

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF NET ASSETS**

**June 30, 2009 with comparative totals for June 30, 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Current assets:		
Cash and cash equivalents	\$ 1,215,723	\$ 4,460,254
Accrued interest receivable	59,338	180,747
Accounts receivable – disposal and sanitation fees, net	770,859	730,530
Accounts receivable – contract services, net	984,755	833,506
Accounts receivable – other, net	87,802	51,980
Prepaid and other	223,507	224,500
Total current assets – unrestricted	<u>3,341,984</u>	<u>6,481,517</u>
Restricted current assets:		
Cash and cash equivalents	2,328,376	2,726,707
Notes receivable	89,318	85,034
Accrued interest receivable	269,336	343,652
Total current assets – restricted	<u>2,687,030</u>	<u>3,155,393</u>
Total current assets – unrestricted and restricted	<u>6,029,014</u>	<u>9,636,910</u>
Restricted non-current assets:		
Investments	29,756,025	27,556,376
Notes receivable	2,263,561	2,375,574
Total non-current assets – restricted	<u>32,019,586</u>	<u>29,931,950</u>
Non-current assets:		
Investments - held-to-maturity	8,064,790	9,718,819
Capital assets, net	58,220,564	47,501,448
Total non-current assets – unrestricted	<u>66,285,354</u>	<u>57,220,267</u>
Total non-current assets – unrestricted and restricted	<u>98,304,940</u>	<u>87,152,217</u>
<b>Total assets</b>	<u><u>\$ 104,333,954</u></u>	<u><u>\$ 96,789,127</u></u>

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

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF NET ASSETS (continued)**  
**June 30, 2009 with comparative totals for June 30, 2008**

<b>LIABILITIES</b>	<u><b>2009</b></u>	<u><b>2008</b></u>
Current liabilities:		
Payable from current assets:		
Accounts payable and accrued expenses	\$ 2,035,635	\$ 2,650,966
Accrued wages and compensated absences	2,536,735	2,318,138
Payable from current assets – unrestricted	<u>4,572,370</u>	<u>4,969,104</u>
Payable from restricted current assets:		
Customer deposits	430,770	437,770
Landfill closure/postclosure costs - expected within one year	2,563,144	2,627,200
Accrued interest payable - purchase and sale agreements	110,068	59,138
Installment purchase contract - current portion	89,256	85,121
Installment sale agreement - current portion	1,167,686	703,925
Payable from current assets – restricted	<u>4,360,924</u>	<u>3,913,154</u>
Total current liabilities – unrestricted and restricted	<u>8,933,294</u>	<u>8,882,258</u>
Payable from restricted non-current assets:		
Tierra Rejada consortium reserve	493,092	519,479
Landfill closure/postclosure costs	22,577,385	22,222,886
Installment purchase contract	2,388,625	2,477,881
Installment sale agreement	20,451,852	12,619,538
Payable from non-current assets – restricted	<u>45,910,954</u>	<u>37,839,784</u>
<b>Total liabilities</b>	<u>54,844,248</u>	<u>46,722,042</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	34,123,145	31,614,983
Restricted		
Debt service	2,352,880	2,460,608
Landfill closure and post-closure costs	4,723,537	3,241,828
Retirement trust	1,565,809	1,577,572
Unrestricted	6,724,335	11,172,094
<b>Total net assets</b>	<u>49,489,706</u>	<u>50,067,085</u>
<b>Total liabilities and net assets</b>	<u>\$ 104,333,954</u>	<u>\$ 96,789,127</u>

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

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**June 30, 2009 with comparative totals for June 30, 2008**

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Disposal and sanitation fees	\$ 9,607,937	\$ 9,259,545
Contract services	5,546,327	5,836,937
Other revenue	219,152	181,724
Total operating revenues	<u>15,373,416</u>	<u>15,278,206</u>
Operating expenses:		
Salaries and benefits	8,134,994	7,368,788
Management and administrative	590,037	240,714
Operating materials and supplies	1,585,282	1,536,603
Contract services - labor	388,883	501,859
Contract services - materials and supplies	1,831,112	1,562,053
Contract services - capital outlay purchases	38,406	187,667
Professional services	66,708	246,898
Facility maintenance	822,050	940,267
Provision for landfill closure/postclosure	785,776	563,226
Permits, licences and fees	1,104,701	1,099,084
Total operating expenses	<u>15,347,949</u>	<u>14,247,159</u>
Operating income before depreciation	25,467	1,031,047
Depreciation	<u>(2,287,277)</u>	<u>(2,092,335)</u>
Operating income	<u>(2,261,810)</u>	<u>(1,061,288)</u>
Non-operating revenue(expense):		
Interest and investment earnings	2,143,110	2,686,225
Gain(loss) on sales/disposals of capital assets, net	5,047	43,496
Interest expense	(758,663)	(617,606)
Other, net	260,913	284,696
Total non-operating revenues, net	<u>1,650,407</u>	<u>2,396,811</u>
Net income before capital contributions	<u>(611,403)</u>	<u>1,335,523</u>
Capital contributions		
Capital grants - state	<u>34,024</u>	<u>-</u>
Change in net assets	<u>(577,379)</u>	<u>1,335,523</u>
Net assets, beginning of year	<u>50,067,085</u>	<u>48,731,562</u>
Net assets, end of year	<u>\$ 49,489,706</u>	<u>\$ 50,067,085</u>

