

VENTURA PORT DISTRICT

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2015

VENTURA PORT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Ventura Port District (the District), which comprise the statements of net position as of June 30, 2015 and the related statements of revenues, expenses and changes in net position and cash flows for the year 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2015 and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Emphasis of Matter

As discussed in Notes 1D and 4 to the financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68.*" The adoption of these standards required retrospective application resulting in a \$2,934,153 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, and the schedule of funding progress - other postemployment healthcare benefits, identified as Required Supplementary Information (RSI) 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 RSI 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 RSI 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 19, 2016, 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 19, 2016

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

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, 2015. 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, 2015 and 2014. 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. The harbor is home to many diverse businesses 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 Islands 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.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

June 30, 2015

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, 2015 increased 0.8% to \$16,000,325 over the June 30, 2014 restated net position.
- Total revenues decreased 18.6% to \$8,279,976 during the fiscal year.
- Total expenses increased 2.7% to \$8,160,775 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. Comparative financial statements have not been presented for the year ended June 30, 2015 due to the implementation of Government Accounting Standards Board (GASB) Statement Nos. 68 and 71 which required a prior year adjustment to the fiscal year 2014 net position. The financial statements consist of the following:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement 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 District's 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 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 presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recognized on the accrual basis.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Statement of Net Position

The following condensed financial information provides an overview of the District's financial position as of June 30, 2015 and 2014.

**Summary of Net Position
June 30, 2015 and June 30, 2014**

	<u>2015</u>	<u>2014 *</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Assets:				
Current assets	\$ 9,080,956	\$ 8,491,323	\$ 589,633	6.9%
Restricted assets	3,025,024	3,013,607	11,417	0.4%
Capital assets, net	<u>22,401,525</u>	<u>23,519,674</u>	<u>(1,118,149)</u>	-4.8%
Total assets	<u>34,507,505</u>	<u>35,024,604</u>	<u>(517,099)</u>	-1.5%
Deferred outflows of resources	550,294	241,353	308,941	128.0%
Total assets and deferred outflows	<u>35,057,799</u>	<u>35,265,957</u>	<u>(208,158)</u>	-0.6%
Liabilities:				
Current & other liabilities	4,736,971	2,152,219	2,584,752	120.1%
Long-term debt obligations	<u>13,658,548</u>	<u>14,298,461</u>	<u>(639,913)</u>	-4.5%
Total liabilities	<u>18,395,519</u>	<u>16,450,680</u>	<u>1,944,839</u>	11.8%
Deferred inflows of resources	661,955	-	661,955	100.0%
Total liabilities and deferred inflows	<u>19,057,474</u>	<u>16,450,680</u>	<u>2,606,794</u>	15.8%
Net Position:				
Invested in capital assets, net of related debt	8,327,179	8,846,260	(519,081)	-5.9%
Restricted assets	3,025,024	3,013,607	11,417	0.4%
Unrestricted assets	<u>4,648,122</u>	<u>6,955,410</u>	<u>(2,307,288)</u>	-33.2%
Total net position	<u>\$ 16,000,325</u>	<u>\$ 18,815,277</u>	<u>\$ (2,814,952)</u>	-15.0%

* Not adjusted for implementation of GASB Statements No. 68 and No. 71

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Statement of Net Position (Continued)

The District's net position at June 30, 2015 is \$16,000,325. This is an increase of \$119,201 over the June 30, 2014 restated net position of \$15,881,124.

The June 30, 2014 net position was restated to \$15,881,124 due to the implementation of GASB's Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB's Statement No. 71, "Pension Transition for contributions made subsequent to the measurement date, an Amendment of GASB Statement No. 68", as discussed in more detail in Notes 1D and 4 to the financial statements. This implementation resulted in a \$2,934,153 reduction in the June 30, 2014 net position.

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

Current Assets increased \$589,633 for fiscal year 2015 due to normal operations for the year.

The capital assets in fiscal year 2015 decreased by \$1,118,149. This was the net effect of infrastructure renovations offset by asset retirements and the annual amortization of the depreciation expenses. The capital assets are discussed in more detail later in this report.

Deferred outflows of resources increased by \$308,941. This increase was the net effect of expensing the annual amortization on the deferred amounts on bond refunding and the implementation of GASB Statements Nos. 68 and 71 regarding reporting for pensions as discussed in more detail in Note 1E of the financial statements.

The current & other liabilities increased by \$2,584,752 in fiscal year 2015 to \$4,736,971. This is due primarily to the recording of pension liability as result of the implementing of GASB Statements Nos. 68 and 71 as noted above.

