

# Financial Section



## Ventura Regional Sanitation District

Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2015 and June 30, 2014





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## INDEPENDENT AUDITOR'S REPORT

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### DIRECTORS

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### MANAGERS / STAFF

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To the Board of Directors  
Ventura Regional Sanitation District  
Ventura, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Ventura Regional Sanitation District (the District) as of and for the year ended June 30, 2015, and the related notes to the 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### MEMBERS

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Certified Public Accountants

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 District as of June 30, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

### ***Emphasis of a Matter***

#### *Change in Accounting Principle*

As discussed in Note A of the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transaction for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect with this matter.

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of the GASB Statements No.68 and 71 were not applied to the prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Report on Summarized Comparative Information*

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinion on the respective financial statements in our report dated December 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 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.

*Rogers Anderson Malooly & Scott, LLP*

San Bernardino, California  
January 26, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Ventura Regional Sanitation District's (District) financial performance provides an overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. This section should be read in conjunction with the transmittal letter at the front of this report and the District's basic financial statements following this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$35.8 million (net position). The District's total net position decreased by \$6.7 million, or 15.7%.
- During fiscal year 2015, the District's total revenues increased by 8.9% to \$22.3 million
- Total expenses increased by 3.4% to \$22.2 million.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) enterprise fund financial statements; and 2) notes to the financial statements. Required supplementary information, supplementary information, and statistical information are also included in the CAFR.

Basic Financial Statements The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The basic financial statements can be found on pages 22-26 of this report.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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 underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected assessments and earned but unused vacation leave).

The Statement of Cash Flows presents information about the District's cash receipts and cash payments during the reporting period. It shows the amount of cash received from services provided to customers, investment income including interest earnings as well as cash paid out for operating activities, debt financing, principal and interest payments on borrowed monies, and construction projects.

Notes to the Financial Statements Provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are an integral part of the financial statements. The notes to the financial statements can be found on pages 27-67 of this report.

Supplementary Information Includes the combining schedule statements for the different types of District operations.

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

Financial Analysis of the District

The Summary of Net Position and the Summary of Activities and Changes in Net Position report information about the District's current year activities and may serve over time as a useful indicator of the District's financial position. These two statements report the net position of the District and changes in them.

As can be seen from the table below, net position decreased \$6.7 million to \$35.8 million in FY 2015, down from \$42.5 million in FY 2014.

Summary of Net Position

A Summary of Net Position is presented in the following table for your analysis.

**Summary of Net Position**

(In thousands of dollars)

	<u>FY 2015</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets:</b>				
Current assets	\$ 4,995	\$ 4,626	\$ 369	8.0%
Restricted current assets	8,454	6,690	1,764	26.4%
Restricted non-current assets	26,326	27,916	(1,590)	-5.7%
Capital assets, net	51,095	51,229	(134)	-0.3%
Non-current assets	<u>1,961</u>	<u>3,392</u>	<u>(1,431)</u>	-42.2%
<b>Total assets</b>	<u>92,831</u>	<u>93,853</u>	<u>(1,022)</u>	-1.1%
Deferred outflows of resources:	<u>1,180</u>	<u>-</u>	<u>1,180</u>	100.0%
<b>Liabilities:</b>				
Liabilities payable from unrestricted current assets	2,742	2,078	664	32.0%
Liabilities payable from restricted current assets	4,873	4,758	115	2.4%
Liabilities payable from unrestricted non-current assets	5,871	-	5,871	100.0%
Liabilities payable from restricted non-current assets	<u>43,136</u>	<u>44,508</u>	<u>(1,372)</u>	-3.1%
<b>Total liabilities</b>	<u>56,622</u>	<u>51,344</u>	<u>5,278</u>	10.3%
Deferred inflows of resources:	<u>1,558</u>	<u>-</u>	<u>1,558</u>	100.0%
<b>Net position:</b>				
Net investment in capital assets	31,633	29,915	1,718	5.7%
Amounts restricted	6,308	6,737	(429)	-6.4%
Unrestricted amounts	<u>(2,110)</u>	<u>5,857</u>	<u>(7,967)</u>	-136.0%
<b>Total net position</b>	<u>\$ 35,831</u>	<u>\$ 42,509</u>	<u>\$ (6,678)</u>	-15.7%

Net position includes three components: Net investment in capital assets; amounts restricted; and unrestricted amounts.

By far the largest component of the District's net position, \$31.6 million, reflects capital assets net of accumulated depreciation less any outstanding debt used to acquire them. The District uses these capital assets to provide services to its constituency; consequently, they are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Another component of the District's net position, amounts restricted in the amount of \$6.3 million, represents resources that are subject to external restrictions on how they may be used. Loan agreements relating to long-term debt restrict certain amounts for debt service, as well as restricted funding received in advanced of expenses. These restricted amounts are not available for other uses by the District.

The third and last component of the District's net position is the unrestricted amount which is a deficit in the amount of (\$2.1) million. This deficit is the result of implementing GASB Statements No. 68 and 71. The purpose of the Statements is to measure the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures.

**Summary of Net Position**

(In thousands of dollars)

	<u>FY 2014</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets:</b>				
Current assets	\$ 4,626	\$ 4,856	\$ (230)	-4.7%
Restricted current assets	6,690	6,387	303	4.7%
Restricted non-current assets	27,916	28,030	(114)	-0.4%
Capital assets, net	51,229	53,414	(2,185)	-4.1%
Non-current assets	<u>3,392</u>	<u>3,240</u>	<u>152</u>	4.7%
<b>Total assets</b>	<u>\$ 93,853</u>	<u>\$ 95,927</u>	<u>\$ (2,074)</u>	-2.2%
<b>Liabilities:</b>				
Liabilities payable from unrestricted current assets	\$ 2,078	\$ 1,681	\$ 397	23.6%
Liabilities payable from restricted current assets	4,758	4,622	136	2.9%
Liabilities payable from restricted non-current assets	<u>44,508</u>	<u>46,143</u>	<u>(1,635)</u>	-3.5%
<b>Total liabilities</b>	<u>51,344</u>	<u>52,446</u>	<u>(1,102)</u>	-2.1%
<b>Net position:</b>				
Net investment in capital assets	29,915	30,328	(413)	-1.4%
Amounts restricted	6,737	6,829	(92)	-1.3%
Unrestricted amounts	<u>5,857</u>	<u>6,324</u>	<u>(467)</u>	-7.4%
<b>Total net position</b>	<u>\$ 42,509</u>	<u>\$ 43,481</u>	<u>\$ (972)</u>	-2.2%

In FY 2014, the largest component of the District's net position, \$29.9 million, reflects capital assets net of accumulated depreciation less any outstanding debt used to acquire them. The District uses these capital assets to provide services to its constituency; consequently, they are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another component of the District's net position, amounts restricted in the amount of \$6.7 million, represents resources that are subject to external restrictions of how they may be used. Loan agreements relating to long-term debt restrict certain amounts for debt service, as well as restricted funding received in advance of expenses. These restricted net assets are not available for other uses by the District.

The third and last component of the District's net position is the unrestricted amount of \$5.9 million that may be used to meet the District's ongoing obligations to creditors and constituencies.

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

Changes in Net Position of the District

The Summary of Activities and Changes in Net Position is presented in the following table for your analysis. While the Summary of Net Position shows the change in financial position of the net assets, the Summary of Activities provides answers as to the nature and source of these changes.

The following table shows the revenue, expenses, and changes in net position for District type activities.

**Summary of Activities and Changes in Net Position**

<b>(In thousands of dollars)</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>\$ Change</b>	<b>% Change</b>
Revenues:				
<b>Operating revenues</b>				
Disposal and sanitation fees	\$ 11,745	\$ 10,618	\$ 1,127	10.6%
Contract services	9,671	8,811	860	9.8%
Utility electricity sales	235	282	(47)	-16.7%
Other revenue	221	323	(102)	-31.6%
<b>Total operating revenues</b>	<u>21,872</u>	<u>20,034</u>	<u>1,838</u>	9.2%
<b>Non-operating revenues</b>				
Interest and investment earnings	367	360	7	1.9%
Gain on sales of capital assets, net	-	5	(5)	-100.0%
Other, net	96	108	(12)	-11.1%
<b>Total non- operating revenues</b>	<u>463</u>	<u>473</u>	<u>(10)</u>	-2.1%
<b>Total revenues</b>	<u>22,335</u>	<u>20,507</u>	<u>1,828</u>	8.9%
Expenses:				
Operating expenses	17,505	16,947	558	3.3%
Depreciation and amortization	3,777	3,529	248	7.0%
Non-operating expenses	934	1,003	(69)	-6.9%
<b>Total expenses</b>	<u>22,216</u>	<u>21,479</u>	<u>737</u>	3.4%
<b>Change in net position</b>	119	(972)	1,091	112.2%
<b>Net position, beginning of year</b>	42,509	43,481	(972)	-2.2%
Cumulative effect of accounting changes	<u>(6,797)</u>	-	<u>(6,797)</u>	100.0%
<b>Net position, beginning of year, as restated</b>	<u>35,712</u>	<u>43,481</u>	<u>(7,769)</u>	-17.9%
<b>Net position, end of year</b>	<u>\$ 35,831</u>	<u>\$ 42,509</u>	<u>\$ (6,678)</u>	-15.7%

Total revenues increased by \$1,828,000 or 8.9% compared to FY 2014. This is mainly due to increased tonnage received at Toland Road Landfill from City of Oxnard Del Norte Recycling Facility.

Total expenses increased by \$737,000, or 3.4% from FY 2014. This is mainly due to an increase in facility maintenance. The District incurred increased maintenance costs associated with the microturbines, maintenance of the Toland Road Landfill, and heavy equipment.