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

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF CASH FLOWS**

**June 30, 2009 with comparative totals for June 30, 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers for disposal and sanitation services	\$ 9,560,608	\$ 9,206,330
Receipts from customers for contract services	5,395,074	5,881,452
Receipts for other services	444,243	420,034
Payments to vendors for materials and services	(6,652,634)	(4,204,443)
Payments for salaries, benefits and contract labor	(8,827,000)	(7,825,460)
Net cash provided by operating activities	<u>(79,709)</u>	<u>3,477,913</u>
Cash flows from non-capital financing activities:		
Proceeds from state grant	34,024	-
Net cash used in capital and related financing activities	<u>34,024</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	9,000,000	7,000,000
Acquisition and construction of capital assets	(13,008,709)	(11,068,299)
Principal received on notes receivable	107,729	112,162
Proceeds from the sale of capital assets	7,367	47,037
Principal paid on capital debt	(789,046)	(612,976)
Interest paid on capital debt	(707,733)	(558,469)
Net cash used in capital and related financing activities	<u>(5,390,392)</u>	<u>(5,080,545)</u>
Cash flows from investing activities:		
Interest on cash and cash equivalents	60,790	216,452
Interest and dividends from investments	2,278,045	2,454,776
Proceeds from sales and maturities of investments	39,159,288	40,034,806
Purchases of investments	(39,704,908)	(42,678,718)
Net cash provided by investing activities	<u>1,793,215</u>	<u>27,316</u>
Net increase(decrease) in cash and cash equivalents	<u>(3,642,862)</u>	<u>(1,575,316)</u>
Cash and cash equivalents (unrestricted and restricted), beginning of year	<u>7,186,961</u>	<u>8,762,277</u>
Cash and cash equivalents (unrestricted and restricted), end of year	<u>\$ 3,544,099</u>	<u>\$ 7,186,961</u>
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and cash equivalents	\$ 1,215,723	\$ 4,460,254
Restricted cash and cash equivalents	<u>2,328,376</u>	<u>2,726,707</u>
Total cash and cash equivalents	<u>\$ 3,544,099</u>	<u>\$ 7,186,961</u>

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

**VENTURA REGIONAL SANITATION DISTRICT**

**STATEMENTS OF CASH FLOWS**

**June 30, 2009 with comparative totals for June 30, 2008**

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>(2,261,810)</u>	\$ <u>(1,061,288)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,287,277	2,092,335
Other non-operating income, net	260,913	284,696
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – disposal and sanitation fees, net	(40,329)	(61,215)
Accounts receivable – contract services, net	(151,253)	44,515
Accounts receivable – other, net	(35,822)	(46,386)
Prepaid and other	993	14,964
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(615,331)	1,593,879
Accrued wages and compensated absences	218,597	474,955
Customer deposits	(7,000)	8,000
Tierra Rejada consortium reserve	(26,387)	(27,906)
Landfill closure/postclosure costs	<u>290,443</u>	<u>161,364</u>
Total adjustments	<u>2,182,101</u>	<u>4,539,201</u>
Net cash provided by operating activities	\$ <u><u>(79,709)</u></u>	\$ <u><u>3,477,913</u></u>

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

# VENTURA REGIONAL SANITATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

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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, 2009 or 2008. 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, 2009

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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, of 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 assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets 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.

Under GASB No. 34, enterprise funds such as the District have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

#### **4. Assets, Liabilities and Net Assets**

**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 assets 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, 2009

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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 Assets.

**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.

**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.

**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.

#### **Liabilities and net assets:**

##### **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

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

June 30, 2009

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**Accrued wages and compensated absences** - The District's personnel policies provide for accumulation of comprehensive annual leave (CAL)/vacation, sick leave and compensatory time. Cash payment of unused CAL/vacation, sick and compensatory time 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 is only available to one bargaining unit. Liabilities for CAL/vacation, compensatory time and the portion of sick leave payable upon termination are recorded when benefits are earned. Current values are included in this category.

