.8%
Total Revenues	<u>8,025,795</u>	<u>8,358,142</u>	<u>(332,347)</u>	-4.0%
<b>Expenses:</b>				
Operating expenses before depreciation	5,694,728	7,082,854	(1,388,126)	-19.6%
Depreciation	892,115	818,827	73,288	9.0%
Non-operating expenses	<u>726,876</u>	<u>771,717</u>	<u>(44,841)</u>	-5.8%
Total Expenses	<u>7,313,719</u>	<u>8,673,398</u>	<u>(1,359,679)</u>	-15.7%
<b>Change in Net Position</b>	712,076	(315,256)	1,027,332	-325.9%
Net Position, Beginning of Year, as Restated (Note 1D)	<u>15,879,784</u>	<u>16,195,040</u>	<u>(315,256)</u>	-1.9%
<b>Net Position, End of Year</b>	<u>\$ 16,591,860</u>	<u>\$ 15,879,784</u>	<u>\$ 712,076</u>	4.5%

VENTURA PORT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2013

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

**Summary of Revenues, Expenses and Changes in Net Position  
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%
<b>Total Revenues</b>	<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	771,717	801,783	(30,066)	-3.7%
<b>Total Expenses</b>	<u>8,673,398</u>	<u>6,891,991</u>	<u>1,781,407</u>	25.8%
<b>Change in Net Position</b>	(315,256)	1,039,562	(1,354,818)	-130.3%
Net Position, Beginning of Year as Restated (Note ID)	<u>16,195,040</u>	<u>15,155,478</u>	<u>1,039,562</u>	6.9%
<b>Net Position, End of Year</b>	<u>\$ 15,879,784</u>	<u>\$ 16,195,040</u>	<u>\$ (315,256)</u>	-1.9%

Revenues

In fiscal year 2013, total revenues are \$8,025,795. This reflects a \$332,347 (4%) decrease from the fiscal year 2012 revenues of \$8,358,148. The decrease is due primarily to two factors in the non-operating revenues category. There was a decrease of \$200,000 in investment income returns and in fiscal year 2012 the District received a onetime equipment grant of \$80,000 that was not repeated in fiscal year 2013. Operating revenues remained stable during the fiscal year 2013. There was an increase in office rents and charter revenues, unfortunately this increase was offset by a decrease in commercial fishing revenues. Commercial fishing is seasonal and many factors contribute to how successful the season will be.

The total revenues for fiscal year 2012 were \$8,358,142. This was 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 Division of Boating and Waterways and an increase in investment income returns.

VENTURA PORT DISTRICT

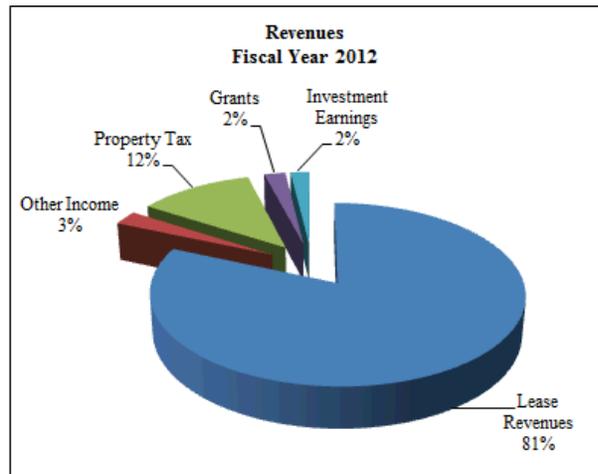
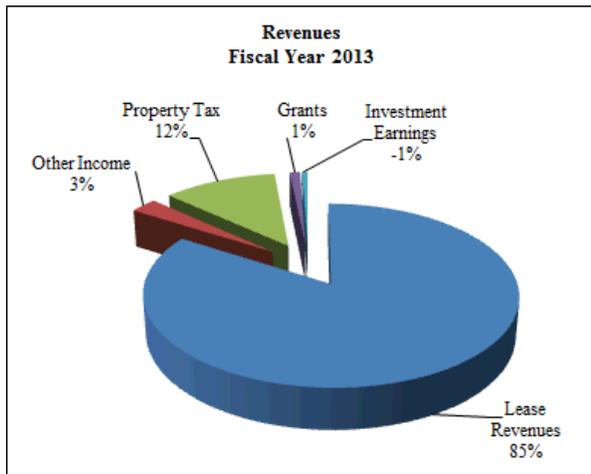
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)