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

**Summary of Activities and Changes in Net Position**

(In thousands of dollars)

	<u>FY 2014</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
<b>Operating revenues</b>				
Disposal and sanitation fees	\$ 10,618	\$ 9,394	\$ 1,224	13.0%
Contract services	8,811	8,367	444	5.3%
Utility electricity sales	282	630	(348)	-55.2%
Other revenue	323	284	39	13.7%
<b>Total operating revenues</b>	<u>20,034</u>	<u>18,675</u>	<u>1,359</u>	7.3%
<b>Non-operating revenues</b>				
Interest and investment earnings	360	40	320	800.0%
Gain on sales of capital assets, net	5	-	5	100.0%
Other, net	108	95	13	13.7%
<b>Total non- operating revenues</b>	<u>473</u>	<u>135</u>	<u>338</u>	250.4%
<b>Total revenues</b>	<u>20,507</u>	<u>18,810</u>	<u>1,697</u>	9.0%
Expenses:				
Operating expenses	16,947	16,443	504	3.1%
Depreciation and amortization	3,529	3,535	(6)	-0.2%
Non-operating expenses	1,003	1,080	(77)	-7.1%
<b>Total expenses</b>	<u>21,479</u>	<u>21,058</u>	<u>421</u>	2.0%
<b>Change in net position</b>	(972)	(2,248)	1,276	56.8%
<b>Net position, beginning of year, as restated</b>	<u>43,481</u>	<u>45,729</u>	<u>(2,248)</u>	-4.9%
<b>Net position, end of year</b>	<u>\$ 42,509</u>	<u>\$ 43,481</u>	<u>\$ (972)</u>	-2.2%

Total revenues increased by \$1,697,000 or 9.0% compared to FY 2013. This is mainly due to increased tonnage received at Toland Road Landfill from City of Oxnard Del Norte Recycling Facility. The contract with City of Oxnard was amended in October 2013 for additional tonnage. In addition, investment earnings increased by \$320,000 due to the increase in fair market value of the District's investment portfolio.

Total expenses increased by \$421,000, or 2.0% from FY 2013. This is mainly due to an increase in salaries and benefits. The District added 11.75 full time equivalent positions in FY2014. The additional staff were allocated in Biosolids (2), Solid Waste (4), Wastewater (4.75), and Central Administration (1).

Capital Assets

The District's investment in capital assets as of June 30, 2015, amounted to \$86.1 million (at cost) or \$51.1 million (net of accumulated depreciation). District's capital assets include land and land improvements, structures and improvements, construction in progress, equipment, vehicles, and infrastructures.

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

Capital assets are illustrated below and show changes from the prior year (in thousands):

Changes in capital asset amounts for 2015 were:				
	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital Assets:				
Non-depreciable assets	\$ 3,742	\$ 2,385	\$ -	\$ 6,127
Depreciable assets	79,165	1,304	(477)	79,992
Accumulated depreciation and amortization	<u>(31,678)</u>	<u>(3,777)</u>	<u>431</u>	<u>(35,024)</u>
Total capital assets, net	<u>\$ 51,229</u>	<u>\$ (88)</u>	<u>\$ (46)</u>	<u>\$ 51,095</u>

Changes in capital asset amounts for 2014 were:				
	<u>Balance 2013</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2014</u>
Capital Assets:				
Non-depreciable assets	\$ 3,543	\$ 441	\$ (242)	\$ 3,742
Depreciable assets	78,214	1,147	(196)	79,165
Accumulated depreciation and amortization	<u>(28,343)</u>	<u>(3,529)</u>	<u>194</u>	<u>(31,678)</u>
Total capital assets, net	<u>\$ 53,414</u>	<u>\$ (1,941)</u>	<u>\$ (244)</u>	<u>\$ 51,229</u>

Major capital asset events during the current fiscal year include the following:

- Toland Road Landfill East Perimeter and Drainage
- Toland Road Landfill Compliance Wells
- Toland Road Landfill Gas Blower
- Toland Road Landfill Phase 4A

Additional information about the District's capital assets is provided in Note B4 of the Notes to the Basic Financial Statements.

Debt Administration

The District total debt outstanding at June 30, 2015, was \$19.5 million excluding capital leases, compensated absences, and other liabilities. During the year, retirement of debt amounted to \$1,852,312.

The table below summarizes the debt outstanding balances at June 30, 2015.

<u>Description of Project</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due in One Year</u>
Malibu Bay Club	\$ 1,986,087	\$ -	\$ (113,145)	\$ 1,872,942	\$ 118,642
Toland Landfill Liner Biosolids Drying Facility Project	4,076,220	-	(468,489)	3,607,731	489,713
Biosolids Drying Facility/ Microturbine Project	4,518,445	-	(448,475)	4,069,970	468,562
Toland Landfill 3B Liner	<u>4,098,133</u>	<u>-</u>	<u>(283,015)</u>	<u>3,815,118</u>	<u>295,171</u>
Total long-term debt	<u>\$ 21,313,850</u>	<u>\$ -</u>	<u>\$ (1,852,312)</u>	<u>\$ 19,461,538</u>	<u>\$ 1,935,702</u>

Additional information on long-term debt is provided in Note B5 of the Notes to the Basic Financial Statements.

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

### Economic Factors and Next Year's Budgets and Rates

- The District's fiscal year 2015-16 adopted budget totaled \$23,450,602 or 1.12% decrease when compared to the prior year.
- Malibu Bay Club sewer service charge per residential unit increased from \$106.43 to \$153.07 effective July 1, 2015. Of the FY2016 monthly sewer fee, \$110.17 will pay for maintenance and operations, \$36.77 will pay back a portion of the deficit accumulated prior to FY2016, and \$6.13 will establish a Reserve Fund.
- The Biosolids rates increased by 3.5 % effective July 1, 2015.
- The District's hourly billing rates increased by 1.3% effective July 1, 2015.

The Board held workshops to assess the available working capital, the operating and capital needs of the District, potential customer growth, potential regulatory impact, and the uncertainty of the current economy. Additional information is provided in the transmittal letter on Page 1 of this report and Notes A6 of the Notes to the Basic Financial Statements.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided should be addressed to the Director of Finance & Administration, Ventura Regional Sanitation District, 1001 Partridge Drive, Suite 150, Ventura, California, 93003-0704. You may also visit the District's Web site at [www.vrsd.com](http://www.vrsd.com).



# Basic Financial Statements



## Ventura Regional Sanitation District

Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2015 and June 30, 2014



## VENTURA REGIONAL SANITATION DISTRICT

### STATEMENTS OF NET POSITION

June 30, 2015 with comparative data for June 30, 2014

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents	\$ 1,827,227	\$ 1,943,582
Accrued interest receivable	60,971	80,159
Accounts receivable – disposal and sanitation fees, net	1,524,826	1,162,929
Accounts receivable – contract services, net	1,303,677	1,295,944
Prepaid and other	278,743	143,143
Total current assets – unrestricted	<u>4,995,444</u>	<u>4,625,757</u>
Restricted current assets:		
Cash and cash equivalents	207,161	147,497
Investments	8,102,092	6,401,107
Notes receivable	122,632	114,797
Accrued interest receivable	21,777	26,384
Total current assets – restricted	<u>8,453,662</u>	<u>6,689,785</u>
Total current assets – unrestricted and restricted	<u>13,449,106</u>	<u>11,315,542</u>
Restricted non-current assets:		
Investments	24,557,916	26,031,798
Notes receivable	1,767,582	1,884,675
Total non-current assets – restricted	<u>26,325,498</u>	<u>27,916,473</u>
Non-current assets:		
Investments	1,379,312	2,753,443
Capital assets, net	51,094,856	51,229,137
Net OPEB asset	581,990	638,781
Total non-current assets – unrestricted	<u>53,056,158</u>	<u>54,621,361</u>
Total non-current assets – unrestricted and restricted	<u>79,381,656</u>	<u>82,537,834</u>
<b>Total assets</b>	<u>92,830,762</u>	<u>93,853,376</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions made subsequent to measurement date	943,537	-
Net difference between projected and actual earnings on pension plan investments	174,189	-
Changes in proportion	62,374	-
<b>Total deferred outflows of resources</b>	<u>1,180,100</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF NET POSITION (continued)  
June 30, 2015 with comparative data for June 30, 2014**

<b>LIABILITIES</b>	<b>2015</b>	<b>2014</b>
Current liabilities:		
Payable from current assets:		
Accounts payable and accrued expenses	\$ 2,077,948	\$ 1,393,307
Accrued wages and compensated absences	663,963	684,404
Payable from current assets – unrestricted	<u>2,741,911</u>	<u>2,077,711</u>
Payable from restricted current assets:		
Customer deposits	39,399	38,899
Landfill closure/postclosure costs - expected within one year	2,821,608	2,783,284
Accrued interest payable - purchase and sale agreements	76,620	83,325
Installment purchase contract - current portion	118,642	113,145
Installment sale agreement - current portion	1,817,060	1,739,167
Payable from current assets – restricted	<u>4,873,329</u>	<u>4,757,820</u>
Total current liabilities – unrestricted and restricted	<u>7,615,240</u>	<u>6,835,531</u>
Non-current liabilities:		
Payable from non-current assets:		
Net pension liability	5,870,617	-
Payable from restricted non-current assets:		
Tierra Rejada consortium reserve	215,833	293,088
Landfill closure/postclosure costs	25,394,470	24,753,555
Installment purchase contract	1,754,300	1,872,942
Installment sale agreement	15,771,536	17,588,596
Payable from non-current assets – restricted	<u>43,136,139</u>	<u>44,508,181</u>
Total non-current liabilities – unrestricted and restricted	<u>49,006,756</u>	<u>44,508,181</u>
<b>Total liabilities</b>	<u>56,621,996</u>	<u>51,343,712</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Net difference between projected and actual earnings on pension plan investments	1,375,440	-
Differences between expected and actual experience	179,681	-
Changes in proportion	3,224	-
<b>Total deferred inflows of resources</b>	<u>1,558,345</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	31,633,318	29,915,287
Restricted for:		
Debt service	1,890,214	1,999,472
Landfill closure and post-closure costs	4,417,636	4,737,960
Unrestricted (deficit)	(2,110,647)	5,856,945
<b>Total net position</b>	<u>\$ 35,830,521</u>	<u>\$ 42,509,664</u>

The accompanying notes are an integral part of these financial statements.