Long-term debt obligations decreased by \$639,913 in fiscal year 2015 to \$13,658,548. This is due to principal payments on the outstanding debt.

Deferred inflows of resources increased by \$661,955. This increase was also due to the implementation of GASB Statements Nos. 68 and 71 regarding reporting for pensions as discussed in more detail in Note 1E.

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 as reduced by the related debt service. The District uses these assets to provide facilities and services to the public.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Statement of Net Position (Continued)

The capital assets, net of related debt, decreased by \$519,081. This decrease is the net effect of the decrease in capital assets as explained previously (the net effect of infrastructure renovations offset by asset retirements and the annual amortization of the depreciation expenses) being reduced by the annual principal payment on the related debt which in-turn reduced the amount of debt being netted against the capital assets.

Restricted assets are subject to external restrictions on how they may be used. As of June 30, 2015, there is \$3,000,000 restricted for dredging activity as required by the Ellison Judgment and a balance of \$25,024 in the restricted fisheries improvement reserve.

The restricted assets increased \$11,417 primarily due to an increase in the fisheries improvement reserve. During fiscal year 2015, a lease was negotiated which required the tenant to begin paying into a fisheries improvement reserve fund up to a maximum of \$100,000 during the term of the lease. These funds are restricted by the terms of the lease to be used for repairs and upkeep to the fish offloading complex areas, including the fish pier.

Unrestricted assets may be used to meet the District's on-going obligations.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Statements of Revenues, Expenses and Changes in Net Position

The following tables summarize the District's operations for fiscal years 2015 and 2014:

**Summary of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and June 30, 2014**

	<u>2015</u>	<u>2014 *</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Revenues:				
Operating revenues	\$ 7,142,043	\$ 7,144,259	\$ (2,216)	0.0%
Non-operating revenues	1,137,933	3,021,873	(1,883,940)	-62.3%
Total Revenues	<u>8,279,976</u>	<u>10,166,132</u>	<u>(1,886,156)</u>	-18.6%
Expenses:				
Operating expenses				
before depreciation	6,326,968	6,260,177	66,791	1.1%
Depreciation	986,294	951,435	34,859	3.7%
Non-operating expenses	847,513	731,103	116,410	15.9%
Total Expenses	<u>8,160,775</u>	<u>7,942,715</u>	<u>218,060</u>	2.7%
Change in Net Position	<u>119,201</u>	<u>2,223,417</u>	<u>(2,104,216)</u>	-94.6%
Net Position, Beginning of Year	18,815,277	16,591,860	2,223,417	13.4%
Prior period adjustment	<u>(2,934,153)</u>	-	<u>(2,934,153)</u>	0.0%
Net Position, Beginning of Year, as Restated	<u>15,881,124</u>	<u>16,591,860</u>	<u>(710,736)</u>	-4.3%
Net Position, End of Year	<u>\$ 16,000,325</u>	<u>\$ 18,815,277</u>	<u>\$ (2,814,952)</u>	-15.0%

* Not adjusted for implementation of GASB Statements No. 68 and No. 71

Revenues

Total revenues decreased 18.6% in fiscal year 2015 to \$8,279,976. This represents a \$1,886,156 decrease from fiscal year 2014 revenue of \$10,166,132. This change occurred primarily in the non-operating category due to the receipt of \$1.9 million in grant funds in 2014 for the renovation of the harbor launch ramp facilities that was not repeated in 2015. The construction that qualified for grant reimbursement was completed in 2014. The grant income received in fiscal year 2015 was approximately \$45,000. The operating revenue category reflects virtually no change from one year to the other. The lease revenues did increase \$61,000 over 2014 however that increase was offset by a decrease of \$63,000 in fisheries income. The fisheries income was down due to a non-productive squid season during fiscal year 2015.