June 30, 2013

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

Revenues (Continued)

The following charts show a comparison of revenues by source. Lease revenues are clearly the most significant source of revenues for the District followed by property tax revenues. Lease revenues represent 85% of the Districts revenue for fiscal year 2013 and 81% in fiscal year 2012. Lease revenues did not actually increase for fiscal year 2013 as might be perceived by the percentages. The allocation percentage changed due to the decrease in non-operating revenues placing more emphasis on the lease revenue. Non-operating revenues consist of property tax, grants, and investment income.



Expenses

In fiscal year 2013, expenses were reduced to \$7,313,719 from the fiscal year 2012 expenses of \$8,673,398. There was a \$1,359,679 (15.7%) decrease primarily due to the net effect of two reasons 1) \$1.5 million in dredging expenses from fiscal year 2012 was a onetime expense and 2) there were about \$200,000 in increases in professional/outside services and legal services. These increases pertained to dock steam cleaning, leasing contracts and the implementation of the California Uniform Public Construction Cost Accounting Act. There was also an increase in depreciation expense due to the large number of capital assets completed at the end of fiscal year 2012. Fiscal year 2013 is the first complete year of capitalization for these assets. These increases are offset by a decrease in general liability insurance premium resulting from an annual calculation adjustment based on case history.

The expenses for fiscal year 2012 increased \$1,781,406 or 26% over the fiscal year 2011 expenses of \$6,891,991. This was primarily due to a \$1.5 million dredging expense of the sand trap basin explained in detail earlier.

VENTURA PORT DISTRICT

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

June 30, 2013

**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

Capital Assets, net of accumulated depreciation at June 30, 2013 was \$22,079,559. This is a decrease of \$361,880 over the June 30, 2012 balance of \$22,441,439. This decrease was due to the net effect of the purchasing of harbor improvements and equipment and the current years depreciation expense.

The Districts investment in capital assets, net of accumulated depreciation at June 30, 2012 was \$22,441,439. This was an increase of \$879,226 over the June 30, 2011 capital assets of \$21,562,213. This change is due to the purchase of new equipment and the completion of several major projects offset by the depreciation expense for the year.

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 2013, 2012, and 2011.

**Capital Assets, Net**  
**Years Ended June 30, 2013 and June 30, 2012**

	<b>2013</b>	<b>2012</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
Land & Land Improvements	\$ 12,247,331	\$ 12,247,331	\$ -	0.0%
Buildings & Improvements	20,427,110	20,163,461	263,649	1.3%
Equipment	1,837,968	1,720,193	117,775	6.8%
Construction in Progress	468,460	360,572	107,888	29.9%
	<u>34,980,869</u>	<u>34,491,557</u>	<u>489,312</u>	<u>1.4%</u>
Less: Accumulated depreciation	(12,901,310)	(12,050,118)	(851,192)	7.1%
Total capital assets	<u>\$ 22,079,559</u>	<u>\$ 22,441,439</u>	<u>\$ (361,880)</u>	<u>-1.6%</u>

VENTURA PORT DISTRICT

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

June 30, 2013

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

Capital Assets (Continued)

**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>	4.1%
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>	4.1%

Major projects and equipment purchased in fiscal year 2013 were:

- Continuing Engineering design reports and bid package to refurbish the public boat launch ramp. This improvement is being funded with a \$3 million grant from the Division of Boating & Waterways (DBW). The construction phase of this project will begin January 2014.
- Renovated the Fisheries building restroom and adjacent suite
- Replaced the parking lot lights and poles at Harbor Cove Beach parking lot
- Purchased and installed three HVAC Systems
- Purchase two maintenance vehicles
- Purchased a trailer mounted electronic message board
- Replaced an aluminum gangway on C dock in the Ventura Harbor Village Marina

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 Division of Boating & Waterways (DBW).
- A Ventura Harbor Village revitalization program was begun. This project is still in the engineering and design stage.