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Fiscal year ended June 30, 2015 with comparative data for June 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Disposal and sanitation fees	\$ 11,745,287	\$ 10,618,088
Contract services	9,670,442	8,810,556
Utility electricity sales	235,273	281,678
Other revenue	221,301	323,579
Total operating revenues	<u>21,872,303</u>	<u>20,033,901</u>
<b>Operating expenses:</b>		
Salaries and benefits	7,491,214	7,838,224
Management and administrative	490,233	413,873
Operating materials and supplies	2,241,771	2,248,325
Contract services - labor	357,794	182,765
Contract services - materials and supplies	1,224,393	1,335,757
Professional services	1,503,108	1,369,881
Facility maintenance	1,774,248	1,153,284
Provision for landfill closure/postclosure	1,162,802	1,055,618
Permits, licences and fees	1,259,937	1,349,041
Total operating expenses	<u>17,505,500</u>	<u>16,946,768</u>
Operating income before depreciation and amortization	4,366,803	3,087,133
Depreciation and amortization	<u>(3,776,744)</u>	<u>(3,529,371)</u>
Operating income(loss)	<u>590,059</u>	<u>(442,238)</u>
<b>Non-operating revenues(expenses):</b>		
Interest and investment earnings	367,627	360,060
Gain(loss) on sales/disposals of capital assets, net	(12,552)	4,832
Interest expense	(922,435)	(1,002,525)
Other, net	95,784	108,262
Total non-operating (expenses), net	<u>(471,576)</u>	<u>(529,371)</u>
Change in net position	<u>118,483</u>	<u>(971,609)</u>
Net position, beginning of year	42,509,664	43,481,273
Cumulative effect of accounting changes	<u>(6,797,626)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>35,712,038</u>	<u>43,481,273</u>
Net position, end of year	<u>\$ 35,830,521</u>	<u>\$ 42,509,664</u>

The accompanying notes are an integral part of these financial statements.

## VENTURA REGIONAL SANITATION DISTRICT

### STATEMENTS OF CASH FLOWS

Fiscal year ended June 30, 2015 with comparative data for June 30, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from customers for disposal and sanitation services	\$ 11,383,890	\$ 10,636,260
Receipts from customers for contract services	9,662,709	8,517,548
Receipts from customers for utility electricity sales	235,273	281,678
Receipts for other services	317,085	431,841
Payments to vendors for materials and services	(8,505,464)	(8,312,110)
Payments for salaries, benefits and contract labor	(8,361,425)	(8,026,855)
Net cash provided by operating activities	<u>4,732,068</u>	<u>3,528,362</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,689,004)	(1,346,810)
Principal received on notes receivable	109,258	108,108
Proceeds from the sale of capital assets	33,988	7,104
Principal paid on capital debt	(1,852,312)	(1,772,518)
Interest paid on capital debt	(929,140)	(1,008,935)
Net cash (used for) capital and related financing activities	<u>(6,327,210)</u>	<u>(4,013,051)</u>
Cash flows from investing activities:		
Interest on cash and cash equivalents	4,778	5,814
Interest and dividends from investments	386,645	362,468
Proceeds from sales and maturities of investments	19,933,990	14,354,940
Purchases of investments	(18,786,962)	(14,850,381)
Net cash provided by (used for) investing activities	<u>1,538,451</u>	<u>(127,159)</u>
Net (decrease) in cash and cash equivalents	(56,691)	(611,848)
Cash and cash equivalents (unrestricted and restricted), beginning of year	<u>2,091,079</u>	<u>2,702,927</u>
Cash and cash equivalents (unrestricted and restricted), end of year	<u>\$ 2,034,388</u>	<u>\$ 2,091,079</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 1,827,227	\$ 1,943,582
Restricted cash and cash equivalents	<u>207,161</u>	<u>147,497</u>
Total cash and cash equivalents	<u>\$ 2,034,388</u>	<u>\$ 2,091,079</u>

The accompanying notes are an integral part of these financial statements.

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF CASH FLOWS (continued)**

**Fiscal year ended June 30, 2015 with comparative data for June 30, 2014**

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	<u>2015</u>	<u>2014</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ 590,059	\$ (442,238)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,776,744	3,529,371
Net pension liability	(548,764)	-
Other non-operating revenues and expenses, net	95,784	108,262
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – disposal and sanitation fees, net	(361,897)	16,172
Accounts receivable – contract services, net	(7,733)	(293,008)
Net OPEB asset	56,791	(59,310)
Prepaid and other	(135,600)	(7,278)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	684,641	342,780
Accrued wages and compensated absences	(20,441)	53,444
Customer deposits	500	2,000
Tierra Rejada consortium reserve	(77,255)	(28,360)
Landfill closure/postclosure costs	679,239	306,527
Total adjustments	<u>4,142,009</u>	<u>3,970,600</u>
Net cash provided by operating activities	<u>\$ 4,732,068</u>	<u>\$ 3,528,362</u>

The accompanying notes are an integral part of these financial statements.

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## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015 (with comparative data for 2014)

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#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Reporting Entity

The Ventura Regional Sanitation District (District) was formed in 1970 under the County Sanitation District Act, California Health & Safety Code 4700 et seq., to coordinate wastewater disposal services within Ventura County. Solid waste management responsibilities were added in 1972. The District provides services to the general public, private industry and various governmental entities. The District's nine-member Board of Directors (Board) is composed of one representative from each of the eight member cities and one representative of special districts in Ventura County.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately appointed governing board. Component units are legally separate organizations for which the governing board of the primary government is financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Ventura Regional Public Facilities Corporation (Corporation) was formed on October 25, 1989, to facilitate the issuance of certificates of participation for the acquisition, construction, operation and maintenance of facilities, equipment, or other property needed by the District and leasing or selling such property to the District. As such, it has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations. There were no outstanding certificates of participation at June 30, 2015, or 2014. No separate financial statements are prepared for the Corporation.

##### 2. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing sanitation and contract services to its customers on a continuing basis be financed or recovered primarily through user charges (charges for services), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Ventura Regional Sanitation District, for the sanitation and service contracts, are charges to customers for sales and services. Operating expenses for enterprise funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### **3. Financial Reporting**

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net position replaces the balance sheet and reports assets, liabilities, and the difference between them as net position, not equity. A statement of revenues, expenses and changes in net position replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method, where cash flows from operating activities are presented by major categories.

#### **4. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

**Use of estimates** - The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Capital contributions** - Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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**Budgetary policies** - The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

#### **Current assets - unrestricted:**

**Cash and cash equivalents** - For purposes of reporting cash flows, the District considers cash and funds invested in the State of California Local Agency Investment Fund (LAIF) and money market funds to be cash equivalents. In addition, all investments with an original maturity of three months or less when purchased are considered cash equivalents.

**Investments** - Investments are stated at fair value, which is based on quoted market prices as of the valuation date. The gain/loss resulting from valuation is reported in the revenue account "Interest and investment earnings" on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

**Accounts receivable** - These amounts are comprised of services provided to customers at the District's Toland Road Landfill, services to other governmental agencies by contract and other amounts due under other operating agreements, such as landfill gas royalties, and are shown net of allowance for uncollectible accounts, if applicable.

**Prepaid expenses** - Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

#### **Current assets - restricted:**

**Notes receivable** - Include amounts due from a member agency under a short-term construction financing agreement and from previous owners of the Bailard Landfill in accordance with a settlement agreement.

#### **Current liabilities - payable from current assets:**

**Accounts payable and accrued expenses** - An estimated loss is recorded in this category, net of insurance coverage and inclusive of an estimate for incurred but not reported claims, when it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated.

**Accrued wages and compensated absences** - The District's personnel policies provide for accumulation of comprehensive annual leave (CAL). Cash payment of unused CAL and sick leave is available to those employees who retire or otherwise terminate their employment. Twenty-five percent of unused sick leave is payable upon termination or retirement to employees with at least ten years of service. The sick leave accrual was eliminated in January 2010. Liabilities for CAL and the portion of sick leave payable upon termination are recorded when benefits are earned. Current values are included in this category.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### **Current liabilities - payable from restricted current assets:**

**Customer deposits** - The District requires landfill customers to provide a security deposit to activate a charge account. The security deposit can be in the form of cash, certificate of deposit (payable to and held by the District), bonds and/or a letter of credit. The cash deposits are carried on the Statement of Net Position as restricted current assets. The portion of deposits covered by certificates of deposit (held in the customer's name), bonds and letters of credit were \$376,000 and \$376,000 at June 30, 2015 and 2014, respectively, and are not carried on the Statement of Net Position.

**Capital assets** - Property and equipment with a cost of \$5,000 or more and a life greater than three years are capitalized and stated at cost, except for the portions acquired by contribution, which are reported at their fair market value on the date received. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over estimated useful lives of the assets as shown below:

Sewage treatment facility	40 years
Structure and improvements	3 to 30 years
Equipment	3 to 15 years

Property and equipment having a cost of less than \$5,000 and all equipment purchased for the District's clients and other entities under various contracts is reported in the expense category "Contracted services - materials and supplies" on the Statement of Revenues, Expenses and Changes in Net Position. Reimbursements from such other entities for these costs are included in the revenue category "Contract services".

**Construction in progress** - Costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life. The District is continuing the expansion of the Toland Road Landfill to accept a total of 15 million tons of municipal solid waste. Completion of the landfill is estimated to be by the year 2027.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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**Other Assets** - The District established an orchard, named the Millennium Grove, in the year 2000. The approximately 15-acre orchard consists of about 1,700 avocado trees in an agricultural area on District owned property adjacent to the Toland Road Landfill entrance. The trees are now producing marketable quantities of fruit; therefore, the developmental costs are being amortized over a 40-year production life of the trees. In FY 2006, the grove was expanded by four acres and 400 trees.

**Landfill Closure/Postclosure Costs** - *expected within one year* - This is the amount approved in the District's annual budget for expected closure/postclosure costs for all landfills for the next fiscal year.

**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 (expenses) until then. The District currently has pension related deferred outflows of resources.

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

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Amounts Restricted For** - This component of net position consists of constraints placed on net assets used through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Amounts** - This component of net position consists of amounts that do not meet the definition of restricted or net investment in capital assets.

**Revenue recognition of commodity sales** -In March 2009, the District purchased and installed nine microturbine electric generators at the Toland Road Landfill. The District signed agreements with Southern California Edison (SCE) to interconnect to the power grid. The SCE Power Purchase Agreement (PPA) falls within the scope of the State of California Renewables Portfolio Standard Program (RPS) Program, established in 2002 by Senate Bill 1078. The RPS Program requires investors owned utilities procure an increasing percentage of electricity from the “eligible renewable energy resources”, with an overall target of 20% of their retail sales from such resources by 2010. Eligible renewable energy resources include, among other facilities, any facility in the state that uses biomass, municipal solid waste conversion, or landfill gas technology to generate electricity. The contract allows the District to generate between 1.0 Megawatt (MW) and 5 MW; however, 3.82 MW is the limit allowed in the District’s California Environmental Quality Act (CEQA) document. The revenues generated from the electrical grid which are purchased by SCE were in the amount of \$235,273 and \$281,678 for the fiscal years ended June 30, 2015 and 2014, respectively.