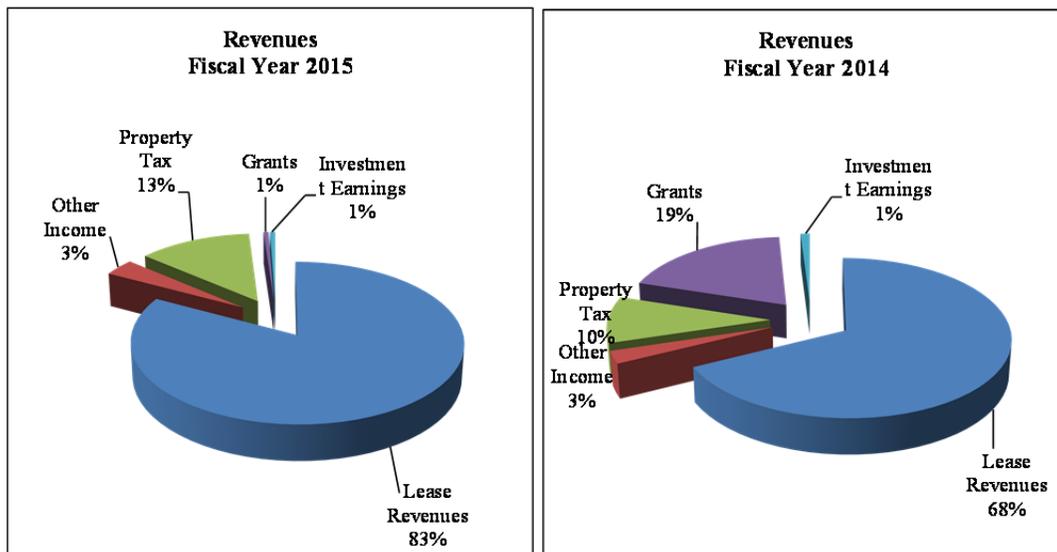
VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

June 30, 2015

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 the 2015 chart below it appears as if the lease revenues increased as the percentage increased to 83%. In actuality, the amount of grant revenues decreased from 19% (\$1.9 million) in 2014 to 1% (\$46,000) in 2015. This reduction in grant revenues shifts the percentage allocation so that it appears the lease revenues increased even though they were about the same as the previous year.



Expenses

The expenses for fiscal year 2015 increased by \$218,060 to \$8,160,775. This represents a 2.7% increase over the fiscal year 2014 expenses of \$7,942,715. The increase is primarily attributed to several main factors:

- Increase of \$110,000 in workers compensation insurance due to historical and new claims.
- Increase of \$130,000 in general liability insurance due to new claims.
- Decrease of \$49,000 in part-time wages due to reduced shift coverage in 2015.
- Decrease of \$64,000 in repairs and maintenance. In 2014, \$50,000 was spent to trim palm trees in the harbor that will not be necessary again for approximately five years. Therefore in 2015 it was not necessary to spend those funds.
- Decrease of \$30,000 in administrative expenses primarily due to reduced budget spending.
- Increase of \$116,000 in non-operating expenses due to a \$144,000 increase in net loss on the disposal of assets offset by the decrease of \$28,000 in interest expense as debt is reduced annually.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Notes to the Basic Financial Statements

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

Supplementary Information

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

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation totaled \$22,401,525 on June 30, 2015. This is \$1,118,149 less than the June 30, 2014 balance of \$23,519,674. This decrease is due to the net effect of new infrastructure improvements and equipment purchases offset by asset dispositions and the current year's 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 2015 and 2014.

**Capital Assets, Net
Years Ended June 30, 2015 and June 30, 2014**

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Land & Land Improvements	\$ 12,247,331	\$ 12,247,331	\$ -	0.0%
Buildings & Improvements	23,022,816	22,901,534	121,282	0.5%
Equipment	1,414,168	1,877,127	(462,959)	-24.7%
Construction in Progress	76,540	208,257	(131,717)	-63.2%
	<u>36,760,855</u>	<u>37,234,249</u>	<u>(473,394)</u>	-1.3%
Less: Accumulated depreciation	<u>(14,359,330)</u>	<u>(13,714,575)</u>	<u>(644,755)</u>	4.7%
Total capital assets	<u>\$ 22,401,525</u>	<u>\$ 23,519,674</u>	<u>\$ (1,118,149)</u>	-4.8%

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Capital Assets (Continued)

Major projects and equipment purchased in fiscal year 2015 were:

- Renovated parking access and parking lot lighting for the launch ramp facility. The launch ramp itself was replaced in 2014.
- Installed infrastructure for access to fiber optics for Ventura Harbor Village tenants.
- Began roof renovations for aged Ventura Harbor Village buildings. This project will span over several years to minimize disruption to tenant businesses.
- Upgraded sound system for the public board meeting room.

Major dispositions in fiscal year 2015 were:

- Equipment-sale of a 150 ton Marine Travelift to the Ventura Harbor Boatyard.
- Infrastructure architectural design plans that will not be completed due to financial constraints.

There were no significant capital commitments to report at June 30, 2015. Additional information on the District's capital assets can be found in Note 2(c) of the basic financial statements.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Debt Administration

The District's long-term debt balance at June 30, 2015 is \$14,298,460. This is a decrease of \$616,307 over the June 30, 2014 balance of \$14,914,767. The decrease is due to the paying down of principal on the outstanding debt.