There were no significant capital commitments to report at June 30, 2013. Additional information on the District's capital assets can be found in Note 2(c) of the basic financial statements.

VENTURA PORT DISTRICT

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

June 30, 2013

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

Debt Administration

The balance of the District's long term debt at June 30, 2013 is \$15,502,918. This is a decrease of \$560,340 over the June 30, 2012 balance of \$16,063,258. The decrease is due to principal payments on the outstanding debt. There has been no new or refinancing of debt since 2008.

The debt position at June 30, 2012 was \$16,063,258. Principal payments of \$542,869 on the outstanding debt decreased the June 30, 2011 balance of \$16,606,127.

The following tables summarize the changes in the District's long-term debt obligations as of June 2013, 2012, and 2011:

<b>Summary of Long-term Debt June 30, 2013 and June 30, 2012</b>				
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase/ (decrease)</u>	<u>%</u>
Refinance certificates of participation Series '08	\$ 8,505,000	\$ 8,900,000	\$ (395,000)	-4.4%
Refinance certificates of participation Series '09	2,113,900	2,207,900	(94,000)	-4.3%
Notes payable	<u>4,884,018</u>	<u>4,955,358</u>	<u>(71,340)</u>	-1.4%
Total long-term debt	<u>\$ 15,502,918</u>	<u>\$ 16,063,258</u>	<u>\$ (560,340)</u>	-3.5%

<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%
Refinance certificates of participation Series '09	2,207,900	2,297,500	(89,600)	-3.9%
Notes payable	<u>4,955,358</u>	<u>5,023,627</u>	<u>(68,269)</u>	-1.4%
Total long-term debt	<u>\$ 16,063,258</u>	<u>\$ 16,606,127</u>	<u>\$ (542,869)</u>	-3.3%

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

## VENTURA PORT DISTRICT

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

June 30, 2013

#### **Economic Outlook**

The District receives the majority its revenue from tenants that pay rent and percentage rent generated from their business. Tenant sales did not improve from fiscal year 2012 to fiscal year 2013 as the sluggish economy continues to adversely affect our tenant's businesses. The District adopted a budget for fiscal year 2013 that anticipates a 4% increase in operating revenues and a 5% increase in operating expenses. There seems to be more optimism about an improved economic outlook for 2014. This can be seen in rising home prices and improvements in the leisure and hospitality industries. Fortunately, the District has enough resources at this time to get through this recovery period. The District has an unrestricted cash reserve and investment balance of \$7 million.

#### **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.

VENTURA PORT DISTRICT  
STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	2013	2012
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,457,092	\$ 3,060,367
Restricted cash and cash equivalents	3,036,870	1,680,422
Investments	4,843,992	5,016,660
Accounts receivable, net	328,112	220,816
Due from other governments	68,820	180,490
Other receivables	58,354	115,480
Prepaid expenses	251,503	180,772
Inventories	26,432	23,489
<b>TOTAL CURRENT ASSETS</b>	<b>11,071,175</b>	<b>10,478,496</b>
<b>NONCURRENT ASSETS:</b>		
Capital assets not being depreciated	12,715,791	12,607,903
Capital assets being depreciated (net of accumulated depreciation)	9,363,768	9,833,536
<b>TOTAL NONCURRENT ASSETS</b>	<b>22,079,559</b>	<b>22,441,439</b>
<b>TOTAL ASSETS</b>	<b>33,150,734</b>	<b>32,919,935</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred amounts on refundings	258,592	275,831
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	119,750	159,897
Accrued liabilities	493,900	444,931
Unearned revenue	38,818	55,539
Security deposits	161,581	162,326
Current portion of compensated absences	166,458	165,124
Current portion of long-term debt obligations	588,151	560,341
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,568,658</b>	<b>1,548,158</b>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	55,486	56,589
Net OPEB obligation	278,555	208,318
Noncurrent portion of long-term debt obligations	14,914,767	15,502,917
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>15,248,808</b>	<b>15,767,824</b>
<b>TOTAL LIABILITIES</b>	<b>16,817,466</b>	<b>17,315,982</b>
<b>NET POSITION:</b>		
Net investment in capital assets	6,835,233	6,654,012
Restricted for dredging	3,006,229	1,649,883
Restricted for fisheries complex	30,641	30,539
Unrestricted	6,719,757	7,545,350
<b>TOTAL NET POSITION</b>	<b>\$ 16,591,860</b>	<b>\$ 15,879,784</b>