**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 Assets 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 \$389,246 at both June 30, 2009 and 2008, respectively, and are not carried on the Statement of Net Assets.

**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 Assets. 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, 2009

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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 4 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.

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** - This component of net assets consists of constraints placed on net assets use 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 Net Assets** - This component of net assets consists of net assets that do not meet the definition of restricted or net investment in capital assets.

**Revenue recognition of commodity sales** - As part of its approved closure plan, the District installed a gas collection system at the Coastal and Bailard landfills. Methane gas produced by the landfills is processed by Covanta Biogas-Pacific Recovery Corporation for further sale to Southern California Edison Company (SCE) or burned in a flare constructed by the District, depending on the gas quality.

The District receives a contract royalty rate of 8.3% of its prorated share of all gas sold to SCE. Gas production estimates by engineers indicate the potential volume of gas is somewhat unpredictable due to the exact mixture of refuse, compaction rate and other factors; however, the production cycle is predictable and resembles a bell curve. The Coastal site has been closed twelve years and gas production has peaked and is now in decline. The Bailard site has been closed eleven years and gas production has peaked and is beginning to decline. Total gas royalties earned during the years ended June 30, 2009 and 2008 were \$137,680 and \$132,631, respectively.

# VENTURA REGIONAL SANITATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2009

In July 2004, a microturbine electric generation station was installed at the Toland Road landfill adjacent to the landfill gas (LFG) flare system. The microturbine acts as an ancillary LFG destruction device to the flare station, which is the primary LFG destruction device. The microturbine presently burns roughly 35 scfm (standard cubic feet per minute) of LFG compared to the roughly 750 scfm the flare is burning. The microturbine pulls LFG from the main header just upstream from the flare station. The gas is then compressed, scrubbed, and dried on the microturbine skid before entering the microturbine combustion chamber. A programmed logic controller monitors proper function and shuts down the system if any normal operating parameters are exceeded. The microturbine generates approximately 70 kilowatts of electricity using LFG as fuel which powers most onsite demands and returns the remainder to the electrical grid where it is purchased by SCE, which resulted in revenues of \$8,706 and \$1,034 for the fiscal years ended June 30, 2009 and 2008, respectively.

### B. DETAILED NOTES

#### 1. Cash and Investments

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

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 1,215,723	\$ 4,460,254
Restricted cash and cash equivalents	2,328,376	2,726,707
Investments	8,064,790	9,718,819
Restricted investments	<u>29,756,025</u>	<u>27,556,376</u>
Total Cash and Investments	<u>\$ 41,364,914</u>	<u>\$ 44,462,156</u>

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

	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 1,050	\$ 1,050
Deposits with financial institutions		
Sweep account	525,060	293,195
Restricted cash	1,996,579	2,015,342
Investments		
Federal Farm Credit Bank	2,109,540	1,015,630
Federal Home Loan Bank	6,618,439	4,437,205
Federal Home Loan Mortgage	6,552,232	7,747,978
Federal National Mortgage Association	6,693,894	12,937,830
U.S. Treasury notes	14,970,260	10,410,602
Certificates of deposits	876,450	725,950
Money market funds	370,750	1,900,501
Local Agency Investment Fund (LAIF)	561,189	2,892,725
Ventura County Treasury Pool	<u>89,471</u>	<u>84,148</u>
Total Cash and Investments	<u>\$ 41,364,914</u>	<u>\$ 44,462,156</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2009**

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

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents		
Local Agency Investment Fund (LAIF)	\$ 561,189	\$ 2,892,725
Ventura County Treasury Pool	89,471	84,148
Restricted Money market funds	1,996,579	2,015,342
Money market funds	370,750	1,900,501
Sweep account	525,060	293,195
Cash on hand	<u>1,050</u>	<u>1,050</u>
Total Cash and Cash Equivalents	<u>\$ 3,544,099</u>	<u>\$ 7,186,961</u>

***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).

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2009

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#### *Cash and Cash Equivalents*

At June 30, 2009 and 2008, the carrying amount of cash in banks was \$625,462 and \$643,713, respectively, and the corresponding bank balance was \$1,171,720 and \$314,107, 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. As of June 30, 2009, the total amount invested by all public agencies in LAIF is \$25.2 billion. LAIF is a part of the California Pooled Money Investment Account (PMIA), which at June 30, 2009 had a balance of \$50.7 billion. Of that amount 14.71% is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 235 days as of June 30, 2009.