The following tables summarize the changes in the District's long-term debt obligations as of June 2015 and 2014:

	Summary of Long-term Debt June 30, 2015 and June 30, 2014			
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase/ (decrease)</u>	<u>%</u>
Refinance certificates of participation Series '08	\$ 7,655,000	\$ 8,090,000	\$ (435,000)	-5.4%
Refinance certificates of participation Series '09	1,911,900	2,015,300	(103,400)	-5.1%
Notes payable	<u>4,731,560</u>	<u>4,809,467</u>	<u>(77,907)</u>	-1.6%
Total long-term debt	<u>\$ 14,298,460</u>	<u>\$ 14,914,767</u>	<u>\$ (616,307)</u>	-4.1%

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

Economic Outlook

The District was involved in a claim related to the American Disabilities Act. This claim involved accessibility improvements at the Ventura Harbor Village which is under control of the District. A remediation plan has been approved by the Plaintiff's counsel and the claim was settled for \$45,000 (including damages and attorney's fees). The District is in the process of developing a transition plan that will describe the process by which the facilities were evaluated and prioritized for accessibility improvements throughout the harbor. These improvements will be made within the next five years at a cost of approximately \$2 million.

The District is in the process of resetting the interest rate for the 2008 and 2009 Certificates of Participation (COPs). This process will be completed by 2/28/16 and the net savings at the lower interest rate will be approximately \$675,000. This will improve the District's fiscal position but there may be out-of-pocket expenses of \$135,000 to complete the transaction. These expenses have been factored into the net savings. There are enough unrestricted reserves to pay this proposed out-of-pocket expense.

VENTURA PORT DISTRICT

MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

June 30, 2015

Economic Outlook (Continued)

The District is also taking steps to refinance the \$4.8 million in loans with the Division of Boating & Waterways. The interest rate is currently 4.5% and the potential new rate could be as low as 3.5%. The net savings by reducing the term of the loans and the interest rate is approximately \$484,000. We anticipate this refinancing to reach a successful conclusion by 5/31/2016.

The operating revenues are currently flat; however, we anticipate the developer Sondermann Ring Partners (SRP) to exercise its option and execute a 50 year ground lease before 6/30/16. This will generate a new source of revenue to the District in the amount of \$300,000 per year. SRP is currently applying for a grading permit, must present information to the District about its prospective lender and upon District approval will begin construction. The construction will take 36 months; however, the project will over time increase the District's rental revenue to approximately \$1.2 million per year upon completion and stabilization of the project. This project will spur economic development throughout the harbor as a result of the 300 apartment units, 23,000 sq. ft. of commercial space and 140 slip recreational Marina associated with the project.

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.

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VENTURA PORT DISTRICT
STATEMENT OF NET POSITION

June 30, 2015

ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 6,416,391
Restricted cash and cash equivalents	3,025,024
Investments	1,493,490
Accounts receivable, net	338,147
Due from other governments	352,164
Other receivables	91,202
Prepaid expenses	354,316
Inventories	35,246
TOTAL CURRENT ASSETS	<u>12,105,980</u>
NONCURRENT ASSETS:	
Capital assets not being depreciated	12,323,871
Capital assets being depreciated (net of accumulated depreciation)	10,077,654
TOTAL NONCURRENT ASSETS	<u>22,401,525</u>
TOTAL ASSETS	<u>34,507,505</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts on refundings	224,114
Deferred amounts from pension plans	326,180
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>550,294</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	154,694
Interest payable	373,390
Accrued liabilities	45,238
Unearned revenue	140,777
Security deposits	163,764
Current portion of compensated absences	155,998
Current portion of long-term debt obligations	639,912
TOTAL CURRENT LIABILITIES	<u>1,673,773</u>
NONCURRENT LIABILITIES:	
Compensated absences	74,668
Net OPEB obligation	410,510
Net pension liability	2,578,020
Noncurrent portion of long-term debt obligations	13,658,548
TOTAL NONCURRENT LIABILITIES	<u>16,721,746</u>
TOTAL LIABILITIES	<u>18,395,519</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension plans	<u>661,955</u>
NET POSITION:	
Net investment in capital assets	8,327,179
Restricted for dredging	3,000,000
Restricted for fisheries complex	25,024
Unrestricted	4,648,122
TOTAL NET POSITION	<u>\$ 16,000,325</u>

See accompanying notes to basic financial statements.

