

Ventura Regional Sanitation District



Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2016 and June 30, 2015**

Chris Theisen, General Manager

Ventura County, California



Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2016 and June 30, 2015**



Ventura Regional Sanitation District

Ventura County, California

**Prepared by
Finance & Administration Department
Vickie Dragan, Director of Finance**



Ventura Regional Sanitation District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016 and 2015

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Introductory Section



Ventura Regional Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016 and June 30, 2015



VENTURA REGIONAL SANITATION DISTRICT

1001 PARTRIDGE DRIVE, SUITE 150 ■ VENTURA, CA 93003-0704



December 30, 2016

Chairman and Members of the Board of Directors,
The Ventura Regional Sanitation District:

The Comprehensive Annual Financial Report of the Ventura Regional Sanitation District (District) for the fiscal year ended June 30, 2016, is hereby submitted. State law requires all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information in this report. The District has established a comprehensive framework of internal controls to provide reasonable assurance that the District is meeting its basic objectives such as operating effectively and efficiently, providing reliable financial report and operating within certain constraints imposed by external parties and District's governing body. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the District.

The District's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District are free of material misstatement. The auditor has issued an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The District presently has one blended component unit with a June 30 year-end. Accordingly, the Ventura Regional Public Facilities Corporation (Corporation) is presented as a blended component unit of the District. The Corporation was formed on October 25, 1989 to facilitate the issuance of Certificates of Participation (COPs). The District currently has no outstanding COPs. No separate financial statements are prepared for the Corporation and therefore are not available.

PROFILE OF VENTURA REGIONAL SANITATION DISTRICT

The District is an enterprise public waste management agency organized in July 1970 under the California County Sanitation District Act (Health & Safety Code Section 4700 et seq.). It covers about 1,600 square miles and serves approximately 90% of Ventura County.

District Governing Body

The governing board of the District consists of eight members appointed by the eight cities listed on the next page and one member appointed by six special districts. The Board regularly meets on the first and third Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend and participate.

District's Services

The District employs a full-time staff of over seventy-eight (78.21 FTEs) employees as of June 2016 and is capable of providing a full range of services, including integrated waste treatment and disposal services to:

- Eight cities (Camarillo, Fillmore, Ojai, Oxnard, Port Hueneme, San Buenaventura, Santa Paula, and Thousand Oaks), each of which appoints an elected representative to the District Board of Directors; and
- Nine special districts (Camarillo Sanitary, Camrosa Water, Channel Islands Beach Community Services, Ojai Valley Sanitary, Montalvo Community Services, Saticoy Sanitary, Triunfo Sanitation, and Ventura County Waterworks Nos. 1 & 16). Excluding Camarillo Sanitary and Ventura County Waterworks No. 1 & 16, the remaining six special districts on an annual basis jointly appoint a single elected representative to the District Board of Directors; and
- The County of Ventura's unincorporated areas. The unincorporated areas are not represented on the District Board of Directors because of the County's regulatory role relative to the District's solid waste activities.

On July 1, 1999, the District voluntarily transferred all of its property tax to the ten cities and County and began operating on a strictly enterprise basis. This was an unprecedented decision for a public agency in any of our memories, yet we believe a very important move in the right direction. Foregoing property tax subsidy causes us to be ever more productive and maximize the use of available revenues. The District and its employees are proud to be examples of government reinventing itself.

Mission Statement

The Ventura Regional Sanitation District is a non-tax supported public agency providing sanitation services. We offer the highest quality service at the lowest possible cost for our customers and we will provide solutions by involving our staff, our customers and our community.

Solid Waste Operations

The District manages six municipal waste landfills. Only one is active. The Toland Road Landfill is located in a confined, V-shaped canyon four miles east of Santa Paula and four miles west of Fillmore. The 161-acre site has been operating as a landfill since 1970. The District expanded the facility from 135-tons per day (tpd) to 1,500-tpd in FY1997 to provide 30 years of landfill capacity for western Ventura County after closure of the Bailard Landfill that same year.

The Toland Road Landfill received about 395,365 tons of refuse in FY 2016. About 85 percent of the total refuse disposed at the Toland Road Landfill is received from transfer stations operated by its two largest customers, the City of Oxnard and Gold Coast Recycling. This stable stream of refuse and revenue is guaranteed by flow assurance agreements with both customers.

Water & Wastewater Operations

The District is responsible for management, operation, and maintenance of water and wastewater facilities and equipment throughout Ventura County. Included in FY2016 are facilities owned by the Triunfo Sanitation, Saticoy Sanitary, Ojai Valley Sanitary, and Camrosa Water Districts; Cities of Oxnard and Thousand Oaks; County of Ventura; California State University at Channel Islands; Thomas Aquinas College; Cate, Ojai Valley, and Thatcher Schools; and several small water agencies. In total, the District operates and maintains three potable water systems and one recycled water system.