# VENTURA REGIONAL SANITATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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### 5. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

### 6. Implementation of new GASB pronouncements

GASB has been issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies 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.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows or resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the District's Ventura County Employees Retirement Association (VCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by VCERA. Information about the fiduciary net position of the District's Public Agency Retirement Services (PARS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by PARS. 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.

## B. DETAILED NOTES

### 1. Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,827,227	\$ 1,943,582
Restricted cash and cash equivalents	207,161	147,497
Investments	1,379,312	2,753,443
Restricted investments	<u>32,660,008</u>	<u>32,432,905</u>
Total cash and investments	<u>\$ 36,073,708</u>	<u>\$ 37,277,427</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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Cash and investments as of June 30, consist of the following:

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 1,000	\$ 850
Deposits with financial institutions		
Sweep account	1,655,671	1,356,278
Claims cash account	23,011	17,130
Investments		
Federal Farm Credit Bank	850,077	950,104
Federal Home Loan Bank	3,867,575	2,762,009
Federal Home Loan Mortgage	4,581,970	4,606,208
Federal National Mortgage Association	4,951,909	4,478,734
MWD Revenue Refund Bonds	400,000	402,312
Apple Inc. Notes	345,097	-
Cisco System Inc. Sr Notes	592,094	-
Conoco Phillips Co. Bonds	174,872	-
Palo Alto CA Unified School District Go Ref	662,554	664,112
University of CA General Revenue Bonds	723,985	721,752
Ford Credit Auto Own	339,952	-
Honda Auto Recv 2015	499,790	-
Pepsico Inc. Bonds	497,920	-
Toyota Auto Rec Own	699,545	-
U.S. Treasury notes	14,059,728	19,808,982
Certificates of deposits	792,252	792,135
Money market funds	233,967	198,191
Local Agency Investment Fund (LAIF)	65,450	65,286
Ventura County Treasury Pool	55,289	453,344
Total cash and investments	<u>\$ 36,073,708</u>	<u>\$ 37,277,427</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents		
Local Agency Investment Fund (LAIF)	\$ 65,450	\$ 65,286
Ventura County Treasury Pool	55,289	453,344
Money market funds	233,967	198,191
Sweep account	1,655,671	1,356,278
Claims cash account	23,011	17,130
Cash on hand	1,000	850
Total cash and cash equivalents	<u>\$ 2,034,388</u>	<u>\$ 2,091,079</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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

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

<u>Authorized Investment Types</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
LAIF	5 years	None	None
Ventura County Investment Pool	5 years	None	None
U.S. Agency Securities	5 years	None	None
U.S. Government Securities	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Banker's Acceptances	180 days	40%	30%
Mutual Funds	N/A	20%	None

#### *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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). 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 deposits or investments, other than the following provisions 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 individual 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 governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 03, 2015, all of the District's deposits with financial institutions in excess of federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### *Cash and Cash Equivalents*

At June 30, 2015 and 2014, the carrying amount of cash in banks was \$1,678,682 and \$1,373,408, respectively, and the corresponding bank balance was \$1,729,346 and \$1,497,379, respectively. The difference between the carrying amount of cash in banks and the corresponding bank balance is due to deposits in transit and outstanding checks.

#### *Local Agency Investment Fund (LAIF)*

The District is a voluntary participant in the 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 basic financial statements at amounts based on 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.

Included in LAIF's investment portfolio are structured notes and other asset-backed securities and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The total amount invested by all public agencies in LAIF at June 30, 2015 and 2014 is \$21.5 billion and \$21.1 billion, respectively. LAIF is a part of the California Pooled Money Investment Account (PMIA), which at June 30, 2015 and 2014 had a balance of \$69.6 billion and \$64.8 billion, respectively. Of that amount, 2.08% and 1.86%, respectively, is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 239 days and 232 days as of June 30, 2015 and 2014, respectively.

The District's proportionate share of LAIF's market value was \$65,450 and \$65,286 at June 30, 2015 and 2014, respectively. The amounts invested in the California LAIF are not subject to categorization as they do not represent specifically identifiable investment securities.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates and 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity date:

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

**Investments at June 30, 2015:**

<u>Investment Type</u>	Fair Value Total	Remaining Maturity (in months)		
		12 or Less	13-24	25-60
Federal Farm Credit Bank	\$ 850,077	\$ 850,077	\$ -	\$ -
Federal Home Loan Bank	3,867,575	2,340,762	1,526,813	-
Federal Home Loan Mortgage	4,581,970	350,476	1,701,735	2,529,759
Federal National Mortgage Association	4,951,909	1,752,569	606,222	2,593,118
MWD Revenue Refund Bonds	400,000	400,000	-	-
Apple Inc. Notes	345,097	-	345,097	-
Cisco System Inc. Sr Notes	592,094	-	-	592,094
Conoco Phillips Co. Bonds	174,872	-	-	174,872
Palo Alto CA Unified School District Go Ref	662,554	-	-	662,554
University of CA General Revenue Bonds	723,985	-	723,985	-
Ford Credit Auto Own	339,952	-	-	339,952
Honda Auto Recv 2015	499,790	-	-	499,790
Pepsico Inc. Bonds	497,920	-	-	497,920
Toyota Auto Rec Own	699,545	-	-	699,545
U.S. Treasury notes	14,059,728	1,715,956	1,286,286	11,057,486
Certificates of deposits	792,252	692,252	100,000	-
Money market funds	233,967	233,967	-	-
Local Agency Investment Fund (LAIF)	65,450	65,450	-	-
Ventura County Treasury Pool	55,289	55,289	-	-
<b>Total</b>	<b>\$ 34,394,026</b>	<b>\$ 8,456,798</b>	<b>\$ 6,290,138</b>	<b>\$ 19,647,090</b>

**Investments at June 30, 2014:**

<u>Investment Type</u>	Fair Value Total	Remaining Maturity (in months)		
		12 or Less	13-24	25-60
Federal Farm Credit Bank	\$ 950,104	\$ -	\$ 950,104	\$ -
Federal Home Loan Bank	2,762,009	307,656	1,782,384	671,969
Federal Home Loan Mortgage	4,606,208	1,231,501	350,151	3,024,556
Federal National Mortgage Association	4,478,734	-	1,647,770	2,830,964
MWD Revenue Refund Bonds	402,312	-	402,312	-
Palo Alto CA Unified School District Go Ref	664,112	-	-	664,112
University of CA General Revenue Bonds	721,752	-	-	721,752
U.S. Treasury notes	19,808,982	4,069,815	6,709,197	9,029,970
Certificates of deposits	792,135	792,135	-	-
Money market funds	198,191	198,191	-	-
Local Agency Investment Fund (LAIF)	65,286	65,286	-	-
Ventura County Treasury Pool	453,344	453,344	-	-
<b>Total</b>	<b>\$ 35,903,169</b>	<b>\$ 7,117,928</b>	<b>\$ 11,841,918</b>	<b>\$ 16,943,323</b>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

#### *Credit Risk*

Generally, credit risk is the risk that an 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type:

Investment Type	Total as of June 30, 2015	Minimum Legal Rating	Exempt From Disclosure	AAA	Not rated
Federal Farm Credit Bank	\$ 850,077	A	\$ -	\$ 850,077	\$ -
Federal Home Loan Bank	3,867,575	A	-	3,867,575	-
Federal Home Loan Mortgage	4,581,970	A	-	4,581,970	-
Federal National Mortgage Association	4,951,909	A	-	4,951,909	-
MWD Revenue Refund Bonds	400,000	A	-	400,000	-
Apple Inc. Notes	345,097	A	-	345,097	-
Cisco System Inc. Sr Notes	592,094	A	-	592,094	-
Conoco Phillips Co. Bonds	174,872	A	-	174,872	-
Palo Alto CA Unified School District Go Ref	662,554	A	-	662,554	-
University of CA General Revenue Bonds	723,985	A	-	723,985	-
Ford Credit Auto Own	339,952	A	-	339,952	-
Honda Auto Recv 2015	499,790	A	-	499,790	-
Pepsico Inc. Bonds	497,920	A	-	497,920	-
Toyota Auto Rec Own	699,545	A	-	699,545	-
U.S. Treasury notes	14,059,728	N/A	14,059,728	-	-
Certificates of deposits	792,252	N/A	792,252	-	-
Money market funds	233,967	N/A	233,967	-	-
Local Agency Investment Fund (LAIF)	65,450	N/A	-	-	65,450
Ventura County Treasury Pool	55,289	N/A	-	-	55,289
<b>Total</b>	<b>\$ 34,394,026</b>		<b>\$ 15,085,947</b>	<b>\$ 19,187,340</b>	<b>\$ 120,739</b>

Investment Type	Total as of June 30, 2014	Minimum Legal Rating	Exempt From Disclosure	AAA	Not rated
Federal Farm Credit Bank	\$ 950,104	A	\$ -	\$ 950,104	\$ -
Federal Home Loan Bank	2,762,009	A	-	2,762,009	-
Federal Home Loan Mortgage	4,606,208	A	-	4,606,208	-
Federal National Mortgage Association	4,478,734	A	-	4,478,734	-
MWD Revenue Refund Bonds	402,312	A	-	402,312	-
Palo Alto CA Unified School District Go Ref	664,112	A	-	664,112	-
University of CA General Revenue Bonds	721,752	A	-	721,752	-
U.S. Treasury notes	19,808,982	N/A	19,808,982	-	-
Certificates of deposits	792,135	N/A	792,135	-	-
Money market funds	198,191	N/A	198,191	-	-
Local Agency Investment Fund (LAIF)	65,286	N/A	-	-	65,286
Ventura County Treasury Pool	453,344	N/A	-	-	453,344
<b>Total</b>	<b>\$ 35,903,169</b>		<b>\$ 20,799,308</b>	<b>\$ 14,585,231</b>	<b>\$ 518,630</b>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>2015</u>	<u>2014</u>
Federal Home Loan Bank	Federal Agency Securities	\$ 3,867,575	\$ 2,762,009
Federal Home Loan Mortgage	Federal Agency Securities	4,581,970	4,606,208
Federal National Mortgage Association	Federal Agency Securities	4,951,909	4,478,734

**2. Accounts Receivable**

Disposal and sanitation fees, net - These receivables are comprised of services provided to customers at the District's Toland Road Landfill. They are shown net of an allowance for uncollectable accounts. The allowance totals \$15,303 and \$11,664 at June 30, 2015 and 2014, respectively.