VENTURA PORT DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the year ended June 30, 2015

OPERATING REVENUES:

Leases:	
General	\$ 4,622,034
Harbor Village slips	888,259
Fishing	236,383
Boat yard	306,186
Charter	358,826
Tenant reimbursements	359,506
Dry storage	83,787
Other	287,062
TOTAL OPERATING REVENUES	<u>7,142,043</u>

OPERATING EXPENSES:

Administration	174,971
Salaries and benefits	3,463,871
Merchant promotion	262,666
Professional services	550,134
Depreciation	986,294
Repairs and maintenance	814,825
Harbor dredging	220,721
Utilities	343,957
Insurance	273,447
Other	222,376
TOTAL OPERATING EXPENSES	<u>7,313,262</u>

OPERATING LOSS	<u>(171,219)</u>
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NONOPERATING REVENUES (EXPENSES):

Taxes	1,042,761
Investment income	49,345
Intergovernmental grants	45,827
Loss on disposition of capital assets	(184,074)
Interest expense	(663,439)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>290,420</u>

CHANGES IN NET POSITION	119,201
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NET POSITION - BEGINNING OF YEAR , AS RESTATED	<u>15,881,124</u>
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NET POSITION - END OF YEAR	<u><u>\$ 16,000,325</u></u>
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See accompanying notes to basic financial statements.

VENTURA PORT DISTRICT
STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 6,879,208
Cash received from others	265,372
Cash paid to employees	(3,425,824)
Cash paid for goods and services	<u>(3,083,769)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>634,987</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Taxes received	1,040,712
Receipts from other governments	<u>1,646,126</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,686,838</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from the sale of capital assets	150,000
Acquisition and construction of capital assets	(202,219)
Payments on long-term debt	(616,306)
Interest payments on related debt	<u>(623,430)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,291,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>32,419</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>32,419</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,062,289
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,379,126</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 9,441,415</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 6,416,391
Restricted cash and cash equivalents	<u>3,025,024</u>
	<u><u>\$ 9,441,415</u></u>

See accompanying notes to basic financial statements.

(Continued)

VENTURA PORT DISTRICT

STATEMENT OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	<u>\$ (171,219)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	986,294
Amortization of deferred amounts from pension plans	(166,345)
Changes in operating assets and liabilities:	
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(5,080)
Other receivables	(21,689)
Prepaid expenses	(90,189)
Inventories	(3,127)
Deferred amounts from pension plans	(34,495)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(2,881)
Accrued liabilities	(118,686)
Unearned revenue	29,306
Security deposits	9,183
Compensated absences	(19,090)
Net OPEB obligation	62,523
Net pension liability	(677,231)
Deferred amounts from pension plans	<u>857,713</u>
Total adjustments	<u>806,206</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 634,987</u></u>

NONCASH CAPITAL AND FINANCING ACTIVITIES:

Amortization on deferred amount on debt refunding	<u><u>\$ 17,239</u></u>
Retirement of capital assets	<u><u>\$ 196,988</u></u>

NONCASH INVESTING ACTIVITIES:

Unrealized loss on investments	<u><u>\$ 7,170</u></u>
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See accompanying notes to basic financial statements.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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. Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows) report information on all of the activities of the District.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

In fiscal year 2014-2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$2,934,153.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the District.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards

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

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

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 that time. The District has two items that qualify for reporting in this category. The first item is a deferred outflow related to amounts on refunding which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This item is deferred and amortized over the life of the refunding debt. The second item is a deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Deferred Outflows/Inflows of Resources (Continued):

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 has two items that qualify for reporting in this category. The first item is a deferred inflow related to pensions for the change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years. The second item is a deferred inflow related to pensions resulting from the net differences between projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

F. Assets, Liabilities and Net Position:

Cash and Cash Equivalents

For the purposes of the Statement 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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Compensated Absences

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

Net Position

In the Statement 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, 2015, the Restricted Assets are \$3,046,003 of which, \$3,020,979, is restricted for dredging of the harbor by a court judgment against the District in 1979.
- Unrestricted - This category represents assets of the District not restricted for any project or other purpose.

G. Operating Leases:

The District leases parcels of land within the harbor. The lessees develop the parcels and pay rent to the District. The leases are primarily for a period of 3 - 50 years.

