

VENTURA PORT DISTRICT

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2014 AND 2013

VENTURA PORT DISTRICT

TABLE OF CONTENTS

June 30, 2014 and 2013

	<u>Page Number</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17
Notes to Basic Financial Statements	19
Required Supplementary Information:	47
Schedule of Funding Progress for Other Postemployment Healthcare Benefits	48
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 <i>Government Auditing Standards</i>	49

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, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the District's 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 financial statements referred to above present fairly, in all material respects, the financial position of the Ventura Port District as of June 30, 2014 and 2013 and the respective changes in its financial position and its cash flows 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.

Other Matter:

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, 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 Dick Evans LLP

Irvine, California
January 7, 2015

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2014

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, 2014. 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, 2014 and 2013. 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. Currently, there are approximately 23 acres of land under an option to lease for development. The Developer, Sondermann Ring Partners has obtained all the necessary Coastal Development permits from the California Coastal Commission for the waterside development and is currently working with the City of Ventura's planning staff. SRP hopes to obtain City permits by mid-July of 2015 to begin construction on the development. The harbor is 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 Council of the City of San Buenaventura, serving four-year terms without compensation.

Mission Statement

The Ventura Port District, home to Channel Island National Park, provides a safe and navigable harbor and a seaside destination that benefits residents, visitors, fishermen and boaters to enjoy Ventura Harbor's exceptional facilities, events and services.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

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 leases (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 for June 30, 2014 increased by 13.4% to \$18,815,277.
- Total revenues increased 26.7% to \$10,166,132 during the fiscal year.
- Total expenses increased 8.6% to \$7,942,715 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.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

Statements of Net Position

The following condensed financial information provides an overview of the District's financial position as of June 30, 2014, 2013, and 2012.

**Summary of Net Position
June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Assets:				
Current assets	\$ 8,491,323	\$ 8,034,305	\$ 457,018	5.7%
Restricted assets	3,013,607	3,036,870	(23,263)	-0.8%
Capital assets, net	<u>23,519,674</u>	<u>22,079,559</u>	<u>1,440,115</u>	<u>6.5%</u>
Total assets	<u>35,024,604</u>	<u>33,150,734</u>	<u>1,873,870</u>	<u>5.7%</u>
Deferred Outflows of Resources	241,353	258,592	(17,239)	-6.7%
Total assets and deferred outflows	<u>35,265,957</u>	<u>33,409,326</u>	<u>1,856,631</u>	<u>5.6%</u>
Liabilities:				
Current & other liabilities	2,152,220	1,902,699	249,521	13.1%
Long-term debt obligations	<u>14,298,460</u>	<u>14,914,767</u>	<u>(616,307)</u>	<u>-4.1%</u>
Total liabilities	<u>16,450,680</u>	<u>16,817,466</u>	<u>(366,786)</u>	<u>-2.2%</u>
Net Position:				
Invested in capital assets, net of related debt	8,846,260	6,835,233	2,011,027	29.4%
Restricted assets	3,013,607	3,036,870	(23,263)	-0.8%
Unrestricted assets	<u>6,955,410</u>	<u>6,719,757</u>	<u>235,653</u>	<u>3.5%</u>
Total net position	<u>\$ 18,815,277</u>	<u>\$ 16,591,860</u>	<u>\$ 2,223,417</u>	<u>13.4%</u>

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

Statements of Net Position (Continued)

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

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Assets:				
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%
Liabilities:				
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%
Net Position:				
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%

At June 30, 2014, the District had a total net position of \$18,815,277. This is an increase of \$2,223,417 from the June 30, 2013 net position of \$16,591,860. This increase was primarily due to an increase in capital assets. Normally expenditures for capital asset projects would reduce cash represented in the fiscal year 2014 table above as current assets. In this case, approximately \$1.9 million of the capital assets completed in fiscal year 2014 were funded utilizing a grant, therefore current assets were not decreased.

The District's net position at June 30, 2013 was \$16,591,860. This was an increase of \$712,076 over 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 later in this report.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

Statements of Net Position (Continued)

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

Current assets increased \$457,018 in fiscal year 2014. This was due in part from the change in accrual on investment income and the remainder is due to normal operations for the year.