Contract services, net - These receivables result from contractual agreements to provide services such as operation & maintenance of wastewater treatment plants; collection & potable water systems; and engineering, management & administration. They are shown net of an allowance for uncollectable accounts. The allowance totals \$13,245 and \$13,005 at June 30, 2015 and 2014, respectively.

Summary of accounts receivable as reported on the accompanying Statement of Net Position is shown as follows:

<b>June 30, 2015</b>			
<u>Accounts Receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Disposal and sanitation	\$ 1,540,129	\$ (15,303)	\$ 1,524,826
Contract services	1,316,922	(13,245)	1,303,677
Total accounts receivable	<u>\$ 2,857,051</u>	<u>\$ (28,548)</u>	<u>\$ 2,828,503</u>
<b>June 30, 2014</b>			
<u>Accounts Receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Disposal and sanitation	\$ 1,174,593	\$ (11,664)	\$ 1,162,929
Contract services	1,308,949	(13,005)	1,295,944
Total accounts receivable	<u>\$ 2,483,542</u>	<u>\$ (24,669)</u>	<u>\$ 2,458,873</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**3. Notes Receivable**

Include amounts due from the Malibu Bay Club Assessment District for the costs of constructing an onsite wastewater treatment system for the Malibu Bay Club, a California non-profit mutual benefit corporation.

**4. Capital Assets**

Construction/Production in Process - The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction/production in process balances at June 30 are as follows:

<u>Construction in Progress</u>	<u>2015</u>	<u>2014</u>
Toland Landfill east perimeter & drainage	\$ 775,581	\$ -
Siloxane removal system	638,847	598,810
Toland Landfill compliance wells	600,800	-
Toland Landfill gas blower	599,357	-
Toland Landfill Phase 4A	310,251	132,655
Biosolids Phase 2	104,902	104,902
Sulfa-treat expansion	67,500	-
Toland Landfill master plan	66,190	-
Conversion technology	50,504	50,504
VCERA integration	48,431	-
MBC system configuration	38,261	38,123
VRSD payroll outsourcing Integration	9,593	-
Grand total	<u>\$ 3,310,217</u>	<u>\$ 924,994</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

A summary of changes in capital assets for the years ended June 30, 2015 and 2014 follows:

	Beginning Balance June 30, 2014	Additions	Deletions	Ending Balance June 30, 2015
Capital assets, not being depreciated				
Land	\$ 2,817,108	\$ -	\$ -	\$ 2,817,108
Construction-in-Progress	924,994	2,385,223	-	3,310,217
Total capital assets, not being depreciated	<u>3,742,102</u>	<u>2,385,223</u>	<u>-</u>	<u>6,127,325</u>
Capital assets, being depreciated				
Structures and improvements	61,790,393	-	-	61,790,393
Equipment	17,375,931	1,303,781	(477,834)	18,201,878
Total capital assets, being depreciated	<u>79,166,324</u>	<u>1,303,781</u>	<u>(477,834)</u>	<u>79,992,271</u>
Less accumulated depreciation for:				
Structures and improvements	(22,639,615)	(2,529,983)	-	(25,169,598)
Equipment	(9,039,674)	(1,246,761)	431,293	(9,855,142)
Total accumulated depreciation	<u>(31,679,289)</u>	<u>(3,776,744)</u>	<u>431,293</u>	<u>(35,024,740)</u>
Total capital assets, being depreciated, net	<u>47,487,035</u>	<u>(2,472,963)</u>	<u>(46,541)</u>	<u>44,967,531</u>
Net capital assets	<u>\$ 51,229,137</u>	<u>\$ (87,740)</u>	<u>\$ (46,541)</u>	<u>\$ 51,094,856</u>

	Beginning Balance June 30, 2013	Additions	Deletions	Ending Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 2,817,108	\$ -	\$ -	\$ 2,817,108
Construction-in-Progress	725,534	441,480	(242,020)	924,994
Total capital assets, not being depreciated	<u>3,542,642</u>	<u>441,480</u>	<u>(242,020)</u>	<u>3,742,102</u>
Capital assets, being depreciated				
Structures and improvements	61,020,203	770,190	-	61,790,393
Equipment	17,194,672	377,160	(195,901)	17,375,931
Total capital assets, being depreciated	<u>78,214,875</u>	<u>1,147,350</u>	<u>(195,901)</u>	<u>79,166,324</u>
Less accumulated depreciation for:				
Structures and improvements	(20,212,149)	(2,427,466)	-	(22,639,615)
Equipment	(8,131,398)	(1,101,905)	193,629	(9,039,674)
Total accumulated depreciation	<u>(28,343,547)</u>	<u>(3,529,371)</u>	<u>193,629</u>	<u>(31,679,289)</u>
Total capital assets, being depreciated, net	<u>49,871,328</u>	<u>(2,382,021)</u>	<u>(2,272)</u>	<u>47,487,035</u>
Net capital assets	<u>\$ 53,413,970</u>	<u>\$ (1,940,541)</u>	<u>\$ (244,292)</u>	<u>\$ 51,229,137</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### 5. Long-Term Debt

##### *Installment Purchase Contract*

During the fiscal year ended June 30, 2007, the District entered into an Installment Purchase Contract with the Municipal Finance Corporation for \$2,665,600. The funds were received to reimburse the District for the costs advanced for an advanced onsite wastewater treatment system for the Malibu Bay Club, a California non-profit mutual benefit corporation. The Municipal Finance Corporation assigned all of its rights, title and interest in the Installment Purchase Contract dated April 1, 2007, to Citizens Bank. Semiannual principal and interest payments of \$103,568 are due October 4 and April 4, commencing October 4, 2007 through April 4, 2027. Interest is at 4.80%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Purchase Contract.

##### *Installment Sale Agreement*

During the fiscal year ended June 30, 2007, the District entered into an Installment Sale Agreement with the Municipal Finance Corporation for \$7,000,000. The funds were received to provide financing for the expansion of the Toland Road Landfill. The Municipal Finance Corporation assigned all of its rights, title and interest in the Installment Sale Agreement dated November 2, 2006, to City National Bank. Semiannual principal and interest payments of \$322,958 are due June 4 and December 4, commencing June 4, 2007 through December 4, 2021. Interest is at 4.48%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Sale Agreement.

##### *Installment Sale Agreement*

The District entered into an Installment Sale Agreement with the Municipal Finance Corporation for \$7,000,000. The funds were received to provide financing for the acquisition and construction of a biosolids drying facility project. The Municipal Finance Corporation assigned all of its rights, title and interest in the Installment Sale Agreement dated December 1, 2007, to Citizens Bank. Semiannual principal and interest payments of \$321,864 are due June 21 and December 21, commencing June 21, 2008 through December 21, 2022. Interest is at 4.43%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Sale Agreement.

##### *Installment Sale Agreement*

The District entered into an Installment Sale Agreement with the Municipal Finance Corporation for \$9,000,000. The funds were received to provide financing for the acquisition and construction of a biosolids drying facility and microturbine project. The Municipal Finance Corporation assigned all of its rights, title and interest in the Installment Sale Agreement dated May 13, 2009, to City National Bank. Semiannual principal and interest payments of \$415,231 are due November 13 and May 13, commencing November 13, 2009 through May 13, 2024. Interest is at 4.48%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Sale Agreement.

##### *Installment Sale Agreement*

The District entered into an Installment Sale Agreement with the Municipal Finance Corporation for \$5,000,000. The funds were received to provide financing for the expansion of the Toland Road Landfill.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

The Municipal Finance Corporation assigned all of its rights, title and interest in the Installment Sale Agreement dated December 23, 2010, to Bank of America. Semiannual principal and interest payments of \$227,105 are due June 23 and December 23, commencing June 23, 2011 through December 23, 2025. Interest is at 4.25%. The District has pledged the District's Net Revenues for the repayment of the Installment Sale Agreement.

The following is a schedule of changes in long-term debt of the District for the fiscal year ended June 30, 2015:

	Beginning Balance	Additions	Payments/ Deletions	Ending Balance	Amounts Due in One Year
Installment Purchase Contract	\$ 1,986,087	\$ -	\$ (113,145)	\$ 1,872,942	\$ 118,642
Installment Sales Agreement	4,076,220	-	(468,489)	3,607,731	489,713
Installment Sales Agreement	4,518,445	-	(448,475)	4,069,970	468,562
Installment Sales Agreement	6,634,965	-	(539,188)	6,095,777	563,614
Installment Sales Agreement	4,098,133	-	(283,015)	3,815,118	295,171
Total long-term debt	<u>\$ 21,313,850</u>	<u>\$ -</u>	<u>\$ (1,852,312)</u>	<u>\$ 19,461,538</u>	<u>\$ 1,935,702</u>

The following schedule illustrates the debt service requirements to maturity for loans outstanding as of June 30, 2015:

Fiscal Years Ending June 30,	Principal	Interest	Total
2016	\$ 1,935,702	\$ 845,751	\$ 2,781,453
2017	2,022,849	758,605	2,781,454
2018	2,113,920	667,533	2,781,453
2019	2,209,096	572,357	2,781,453
2020	2,308,559	472,894	2,781,453
2021-2025	8,258,472	948,304	9,206,776
2026-2027	612,940	28,437	641,377
Total	<u>\$ 19,461,538</u>	<u>\$ 4,293,881</u>	<u>\$ 23,755,419</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### **6. Landfill Closure/Postclosure Costs**

As the District's landfill sites reach capacity, the District is responsible for closing them in accordance with applicable regulatory requirements. The District is also responsible for postclosure maintenance of the Ozena Modified Sanitary Landfill, Toland Road Landfill, Coastal Landfill site, Bailard Landfill site, and for water monitoring of the River Ridge Landfill site (the latter under an agreement with the City of Oxnard). District engineers have estimated expected closure and postclosure costs related to all of the District's landfill sites. Such costs are accrued over the estimated useful life of each site. The amount accrued for closure and postclosure costs, using the estimated useful life, represents the ratio of refuse accepted at the site to the sites expected capacity multiplied by the sites total estimated closure and postclosure costs. The \$28,216,078 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 100% of estimated capacity for the closed landfills, and on 49.3% for the Toland Road Landfill. The District will recognize the remaining estimated cost of closure and postclosure care for the Toland Road Landfill of \$11,013,531 as the remaining estimated capacity is filled.

The District expects to incur continuing maintenance costs related to the closed sites for at least 30 years after closure.