Both the District and participating agencies benefit from economies of scale made possible by the sharing of District expertise and resources. Work is performed under fully reimbursable contracts for which annual budgets are presented to and approved by both agencies' governing bodies.

The largest contract agency managed and operated by the District is the Triunfo Sanitation District (Triunfo), which provides potable and reclaimed water services and wastewater disposal to residents in southeastern Ventura County. Wastewater treatment is provided at the Tapia Water Reclamation Facility via a Triunfo Joint Venture with the Las Virgenes Municipal Water District. Tapia serves nearly 12,000 Triunfo residences and businesses. Potable water is provided to about 4,800 residents in the Oak Park area and reclaimed water from the Tapia plant is provided to parks, schools, and homeowners associations in the unincorporated areas of Oak Park, Lake Sherwood, and North Ranch.

Triunfo has no staff of its own except the five elected Board members which are considered employees of the District. Triunfo contracts with the District for most of its management, financial, engineering, maintenance, and operations functions. In fiscal year 2016, this support consists of nearly fifteen (15.90) full-time equivalent positions made up of the part-time efforts of more than forty-eight (48.70) individuals in twenty-five (25) different areas of expertise.

The District entered into a contract with the Malibu Bay Club (MBC) in August 2003 to own and operate an On-site Wastewater Treatment System (OWTS) to serve this 136-unit condominium complex on the south coast of Ventura County. MBC's existing simple septic system is the subject of a Regional Water Quality Control Board order to improve wastewater treatment. In 2007, in order for the District to receive reimbursement for the \$2.7 million cost of the plant, it explored alternative financing options and entered into an Installment Purchase Contract with the Municipal Finance Corporation. In June 2016, the District paid off the 2007 Installment Purchase Contract with the Municipal Finance Corporation and refinanced the loan with Compass Bank, thereby, reducing the interest rate from 4.8% to 2.71%. The term of the loan did not change. MBC residents pay for their share of the cost through the Ventura County property tax roll.

Budgetary Control

The District Board adopts an annual budget generally in June. This budget serves as an essential tool for financial planning and control. The Board of Directors has the sole authority to approve additional appropriations to the budget during the fiscal year.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Ventura County – Located directly northwest of Los Angeles County, Ventura County covers 1,843 square miles and boasts 43 miles of Pacific Ocean coastline, 7.5 miles of shoreline in public beaches, and 411 acres in state beach parks. The majority of the County's 850,536 residents live in its southern half, while the Los Padres National Forest spans the northern half. An extensive network of roadways links the County's 10 incorporated cities, with rail, harbor, and airport facilities providing access to outside markets. With a projected 2020 population of over one million, Ventura County expects to experience a steady increase in population over the next 7 years as people favor its mild Mediterranean climate, beautiful coastline, and scenic agricultural setting.

Agriculture - Ventura County farmers grow over 100 different crops and often harvest two or three crops from the same parcel of land during any given year. In 2015, the estimated gross value for all agriculture in Ventura County was \$2.2 billion compared to \$2.1 billion in 2014. Strawberries, lemons, raspberries, nursery stock, and celery are among the five leading crops grown. The most recent data available from the U.S. Department of Agriculture ranks Ventura County 10th among all counties in the U.S. in total crop value.

Income and Unemployment – The unemployment rate in Ventura County increased from 5.3 percent in September 2015 to 5.4 percent in September 2016 according to the State of California Employment Development Department. Ventura County continues to see job declines in Manufacturing, Retail Trade,

Information & Technology, and Financial. Leisure and Hospitality, Educational & Health Services, Wholesale Trade, Professional and Business Services, and Government have gained jobs. According to the U. S. Census Bureau, the median household income in Ventura County is \$77,348 and per capita income is \$33,435.

Real Estate – Ventura County’s real estate market year-to-year change in sales is down 6.2 percent. The median single-family-home price in Ventura County is \$631,330, a 4.4 percent increase compared to last year. New home construction remains very low, sales are down and price continues to increase.

LONG-TERM FINANCIAL PLANNING

The District’s emphasis is to continue offering the highest level of service and lowest possible cost to our customers and member agencies. The many challenges facing the District are, for the most part, multi-year issues that involve multi-year solutions. The expansion of traditional operations and maintenance services for wastewater and potable water facilities remains a short, intermediate, and long-term goal of the District.

Staff is also exploring opportunities to assist client agencies with upgrading wastewater treatment processes, disposal projects, asset management, environmental management, and water reclamation. These activities may provide opportunities for new District facilities as well as water and wastewater engineering, technology evaluation, and inspection services.