In fiscal year 2013, the current assets decreased \$763,769. This decrease was primarily due to the net effect of two events. 1) operating expenses decreased significantly as it was not necessary to spend \$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 which were used in the prior year to perform emergency dredging of the entrance channel area outside the mouth of the harbor in the sand trap basin. This replenishment of funds reduced current assets and increased restricted assets

The capital assets in fiscal year 2014 increased by \$1,440,115. This increase represents a combination of factors; infrastructure renovations and the purchase of equipment offset by the annual amortization of depreciation expenses. These assets will be discussed in more detail later in this report.

The increase in capital assets at June 30, 2013 was also due to the purchase of equipment and capital improvements. These assets are discussed in more detail in the capital asset section of this report.

The current & other liabilities increased by \$249,521 in fiscal year 2014. The categories included in this line item that makes up the primary factors for this increase are explained as follows. The accounts payable liability increased by \$87,000 due to an invoice for contracting services performed in June 2014 that was scheduled for payment in July 2014. This contracted service was not a normal operating invoice generally reflected in the accounts payable balance at year end. Unearned revenue increased by \$72,000 because some lease tenants paid their monthly lease rent for July 2014 early during the month of June 2014. These rents are not recognized as revenue until July 2014 so they are classified as unearned revenue for June 2013. Last year in July 2013, more of the rent payments were received in the month they were intended for rather than a month early. The other post-employment benefits (OPEB) liability increased \$77,000 to reflect the annual required contribution as calculated in the District's GASB 45 Alternative Measurement Method Actuarial Review of July 1, 2012. Additional information on the GASB 45 OPEB liability is in Note 3D of the notes to the basic financial statements

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, 2014, there is \$3,013,607 restricted for dredging activity as required by the Ellison Judgment and there are no funds remaining in the restricted fisheries complex reserve. 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.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	<u>%</u>	<u>June 30, 2012</u>	<u>%</u>
Net Position:						
Invested in capital assets, net of related debt	\$ 8,846,260	47%	\$ 6,835,233	41%	\$ 6,654,012	42%
Restricted assets	3,013,607	16%	3,036,870	18%	1,680,422	11%
Unrestricted assets	6,955,410	37%	6,719,757	41%	7,545,350	47%
Total net position	<u>\$ 18,815,277</u>	100.0%	<u>\$ 16,591,860</u>	100.0%	<u>\$ 15,879,784</u>	100%

At June 30, 2014, the significant increase in capital assets net of related debt was due to infrastructure improvements and the purchase of equipment as was stated above for capital assets.

Also in fiscal year 2014, the remaining balance of the funds in the restricted fisheries complex reserves of \$30,641 were utilized for repairs to the fish pier in which they were intended.

Restricted assets increased at June 30, 2013 due to the replenishing of dredging reserves that had been used in fiscal year 2012 as discussed previously. The Ellison Judgment requires the District to replenish funds used from the dredging reserves in the fiscal year following the usage.

Statements of Revenues, Expenses and Changes in Net Position

The following tables summarize the District's operations for fiscal years 2014, 2013, and 2012:

**Summary of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and June 30, 2013**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Revenues:				
Operating revenues	\$ 7,144,259	\$ 7,041,276	\$ 102,983	1.5%
Non-operating revenues	3,021,873	984,519	2,037,354	206.9%
Total Revenues	<u>10,166,132</u>	<u>8,025,795</u>	<u>2,140,337</u>	26.7%
Expenses:				
Operating expenses before depreciation	6,260,177	5,694,728	565,449	9.9%
Depreciation	951,435	892,115	59,320	6.6%
Non-operating expenses	731,103	726,876	4,227	0.6%
Total Expenses	<u>7,942,715</u>	<u>7,313,719</u>	<u>628,996</u>	8.6%
Change in Net Position	2,223,417	712,076	1,511,341	212.2%
Net Position, Beginning of Year	<u>16,591,860</u>	<u>15,879,784</u>	<u>712,076</u>	4.5%
Net Position, End of Year	<u>\$ 18,815,277</u>	<u>\$ 16,591,860</u>	<u>\$ 2,223,417</u>	13.4%