Title 27, California Code of Regulations, Division 2, Subdivision 1, Chapter 6, Subchapter 3, Article 1, Section 22236, requires the estimated closure and postclosure costs for operating landfills and the remaining estimated postclosure costs for certain closed landfills be adjusted for the previous year by a specified inflation percentage. Current regulations also require the District to provide financial assurance to CalRecycle. From the available financial assurance mechanisms, the District has chosen the enterprise fund account method. The District is required to make annual contributions to finance closure and postclosure care. The amount of financial assurance required is adjusted each year to the updated closure/postclosure requirements. In addition, an adjustment percentage to account for inflation of 1.015% and 1.015% was included for the years 2015 and 2014, respectively. The District is in compliance with these requirements, and, at June 30, 2015, investments of \$32,660,008 are held for these purposes. These are reported as restricted assets on the Statement of Net Position.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

The District has provided the required financial assurance to the CalRecycle estimated closure and postclosure costs for the Coastal, Bailard and Toland Road Landfill sites. The CalRecycle does not require financial assurance for the other District sites; however, the District has set aside funds to provide the required postclosure maintenance of these sites.

The table below shows each landfill or landfill site, capacity of each, remaining life, costs associated with each, and the remaining costs to be recognized as of June 30, 2015.

<u>Landfill/Site:</u>	<u>Bailard</u>	<u>Coastal</u>	<u>Ozena</u>	<u>River Ridge</u>	<u>Toland</u>
<u>Landfill Capacity:</u>					
Estimated capacity (tons)	3,150,000	3,210,289	6,250	2,400,000	15,000,000
Percent used to date	100.0%	100.0%	100.0%	100.0%	49.3%
<u>Estimated Closure Costs:</u>					
Estimated corrective action	\$ 396,225	\$ 383,849	\$ -	\$ -	\$ 526,348
Total est. postclosure/corrective action costs	<u>4,604,751</u>	<u>3,234,965</u>	<u>467,394</u>	<u>1,741,316</u>	<u>9,040,356</u>
Total costs	<u>18,542,626</u>	<u>13,572,921</u>	<u>717,394</u>	<u>3,991,316</u>	<u>21,702,141</u>
Closures/postclosure recognized	<u>18,542,626</u>	<u>13,572,921</u>	<u>717,394</u>	<u>3,991,316</u>	<u>10,688,610</u>
Remaining closure/postclosure to be recognized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,013,531</u>
<u>Remaining landfill life</u>	Closed FY 97	Closed FY 95	Closed FY 87	Closed FY 82	12 years

The River Ridge site has been closed since 1982, the Ozena Landfill since 1987, the Coastal site since 1995, and the Bailard site since 1997. Postclosure costs for all four have been recognized.

In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, landfill closure costs and costs to maintain and monitor a landfill site for 30 years after closure are to be accrued during the period the landfill is operated. The District adopted this standard in FY 1994.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

#### *Tierra Rejada Consortium Reserve:*

The District is acting as the project manager to complete the mitigation process on the closed Tierra Rejada Landfill and as trustee of the Consortiums mitigation funds. The District does not own nor has it ever provided tonnage to the Tierra Rejada Landfill. The District was named project manager because of its expertise in the landfill closure/postclosure maintenance process. The Consortium is comprised of the District, the County of Ventura, Simi Valley County Sanitation District and Rancho Simi Recreation and Park District. The District categorized this reserve as a restricted non-current asset on the Statements of Net Position. As the District incurs expenses related to this project, this restricted reserve decreases to offset the District's expenses incurred on behalf of the Tierra Rejada Consortium project. In 2015 and 2014, \$77,256 and \$28,360 in expenses were incurred at the Tierra Rejada Landfill, respectively.

#### 7. Segment Information

The Water & Wastewater division accounts for the management, operation, and maintenance of water and wastewater facilities throughout Ventura County. The Solid Waste division accounts for the management and operation of six municipal waste landfills, only one of which is active. The Biosolids division includes the management and operation of the Biosolids and Microturbines facilities. Selected segment information for the year ended June 30, 2015, is as follows:

#### Condensed Statement of Net Position

	Water and Wastewater	Solid Waste	Biosolids
Current assets	\$ (3,644,657)	\$ 20,487,205	\$ (12,597,201)
Restricted current assets	122,632	8,331,030	-
Restricted non-current assets	1,767,582	24,557,916	-
Capital assets, net	3,484,166	30,123,503	17,122,136
Non-current assets	193,131	165,123	19
Total assets	1,922,854	83,664,777	4,524,954
Deferred outflows of resources	418,737	362,094	80,129
Liabilities payable from unrestricted current assets	295,388	1,885,485	279,194
Liabilities payable from restricted current assets	140,129	3,660,554	1,072,646
Liabilities payable from unrestricted non-current assets	2,224,095	1,724,926	298,520
Liabilities payable from restricted non-current assets	1,754,300	32,248,266	9,133,573
Total liabilities	4,413,912	39,519,231	10,783,933
Deferred inflows of resources	539,910	485,214	115,069
Net position			
Net investment in capital assets	1,611,224	22,700,656	6,956,387
Restricted	1,890,214	4,417,636	-
Unrestricted	(6,113,669)	16,904,134	(13,250,306)
Total net position (deficit)	\$ (2,612,231)	\$ 44,022,426	\$ (6,293,919)

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	Water and Wastewater	Solid Waste	Biosolids
Operating revenues:			
Disposal and sanitation fees	\$ -	\$ 11,745,287	\$ -
Contract services	5,057,994	-	3,622,834
Utility electricity sales	-	-	235,273
Other revenue	11,271	176,056	25,490
Total operating revenues	<u>5,069,265</u>	<u>11,921,343</u>	<u>3,883,597</u>
Operating expenses:			
Salaries and benefits	2,744,110	2,465,316	542,575
Depreciation	253,519	2,348,513	1,076,964
Other operating expenses	<u>1,375,472</u>	<u>4,963,677</u>	<u>2,083,386</u>
Total operating expenses	<u>4,373,101</u>	<u>9,777,506</u>	<u>3,702,925</u>
Operating income(loss)	<u>696,164</u>	<u>2,143,837</u>	<u>180,672</u>
Non-operating revenues(expenses):			
Interest and investment earnings	2,520	351,066	2,274
Interest expense	(92,692)	(346,890)	(482,853)
Other non-operating revenue(expense)	<u>95,986</u>	<u>(12,757)</u>	<u>3</u>
Total non-operating revenues (expenses)	<u>5,814</u>	<u>(8,581)</u>	<u>(480,576)</u>
Transfers in/(out)	<u>(485,357)</u>	<u>(1,366,474)</u>	<u>(627,877)</u>
Change in net position	<u>216,621</u>	<u>768,782</u>	<u>(927,781)</u>
Net position (deficit), beginning of year	(295,511)	45,273,669	(4,990,700)
Cumulative effect of accounting changes	<u>(2,533,341)</u>	<u>(2,020,025)</u>	<u>(375,438)</u>
Net position (deficit), beginning of year, as restated	<u>(2,828,852)</u>	<u>43,253,644</u>	<u>(5,366,138)</u>
Net position (deficit), end of year	<u>\$ (2,612,231)</u>	<u>\$ 44,022,426</u>	<u>\$ (6,293,919)</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

**Condensed Statement of Cash Flows**

	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Biosolids</u>
Net cash provided by (used for) operating activities	\$ 920,825	\$ 5,580,621	\$ 809,182
Net cash (used for) non-capital financing activities	(485,357)	(1,366,474)	(627,877)
Net cash (used for) capital and related financing activities	(390,420)	(4,347,385)	(1,474,193)
Net cash provided by investing activities	2,520	143,842	2,274
Net increase (decrease)	47,568	10,604	(1,290,614)
Cash and cash equivalents, beginning of year	<u>(4,748,036)</u>	<u>19,537,082</u>	<u>(11,952,601)</u>
Cash and cash equivalents, end of year	<u>\$ (4,700,468)</u>	<u>\$ 19,547,686</u>	<u>\$ (13,243,215)</u>

**8. Defined Benefit Pension Plans**

***Ventura County Employees' Retirement Association (VCERA)***

**A. General Information about the Pension Plan**

***Plan Description***

The District participates in the Ventura County Employees' Retirement Association (VCERA) pension plan, a cost-sharing multiple-employer defined benefit pension plan (the Plan). VCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Board of Retirement is responsible for the general management of VCERA and for determining VCERA's investment objectives, strategies, and policies. The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of Ventura Board of Supervisors, the VCERA Board of Retirement, and/or the District's Board of Directors. VCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

Membership to the plan is mandatory for employees with regular bi-weekly work schedule of 64 hours or more. Members employed up to and including June 30, 1979 and certain management personnel who entered service prior to October 16, 2001 are designated as Tier 1 members. Currently, there are no District staff members that fall into this category. Members employed after June 30, 1979 through December 31, 2012, are designated as Tier 2 members (Classic members). New members employed after January 1, 2013 are designated as PEPRA members.

VCERA is a legally separate entity from the District, not a component unit, and there is no financial interdependency with the County of Ventura. For these reasons, the District's financial statements exclude the VCERA pension plan as of June 30, 2015. VCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing VCERA at, 1190 South Victoria Avenue, Suite 200, Ventura, California 93003 or visiting the website at: [www.vcera.org](http://www.vcera.org).

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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***Benefits Provided***

VCERA provides retirement, disability, death and survivor benefits to eligible members. The retirement benefit the member will receive is based upon age at retirement, final compensation, years of service, and retirement plan tier as follows:

	<b>Tier 1</b>	<b>Tier 2</b>	<b>PEPRA</b>
<b>Hire Date</b>	Prior to July 1, 1979	July 1, 1979 to December 31, 2012	On or after January 1, 2013
<b>Final Average Compensation</b>	Highest 12 consecutive months	Highest 36 consecutive months	Highest 36 consecutive months
<b>Normal Retirement Age</b>	Age 55	Age 55	Age 55
<b>Early Retirement:</b>	Age 70 any years	Age 70 any years	Age 70 any years
	10 years age 50	10 years age 50	5 years age 52
<b>Years of service required and/or age eligible for</b>	30 years any age	30 years any age	N/A
<b>Benefit percent per year of service for normal retirement age</b>	The monthly allowance is equal to 1/90th of the first \$350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from section 31676.11.	The monthly allowance is equal to 1/90th of the first \$350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from section 31676.1.	The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from section 7522.20(a).
<b>Final Average Compensation Limitation</b>	100% of final compensation	100% of final compensation	May be over 100% subject to the provisions of PEPRA
<b>Required employee contribution rates</b>	4.50% to 12.57%	2.73% to 8.73%	6.50% to 9.46%
<b>Required employer contribution rates</b>	12.59%	8.44%	6.50% to 6.70%

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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VCERA provides an annual cost-of-living benefit to Tier 1 general member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles, Riverside, Orange County area, is capped at 3.0%. Certain Tier 2 general member retirees receive a fixed 2% cost-of-living adjustment pursuant to collective bargaining agreements.