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

VENTURA PORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES:</b>		
Leases:		
General	\$ 4,543,835	\$ 4,551,634
Harbor Village slips	989,258	960,326
Fishing	206,296	292,905
Boat yard	280,019	273,962
Charter	298,453	224,923
Tenant reimbursements	401,284	409,238
Dry storage	96,993	97,260
Other	225,138	238,373
<b>TOTAL OPERATING REVENUES</b>	<u>7,041,276</u>	<u>7,048,621</u>
<b>OPERATING EXPENSES:</b>		
Administration	223,097	187,891
Salaries and benefits	3,195,985	3,241,485
Merchant promotion	225,457	212,115
Professional services	602,914	416,901
Depreciation	892,115	818,827
Repairs and maintenance	593,705	620,451
Harbor dredging	221,375	1,727,932
Utilities	321,940	298,531
Insurance	126,565	195,536
Other	183,690	182,012
<b>TOTAL OPERATING EXPENSES</b>	<u>6,586,843</u>	<u>7,901,681</u>
<b>OPERATING INCOME (LOSS)</b>	<u>454,433</u>	<u>(853,060)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Taxes	944,974	966,518
Investment income (loss)	(45,961)	161,364
Intergovernmental	85,506	181,639
Loss on disposition of capital assets	(9,452)	(29,154)
Interest expense	(717,424)	(742,563)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>257,643</u>	<u>537,804</u>
<b>CHANGES IN NET POSITION</b>	712,076	(315,256)
<b>NET POSITION - BEGINNING OF YEAR</b>		
AS RESTATED (NOTE 1D)	<u>15,879,784</u>	<u>16,195,040</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 16,591,860</u>	<u>\$ 15,879,784</u>

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

VENTURA PORT DISTRICT  
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from tenants	\$ 6,692,121	\$ 6,756,477
Cash received from others	258,778	346,327
Cash paid to employees	(3,115,552)	(3,164,770)
Cash paid for goods and services	<u>(2,562,255)</u>	<u>(3,757,202)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>1,273,092</u>	 <u>180,832</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Taxes received	958,251	954,093
Receipts from other governments	<u>197,176</u>	<u>130,961</u>
 NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	 <u>1,155,427</u>	 <u>1,085,054</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the sale of capital assets	5,462	-
Acquisition and construction of capital assets	(545,149)	(1,727,207)
Payments on long-term debt	(560,340)	(542,869)
Interest payments on related debt	<u>(712,235)</u>	<u>(736,991)</u>
 NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(1,812,262)</u>	 <u>(3,007,067)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	67,894	92,750
Purchase and sale of investments (net)	<u>69,022</u>	<u>22,931</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>136,916</u>	 <u>115,681</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 753,173	 (1,625,500)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>4,740,789</u>	 <u>6,366,289</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 5,493,962</u>	 <u>\$ 4,740,789</u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>		
Cash and cash equivalents	\$ 2,457,092	\$ 3,060,367
Restricted cash and cash equivalents	<u>3,036,870</u>	<u>1,680,422</u>
	<u>\$ 5,493,962</u>	<u>\$ 4,740,789</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 454,433	\$ (853,060)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	892,115	818,827
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(107,296)	(16,082)
Other receivables	33,640	128,395
Prepaid expenses	(70,731)	1,196
Inventories	(2,943)	2,209
Increase (decrease) in liabilities:		
Accounts payable	(40,147)	109,563
Accrued liabilities	61,019	(48,390)
Unearned revenue	(16,721)	(58,130)
Security deposits	(745)	7,950
Compensated absences	231	19,800
Net OPEB obligation	70,237	68,554
Total adjustments	<u>818,659</u>	<u>1,033,892</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,273,092</u>	<u>\$ 180,832</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES:		
Amortization on deferred amount on bond refunding	<u>\$ 17,239</u>	<u>\$ 17,239</u>
Retirement of capital assets	<u>\$ 9,452</u>	<u>\$ 29,155</u>
NONCASH INVESTING ACTIVITIES:		
Unrealized (gain)/loss on investments	<u>\$ 106,694</u>	<u>\$ (60,685)</u>