The District’s FY2016 Five-Year Capital Improvement Plan (CIP) was updated by staff and approved by the District Board as part of the budget process. The CIP for FY2016 was mainly focused on the various financial software upgrades, replacement of the Toland Road site improvements, gas collection system, Toland Road Landfill Phase 4 project, and replacement of aging vehicles and heavy equipment.

District staff provides a five-year forecast to the District Board as part of the budget process and approved by the District Board. Although the forecast only includes information gathered from historical data and known future expenses, it is an important tool to assist in planning the budget from year-to-year.

Finally, the Five-Year District Reserve analysis is also included as part of the budget process and approved by the District Board. The District’s Reserve Level Policy is a guideline District staff follows in maintaining reserves based on legal requirements, contractual agreements, Board’s direction and express authorization and cash reserves to cover operating shortfalls for short-term cash flow, and contingency planning for unforeseen situations. Due to the economic conditions affecting the District, the Board has approved to first maintain and fund restricted reserves and the remaining to fund the cash reserves to cover operating shortfalls.

Solid Waste Operations

Toland Road Landfill – This is the only open solid waste facility operated by the District. Multi-year phased development of the Toland Road landfill provides for incremental construction of new areas just prior to completely filling the operating area. With the design of the entire landfill footprint complete, these small phases of construction can be accomplished with little disruption to landfill operations, minimal dust and noise impacts on neighbors. The District’s waste disposal tipping fee remains very competitive compared to similar agencies. The tipping fees include solid waste facilities operations and maintenance costs, state and local regulatory agency fees, capital upgrade, and relevant future closure and postclosure costs. A table reflecting the District’s 10-year service charge rate history is located on page 84 of the Statistical Section.

Water & Wastewater Operations

The Water & Wastewater Division continues to focus on maintaining and expanding its customer base in an increasingly competitive environment. The District supports this continued emphasis on Water & Wastewater customer growth by including a section in the FY2016 budget document to address Unanticipated Reimbursable Work. This budget serves as an authorized holding place for resources that can be quickly allocated to work that develops after budget adoption, thereby giving Water & Wastewater staff the ability to implement a “can do” marketing strategy and deliver promptly on the promise. On an annual basis, as part of the budget process, the District publishes billing rates for its customers.

Water & Wastewater staff provides complete operational services for two member agencies, the Triunfo Sanitation and Saticoy Sanitary Districts. The District has installed and operates an Onsite Wastewater Treatment System (OWTS) at Malibu Bay Club, and is promoting additional OWTS construction and operation services in Ventura County areas where it is not feasible to connect to sanitary sewers.

Biosolids Project – The Ventura County Board of Supervisors approved the Biosolids project in September 2007 and started receiving biosolids in November 2009. The project was operational for almost six years but due to technical/mechanical, regulatory compliance, economic/budgetary, and landfill operation issues, the project was placed in a permanent non-operational status in October 2015.

RELEVANT FINANCIAL POLICIES

The updated District’s Investment Policy was approved by the Board of Directors in December 2016. The Policy’s primary objectives are safety of principal while maintaining liquidity to meet all operating requirements, and attaining a market rate of return on its portfolio. The District’s investment policy is in accordance with provisions of the California Government Code. The Finance Officer directs the collection and disbursement of all monies into and out of the District treasury, makes investments, and opens and closes bank accounts as necessary to conduct the business of the District. The Board receives a monthly Investment Report and Quarterly Investment Portfolio Update presentation.

The revised District’s Reserve Level Policy was approved by the Board of Directors in December 2016. The District’s Reserve Level Policy is an essential fiscal management guideline to maintain the District’s credit worthiness, offset cyclical variations in revenue and expenses, withstand economic downturns, and provide for cash flow needs. The District needs adequate reserves to ensure the District maintains a prudent level of financial resources to protect against reducing service levels or raising fees because of temporary revenue shortfalls or unexpected one-time expenses. The Board receives an annual reserve analysis during budget deliberations, midyear budget review, and when a major change in conditions threatens the reserve levels established in the policy.

The District Board adopted the Identity Theft Prevention Program issued by the Federal Trade Commission (FTC) Red Flags Rule that requires companies and creditors with covered account to develop and implement a written Identity Theft Prevention Program to detect, prevent, and mitigate identity theft in connection with opening and/or modifying customer accounts.

The Personnel and Finance Committee of the District is comprised of the Chair of the Board and three members of the Board. The Committee provides recommendations to the Board regarding the budget, financial policies, billing rates, and fees.

MAJOR INITIATIVES

A 20-year fiscal sustainability forecast was prepared to ensure the District’s fiscal viability and credit worthiness. Based on the preliminary results of the fiscal forecast, the District is engaged in looking at

different strategies (rate increases, additional revenues, issue new debt) to reach the long-term financial sustainability goal.