The District's proportionate share of LAIF's market value was \$561,189 and \$2,892,725 at June 30, 2009 and June 30, 2008, 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 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, 2009**

**Investments at June 30, 2009:**

<u>Investment Type</u>	Fair Value <u>Total</u>	<u>Remaining Maturity (in months)</u>		
		12 Month or Less	13-24 Months	25-60 Months
Federal Farm Credit Bank	\$ 2,109,540	\$ -	\$ 512,970	\$ 1,596,570
Federal Home Loan Bank	6,618,439	-	4,229,342	2,389,097
Federal Home Loan Mortgage	6,552,232	-	5,734,965	817,267
Federal National Mortgage Association	6,693,894	2,327,113	3,861,781	505,000
U.S. Treasury notes	14,970,260	943,639	4,586,697	9,439,924
Certificates of deposits	876,450	876,450	-	-
Money market funds	370,750	370,750	-	-
Local Agency Investment Fund (LAIF)	561,189	561,189	-	-
Ventura County Treasury Pool	89,471	89,471	-	-
<b>Total</b>	<b>\$ 38,842,225</b>	<b>\$ 5,168,612</b>	<b>\$ 18,925,755</b>	<b>\$ 14,747,858</b>

**Investments at June 30, 2008:**

<u>Investment Type</u>	Fair Value <u>Total</u>	<u>Remaining Maturity (in months)</u>		
		12 Month or Less	13-24 Months	25-60 Months
Federal Farm Credit Bank	\$ 1,015,630	\$ -	\$ -	\$ 1,015,630
Federal Home Loan Bank	4,437,205	1,864,067	2,317,043	256,095
Federal Home Loan Mortgage	7,747,978	-	6,431,178	1,316,800
Federal National Mortgage Association	12,937,830	1,329,335	11,608,495	-
U.S. Treasury notes	10,410,602	2,768,114	6,258,103	1,384,385
Certificates of deposits	725,950	725,950	-	-
Money market funds	1,900,501	1,900,501	-	-
Local Agency Investment Fund (LAIF)	2,892,725	2,892,725	-	-
Ventura County Treasury Pool	84,148	84,148	-	-
<b>Total</b>	<b>\$ 42,152,569</b>	<b>\$ 11,564,840</b>	<b>\$ 26,614,819</b>	<b>\$ 3,972,910</b>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2009**

***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, 2009	Minimum Legal Rating	Exempt From Disclosure	AAA	Not rated
Federal Farm Credit Bank	\$ 2,109,540	A	\$ -	\$ 2,109,540	\$ -
Federal Home Loan Bank	6,618,439	A	-	6,618,439	-
Federal Home Loan Mortgage	6,552,232	A	-	6,552,232	-
Federal National Mortgage Association	6,693,894	A	-	6,693,894	-
U.S. Treasury notes	14,970,260	N/A	14,970,260	-	-
Certificates of deposits	876,450	N/A	876,450	-	-
Money market funds	370,750	N/A	370,750	-	-
Local Agency Investment Fund (LAIF)	561,189	N/A	-	-	561,189
Ventura County Treasury Pool	89,471	N/A	-	-	89,471
Total	\$ 38,842,225		\$ 16,217,460	\$ 21,974,105	\$ 650,660

Investment Type	Total as of June 30, 2008	Minimum Legal Rating	Exempt From Disclosure	AAA	Not rated
Federal Farm Credit Bank	\$ 1,015,630	A	\$ -	\$ 1,015,630	\$ -
Federal Home Loan Bank	4,437,205	A	-	4,437,205	-
Federal Home Loan Mortgage	7,747,978	A	-	7,747,978	-
Federal National Mortgage Association	12,937,830	A	-	12,937,830	-
U.S. Treasury notes	10,410,602	N/A	10,410,602	-	-
Certificates of deposits	725,950	N/A	725,950	-	-
Money market funds	1,900,501	N/A	1,900,501	-	-
Local Agency Investment Fund (LAIF)	2,892,725	N/A	-	-	2,892,725
Ventura County Treasury Pool	84,148	N/A	-	-	84,148
Total	\$ 42,152,569		\$ 13,037,053	\$ 26,138,643	\$ 2,976,873

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**June 30, 2009**

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>2009</u>	<u>2008</u>
Federal Farm Credit Bank	Federal Agency Securities	\$ 2,109,540	\$ 1,015,630
Federal Home Loan Bank	Federal Agency Securities	6,618,439	4,437,205
Federal Home Loan Mortgage	Federal Agency Securities	6,552,232	7,747,978
Federal National Mortgage Association	Federal Agency Securities	6,693,894	12,937,830

**2. Accounts Receivable**

Disposal and sanitation fees, net - These receivables are comprised of services provided to customers at the District's Toland Road Sanitary Landfill. They are shown net of an allowance for uncollectable accounts. The allowance totals \$7,800 and \$13,600 at June 30, 2009 and 2008, 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 \$15,600 and \$7,900 at June 30, 2009 and 2008, respectively.