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

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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 Position, Statements of Revenues, Expenses and Changes in Net Position, 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, 2013 and 2012

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, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. 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, 2013 and 2012

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.

D. New Accounting Pronouncements:

**Implemented:**

In fiscal year 2012-2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "*Elements of Financial Statements*" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The implementation of this statement required the reclassification of deferred amounts on refunding, which were previously netted against long-term debt obligations, as deferred outflows of resources.

In fiscal year 2012-2013, the District early implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of GASB Statement No. 65, the deferred amounts on refunding have been revised to eliminate unamortized debt issuance costs of the refunded debt that should be recognized as an expense in the period incurred. In addition, debt issuance costs which should be recognized as an expense in the period incurred have been eliminated entirely. Accounting changes adopted to conform to the provisions of this statement have been applied retroactively. The result of the implementation of this standard was to decrease the net position as of July 1, 2012 and July 1, 2011 by \$626,052 and \$665,379, respectively.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB 66 - "*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*", effective for periods beginning after December 15, 2012.
- GASB 67 - "*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*", effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "*Government Combinations and Disposals of Government Operations*", effective for periods beginning after December 15, 2013.
- GASB 70 - "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*", effective for the periods beginning after June 15, 2013.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. Deferred amounts on refunding which resulted from the difference in the carrying value of refunded debt and its reacquisition price are shown as deferred and amortized over the life of the refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any deferred inflows of resources to report.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Assets, Liabilities and Net Position:

**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.

**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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Assets, Liabilities and Net Position (Continued):

**Capital Assets**

The District defines capital assets as tangible property having a minimum value of \$5,000 (\$10,000 for buildings, improvements and infrastructure) that has a life expectancy longer than one year. 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.

**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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Assets, Liabilities and Net Position (Continued):

**Net Position**

In the statements of net position, net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted - 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, 2013 and 2012, the Restricted Assets are \$3,036,870 and \$1,680,422, respectively, of which, \$3,006,229 and \$1,649,883, respectively, is restricted for dredging of the harbor by a court judgment against the District in 1979.
- Unrestricted - This category represents assets of the District not restricted for any project or other purpose.

G. Operating Leases:

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 3 - 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.

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, 2013 and 2012

2. DETAILED NOTES:

A. Cash and Investments:

**Cash and Investments**

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

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 2,457,092	\$ 3,060,367
Restricted cash and cash equivalents	3,036,870	1,680,422
Investments	<u>4,843,992</u>	<u>5,016,660</u>
Total cash and investments	<u>\$ 10,337,954</u>	<u>\$ 9,757,449</u>

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

	<u>2013</u>	<u>2012</u>
Demand accounts (bank balance)	\$ 390,338	\$ 249,660
Add deposits in transit	-	680
Less outstanding checks	<u>(89,413)</u>	<u>(111,963)</u>
Book balance	300,925	138,377
Petty cash	<u>2,733</u>	<u>1,363</u>
Total deposits and petty cash	<u>303,658</u>	<u>139,740</u>
Investments:		
State of California Local Agency Investment Fund	5,174,022	4,585,010
U.S. Government Sponsored Agency Securities	4,843,992	5,016,660
Ventura County Treasury Pool	<u>16,282</u>	<u>16,039</u>
Total investments	<u>10,034,296</u>	<u>9,617,709</u>
Total cash and investments	<u>\$ 10,337,954</u>	<u>\$ 9,757,449</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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, 2013 and 2012