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

The rent paid to the District by each lessee is the greater of the established minimum annual rent for each parcel or rent computed as a percentage of the lessee's gross revenues. The level of income received by the District is dependent upon the success of the businesses operating in the Ventura Harbor.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DETAILED NOTES:

A. Cash and Investments:

Cash and Investments

Cash and investments as of June 30, 2015 are reported in the Statements of Net Position as follows:

Cash and cash equivalents	\$ 6,416,391
Restricted cash and cash equivalents	3,025,024
Investments	<u>1,493,490</u>
 Total cash and investments	 <u>\$ 10,934,905</u>

Cash and investments as of June 30, 2015 consisted of the following:

Demand accounts (bank balance)	\$ 222,196
Less outstanding checks	<u>(54,640)</u>
Book balance	167,556
Petty cash	<u>1,324</u>
Total deposits and petty cash	<u>168,880</u>

Investments:

State of California Local Agency Investment Fund	9,255,926
U.S. Government Sponsored Agency Securities	1,493,490
Ventura County Treasury Pool	<u>16,609</u>
Total investments	<u>10,766,025</u>

Total cash and investments	<u>\$ 10,934,905</u>
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VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

Restricted Cash and Cash Equivalents

A portion of cash and cash equivalents as of June 30, 2015 are considered to be restricted for the following purposes.

Dredging pursuant to settlement agreement	\$	3,020,979
Facility maintenance pursuant to lease agreement		25,024
Total		<u>\$ 3,046,003</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.

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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

Disclosures Relating to Interest Rate Risk

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

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

The District's investments by maturity at June 30, 2015 are as follows:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
LAIF	\$ 9,255,926	\$ -	\$ -	\$ 9,255,926
United States Government Sponsored				
Agency Securities (1)	-	-	1,493,490	1,493,490
Ventura County Treasury Pool	16,609	-	-	16,609
	<u>\$ 9,272,535</u>	<u>\$ -</u>	<u>\$ 1,493,490</u>	<u>\$ 10,766,025</u>

(1) All securities have call features by the issuer that are available at June 30, 2015.

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 ratings, by Standard and Poors, of AA+ at June 30, 2015. The Ventura County Treasury Pool had a Standard and Poors rating of AAaf, at June 30, 2015.

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:

Federal National Mortgage Association securities	\$ 1,493,490	13.87%
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VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. DETAILED NOTES (CONTINUED):

A. Cash and Investments (Continued):

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.

As of June 30, 2015, all of the District's deposits with financial institutions were covered by federal depository insurance limits.

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, 2015, the District does not have any investments that are exposed to custodial credit risk.

Investment in State Investment Pool

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

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. DETAILED NOTES (CONTINUED):

B. Accounts Receivable, Net:

As of June 30, 2015 accounts receivable net, consists primarily of lease receivables of \$357,026 with an allowance for uncollectible accounts of \$18,879.

C. Capital Assets:

A summary of changes in the capital assets for the year ended June 30, 2015 is as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</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>208,257</u>	<u>65,270</u>	<u>(196,987)</u>	<u>76,540</u>
Total capital assets, not being depreciated	<u>12,455,588</u>	<u>65,270</u>	<u>(196,987)</u>	<u>12,323,871</u>
Capital assets, being depreciated:				
Buildings and structures	16,519,329	121,284	-	16,640,613
Equipment	1,877,128	15,666	(478,626)	1,414,168
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	24,778,660	136,950	(478,626)	24,436,984
Less accumulated depreciation	<u>(13,714,574)</u>	<u>(986,294)</u>	<u>341,538</u>	<u>(14,359,330)</u>
Total capital assets, being depreciated, net	<u>11,064,086</u>	<u>(849,344)</u>	<u>(137,088)</u>	<u>10,077,654</u>
Total capital assets, net	<u>\$ 23,519,674</u>	<u>\$ (784,074)</u>	<u>\$ (334,075)</u>	<u>\$ 22,401,525</u>

Depreciation expense was \$986,294 for the year ended June 30, 2015.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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 \$140,777 for the year ended June 30, 2015.

E. Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2015</u>	Due Within <u>One Year</u>
2008 Refunding certificates of participation	\$ 8,090,000	\$ -	\$ (435,000)	\$ 7,655,000	\$ 450,000
2009 Refunding certificates of participation	2,015,300	-	(103,400)	1,911,900	108,500
Notes payable	4,809,467	-	(77,907)	4,731,560	81,412
Net OPEB obligation (Note 3D)	347,987	62,523	-	410,510	-
Compensated absences	<u>249,756</u>	<u>348,067</u>	<u>(367,157)</u>	<u>230,666</u>	<u>155,998</u>
Total	<u>\$ 15,512,510</u>	<u>\$ 410,590</u>	<u>\$ (983,464)</u>	<u>\$ 14,939,636</u>	<u>\$ 795,910</u>

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, 2015 at prices ranging from 101% to 100%.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	535,000	242,210	777,210
2021 - 2025	3,040,000	826,638	3,866,638
2026 - 2028	<u>2,160,000</u>	<u>146,190</u>	<u>2,306,190</u>
Totals	<u>\$ 7,655,000</u>	<u>\$ 2,405,822</u>	<u>\$ 10,060,822</u>