Other, net - These receivables result from miscellaneous activities such as landfill gas royalties, prior year taxes and reimbursed State mandated costs. They are shown net of an allowance for uncollectable accounts. The allowance totals \$3,500 and \$3,500 at June 30, 2009 and 2008, respectively.

Summary of accounts receivable as reported in the accompanying Statement of Net Assets is shown as follows:

**June 30, 2009**

<u>Accounts Receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Disposal and sanitation	\$ 778,659	\$ (7,800)	\$ 770,859
Contract services	1,000,355	(15,600)	984,755
Other receivable	91,302	(3,500)	87,802
Total accounts receivable	<u>\$ 1,870,316</u>	<u>\$ (26,900)</u>	<u>\$ 1,843,416</u>

**June 30, 2008**

<u>Accounts Receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Disposal and sanitation	\$ 744,130	\$ (13,600)	\$ 730,530
Contract services	841,406	(7,900)	833,506
Other receivable	55,480	(3,500)	51,980
Total accounts receivable	<u>\$ 1,641,016</u>	<u>\$ (25,000)</u>	<u>\$ 1,616,016</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2009**

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**3. 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. Terms of the note call for semi-annual principal and interest payments of \$106,854 at the rate of 4.50%, maturing October 2025.

**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 and agricultural projects that comprise the construction/production in process balances at June 30 are as follows:

<u>Construction in Progress</u>	<u>2009</u>	<u>2008</u>
Microturbine generation station at Toland Landfill	\$ 5,652,616	\$ 3,498,047
Great Plains software Phase 1	144,247	-
Site security system	187,316	-
IT virtualization project	80,000	-
Biosolids	13,511,486	6,349,267
Toland SCADA	-	96,827
Bailard building upgrade	909,072	305,222
Miscellaneous projects	63,295	63,397
Toland monitoring well	-	48,849
Landfill gas treatment skid	2,284,965	424,260
McGrath SCADA	-	28,768
Malibu Bay Club improvements	-	42,055
Subtotal	<u>22,832,997</u>	<u>10,856,692</u>
Millenium Grove at Toland Road	102,084	84,673
Grand total	<u>\$ 22,935,081</u>	<u>\$ 10,941,365</u>

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2009**

A summary of changes in capital assets for the years ended June 30, 2009 and 2008 follows:

	Beginning Balance June 30, 2008	Additions	Deletions	Ending Balance June 30, 2009
Capital assets, not being depreciated				
Land	\$ 2,842,328	\$ -	\$ -	\$ 2,842,328
Construction-in-Progress	10,856,692	12,320,915	(344,610)	22,832,997
Agriculture Production-in-Progress	84,673	17,411	-	102,084
Total capital assets, not being depreciated	<u>13,783,693</u>	<u>12,338,326</u>	<u>(344,610)</u>	<u>25,777,409</u>
Capital assets, being depreciated				
Structures and improvements	39,779,771	42,055	-	39,821,826
Equipment	8,168,135	972,947	(47,272)	9,093,810
Total capital assets, being depreciated	<u>47,947,906</u>	<u>1,015,002</u>	<u>(47,272)</u>	<u>48,915,636</u>
Less accumulated depreciation for:				
Structures and improvements	(9,657,719)	(1,686,970)	-	(11,344,689)
Equipment	(4,572,432)	(600,307)	44,947	(5,127,792)
Total accumulated depreciation	<u>(14,230,151)</u>	<u>(2,287,277)</u>	<u>44,947</u>	<u>(16,472,481)</u>
Total capital assets, being depreciated, net	<u>33,717,755</u>	<u>(1,272,275)</u>	<u>(2,325)</u>	<u>32,443,155</u>
Net capital assets	<u>\$ 47,501,448</u>	<u>\$ 11,066,051</u>	<u>\$ (346,935)</u>	<u>\$ 58,220,564</u>

  