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, 2013

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
LAIF	\$ 5,174,022	\$ -	\$ -	\$ 5,174,022
United States Government Sponsored				
Agency Securities (1)	-	-	4,843,992	4,843,992
Ventura County Treasury Pool	16,282	-	-	16,282
	<u>\$ 5,190,304</u>	<u>\$ -</u>	<u>\$ 4,843,992</u>	<u>\$ 10,034,296</u>

(1) All securities have call features by the issuer that are available now or begin no later than twenty-two months after June 30, 2013.

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 (2)	-	-	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>

(2) All securities have call features by the issuer that begin no later than ten months after June 30, 2012.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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, 2013 and 2012. The Ventura County Treasury Pool had an actual Standard and Poors rating of AA Af, at June 30, 2013 and 2012.

**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>2013</u>	<u>2012</u>
Federal National Mortgage Association securities	\$ 4,843,992	\$ 5,016,660

**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, 2013 and 2012

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

**Custodial Credit Risk (Continued)**

The District's deposits with financial institutions exceeded the federal depository insurance limits by \$49,947 and \$0 for the years ended June 30, 2013 and 2012, respectively, but are collateralized under the pool arrangement described in the preceding paragraph.

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, 2013 and 2012, the District does not have any investments that 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, 2013 accounts receivable net, consists primarily of lease receivables of \$347,143 with an allowance for uncollectible accounts of \$19,031. 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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

2. DETAILED NOTES (CONTINUED):

C. Capital Assets:

A summary of changes in the capital assets for the year ended June 30, 2013 is as follows:

	Balance at <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 2,342,629	\$ -	\$ -	\$ 2,342,629
Land improvements	9,904,702	-	-	9,904,702
Construction in progress	<u>360,572</u>	<u>116,708</u>	<u>(8,820)</u>	<u>468,460</u>
 Total capital assets, not being depreciated	 <u>12,607,903</u>	 <u>116,708</u>	 <u>(8,820)</u>	 <u>12,715,791</u>
Capital assets, being depreciated:				
Buildings and structures	13,881,794	163,113	-	14,044,907
Equipment	1,720,193	146,200	(28,425)	1,837,968
Harbor improvements	4,527,577	119,128	(9,539)	4,637,166
Leasehold improvements	<u>1,754,090</u>	<u>-</u>	<u>(9,053)</u>	<u>1,745,037</u>
 Total capital assets, being depreciated	 21,883,654	 428,441	 (47,017)	 22,265,078
Less accumulated depreciation	<u>(12,050,118)</u>	<u>(892,115)</u>	<u>40,923</u>	<u>(12,901,310)</u>
 Total capital assets, being depreciated, net	 <u>9,833,536</u>	 <u>(463,674)</u>	 <u>(6,094)</u>	 <u>9,363,768</u>
 Total capital assets, net	 <u>\$ 22,441,439</u>	 <u>\$ (346,966)</u>	 <u>\$ (14,914)</u>	 <u>\$ 22,079,559</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

2. DETAILED NOTES (CONTINUED):

C. Capital Assets (Continued):

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

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
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>

Depreciation expense was \$892,115 and \$818,827 for the years ended June 30, 2013 and 2012, respectively.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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 \$38,818 and \$55,539 for the years ended June 30, 2013 and 2012, respectively.

E. Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
2008 Refunding certificates of participation	\$ 8,900,000	\$ -	\$ (395,000)	\$ 8,505,000	\$ 415,000
2009 Refunding certificates of participation	2,207,900	-	(94,000)	2,113,900	98,600
Notes payable	4,955,358	-	(71,340)	4,884,018	74,551
Net OPEB obligation (Note 3D)	208,318	70,237	-	278,555	-
Compensated absences	<u>221,713</u>	<u>231</u>	<u>-</u>	<u>221,944</u>	<u>166,458</u>
Total	<u>\$ 16,493,289</u>	<u>\$ 70,468</u>	<u>\$ (560,340)</u>	<u>\$ 16,003,417</u>	<u>\$ 754,609</u>

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
2009 Refunding certificates of participation	2,297,500	-	(89,600)	2,207,900	94,000
Notes payable	5,023,627	-	(68,269)	4,955,358	71,341
Net OPEB obligation (Note 3D)	139,764	68,554	-	208,318	-
Compensated absences	<u>201,913</u>	<u>19,800</u>	<u>-</u>	<u>221,713</u>	<u>165,124</u>
Total	<u>\$ 16,947,804</u>	<u>\$ 88,354</u>	<u>\$ (542,869)</u>	<u>\$ 16,493,289</u>	<u>\$ 725,465</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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 defeased Series 1998 bonds have been paid in full. The 2008 certificates are secured by the District's pledge of all Net Revenues in the amount of \$1,514,190 and \$503,572 for fiscal years 2013 and 2012, respectively, which exceed the debt covenant requirements. 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	490,000	287,507	777,507
2019 - 2023	2,790,000	1,084,907	3,874,907
2024 - 2028	<u>3,455,000</u>	<u>395,488</u>	<u>3,850,488</u>
Totals	<u>\$ 8,505,000</u>	<u>\$ 3,122,153</u>	<u>\$ 11,627,153</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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. The defeased Series 1998 bonds have been paid in full. 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 2013 and 2012, the pledged Net Revenues are \$1,514,190 and \$503,572, respectively, which exceed the debt covenant requirements.

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

Year Ending June 30,	Principal	Interest	Total
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	119,400	78,235	197,635
2019 - 2023	691,300	297,070	988,370
2024 - 2028	<u>878,900</u>	<u>109,510</u>	<u>988,410</u>
Totals	<u>\$ 2,113,900</u>	<u>\$ 851,168</u>	<u>\$ 2,965,068</u>

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VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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, 2013 and 2012, the principal balance of the first note is \$3,614,748 and \$3,654,893, respectively, and is payable annually on August 1 each year at 4.50% interest over 50 years. As of June 30, 2013 and 2012, the principal balance of the second note is \$1,269,270 and \$1,300,465, 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, 2013:

Year Ending June 30,	Principal	Interest	Total
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	50,029	154,587	204,616
2019 - 2023	286,010	737,070	1,023,080
2024 - 2028	356,421	666,659	1,023,080
2029 - 2033	444,165	578,915	1,023,080
2034 - 2038	553,511	469,569	1,023,080
2039 - 2043	689,775	333,305	1,023,080
2044 - 2048	859,585	163,495	1,023,080
2049	<u>195,772</u>	<u>8,810</u>	<u>204,582</u>
Totals	<u>\$ 3,614,748</u>	<u>\$ 3,751,394</u>	<u>\$ 7,366,142</u>

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VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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, 2013:

Year Ending June 30,	Principal	Interest	Total
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	38,875	50,841	89,716
2019 - 2023	222,243	226,337	448,580
2024 - 2028	276,955	171,625	448,580
2029 - 2033	345,136	103,444	448,580
2034 - 2036	246,596	22,520	269,116
Totals	<u>\$ 1,269,270</u>	<u>\$ 794,166</u>	<u>\$ 2,063,436</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.

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

Year Ending June 30,	Amount
2014	\$ 3,016,217
2015	2,646,782
2016	2,255,374
2017	1,981,040
2018	1,886,226
	<u>\$ 11,785,639</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

A. Operating Leases (Continued):

The carrying value and accumulated depreciation of related assets under the leases are \$5,104,226 and \$5,476,323, respectively.

Rental income of \$6,816,138 and \$6,810,248 for the years ended June 30, 2013 and 2012 includes contingent rental income of \$ 1,880,049 and \$1,970,396, 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, 2013 and 2012, the restricted cash and cash equivalent had a balance of \$3,006,229 and \$1,649,883, respectively.