The Toland Road Landfill's Conditional Use Permit (CUP) expires in 2027. The District is engaged in looking at the possibility of obtaining a time extension and/or increasing the daily tonnage of the Toland Road Landfill's CUP. The time extension and/or increased daily tonnage will help Toland Road Landfill reached its maximum capacity.

CalRecycle modified the AB2296 financial assurance regulations for both currently active landfills and closed landfills. The modified regulations will have financial impact to the District. The new regulation for the active landfills is a rolling 30-year approach with the ability to step down every five years as long as the qualifying criteria are met with a ceiling of 15 years. The District was successful in reducing the multiplier on the District's post-closure maintenance fund from 30 to 15 years for both Bailard and Coastal Landfills, thereby, releasing approximately \$8.8 million to fund landfill operations.

AWARDS & ACKNOWLEDGMENTS

Independent Audit - The District is required to have an annual audit of the books of account, financial records, and transactions conducted by independent Certified Public Accountants selected by the Board of Directors. The unmodified opinion of the District's auditor—Rogers, Anderson, Malody & Scott, LLP, San Bernardino, California—is included in this report.

Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ventura Regional Sanitation District for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2015. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements – The preparation and completion of this report would not have been possible without the dedicated and coordinated team efforts of the entire District staff. We would like to acknowledge the special efforts of the Finance Department staff, and our independent auditors, Rogers, Anderson, Malody & Scott, LLP for their assistance in the report preparation. These members have our sincere appreciation for the contributions made in the preparation of this report.

We also give recognition to the Board of Directors for its continued leadership, interest, and support in planning and conducting the financial operations of the District in a responsive and effective manner.



CHRIS THEISEN
General Manager



VICKIE DRAGAN
Director of Finance

Ventura Regional Sanitation District

Ventura County, California

2016 Board of Directors

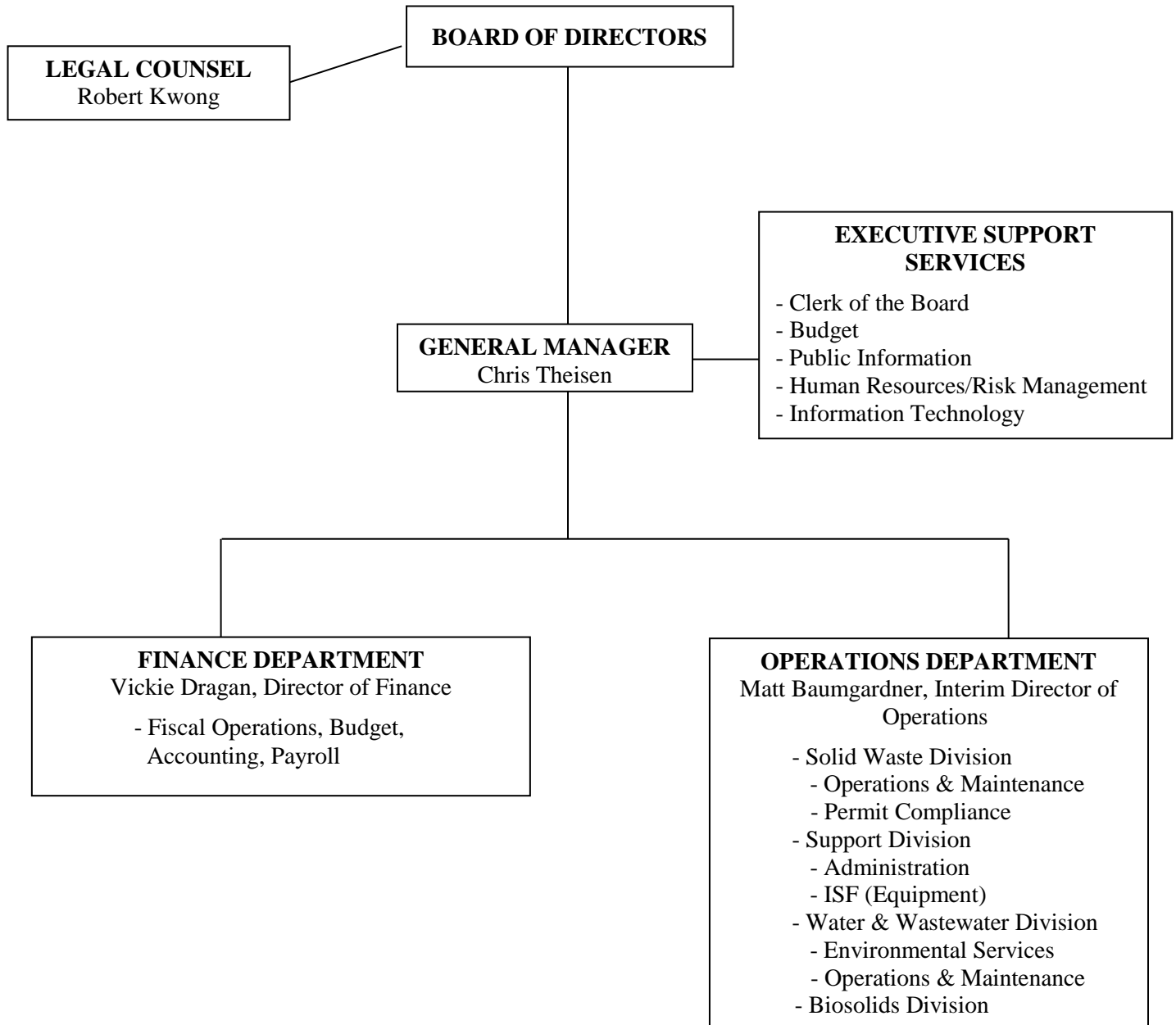
Betty Hernandez	Special District
Martin Hernandez	City of Santa Paula
Kevin Kildee	City of Camarillo
James Monahan	City of San Buenaventura
Rick Neal	City of Fillmore
Bert Perello <i>Chairman</i>	City of Oxnard
Joel Price	City of Thousand Oaks
Jonathan Sharkey <i>Chairman-Elect</i>	City of Port Hueneme
William Weirick	City of Ojai