	Beginning Balance June 30, 2007	Additions	Deletions	Ending Balance June 30, 2008
Capital assets, not being depreciated				
Land	\$ 2,842,328	\$ -	\$ -	\$ 2,842,328
Construction-in-Progress	1,562,182	10,880,184	(1,585,674)	10,856,692
Agriculture Production-in-Progress	84,673	-	-	84,673
Total capital assets, not being depreciated	<u>4,489,183</u>	<u>10,880,184</u>	<u>(1,585,674)</u>	<u>13,783,693</u>
Capital assets, being depreciated				
Structures and improvements	39,792,210	37,520	(49,959)	39,779,771
Equipment	6,842,226	1,826,492	(500,583)	8,168,135
Total capital assets, being depreciated	<u>46,634,436</u>	<u>1,864,012</u>	<u>(550,542)</u>	<u>47,947,906</u>
Less accumulated depreciation for:				
Structures and improvements	(7,986,272)	(1,721,406)	49,959	(9,657,719)
Equipment	(4,608,323)	(370,929)	406,820	(4,572,432)
Total accumulated depreciation	<u>(12,594,595)</u>	<u>(2,092,335)</u>	<u>456,779</u>	<u>(14,230,151)</u>
Total capital assets, being depreciated, net	<u>34,039,841</u>	<u>(228,323)</u>	<u>(93,763)</u>	<u>33,717,755</u>
Net capital assets	<u>\$ 38,529,024</u>	<u>\$ 10,651,861</u>	<u>\$ (1,679,437)</u>	<u>\$ 47,501,448</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2009

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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 Business 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 Water & Wastewater 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 Business 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 Citizens Business 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.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**June 30, 2009**

The following is a schedule of changes in long-term debt of the District for the fiscal year ended June 30, 2009:

	Beginning Balance	Additions	Payments/ Deletions	Ending Balance	Amounts Due in One Year
Installment Purchase Contract	\$ 2,563,002	\$ -	\$ (85,121)	\$ 2,477,881	\$ 89,256
Installment Sales Agreement	6,490,278	-	(359,129)	6,131,149	375,398
Installment Sales Agreement	6,833,185	-	(344,796)	6,488,389	360,240
Installment Sales Agreement	-	9,000,000	-	9,000,000	432,048
Total long-term debt	<u>\$ 15,886,465</u>	<u>\$ 9,000,000</u>	<u>\$ (789,046)</u>	<u>\$ 24,097,419</u>	<u>\$ 1,256,942</u>

The following schedule illustrates the debt service requirements to maturity for loans outstanding as of June 30, 2009:

Fiscal Years Ending June 30,	Principal	Interest	Total
2010	1,256,942	1,070,302	2,327,244
2011	1,313,991	1,013,252	2,327,243
2012	1,373,631	953,612	2,327,243
2013	1,435,979	891,264	2,327,243
2014	1,501,159	826,084	2,327,243
2015-2019	8,591,911	3,044,306	11,636,217
2020-2024	8,051,428	1,004,406	9,055,834
2025-2029	572,378	49,030	621,408
Total	<u>\$ 24,097,419</u>	<u>\$ 8,852,256</u>	<u>\$ 32,949,675</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2009

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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 \$25,140,529 reported as landfill closure and postclosure care liability at June 30, 2009, represents the cumulative amount reported to date based on the use of 100% of estimated capacity for the closed landfills, and on 34.8% for the Toland Road landfill. The District will recognize the remaining estimated cost of closure and postclosure care for the Toland Road landfill of \$13,858,117 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. It is expected that revenue from the sale of methane gas produced by the closed Coastal and Bailard landfill sites will partially offset such continuing maintenance costs associated with those sites.

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 the California Integrated Waste Management Board (CIWMB). 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 1.022% and 1.027% was included for the years 2009 and 2008, respectively. The District is in compliance with these requirements, and, at June 30, 2009, investments of \$29,756,025 are held for these purposes. These are reported as restricted assets on the statement of net assets.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**June 30, 2009**

The District has provided the required financial assurance to the California Integrated Waste Management Board for estimated closure and postclosure costs for the Coastal, Bailard and Toland Road landfill sites. The CIWMB 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, 2009.

<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%	34.8%
Estimated Closure Costs:	\$ 13,541,650	\$ 9,954,107	\$ 250,000	\$ 2,250,000	\$ 11,692,711
Estimated corrective action	75,872	51,145	-	-	458,608
Total est. postclosure/corrective action costs	<u>7,925,882</u>	<u>6,947,784</u>	<u>467,394</u>	<u>1,741,316</u>	<u>9,103,461</u>
Total costs	<u>21,543,404</u>	<u>16,953,036</u>	<u>717,394</u>	<u>3,991,316</u>	<u>21,254,780</u>
Closures/postclosure recognized	<u>21,543,404</u>	<u>16,953,036</u>	<u>717,394</u>	<u>3,991,316</u>	<u>7,396,663</u>
Remaining closure/postclosure to be recognized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,858,117</u>
Remaining landfill life	Closed FY 97	Closed FY 95	Closed FY 87	Closed FY 82	18 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, 2009**

***Tierra Rejada Consortium Reserve:***

The District is acting as the project manager to complete the mitigation process on the closed Tierra Rejada landfill site 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 deferred revenue liability to properly account for the reserve on the Statements of Net Assets. As the District incurs expenses related to the project in future years the corresponding revenue will be recognized to match (offset) those expenses. In 2009 and 2008 \$26,387 and \$27,906 in expenses were incurred at the landfill site, respectively; therefore, the District recognized \$26,387 and \$27,906, respectively, from the reserve as other operating revenue on the Statements of Revenues, Expenses and Changes in Net Assets.