C. Pension Plans:

**Plan Description**

The District contributes to the Miscellaneous 2% at 55 Risk Pool, Miscellaneous 2% at 62 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. 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. The Miscellaneous 2% at 62 Risk Pool was created by California Employees' Pension Reform Act (PEPRA) as of January 1, 2013 and is open to all new employees who do not qualify for the Miscellaneous 2% at 55 Risk Pool. 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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

**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, 2013 the rate was 16.887% (for miscellaneous employees) and 12.516% (for safety employees), and for the year ended June 30, 2012 the rate was 16.266% (for miscellaneous employees) and 12.434% (for safety employees) of annual covered payroll. Active plan members of Miscellaneous 2% at 62 Risk Pool are required to contribute 6.25% of their annual covered salary. The required employer contribution rate of the fiscal year ended June 30, 2013 for the Miscellaneous 2% at 62 Risk Pool was 6.25%. PEPPRA does not allow the District to pay any portion of the employee required contribution on behalf of the employee. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members under PEPPRA provisions. 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 2% at 55</u>	<u>Miscellaneous 2% at 62</u>	<u>Safety 2% at 55</u>
2013	\$ 237,042	\$ 906	\$ 65,099
2012	\$ 238,458	\$ -	\$ 67,316
2011	\$ 216,673	\$ -	\$ 44,730

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

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. No dental, vision, or life insurance benefits are provided. Currently there are 5 retired employees and 34 active employees participating in the Plan.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

**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 \$115 per month for each retiree participating in the PEMCHA plan. For fiscal year 2012-13, the District paid \$6,810 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, 2013, 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)/	
Annual OPEB cost (expense)	\$ 77,047
Actual contributions made (pay-as-you-go)	<u>(6,810)</u>
Increase in net OPEB obligation	70,237
Net OPEB Obligation - July 1, 2012	<u>208,318</u>
Net OPEB Obligation - June 30, 2013	<u>\$ 278,555</u>

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/13	\$ 77,047	8.8%	\$ 278,555
6/30/12	74,506	8.0%	208,318
6/30/11	74,506	6.9%	139,764

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

**Funded Status**

The funded status of the plan as of July 1, 2012, the date of the latest actuarial review, was as follows:

Actuarial accrued liabilities (AAL)	\$	629,594
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liabilities (UAAL)	\$	<u>629,594</u>
Funded ratio		0.00%
Covered payroll (active plan members)	\$	2,154,156
UAAL as a percentage of covered payroll		29.23%

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 basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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, 2012 actuarial valuation was used to determine the ARC for fiscal year 2013 and disclose the funded status of the plan.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

**Actuarial Methods and Assumptions (Continued)**

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.

*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, 2013, was thirty years.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

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, 2013 and 2012 were \$131,826 and \$123,877, 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 122 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.

**Self-Insurance Programs of the Authority**

Each member pays an annual contribution 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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

3. OTHER INFORMATION (CONTINUED):

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

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

*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. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. 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. The \$3 million annual aggregate deductible is fully retained by the Authority. (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 \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013 and 2012

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 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 \$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 District. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million 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 District's property is currently insured according to a schedule of covered property submitted by the District to the Authority. The District's property currently has all-risk property insurance protection in the amount of \$18,611,539. 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, 2013 and 2012

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 provided through 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 2012-13.

4. SUBSEQUENT EVENTS:

Events occurring after June 30, 2013 have been evaluated for possible adjustments to the financial statements or disclosure as of January 31, 2014, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

VENTURA PORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the years ended June 30, 2013 and 2012

**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)
7/1/2009	\$ 476,265	\$ -	\$ 476,265	0.00%	\$ 1,970,461	24.17%
7/1/2012	\$ 629,594	\$ -	\$ 629,594	0.00%	\$ 2,154,156	29.23%

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, in accordance with the 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, the basic financial statements of Ventura Port District (the District) as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, 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*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*White Nelson Nick Evans LLP*

Irvine, California  
January 31, 2014