District Staff

Chris Theisen	General Manager	(805) 658-4600
Vickie Dragan	Director of Finance	(805) 658-4646
Matt Baumgardner	Interim Director of Operations	(805) 658-4679
Lisa McKinley	Acting Clerk of the Board	(805) 658-4642
Robert Kwong	Legal Counsel	(805) 988-9886

Ventura Regional Sanitation District

Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Ventura Regional Sanitation District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015













Executive Director/CEO

VENTURA REGIONAL SANITATION DISTRICT








Ventura County, California

SITES SERVED AND/OR OPERATED






- **Water and Wastewater Sites**

-  Triunfo Sanitation District – Lake Sherwood
-  Triunfo Sanitation District – Oak Park Water Service
-  Thousand Oaks
-  Camrosa Water District Treatment Plant
-  CSA No. 29 (North Coast) Collection System
-  CWD No. 16 (Piru) Treatment Facility
-  Saticoy Sanitary District Treatment Facility
-  CWD No. 1 (Moorpark Area)
-  Thomas Aquinas College
-  City of Oxnard
-  Toland Water
-  Malibu Bay Club

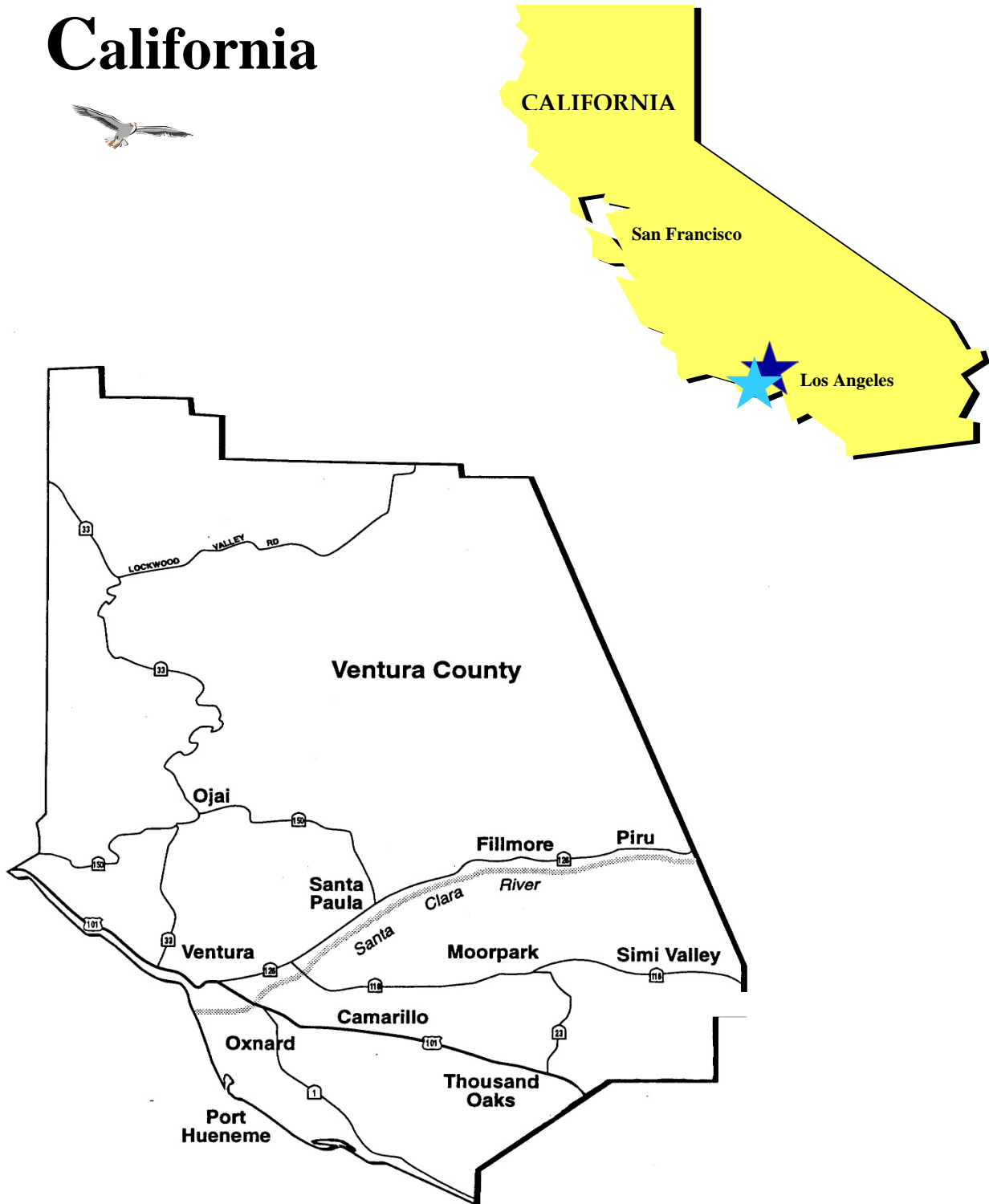
- **Solid Waste Sites**

-  Santa Clara Sanitary Landfill (Closed)
-  Santa Clara Site (Closed)
-  Coastal Site (Closed)
-  Bailard Site (Closed)
-  Toland Road Sanitary Landfill
-  Ozena Modified Landfill (Closed)
-  Tierra Rejada Landfill (Closed)

- **Growth Projects**

-  Onsite Wastewater Treatment Systems (OWTS)
-  Environmental Monitoring & Source Control
-  Specialized Paintings & Coatings
-  Remote Telemetry & Controls
-  Manhole Lining and Renewal

Ventura County, California



Financial Section



Ventura Regional Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016 and June 30, 2015





ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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INDEPENDENT AUDITOR'S REPORT

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

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Daniel Hernandez, CPA, MBA
Lisa Dongxue Guo, CPA, MSA

Report on the Financial Statements

We have audited the accompanying financial statements of the Ventura Regional Sanitation District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District 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

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