**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. Selected segment information for the year ended June 30, 2009, is as follows:

**Condensed Statement of Net Assets**

	Water and Wastewater	Solid Waste
Current assets	\$ 486,104	\$ 9,018,131
Capital assets, net	17,412,254	39,990,819
Other assets	2,263,561	29,756,025
Total assets	20,161,919	78,764,975
Current liabilities	2,081,886	4,150,026
Long-term liabilities	17,084,726	28,826,228
Total liabilities	19,166,612	32,976,254
Net assets:		
Invested in capital assets, net of related debt	(554,016)	33,859,670
Restricted	2,352,880	4,723,537
Unrestricted	(803,557)	7,205,514
Total net assets	\$ 995,307	\$ 45,788,721

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2009**

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

	Water and Wastewater	Solid Waste
Operating revenues:		
Disposal and sanitation fees	\$ -	\$ 9,607,937
Contract services	5,440,342	100,140
Other revenue	283	218,866
Total operating revenues	<u>5,440,625</u>	<u>9,926,943</u>
Operating expenses:		
Salaries and benefits	3,362,316	2,865,903
Depreciation	214,644	1,896,484
Other operating expenses	1,530,368	3,979,661
Total operating expenses	<u>5,107,328</u>	<u>8,742,048</u>
Operating income (loss)	<u>333,297</u>	<u>1,184,895</u>
Non-operating revenues (expenses):		
Interest and investment earnings	190,184	1,879,040
Interest expense	(472,947)	(285,716)
Other non-operating revenue (expense)	122,232	56,944
Total non-operating revenues (expenses)	<u>(160,531)</u>	<u>1,650,268</u>
Transfers in (out)	<u>(737,368)</u>	<u>(1,369,398)</u>
Net income before capital contributions	(564,602)	1,465,765
Capital grants - state	-	34,024
Change in net assets	<u>(564,602)</u>	<u>1,499,789</u>
Net assets, beginning of year	<u>1,559,909</u>	<u>44,288,932</u>
Net assets, end of year	<u>\$ 995,307</u>	<u>\$ 45,788,721</u>

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2009

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#### Condensed Statement of Cash Flows

	<u>Water and Wastewater</u>	<u>Solid Waste</u>
Net cash provided by (used for) operating activities	\$ 210,432	\$ 3,111,098
Net cash provided by (used for) non-capital financing activities	(737,368)	(1,335,374)
Net cash provided by (used for) capital and related financing activities	461,008	(5,627,153)
Net cash provided by investing activities	220,334	(247,493)
Net increase (decrease)	<u>154,406</u>	<u>(4,098,922)</u>
Cash and cash equivalents, beginning of year	<u>(808,829)</u>	<u>12,003,770</u>
Cash and cash equivalents, end of year	<u>\$ (654,423)</u>	<u>\$ 7,904,848</u>

#### 8. Defined Benefit Pension Plans

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

#### Plan Description

The District participates in a cost-sharing multiple-employer contributory defined benefit pension plan (the "Plan") administered by the Ventura County Employees' Retirement Association (VCERA). This Plan is available to the employees of the County of Ventura and the District. Participation in the Plan is mandatory for substantially all District employees.

The VCERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Ventura County Employees' Retirement Association, 1190 South Victoria Avenue, Suite 200, Ventura, California 93003.

#### Funding Policy

The VCERA Board of Retirement has the authority to establish and amend funding policy. Effective July 12, 2007, all employee contributions are paid by the District. Tier I employee rate is 6.84% of their annual covered salaries while Tier II employee rate is 5.57% of their annual covered salaries. The District is required to contribute at an actuarially determined rate; the current rate is 53.89% for Tier I and 8.47% for Tier II. The District is also required to contribute 1.19% of annual covered salary for all Tier I participants to pay a portion of the employee cost of a cost-of-living adjustment benefit.