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

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

**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>
Revenues:				
Operating revenues	\$ 7,041,276	\$ 7,048,621	\$ (7,345)	-0.1%
Non-operating revenues	984,519	1,309,521	(325,002)	-24.8%
Total Revenues	<u>8,025,795</u>	<u>8,358,142</u>	<u>(332,347)</u>	-4.0%
Expenses:				
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	726,876	771,717	(44,841)	-5.8%
Total Expenses	<u>7,313,719</u>	<u>8,673,398</u>	<u>(1,359,679)</u>	-15.7%
Change in Net Position	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%
Net Position, End of Year	<u>\$ 16,591,860</u>	<u>\$ 15,879,784</u>	<u>\$ 712,076</u>	4.5%

Revenues

In fiscal year 2014, total revenues increased by 26.7% to \$10,166,132. This represents an increase of \$2,140,337 over the 2013 total revenues of \$8,025,795. This increase is primarily due to an increase in non-operating revenues from a \$1.9 million draw from a grant awarded by the California Division of Boating and Waterways. This grant enabled the District to replace an aging public launch ramp located in the harbor.

In fiscal year 2013, the total revenues were \$8,025,795. This reflects a \$332,347 (4%) decrease from the fiscal year 2012 revenues of \$8,358,148. The decrease was 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.

See independent auditors' report.

VENTURA PORT DISTRICT

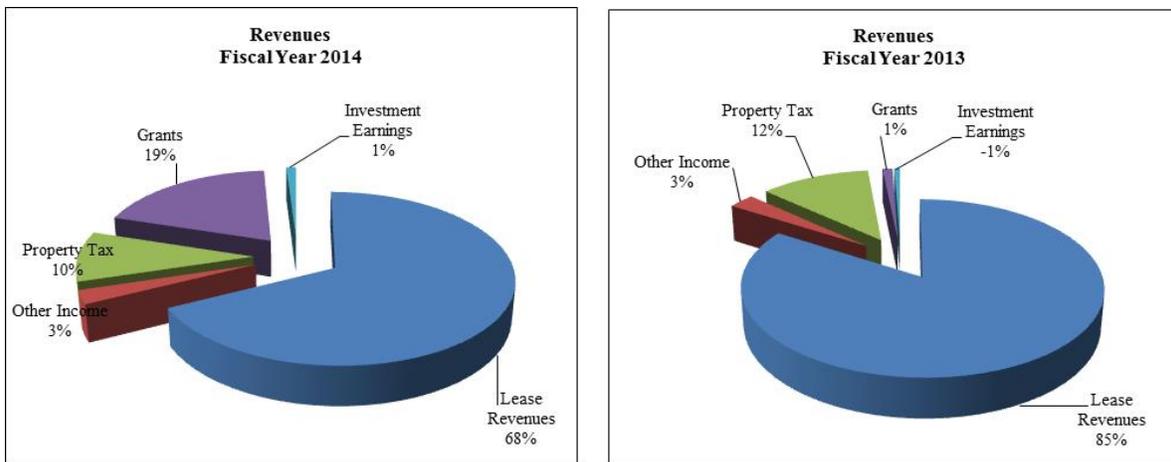
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

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

Revenues (Continued)

The following two charts show a comparison of revenues by source. Lease revenues are by far the most significant source of revenues for the District, generally followed by property tax revenues. In fiscal year 2014, however, revenues received through grants increased to 19% of the total revenue thus reducing the percentage of total revenues received from leases to 68%. As discussed above, the District received a non-recurring grant to replace an aging launch ramp. The receipt of this grant caused the shift in the revenue percentages. In fiscal year 2013, lease revenues represented 85% of the Districts total revenues and grants represented 1%. The distribution of revenue in fiscal year 2013 is a more common representation of the Districts revenues.



Expenses

In fiscal year 2014, the expenses increased to \$7,942,715. This is a \$628,996 (8.6%) increase over the fiscal year 2013 expenses of \$7,313,719. One of the primary reasons for the increase was in the salaries and benefits expenses. There was a \$100,000 increase in workers compensation insurance based on historical claims and one full-time custodian was added to the maintenance staff. Other significant increases were in the repairs and maintenance expenses. Repairs of approximately \$100,000 were made to the two harbor patrol boats; approximately \$130,000 in building repairs were made in the Ventura Harbor Village; and \$50,000 was spent to trim all of palm trees in the harbor that the District is responsible for. The trimming of the palm trees is performed about every five years.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

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

Expenses (Continued)

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.