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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
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	131,500	66,199	197,699
2021 - 2025	761,000	227,400	988,400
2026 - 2028	<u>552,400</u>	<u>40,618</u>	<u>593,018</u>
Totals	<u>\$ 1,911,900</u>	<u>\$ 657,813</u>	<u>\$ 2,569,713</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 as of June 30, 2015 is as follows:

Net Revenues	\$	1,715,177
Debt Services - Current Year		981,405

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

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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, 2015 the principal balance of the first note is \$3,528,955 and is payable annually on August 1 each year at 4.50% interest over 50 years. As of June 30, 2015 the principal balance of the second note is \$1,202,605 and is 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, 2015:

Year Ending June 30,	Principal	Interest	Total
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	54,633	149,983	204,616
2021 - 2025	312,330	710,750	1,023,080
2026 - 2030	389,220	633,860	1,023,080
2031 - 2035	485,040	538,040	1,023,080
2036 - 2040	604,448	418,632	1,023,080
2041 - 2045	753,252	269,828	1,023,080
2046 - 2049	<u>734,035</u>	<u>84,393</u>	<u>818,428</u>
Totals	<u>\$ 3,528,955</u>	<u>\$ 3,427,953</u>	<u>\$ 6,956,908</u>

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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, 2015:

Year Ending June 30,	Principal	Interest	Total
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	42,452	47,264	89,716
2021 - 2025	242,694	205,886	448,580
2026 - 2030	302,441	146,139	448,580
2031 - 2035	376,897	71,683	448,580
2036	85,822	3,862	89,684
Totals	<u>\$ 1,202,605</u>	<u>\$ 681,399</u>	<u>\$ 1,884,004</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
2016	\$ 2,859,591
2017	2,500,738
2018	2,317,350
2019	2,131,697
2020	2,087,868
	<u>\$ 11,897,244</u>

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

A. Operating Leases (Continued):

The net carrying value of related assets under the leases is \$4,415,229 for the year ended June 30, 2015.

Rental income of \$6,842,373 for the year ended June 30, 2015 includes contingent rental income of \$1,906,187.

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, 2015 this account had a balance of \$3,000,000.

C. Pension Plans:

1). General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

1). General Information about the Pension Plans (Continued):

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date	2% @55	2% @62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	52
Retirement age	1.4% to 2.4%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	7.00%	6.25%
Required employee contribution rates	17.23%	6.25%
Required employer contribution rates		
	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date	2% @55	2% @57
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	52
Retirement age	1.4% to 2.4%	2.0% to 2.7%
Monthly benefits, as a % of eligible compensation	7.00%	9.50%
Required employee contribution rates	12.39%	9.50%
Required employer contribution rates		

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

1). General Information about the Pension Plans (Continued):

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 2,082,353
Safety	495,667
Total Net Pension Liability	<u>\$ 2,578,020</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	70.20%	75.72%
Proportion - June 30, 2014	77.27%	83.08%
Change - Increase (Decrease)	7.07%	7.36%

For the year ended June 30, 2015, the District recognized pension expense of \$305,823. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 326,180	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(8,009)
Net differences between projected and actual earnings on plan investments	-	(653,946)
Total	<u>\$ 326,180</u>	<u>\$ (661,955)</u>

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

\$326,180 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (166,345)
2017	(166,345)
2018	(165,774)
2019	(163,491)

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions

The June 30, 2013 and June 30, 2014 total pension liabilities were determined using the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in our methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

C. Pension Plans (Continued):

2). Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 3,297,685	\$ 888,085
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 2,085,353	\$ 495,667
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 1,073,743	\$ 172,331

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

3). Payable to the Pension Plans:

At June 30, 2015, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits:

Plan Description

Ventura Port District administers a multiple-employer defined benefit healthcare plan (the Plan). The Plan provides medical healthcare insurance for eligible retirees and their spouses through the California Public Employees' Retirement System (CalPERS) Health Benefits Program under the Public Employee' Medical and Hospital Care Act (PEMHCA). The benefit contribution has been long-standing and approved by the Board of Port Commissioners on June 23, 1999. No dental, vision, or life insurance benefits are provided. Currently there are 8 retired employees and 33 active employees participating in the Plan.

Funding Policy

There is no statutory requirement for the District to pre-fund its OPEB obligation. The District has currently chosen to pay plan benefits on a pay-as-you-go basis and does not maintain a trust fund for its other postemployment benefits. There are no employee contributions. The District's fixed dollar benefit contribution cannot be less than the PEMHCA minimum for PEMHCA actives and retirees. As of June 30, 2015 the District's pays \$122 per month for each retiree participating in the PEMCHA plan. For fiscal year 2014-15, the District paid \$9,286 directly to CalPERS for the District's health premium contributions under PEMHCA for retiree medical healthcare plan post employment benefits.