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**June 30, 2009**

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**Annual Pension Cost**

The following table shows the District's required contributions and percentage contributed for the current year and two preceding years:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 515,519	100%
2008	838,010	100%
2009	884,578	100%

***Public Agency Retirement System (PARS)***

**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) on February 11, 2004. PARS is a defined benefit plan qualifying under sections 401 and 501 of the Internal Revenue Code. The PARS pension supplements the VCERA pension to provide a 2% @ 55 benefit using the highest compensated year of service and 2% cost of living adjustment (COLA).

**Funding Policy**

All employee contributions are paid by the District. The District pays the contribution of 8.90%. Union Bank of California is the Trustee for PARS. The PARS Trust Administrator is Phase II Systems.

**Annual Pension Cost**

The following table shows the District's required contributions for the current year and two preceding years:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>
2007	\$ 368,826
2008	406,990
2009	504,396

**VENTURA REGIONAL SANITATION DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**  
**June 30, 2009**

**9. Other Post Employment Benefits**

**Plan Description**

The District provides postretirement 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 prefunding plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 45 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. As of June 30, 2009, there were five participants receiving these healthcare benefits.

**Funding Policy**

In fiscal year 2008-09, the District adopted GASB Statement No. 45, entered into a prefunding plan for its OPEB plan with the Public Agency Retirement System (PARS), and deposited a one-time employer contribution of \$398,889 towards the District's annual OPEB cost. 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. The District contracted with Milliman, an outside actuarial consultant, for the GASB Statement No. 45 compliant actuarial report. As of June 30, 2009, the District calculated and recorded a Net OPEB Liability, represented by the ARC and actual contributions, as presented below:

	<u>June 30, 2009</u>
Annual required contribution	\$ 461,920
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>461,920</u>
Contributions made	<u>(404,487)</u>
Increase in net OPEB obligation	57,433
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 57,433</u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2007	N/A	N/A	N/A
June 30, 2008	N/A	N/A	N/A
June 30, 2009	\$ 461,920	87.6%	\$ 57,433

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2009

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#### 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 2009 was \$16,500 and will be the same in 2010.

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 \$106,800 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 2009 and 2008 were \$406,646 and \$374,839, respectively.

#### 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 58 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 the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. At June 30, 2009, 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.
- The Pooled layer limit is at \$750,000; and the Excess (Reinsurance) Liability coverage is in the amount of \$15,000,000 bringing total coverage limits to \$15,750,000.

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.
- \$500,000 per occurrence for dam failure.

## VENTURA REGIONAL SANITATION DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

June 30, 2009

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In addition to the above, the District also has the following insurance coverage:

- Special form property coverage up to \$1,417,093 with a deductible of \$500 per claim.
- Mobile equipment coverage with an aggregate limit of \$2,538,100 subject to a deductible of \$2,500 per claim.
- Computer equipment coverage with an aggregate limit of \$329,400 subject to a deductible of \$500 per claim.
- Public officials personal liability up to \$1,000,000 each occurrence, with an annual aggregate of \$10,000 per claim.
- Office equipment coverage with an aggregate limit of \$160,700 subject to a deductible of \$500 per claim.
- Biosolids facility with an aggregate limit of \$11,020,000 subject to a deductible of \$10,000 per claim.
- Six microturbines with an aggregate limit of \$2,860,000 subject to a deductible of \$5,000 per claim.
- Malibu Bay Club System with an aggregate limit of \$3,007,435 subject to a deductible of \$25,000 per claim.

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, 2009, 2008 and 2007. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably 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, 2009 and 2008.

## 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 2012. Rent expense for the years ended June 30, 2009 and 2008 was approximately \$238,719 and \$227,277, respectively. Future minimum lease payments required under the lease are:

Fiscal Year Ended June 30,	Annual Required Contribution
2010	\$ 246,234
2011	256,150
2012	220,344
	<u>\$ 722,728</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, 2009

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#### **D. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2009, that have effective dates that may impact future presentations.

##### **Governmental Accounting Standards Board Statement No. 53**

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Statement No. 53 also addresses hedge accounting requirements, which includes a government's objective for entering into the derivative instrument, significant terms of the derivative instrument, and the net cash flows of derivative instruments that hedge debt. The disclosure also should highlight the risks to which derivative instruments expose a government. Statement No. 53 is effective for financial statements for reporting periods beginning after June 15, 2009.

##### **Governmental Accounting Standards Board Statement No. 54**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement, improves the usefulness of the financial statements by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. Beginning with the most binding constraints, fund balance amounts will be reported in the following five major classifications: 1) nonspendable – resources that cannot be spent because of their form or because they must be maintained intact, 2) restricted – by externally enforceable limitations on use imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation, 3) committed – self-imposed limitations set in place prior to the end of the period, 4) assigned – limitations resulting from intended use and 5) unassigned – residual net resources. The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010.