#### *Contributions*

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the VCERA Board of Retirement pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employer Contributions for the measurement period ended June 30, 2014 for the Miscellaneous Tier 2 Plan are \$849,102. Employer Paid Member Contributions for the measurement period ended June 30, 2014 for the Miscellaneous Tier 2 Plan are \$26,004, or an average rate of 1.2 percent of annual covered payroll. The actual employer payments of \$845,123 made to VCERA during the measurement period ended June 30, 2014 differed from the District's proportionate share of the employer's contributions of \$849,102 by \$3,979, which is being amortized over the expected average remaining service lifetime in the VCERA Cost-Sharing Multiple Employer Plan.

#### **B. Net Pension Liability**

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2014. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### *Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Valuation date	June 30, 2014
Measurement date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of assets
Actuarial Assumptions	
Discount rate	7.75%
Inflation	3.25%
Real across-the-board salary increase	0.75%
Projected salary increases (1)	4.50% - 12.50% varying by service, including inflation
Investment rate of return	7.75%, net of pension plan administration and investment expenses, including inflation
Cost of living adjustments	2.0% to 3.0%
Mortality rate table (3)	Derived using VCERA participant Data for all employees

(1) Annual increases vary by category, entry age, and duration of service.

(2) Allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.

(3) Post-retirement mortality is based on the RP-2000 Combined Healthy Mortality Tables projected with Scale AA to 2025 set back one year weighted 35% male and 65% female.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2011. They are the same as the assumptions used in the June 30, 2013 and June 30, 2014 funding actuarial valuations for VCERA.

The long-term expected rate of return on pension plan investments was determined in 2012 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	39.00%	6.22%
International equity	21.00%	6.78%
Core Bonds	16.25%	1.06%
Global Bonds	5.00%	1.45%
Real Estate	10.00%	5.05%
Credit Strategies	3.75%	4.18%
Private Equity	5.00%	11.08%
<b>Total</b>	<b>100%</b>	

***Discount Rate***

The discount rate used to measure the Total Pension Liability (TPL) was 7.75% as of both June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2014 and June 30, 2013.

***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 of the Plan as of June 30, 2014, the measurement date, calculated using the discount rate of 7.75%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1.00% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.00% Increase (8.50%)</u>
General Tier 2 \$	5,345,672	2,516,758	157,316

***Pension Plan Fiduciary Net Position***

Detailed information about the VCERA's fiduciary net position is available in a separately issued VCERA comprehensive annual financial report. That report may be obtained on the Internet at [www.ventura.org/vcera](http://www.ventura.org/vcera); by writing to VCERA at 1190 S. Victoria Avenue, Suite 200, Ventura, CA 93003; or by calling (805) 339-4250.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**C. Proportionate Share of Net Pension Liability**

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 21,030,631	\$ 16,505,316	\$ 4,525,315
Balance at: 6/30/2014 (MD)	\$ 21,967,581	\$ 19,450,823	\$ 2,516,758
Net changes during 2013-14	\$ 936,950	\$ 2,945,507	\$ (2,008,557)

Valuation Date (VD), Measurement Date (MD)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan was as follows:

Proportionate share at June 30, 2014 (measurement date June 30, 2013)	0.740%
Proportionate share at June 30, 2015 (measurement date June 30, 2014)	0.455%
Change - Increase (Decrease)	0.285%

***Subsequent Events***

There were no subsequent events that would materially affect the results presented in this disclosure.

***Recognition of Gains and Losses***

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

There are differences between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended June 30, 2014. These differences are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through VCERA which is 5.27 years determined as of June 30, 2013 (the beginning of the measurement period ending June 30, 2014).

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the District recognized pension expense of \$358,541. A complete breakdown of the pension expense is as follows:

	Financial reporting date	June 30, 2015
	Measurement date	June 30, 2014
<b>Components of pension expense:</b>		
Service cost		\$ 559,158
Interest on the Total Pension Liability		1,616,552
Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions		14,607
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability		(42,080)
Member contributions		(212,361)
Employer paid member contributions		26,004
Projected earnings on plan investments		(1,277,127)
Expensed portion of current-period differences between actual and projected earnings on plan investments		(343,860)
Administrative expense		18,403
Net amortization of deferred amounts from differences between employer's contributions and proportionate share of contributions		(755)
<b>Pension expense</b>		<u>\$ 358,541</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

As of June 30, 2015, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in employer's proportion	\$ 62,374	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,375,440
Difference between expected and actual experience in the Total Pension Liability	-	179,681
Difference between the employer's contributions and the employer's proportionate share of contributions	-	3,224
Pension contributions subsequent to measurement date	943,537	-
<b>Total</b>	<b>\$ 1,005,911</b>	<b>\$ 1,558,345</b>

These amounts above are net of outflows and inflow recognized in the 2013-14 measurement period expense. \$943,537 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 ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2015	\$ (372,088)
2016	(372,088)
2017	(372,088)
2018	(372,088)
2019	(7,619)
Thereafter	-

**E. Payable to the Pension Plan**

At June 30, 2015, the District reported a payable of \$45,693 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### *Public Agency Retirement System (PARS) – Retirement Enhancement Plan*

##### **A. General Information about the Pension Plan**

###### *Plan Description*

In accordance with the Federal Omnibus Budget Reconciliation Act of 1990, the District established a supplemental pension benefit for substantially all of its employees through the Public Agency Retirement System (PARS) Retirement Enhancement Plan (REP). The REP is a defined benefit plan, single-employer retirement plan, and is administered for the District through a third party administrator, PARS. The REP provides for a pension retirement benefit to substantially all District employees as long as they meet the eligibility requirements.

The Public Agency Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Agency Retirement System, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

###### *Benefits Provided*

The Retirement Enhancement Plan (REP) was adopted in December 2003 and amended in July 2005, October 2009, and January 2011. The REP is comprised of the following two groups:

- Group 1 – This plan was adopted in December 2003 and provides a benefit to active employees on or after January 1, 2004, equal to the difference of the CalPERS “2% at 55” formula and the Ventura County Employees’ Retirement Association (VCERA) Tier 1 or Tier 2 benefit formula. The Tier 1 and Tier 2 VCERA monthly benefits include the \$108.44 per month supplement.
- Group 2 – This plan was adopted in July 2005 and provides a 2% cost-of-living benefit to active employees retiring on or after July 1, 2005 if they are VCERA Tier 2 member that does not receive a cost-of-living adjustment (COLA) under VCERA. The Group 2 benefit is a 2% COLA on the member’s underlying VCERA plan benefit.

The District has amended the Plan effective July 1, 2011, such that eligible employees in Groups 1 and 2 must be hired prior to a specific date (“soft-freeze”) depending on their bargaining unit as follows:

- Independently Represented – must be hired in a regular status position prior to July 1, 2011.
- IUOE – must be hired in a regular status position prior to July 1, 2011.
- SEIU – must be hired in a regular status position prior to July 1, 2012.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**A. General Information about the Pension Plan (Continued)**

*Benefits Provided (Continued)*

The Plan's provisions and benefits in effect at June 30, 2015, (measurement date) are summarized as follows:

	<u>Group 1</u>	<u>Group 2</u>
<b>Hire Date</b>	On or after January 1, 2004 but before "soft freeze" date of bargaining unit	On or after July 1, 2005, but before "soft freeze" date of bargaining unit
<b>Benefit formula</b>	CalPERS "2% @ 55" formula less VCERA Tier 1 or 2 formula	2% COLA
<b>Benefit vesting schedule</b>	From date of hire	From date of hire
<b>Benefit payments</b>	Life-only annuity	Life-only annuity
<b>Retirement age</b>	On or after 50	On or after 50
<b>Monthly benefits as a % of eligible compensation</b>	Various, coordinated with VCERA benefits	Various, coordinated with VCERA benefits
<b>Required employee contribution rates</b>	1% of annual compensation	1% of annual compensation
<b>Required employer contribution rates</b>	11.96%	11.96%

*Employees Covered*

At June 30, 2013 (valuation date), the following employees were covered by the benefit terms:

	<u>PARS</u>
Inactive employees or beneficiaries currently receiving benefits	24
Active employees	<u>52</u>
	<u>76</u>

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through PARS' actuarial valuation process, performed at least every two years. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### A. General Information about the Pension Plan (Continued)

##### *Contributions (Continued)*

employees during the year, with an additional amount to finance any unfunded accrued liability. For the measurement period ended June 30, 2015 (the measurement date), the employer's contribution rate is 11.96 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2015 is \$394,281.

Commencing January 1 2013, employees are required to contribute a percentage equal to one percent (1 %) of their compensation each year. The mandatory employee contribution percentage is subject to change from time to time. Employees who terminate employment with VRSD prior to being eligible for a REP benefit will receive the return of their employee contributions with three percent (3%) interest per annum payable as a lump sum distribution.

#### B. Net Pension Liability

The District's net pension liability for the Retirement Enhancement Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2013. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

##### *Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Valuation date	June 30, 2013
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Asset valuation method	None
Actuarial assumptions:	
Discount rate	7.00%
Inflation	3.00%
Salary increases (1)	3.85% - 12.65%
Investment rate of return	7.00%
Cost of living adjustment	2.00%
Mortality rate table	CalPERs miscellaneous non- industrial rates

(1) Includes inflation. Graded based on years of service, 3.85% after 22 years of service.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**B. Net Pension Liability (Continued)**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of January 1, 2015. The following table reflects long-term expected real rate of return by asset class.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
Cash	9.80%	0.53%	0.53%
Core fixed income	45.53%	2.03%	1.90%
Broad US equities	32.51%	5.64%	4.25%
Developed foreign equities	9.47%	6.31%	4.58%
Emerging market equities	2.69%	8.56%	5.11%
	100.00%		

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The current 7.00 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

***Pension Plan Fiduciary Net Position***

Information about the pension Plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in PARS' GASB 68 disclosure report. PARS' actuarial valuation report is derived from unaudited plan information. The Plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension Plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)  
June 30, 2015 (with comparative data for 2014)

**C. Changes in Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at: 6/30/2014</b>	\$ 7,780,213	\$ 4,636,775	\$ 3,143,438
<b>Changes recognized for the measurement period:</b>			
• Service cost	160,741		160,741
• Interest on the total pension liability	547,331		547,331
• Contributions from the employer		394,281	(394,281)
• Contributions from employees		30,728	(30,728)
• Net investment income		111,586	(111,586)
• Administrative expenses		(38,944)	38,944
• Benefit payments, including refunds of employee contributions	(248,094)	(248,094)	-
<b>Net changes during 2014-15</b>	<b>\$ 459,978</b>	<b>\$ 249,557</b>	<b>\$ 210,421</b>
<b>Balance at: 6/30/2015</b>	<b>\$ 8,240,191</b>	<b>\$ 4,886,332</b>	<b>\$ 3,353,859</b>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (7.50 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
PARS net pension liability	\$ 4,566,998	\$ 3,353,859	\$ 2,353,984

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**C. Changes in Net Pension Liability (Continued)**

*Subsequent Events*

There were no subsequent events that would materially affect the results presented in this disclosure.