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

At June 30, 2014, the District's capital assets, net of accumulated depreciation totaled \$23,519,674. This reflects a \$1,440,115 increase over the June 30, 2013 balance of \$22,079,559. This increase is due to renovations and improvements completed in fiscal year 2014 offset by the current years depreciation expense.

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 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 2014, 2013, and 2012.

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

Capital Assets, Net
Years Ended June 30, 2014 and June 30, 2013

	2014	2013	Increase/ (Decrease)	%
Land & Land Improvements	\$ 12,247,331	\$ 12,247,331	\$ -	0.0%
Buildings & Improvements	22,901,534	20,427,110	2,474,424	12.1%
Equipment	1,877,127	1,837,968	39,159	2.1%
Construction in Progress	208,257	468,460	(260,203)	-55.5%
	<u>37,234,249</u>	<u>34,980,869</u>	<u>2,253,380</u>	6.4%
Less: Accumulated depreciation	(13,714,575)	(12,901,310)	(813,265)	6.3%
Total capital assets	<u>\$ 23,519,674</u>	<u>\$ 22,079,559</u>	<u>\$ 1,440,115</u>	6.5%

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

	2013	2012	Increase/ (Decrease)	%
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>	1.4%
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>	-1.6%

Major projects and equipment purchased in fiscal year 2014 were:

- Completed the construction phase to replace a 50 year old public launch ramp. This project has been in the works for five years. The new ramp opened to the public in June 2014.
- Repair and resurface approximately three quarters of the fish offloading pier located in the Ventura Harbor Village. This fish pier is used by commercial fisherman for the offloading of wet fish, fin fish, and crustaceans such as lobster and crab.
- Renovated an elevator located in the Ventura Harbor Village. The five elevators located in the buildings in Ventura Harbor Village are being renovated one each year.
- Purchase of two maintenance vehicles

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

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 was being funded with a \$3 million grant from the Division of Boating & Waterways (DBW). The construction phase of this project began 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 of two maintenance vehicles
- Purchased a trailer mounted electronic message board
- Replaced an aluminum gangway on C dock in the Ventura Harbor Village Marina

There were no significant capital commitments to report at June 30, 2014. Additional information on the District's capital assets can be found in Note 2(c) of the basic financial statements.

Debt Administration

The balance of the District's long term debt at June 30, 2014 is \$14,914,766. This is a decrease of \$588,152 over the June 30, 2013 balance of \$15,502,918. 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, 2013 is \$15,502,918. This is a decrease of \$560,340 over the June 30, 2012 balance of \$16,063,258. This decrease was due to principal payments on the outstanding debt. .

The following tables summarize the changes in the District's long-term debt obligations as of June 2014, 2013, and 2012:

	Summary of Long-term Debt June 30, 2014 and June 30, 2013			
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase/ (decrease)</u>	<u>%</u>
Refinance certificates of participation Series '08	\$ 8,090,000	\$ 8,505,000	\$ (415,000)	-4.9%
Refinance certificates of participation Series '09	2,015,300	2,113,900	(98,600)	-4.7%
Notes payable	<u>4,809,466</u>	<u>4,884,018</u>	<u>(74,552)</u>	-1.5%
Total long-term debt	<u>\$ 14,914,766</u>	<u>\$ 15,502,918</u>	<u>\$ (588,152)</u>	-3.8%

See independent auditors' report.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2014

Capital Assets and Debt Administration (Continued)

Debt Administration (Continued)

	Summary of Long-term Debt June 30, 2013 and June 30, 2012			
	<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%

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

Economic Outlook

The tourism and travel industry has improved, which has been beneficial to the Port District because of two hotels and Island Packers, who offer charters and island excursions to the public. We have seen some moderate improvements from restaurant tenants; however, retail continues to remain sluggish. Unfortunately, it is unlikely that the marina industry will improve in the short term, which will continue to adversely affect the Port District because of lower occupancy levels, which impact revenues.

Requests for Information

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

See independent auditors' report.