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 respective financial position of the Ventura Regional Sanitation District as of June 30, 2016, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 a report dated December 30, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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, Malody & Scott, LLP

San Bernardino, California
December 30, 2016

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, 2016. 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 \$35.4 million (net position). The District's total net position decreased by \$0.4 million, or 1.1%.
- During fiscal year 2016, the District's total revenues remained at \$22.3 million.
- Total expenses increased by 2.3% to \$22.7 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 27-69 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 \$0.4 million to \$35.4 million in FY 2016, down from \$35.8 million in FY 2015.

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 2016</u>	<u>FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 4,680	\$ 4,995	\$ (315)	-6.3%
Restricted current assets	10,368	8,454	1,914	22.6%
Restricted non-current assets	26,036	26,326	(290)	-1.1%
Capital assets, net	54,891	51,095	3,796	7.4%
Non-current assets	<u>5,015</u>	<u>1,961</u>	<u>3,054</u>	<u>155.7%</u>
Total assets	<u>100,990</u>	<u>92,831</u>	<u>8,159</u>	<u>8.8%</u>
Deferred outflows of resources:	<u>2,666</u>	<u>1,180</u>	<u>1,486</u>	<u>125.9%</u>
Liabilities:				
Liabilities payable from unrestricted current assets	5,983	4,636	1,347	29.1%
Liabilities payable from restricted current assets	3,027	2,979	48	1.6%
Liabilities payable from unrestricted non-current assets	31,149	21,642	9,507	43.9%
Liabilities payable from restricted non-current assets	<u>27,245</u>	<u>27,365</u>	<u>(120)</u>	<u>-0.4%</u>
Total liabilities	<u>67,404</u>	<u>56,622</u>	<u>10,782</u>	<u>19.0%</u>
Deferred inflows of resources:	<u>820</u>	<u>1,558</u>	<u>(738)</u>	<u>-47.4%</u>
Net position:				
Net investment in capital assets	26,937	31,633	(4,696)	-14.8%
Amounts restricted	7,957	6,308	1,649	26.1%
Unrestricted amounts	<u>538</u>	<u>(2,110)</u>	<u>2,648</u>	<u>-125.5%</u>
Total net position	<u>\$ 35,432</u>	<u>\$ 35,831</u>	<u>\$ (399)</u>	<u>-1.1%</u>

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, \$26.9 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Another component of the District's net position, amounts restricted in the amount of \$8.0 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 of \$0.5 million that may be used to meet the District's ongoing obligations to creditors and constituencies.