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2015, 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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Healthcare Benefits Plan:

Annual required contribution (ARC)	\$	77,047
Interest on net OPEB obligation		17,399
Adjustment to ARC		<u>(22,637)</u>
Annual OPEB cost (expense)		71,809
Actual contributions made (pay-as-you-go)		<u>(9,286)</u>
Increase in net OPEB obligation		62,523
Net OPEB Obligation - July 1, 2014		<u>347,987</u>
Net OPEB Obligation - June 30, 2015	\$	<u><u>410,510</u></u>

The District's annual ARC, the percentage of ARC contributed to the plan, and the net OPEB obligation for the years ended June 30, 2015, 2014 and 2013 were as follows:

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/15	\$ 77,047	12.05%	\$ 410,510
6/30/14	77,047	9.88%	347,987
6/30/13	77,047	8.84%	278,555

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the date of the latest actuarial review, was as follows:

Actuarial accrued liabilities (AAL)	\$	1,077,067
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liabilities (UAAL)	\$	<u><u>1,077,067</u></u>
Funded ratio		0.00%
Covered payroll (active plan members)	\$	2,029,162
UAAL as a percentage of covered payroll		53.08%

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

Funded Status and Funding Progress (Continued)

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 2015.

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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Healthcare Benefits (Continued):

Actuarial Methods and Assumptions (Continued)

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, 2015, was twenty-eight years.

E. Related Party Transactions:

The City of Ventura provides utility services to the District for water and sewage. The cost for these services for the year ended June 30, 2015 was \$159,637.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

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 (Insurance Authority). The Insurance Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance 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 Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors which operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The 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.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

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

Self-Insurance Programs of the Insurance Authority (Continued)

Liability - In the liability program, claims are pooled separately between police and general government 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 from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15, the Insurance Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Insurance Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claim for subsidence losses have a sub-limit of \$30 million per occurrence.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. OTHER INFORMATION (CONTINUED):

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

Self-Insurance Programs of the Insurance Authority (Continued)

Workers' Compensation - The District also participates in the workers' compensation pool administered by the Insurance Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government 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 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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Insurance Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits 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 which is available through the Insurance 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 Insurance Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Insurance 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 Insurance 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 Insurance Authority. The District's property currently has all-risk property insurance protection in the amount of \$19,612,113. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance, which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

VENTURA PORT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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 Insurance 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 Insurance 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 no significant reductions in pooled or insured liability coverage in the fiscal year 2014-15.

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. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the District's defined benefit pension plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in a reduction of net position by \$2,934,153 as of July 1, 2014.

5. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of January 19, 2016, which is the date these financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

VENTURA PORT DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	<u>2015</u>
Plan's proportion of the net pension liability	0.04143%
Plan's proportionate share of the net pension liability	\$ 2,578,020
Plan's covered - employee payroll	\$ 2,106,485
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	122.38%
Plan's proportionate share of the fiduciary net position as a percentage of the proportionate share of the Plan's total pension liability	78.68%
Plan's proportionate share of aggregate employer contributions	\$ 260,330

Notes to Schedule:

Changes in Benefit Terms:

None

Changes in Assumptions:

None

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

VENTURA PORT DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 326,180
Contributions in relation to the actuarially determined contributions	<u>(326,180)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 2,106,485
Contributions as a percentage of covered - employee payroll	15.48%

Notes to Schedule:

1) Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age normal cost method
Amortization method	Level percentage of payroll, closed
Average remaining period	19 years (Misc 2%@55), 13 years (Safety 2%@55)
Asset valuation method	15-year smoothed market
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Retirement age	50 years (Misc and Safety 2%@55), 50 years (Safety 2%@57) and 52 years (Misc 2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.
Contribution rate-Misc 2%@62 Risk Pool	6.25% of reportable compensation

2) Changes in Benefit Terms:

None

3) Changes in Assumptions:

None

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

VENTURA PORT DISTRICT

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

For the year ended June 30, 2015

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%	\$ 1,826,203	26.08%
7/1/2012	\$ 629,594	\$ -	\$ 629,594	0.00%	\$ 1,978,368	31.82%
7/1/2015	\$ 1,077,067	\$ -	\$ 1,077,067	0.00%	\$ 2,029,162	53.08%

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, 2015, 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 19, 2016.

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 19, 2016