VENTURA PORT DISTRICT
STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	2014	2013
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,365,519	\$ 2,457,092
Restricted cash and cash equivalents	3,013,607	3,036,870
Investments	1,486,320	4,843,992
Accounts receivable, net	333,067	328,112
Due from other governments	1,952,463	68,820
Other receivables	57,708	58,354
Prepaid expenses	264,127	251,503
Inventories	32,119	26,432
TOTAL CURRENT ASSETS	11,504,930	11,071,175
NONCURRENT ASSETS:		
Capital assets not being depreciated	12,455,588	12,715,791
Capital assets being depreciated (net of accumulated depreciation)	11,064,086	9,363,768
TOTAL NONCURRENT ASSETS	23,519,674	22,079,559
TOTAL ASSETS	35,024,604	33,150,734
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts on refundings	241,353	258,592
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	157,574	119,750
Interest payable	386,620	399,280
Accrued liabilities	127,924	94,620
Unearned revenue	111,471	38,818
Security deposits	154,581	161,581
Current portion of compensated absences	176,620	166,458
Current portion of long-term debt obligations	616,306	588,151
TOTAL CURRENT LIABILITIES	1,731,096	1,568,658
NONCURRENT LIABILITIES:		
Compensated absences	73,136	55,486
Net OPEB obligation	347,987	278,555
Noncurrent portion of long-term debt obligations	14,298,461	14,914,767
TOTAL NONCURRENNT LIABILITIES	14,719,584	15,248,808
TOTAL LIABILITIES	16,450,680	16,817,466
NET POSITION:		
Net investment in capital assets	8,846,260	6,835,233
Restricted for dredging	3,013,607	3,006,229
Restricted for fisheries complex	-	30,641
Unrestricted	6,955,410	6,719,757
TOTAL NET POSITION	\$ 18,815,277	\$ 16,591,860

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Leases:		
General	\$ 4,535,315	\$ 4,543,835
Harbor Village slips	934,142	989,258
Fishing	299,757	206,296
Boat yard	307,025	280,019
Charter	344,207	298,453
Tenant reimbursements	370,450	401,284
Dry storage	89,472	96,993
Other	263,891	225,138
TOTAL OPERATING REVENUES	<u>7,144,259</u>	<u>7,041,276</u>
OPERATING EXPENSES:		
Administration	204,872	223,097
Salaries and benefits	3,427,450	3,195,985
Merchant promotion	266,897	225,457
Professional services	546,579	602,914
Depreciation	951,435	892,115
Repairs and maintenance	879,026	593,705
Harbor dredging	236,593	221,375
Utilities	348,035	321,940
Insurance	141,886	126,565
Other	208,839	183,690
TOTAL OPERATING EXPENSES	<u>7,211,612</u>	<u>6,586,843</u>
OPERATING INCOME (LOSS)	<u>(67,353)</u>	<u>454,433</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	978,498	944,974
Investment income (loss)	102,788	(45,961)
Intergovernmental grants	1,940,587	85,506
Loss on disposition of capital assets	(40,063)	(9,452)
Interest expense	(691,040)	(717,424)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,290,770</u>	<u>257,643</u>
CHANGES IN NET POSITION	2,223,417	712,076
NET POSITION - BEGINNING OF YEAR	<u>16,591,860</u>	<u>15,879,784</u>
NET POSITION - END OF YEAR	<u>\$ 18,815,277</u>	<u>\$ 16,591,860</u>

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

VENTURA PORT DISTRICT
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	\$ 6,948,066	\$ 6,692,121
Cash received from others	262,991	258,778
Cash paid to employees	(3,329,206)	(3,115,552)
Cash paid for goods and services	(2,751,910)	(2,562,255)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,129,941	1,273,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes received	975,443	958,251
Receipts from other governments	56,944	197,176
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,032,387	1,155,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of capital assets	-	5,462
Acquisition and construction of capital assets	(2,431,613)	(545,149)
Payments on long-term debt	(588,151)	(560,340)
Interest payments on related debt	(722,461)	(712,235)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,742,225)	(1,812,262)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	49,420	67,894
Purchase and sale of investments (net)	3,415,641	69,022
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,465,061	136,916
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,885,164	753,173
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,493,962	4,740,789
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,379,126	\$ 5,493,962
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 4,365,519	\$ 2,457,092
Restricted cash and cash equivalents	3,013,607	3,036,870
	\$ 7,379,126	\$ 5,493,962