Summary of Net Position

(In thousands of dollars)

	<u>FY 2015</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
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>	<u>-42.2%</u>
Total assets	<u>92,831</u>	<u>93,853</u>	<u>(1,022)</u>	<u>-1.1%</u>
Deferred outflows of resources:	<u>1,180</u>	<u>-</u>	<u>1,180</u>	<u>100.0%</u>
Liabilities:				
Liabilities payable from unrestricted current assets	4,636	3,900	736	18.9%
Liabilities payable from restricted current assets	2,979	2,936	43	1.5%
Liabilities payable from unrestricted non-current assets	21,642	17,589	4,053	23.0%
Liabilities payable from restricted non-current assets	<u>27,365</u>	<u>26,919</u>	<u>446</u>	<u>1.7%</u>
Total liabilities	<u>56,622</u>	<u>51,344</u>	<u>5,278</u>	<u>10.3%</u>
Deferred inflows of resources:	<u>1,558</u>	<u>-</u>	<u>1,558</u>	<u>100.0%</u>
Net position:				
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>	<u>-136.0%</u>
Total net position	<u>\$ 35,831</u>	<u>\$ 42,509</u>	<u>\$ (6,678)</u>	<u>-15.7%</u>

In FY 2015, 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.

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 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 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.

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

(In thousands of dollars)

	<u>FY 2016</u>	<u>FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Operating revenues				
Disposal and sanitation fees	\$ 12,412	\$ 11,745	\$ 667	5.7%
Contract services	8,737	9,671	(934)	-9.7%
Utility electricity sales	123	235	(112)	-47.7%
Other revenue	223	221	2	0.9%
Total operating revenues	<u>21,495</u>	<u>21,872</u>	<u>(377)</u>	-1.7%
Non-operating revenues				
Interest and investment earnings	636	367	269	73.3%
Gain on sales of capital assets, net	48	-	48	100.0%
Other, net	145	96	49	51.0%
Total non- operating revenues	<u>829</u>	<u>463</u>	<u>366</u>	79.0%
Total revenues	<u>22,324</u>	<u>22,335</u>	<u>(11)</u>	0.0%
Expenses:				
Operating expenses	17,787	17,505	282	1.6%
Depreciation and amortization	3,813	3,777	36	1.0%
Non-operating expenses	1,123	934	189	20.2%
Total expenses	<u>22,723</u>	<u>22,216</u>	<u>507</u>	2.3%
Change in net position	<u>(399)</u>	<u>119</u>	<u>(518)</u>	435.3%
Net position, beginning of year	<u>35,831</u>	<u>42,509</u>	<u>(6,678)</u>	-15.7%
Cumulative effect of accounting changes	<u>-</u>	<u>(6,797)</u>	<u>6,797</u>	-100.0%
Net position, beginning of year, as restated	<u>35,831</u>	<u>35,712</u>	<u>119</u>	0.3%
Net position, end of year	<u>\$ 35,432</u>	<u>\$ 35,831</u>	<u>\$ (399)</u>	-1.1%

Total revenues remained consistent, decreasing slightly by \$11,000 or 0.05% compared to FY 2015.

Total expenses increased by \$507,000, or 2.3% from FY 2015. 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 2015</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Operating revenues				
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%
Total operating revenues	<u>21,872</u>	<u>20,034</u>	<u>1,838</u>	9.2%
Non-operating revenues				
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%
Total non- operating revenues	<u>463</u>	<u>473</u>	<u>(10)</u>	-2.1%
Total revenues	<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%
Total expenses	<u>22,216</u>	<u>21,479</u>	<u>737</u>	3.4%
Change in net position	119	(972)	1,091	112.2%
Net position, beginning of year	42,509	43,481	(972)	-2.2%
Cumulative effect of accounting changes	(6,797)	-	(6,797)	100.0%
Net position, beginning of year, as restated	<u>35,712</u>	<u>43,481</u>	<u>(7,769)</u>	-17.9%
Net position, end of year	<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.