*Recognition of Gains and Losses*

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of the start of the measurement period (July 1, 2014), the net pension liability is \$3,143,438.

For the measurement period ending June 30, 2015 (the measurement date), the District incurred a pension expense of \$430,513 for the Plan. A complete breakdown of the pension expense is as follows:

<b>Components of pension expense:</b>	
Service cost	\$ 160,741
Interest on the total pension liability	547,331
Expected investment income (net of investment expenses)	(329,322)
Recognition of investment gains or losses	43,547
Member contributions	(30,728)
Administrative expense	38,944
<b>Pension expense</b>	<b>\$ 430,513</b>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)**

As of June 30, 2015, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Net difference between projected and actual earnings on pension plan investments	\$ 174,189	\$ -
Total	<u>\$ 174,189</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
<u>                    </u>	<u>                    </u>
2016	\$ 43,547
2017	43,547
2018	43,547
2019	43,548
2020	-
Thereafter	-

**E. Payable to the Pension Plan**

At June 30, 2015, the District reported a payable of \$14,647 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

# VENTURA REGIONAL SANITATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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### 9. Other Post Employment Benefits

#### Plan Description

The District provides post retirement healthcare benefits, in accordance with California Public Employees' Retirement System (CalPERS), to all employees who retire from the District after attaining the age of 50 with at least ten years of service and elect to be covered. The District is part of the Public Agency portion of the Public Agency Retirement System (PARS), an agent multiple-employer plan administered by PARS, which acts as a common investment and administrative agent for participating public employees within the State of California. The Public Agency Retirement System issues a separate Comprehensive Annual Financial Report. Copies of the PARS annual financial report may be obtained from the Public Agency Retirement System, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

#### Funding Policy

The District's annual OPEB cost is calculated based on the *annual required contribution (ARC)* of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. When an agency contributes more than the ARC, there is a net OPEB asset; when the contribution is less, a net OPEB obligation results. As of June 30, 2015, the District calculated and recorded a net OPEB asset of \$581,990, and a net OPEB asset of \$638,781, as of June 30, 2014.

#### Annual OPEB Cost and Net OPEB Obligation (Asset)

For 2015, the District's annual OPEB cost (expense) consists of the annual required contribution plus interest on the net OPEB obligation less the adjustment to the annual required contribution. The District contributed \$95,945 to the PARS trust. The table on page 52 shows the components of the District's annual OPEB costs for the years 2015 and 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual required contribution	\$ 150,998	\$ 32,663
Interest on net OPEB obligation	(31,939)	(28,974)
Adjustment to annual required contribution	33,677	29,681
Annual OPEB cost (expense)	152,736	33,370
Contributions made	(95,945)	(92,680)
Increase in net OPEB obligation	56,791	(59,310)
Net OPEB obligation (asset)- beginning of year	(638,781)	(579,471)
Net OPEB obligation (asset) - end of year	<u>\$ (581,990)</u>	<u>\$ (638,781)</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2015 and the two preceding years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost (Expense)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2013	\$ 35,261	207.2%	\$ (579,471)
2014	\$ 33,370	277.7%	\$ (638,781)
2015	\$ 152,736	62.8%	\$ (581,990)

#### Fund Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 1,416,452
Actuarial value of plan assets	<u>861,284</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 555,168</u>
Funded ratio (actuarial value of plan assets/AAL)	60.81%
Covered payroll (active plan members)	\$ 3,575,455
UAAL as a percentage of covered payroll	15.53%

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information (most recent available) that shows whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial 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 plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability (UAAL) is being amortized as a level of percentage of payroll on a closed basis.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions	
Investment Rate of Return	5.00% annual return net of both administrative and investment related expenses
Medical Inflation Rate	<i>Employer Contribution to CAIPERS:</i> 3.75% per year <i>Age Adjusted Medical Per Member Per Month Costs: Pre-65:</i> 6.00% in 2014 graded down to 4.75% in 2070 and thereafter. <i>Post-65:</i> 6.25% in 2014 graded down to 4.75% in 2096 and thereafter.
Payroll Growth	3.25% per year
Amortization Method	Level Percent of Payroll
Amortization Period	30 years from July 1, 2008 (24 years remaining as of July 1, 2014)

#### 10. Deferred Compensation

##### **Employee Contribution Deferred Compensation Plan**

The District offers to its employees an optional deferred compensation plan created in accordance with Section 457(b) of the Internal Revenue Code. This plan is available to substantially all District employees and allows a portion of an employee's compensation deferred to provide funds upon retirement, termination, unforeseeable emergencies, reaching age 70 and a half, or upon death. The annual plan contribution limit for 2015 and 2014 was \$18,000 and \$17,500, respectively. Further, the contribution limit will be \$18,000 in 2016.

The plan is administered through a third-party administrator. The District does not perform investing function, and has no fiduciary accountability for the plan. Thus, the plans assets and any related liability to plan participants have been excluded from the accompanying basic financial statements.

##### **Social Security**

Employees of the District are also covered by the Federal Insurance Contribution Act (FICA), which is commonly known as Social Security. Contributions for Social Security are 6.2% of covered wages up to \$118,500 per employee and are paid by the District. The District also pays contributions for Medicare of 1.45% of covered wages. Contributions made by the District for Social Security and Medicare for 2015 and 2014 were \$385,377 and \$378,222, respectively.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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#### C. OTHER INFORMATION

##### 1. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the California Sanitation Risk Management Authority (CSRMA), an intergovernmental risk sharing joint powers authority currently operating as a common risk management and loss prevention program for more than 50 California sanitation districts. The District pays an annual premium to CSRMA for its public liability and workers compensation risk coverage. The Agreement for formation of CSRMA provides that it will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. CSRMA is allowed to make additional assessments to its members based on a retroactive premium adjustment process. At June 30, 2015, the District participated in the CSRMA risk sharing pool as follows:

- The District's General Liability, Auto Liability, Errors & Omissions, and Employment Practices Liability coverage are provided through CSRMA's Pooled Liability Program.
- CSRMA provides an initial \$500,000 in coverage, supplemented by reinsurance coverage of \$15,000,000 and excess liability coverage of \$10,000,000, bringing total coverage limits to \$25,500,000.

Program deductibles include:

- \$25,000 per occurrence for bodily injury, property damage and personal injury.
- \$2,500 per occurrence for public entity errors & omissions.
- \$25,000 per occurrence for employment related practices.
- \$2,500 per occurrence for automobile medical payments.
- \$250,000 per occurrence for dam failure.

In addition to the above, the District also has the following insurance coverage through carriers evaluated, recommended, and administered by TWIW Insurance Services, a Ventura-based brokerage:

- Special form property coverage up to \$1,773,021 with a deductible of \$1,000 per claim.
- Equipment, tools and machinery coverage with an aggregate limit of \$3,146,247, and a per item limit of \$750,000, subject to a deductible of \$2,500 per claim.
- Computer equipment coverage with an aggregate limit of \$202,400 subject to a deductible of \$500 per claim (\$1,000 per mechanical breakdown).
- Blanket building and content coverage of \$1,773,021 (building) and \$196,200 (contents), subject to a deductible of \$1,000 per claim.
- Blanket earnings and extra expense coverage up to \$255,000.
- Vehicle coverage (actual cash value) - \$500 to \$1,000 deductible.
- Public employee blanket bond (theft \$1,000,000, computer fraud \$1,000,000), subject to a \$10,000 deductible per occurrence.
- Biosolids facility with an aggregate limit of \$13,442,438 subject to a deductible of \$50,000 per claim (\$12,503,782 – property damage and \$938,656 business interruption).
- Malibu Bay Club System with an aggregate limit of \$3,254,400 subject to a deductible of \$25,000 per claim.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2015 (with comparative data for 2014)

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Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the years ending June 30, 2015 and 2014.

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonable estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2015 and 2014.

#### **2. Commitments and Contingencies**

The District's contractual commitments with outside firms for engineering, consulting, and various other services end with the fiscal year and generally do not carry forward to the next fiscal year. The District leases its administrative office under an operating lease that expires in 2017. Rent expense for the years ended June 30, 2015 and 2014 was approximately \$176,893 and \$149,963, respectively. Future minimum lease payments required under the lease are:

Fiscal Year Ended June 30,	Annual Lease Commitment
2016	\$ 162,109
2017	166,972
	<u>\$ 329,081</u>

In addition, the District is involved in litigation encountered in the normal course of business. In certain of these matters, the defense costs and settlement costs, if any, are covered by the District's liability insurance policies. In the opinion of management, there is no pending litigation that would materially affect the District's liability insurance policies or financial position.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2015 (with comparative data for 2014)**

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**3. Change in Accounting Principle**

As discussed in Note A6, the District implemented GASB Statement No. 68 effective July 1, 2014. GASB 68, among other provisions, amended prior guidance with respect to the reporting of pensions. GASB 68, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the District's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to the prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Accordingly, beginning net position on the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015 has been restated for changes related to GASB 68 as follows:

Beginning net position, as previously reported	\$42,509,664
Change in Accounting Principle (or prior period adjustment)	<u>(6,797,626)</u>
Beginning net position, as restated	<u><u>\$35,712,038</u></u>

**4. Subsequent Events**

The District is in the process of refinancing four of their outstanding Installment Sale Agreements (excluding the Malibu Bay Club Wastewater Treatment System Installment Sale Agreement) and issuing a \$10 million loan for the Toland Road Landfill Phase IV Liner project.

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