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (67,353)</u>	<u>\$ 454,433</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	951,435	892,115
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(4,955)	(107,296)
Other receivables	(900)	33,640
Prepaid expenses	(12,624)	(70,731)
Inventories	(5,687)	(2,943)
Increase (decrease) in liabilities:		
Accounts payable	37,824	(40,147)
Accrued liabilities	69,304	61,019
Unearned revenue	72,653	(16,721)
Security deposits	(7,000)	(745)
Compensated absences	27,812	231
Net OPEB obligation	<u>69,432</u>	<u>70,237</u>
Total adjustments	<u>1,197,294</u>	<u>818,659</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,129,941</u></u>	<u><u>\$ 1,273,092</u></u>
NONCASH CAPITAL AND FINANCING ACTIVITIES:		
Amortization on deferred amount on bond refunding	<u><u>\$ 17,239</u></u>	<u><u>\$ 17,239</u></u>
Retirement of capital assets	<u><u>\$ 40,063</u></u>	<u><u>\$ 9,452</u></u>
NONCASH INVESTING ACTIVITIES:		
Unrealized (gain)/loss on investments	<u><u>\$ (79,604)</u></u>	<u><u>\$ 106,694</u></u>

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

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

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, 2014 and 2013

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 accordance 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, 2014 and 2013

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:

Current Year Standards:

GASB 66, "*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*", required to be implemented in the current fiscal year did not impact the District.

GASB 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*", required to be implemented in the current fiscal year did not impact the District.

Pending Accounting Standards:

GASB has issued the following statement which may impact the District's financial reporting requirement in the future.

- 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 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", effective for periods beginning after June 15, 2014.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 future periods 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 future periods 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.

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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Accounts Receivable

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

Inventories

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

Capital Assets

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

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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, 2014 and 2013, the Restricted Assets are \$3,013,607 and \$3,036,870, respectively, of which, \$3,013,607 and \$3,006,229, 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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,365,519	\$ 2,457,092
Restricted cash and cash equivalents	3,013,607	3,036,870
Investments	<u>1,486,320</u>	<u>4,843,992</u>
Total cash and investments	<u>\$ 8,865,446</u>	<u>\$ 10,337,954</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

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

	<u>2014</u>	<u>2013</u>
Demand accounts (bank balance)	\$ 197,799	\$ 390,338
Add deposits in transit	93,562	-
Less outstanding checks	<u>(84,609)</u>	<u>(89,413)</u>
Book balance	206,752	300,925
Petty cash	<u>1,261</u>	<u>2,733</u>
 Total deposits and petty cash	 <u>208,013</u>	 <u>303,658</u>
 Investments:		
State of California Local Agency Investment Fund	7,154,645	5,174,022
U.S. Government Sponsored Agency Securities	1,486,320	4,843,992
Ventura County Treasury Pool	<u>16,468</u>	<u>16,282</u>
 Total investments	 <u>8,657,433</u>	 <u>10,034,296</u>
 Total cash and investments	 <u>\$ 8,865,446</u>	 <u>\$ 10,337,954</u>

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.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

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

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

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

Disclosures Relating to Interest Rate Risk (Continued)

District's investments by maturity:

June 30, 2014

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
LAIF	\$ 7,154,645	\$ -	\$ -	\$ 7,154,645
United States Government Sponsored Agency Securities (1)	-	-	1,486,320	1,486,320
Ventura County Treasury Pool	16,468	-	-	16,468
	<u>\$ 7,171,113</u>	<u>\$ -</u>	<u>\$ 1,486,320</u>	<u>\$ 8,657,433</u>

(1) All securities have call features by the issuer that are available at June 30, 2014.

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 (2)	-	-	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>

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

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, 2014 and 2013. The Ventura County Treasury Pool had an actual Standard and Poors rating of AAAf, at June 30, 2014 and 2013.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

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>2014</u>	<u>2013</u>
Federal National Mortgage Association securities	\$ 1,486,320	\$ 4,843,992

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.

The District's deposits with financial institutions exceeded the federal depository insurance limits by \$0 and \$49,947 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, the District does not have any investments that are exposed to custodial credit risk.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

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, 2014 accounts receivable net, consists primarily of lease receivables of \$351,946 with an allowance for uncollectible accounts of \$18,879. 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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

C. Capital Assets:

A summary of changes in the capital assets for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 2,342,629	\$ -	\$ -	\$ 2,342,629
Land improvements	9,904,702	-	-	9,904,702
Construction in progress	<u>468,460</u>	<u>15,257</u>	<u>(275,460)</u>	<u>208,257</u>
 Total capital assets, not being depreciated	 <u>12,715,791</u>	 <u>15,257</u>	 <u>(275,460)</u>	 <u>12,455,588</u>
Capital assets, being depreciated:				
Buildings and structures	14,044,907	2,652,653	(178,231)	16,519,329
Equipment	1,837,968	39,160	-	1,877,128
Harbor improvements	4,637,166	-	-	4,637,166
Leasehold improvements	<u>1,745,037</u>	<u>-</u>	<u>-</u>	<u>1,745,037</u>
 Total capital assets, being depreciated	 22,265,078	 2,691,813	 (178,231)	 24,778,660
Less accumulated depreciation	<u>(12,901,310)</u>	<u>(951,435)</u>	<u>138,171</u>	<u>(13,714,574)</u>
 Total capital assets, being depreciated, net	 <u>9,363,768</u>	 <u>1,740,378</u>	 <u>(40,060)</u>	 <u>11,064,086</u>
 Total capital assets, net	 <u>\$ 22,079,559</u>	 <u>\$ 1,755,635</u>	 <u>\$ (315,520)</u>	 <u>\$ 23,519,674</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

2. DETAILED NOTES (CONTINUED):

C. Capital Assets (Continued):

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>

Depreciation expense was \$951,435 and \$892,115 for the years ended June 30, 2014 and 2013, respectively.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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 \$111,471 and \$38,818 for the years ended June 30, 2014 and 2013, respectively.

E. Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
2008 Refunding certificates of participation	\$ 8,505,000	\$ -	\$ (415,000)	\$ 8,090,000	\$ 435,000
2009 Refunding certificates of participation	2,113,900	-	(98,600)	2,015,300	103,400
Notes payable	4,884,018	-	(74,551)	4,809,467	77,906
Net OPEB obligation (Note 3D)	278,555	69,432	-	347,987	-
Compensated absences	<u>221,944</u>	<u>27,812</u>	<u>-</u>	<u>249,756</u>	<u>176,620</u>
Total	<u>\$ 16,003,417</u>	<u>\$ 97,244</u>	<u>\$ (588,151)</u>	<u>\$ 15,512,510</u>	<u>\$ 792,926</u>

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>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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 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>
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	510,000	265,357	775,357
2020 - 2024	2,915,000	958,541	3,873,541
2025 - 2028	<u>2,820,000</u>	<u>256,497</u>	<u>3,076,497</u>
Totals	<u>\$ 8,090,000</u>	<u>\$ 2,754,574</u>	<u>\$ 10,844,574</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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.

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

Year Ending June 30,	Principal	Interest	Total
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	125,300	72,362	197,662
2020 - 2024	725,300	263,071	988,371
2025 - 2028	<u>719,600</u>	<u>71,146</u>	<u>790,746</u>
Totals	<u>\$ 2,015,300</u>	<u>\$ 752,066</u>	<u>\$ 2,767,366</u>

Debt Service Coverage on Certificates of Participation

The 2008 and 2009 Certificates are secured by the District's pledge of all Net Revenues. Net Revenue is defined as all operating and nonoperating revenue except for grant revenue less all operating and nonoperating expenses excluding depreciation and interest. A comparison of pledged Net Revenues to current year debt service is as follows:

	<u>2014</u>	<u>2013</u>
Net Revenues	\$ 1,925,305	\$ 2,236,109
Debt Services – Current Year	981,405	980,280

The District exceeds the debt service coverage requirements for the 2008 and 2009 Certificates.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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, 2014 and 2013, the principal balance of the first note is \$3,572,796 and \$3,614,748, respectively, and is payable annually on August 1 each year at 4.50% interest over 50 years. As of June 30, 2014 and 2013, the principal balance of the second note is \$1,236,671 and \$1,269,270, 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, 2014:

Year Ending June 30,	Principal	Interest	Total
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	52,280	152,336	204,616
2020 - 2024	298,881	724,199	1,023,080
2025 - 2029	372,460	650,620	1,023,080
2030 - 2034	464,153	558,927	1,023,080
2035 - 2039	578,419	444,661	1,023,080
2040 - 2044	720,815	302,265	1,023,080
2045 - 2049	898,231	124,815	1,023,046
Totals	<u>\$ 3,572,796</u>	<u>\$ 3,588,730</u>	<u>\$ 7,161,526</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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, 2014:

Year Ending June 30,	Principal	Interest	Total
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	40,624	49,092	89,716
2020 - 2024	232,243	216,337	448,580
2025 - 2029	289,418	159,162	448,580
2030 - 2034	360,667	87,913	448,580
2035 - 2036	167,978	11,422	179,400
Totals	<u>\$ 1,236,671</u>	<u>\$ 737,049</u>	<u>\$ 1,973,720</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
2015	\$ 3,111,825
2016	2,636,593
2017	2,281,263
2018	2,193,594
2019	2,156,083
	<u>\$ 12,379,358</u>

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

3. OTHER INFORMATION (CONTINUED):

A. Operating Leases (Continued):

The net carrying value of related assets under the leases are \$5,006,113 and \$5,104,226 for the years ended June 30, 2014 and 2013, respectively.

Rental income of \$6,880,368 and \$6,816,138 for the years ended June 30, 2014 and 2013 includes contingent rental income of \$1,938,451 and \$1,880,049, 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, general ledger cash account for dredging related expenses. As of June 30, 2014 and 2013, this account had a balance of \$3,013,607 and \$3,006,229, respectively.

C. Pension Plans:

Plan Descriptions

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 and Safety 2% at 62 Risk Pools were created by California Employees' Pension Reform Act (PEPRA) as of January 1, 2013 and were open to all new employees who do not qualify for the Miscellaneous 2% at 55 and Safety 2% at 55 Risk Pools. 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, 2014 and 2013

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, 2014 the rate was 17.230% (for miscellaneous employees) and 12.388% (for safety employees), and for the year ended June 30, 2013 the rate was 16.887% (for miscellaneous employees) and 12.516% (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, 2014 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:

June 30,	Miscellaneous 2% at 55	Miscellaneous 2% at 62	Safety 2% at 55
2014	\$ 240,891	\$ 3,693	\$ 76,514
2013	\$ 237,042	\$ 906	\$ 65,099
2012	\$ 238,458	\$ -	\$ 67,316

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, 2014 and 2013

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 \$119 per month for each retiree participating in the PEMCHA plan. For fiscal year 2013-14, the District paid \$8,424 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, 2014, 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)	\$ 77,047
Interest on net OPEB obligation	13,928
Adjustment to ARC	<u>(13,119)</u>
Annual OPEB cost (expense)	77,856
Actual contributions made (pay-as-you-go)	<u>(8,424)</u>
Increase in net OPEB obligation	69,432
Net OPEB Obligation - July 1, 2013	<u>278,555</u>
Net OPEB Obligation - June 30, 2014	<u><u>\$ 347,987</u></u>

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 77,047	10.9%	\$ 347,987
6/30/13	77,047	8.8%	278,555
6/30/12	74,506	8.0%	208,318

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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)	\$	2,188,011
UAAL as a percentage of covered payroll		28.77%

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 2014 and disclose the funded status of the plan.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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, 2014, was twenty-nine years.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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, 2014 and 2013 were \$146,949 and \$131,826, 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 119 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, 2014 and 2013

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 \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million to \$50 million are paid under 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 \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance, subject to the same annual aggregate deductibles previously stated, and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate limit.

See independent auditors' report.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014 and 2013

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 \$19,099,134. 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, 2014 and 2013

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 2013-14.

G. Commitments:

The District is developing a strategy (short/long term) that will improve the accessibility of the Ventura Harbor Village for all tenants and customers. The District has budgeted \$250,000 in the financial year 2014-2015 for such improvements.

4. SUBSEQUENT EVENTS:

Events occurring after June 30, 2014 have been evaluated for possible adjustments to the financial statements or disclosure as of January 7, 2015, which is the date these financial statements were available to be issued.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

VENTURA PORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the years ended June 30, 2014 and 2013

**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%	\$ 2,188,011	28.77%

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, 2014, 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 7, 2015.

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 Dick Evans LLP

Irvine, California
January 7, 2015