Capital Assets

The District's investment in capital assets as of June 30, 2016, amounted to \$93.3 million (at cost) or \$54.9 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 2016 were:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2016</u>
Capital Assets:				
Non-depreciable assets	\$ 6,127	\$ 6,330	\$ (7,337)	\$ 5,120
Depreciable assets	79,992	8,697	(488)	88,201
Accumulated depreciation and amortization	(35,024)	(3,813)	407	(38,430)
Total capital assets, net	<u>\$ 51,095</u>	<u>\$ 11,214</u>	<u>\$ (7,418)</u>	<u>\$ 54,891</u>

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	(31,678)	(3,777)	431	(35,024)
Total capital assets, net	<u>\$ 51,229</u>	<u>\$ (88)</u>	<u>\$ (46)</u>	<u>\$ 51,095</u>

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

- Toland Road Landfill East Perimeter and Drainage
- Toland Road Landfill Phase 4A
- Toland Road Landfill Gas Blower
- Caterpillar D8T

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, 2016, was \$28.1 million excluding capital leases, compensated absences, and other liabilities. During the year, retirement of debt amounted to \$2,043,318. In addition, the District defeased \$18.4 million in debt by refinancing the District's existing debt for a lower interest rate. Finally, the District entered into a new loan to finance the Phase 4A Toland Road Landfill Liner Project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The table below summarizes the debt outstanding balances at June 30, 2016.

Description of Project	Beginning Balance	Additions	Payments/ Deletions	Defeasements	Ending Balance	Amounts Due in One Year
Malibu Bay Club	\$ 1,872,942	\$ -	\$ (118,642)	\$ (1,754,300)	\$ -	\$ -
<i>Malibu Bay Club</i>	-	1,825,000	-	-	1,825,000	154,478
Toland Landfill Liner	3,607,731	-	(242,145)	(3,365,586)	-	-
<i>Toland Landfill Liner</i>	-	3,491,504	(275,377)	-	3,216,127	559,002
Biosolids Drying Facility Project	4,069,970	-	(231,715)	(3,838,255)	-	-
<i>Biosolids Drying Facility Project</i>	-	3,980,887	(265,274)	-	3,715,613	539,013
Biosolids Drying Facility/ Microturbine Project	6,095,777	-	(278,686)	(5,817,091)	-	-
<i>Biosolids Drying Facility/ Microturbine Project</i>	-	6,037,415	(323,986)	-	5,713,429	659,046
Toland Landfill 3B Liner	3,815,118	-	(146,034)	(3,669,084)	-	-
<i>Toland Landfill 3B Liner</i>	-	3,709,711	(161,459)	-	3,548,252	329,901
Toland Landfill 4A Liner	-	10,068,000	-	-	10,068,000	710,961
Total long-term debt	<u>\$ 19,461,538</u>	<u>\$ 29,112,517</u>	<u>\$ (2,043,318)</u>	<u>\$ (18,444,316)</u>	<u>\$ 28,086,421</u>	<u>\$ 2,952,401</u>

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

Economic Factors and Next Year's Budgets and Rates

- The District's fiscal year 2016-17 adopted budget totaled \$24,789,599 or 5.71% increase when compared to the prior year.
- Malibu Bay Club sewer service charge per residential unit increased from \$153.73 to \$153.07 effective July 1, 2016. Of the FY2017 monthly sewer fee, \$110.83 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 District's hourly billing rates increased on an average of 6.0% effective July 1, 2016.

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.

Basic Financial Statements



Ventura Regional Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016 and June 30, 2015



VENTURA REGIONAL SANITATION DISTRICT

STATEMENTS OF NET POSITION

June 30, 2016 with comparative data for June 30, 2015

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,641,588	\$ 1,827,227
Accrued interest receivable	79,316	60,971
Accounts receivable – disposal and sanitation fees, net	1,268,722	1,524,826
Accounts receivable – contract services, net	1,558,366	1,303,677
Prepaid and other	131,987	278,743
Total current assets – unrestricted	<u>4,679,979</u>	<u>4,995,444</u>
Restricted current assets:		
Cash and cash equivalents	4,713,238	207,161
Investments	5,469,273	8,102,092
Notes receivable	157,127	122,632
Accrued interest receivable	27,932	21,777
Total current assets – restricted	<u>10,367,570</u>	<u>8,453,662</u>
Total current assets – unrestricted and restricted	<u>15,047,549</u>	<u>13,449,106</u>
Restricted non-current assets:		
Investments	24,365,442	24,557,916
Notes receivable	1,670,522	1,767,582
Total non-current assets – restricted	<u>26,035,964</u>	<u>26,325,498</u>
Non-current assets:		
Investments	4,491,564	1,379,312
Capital assets, net	54,890,945	51,094,856
Net OPEB asset	524,359	581,990
Total non-current assets – unrestricted	<u>59,906,868</u>	<u>53,056,158</u>
Total non-current assets – unrestricted and restricted	<u>85,942,832</u>	<u>79,381,656</u>
Total assets	<u>100,990,381</u>	<u>92,830,762</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	2,533,871	1,180,100
Loss on refunding of debt	132,200	-
Total deferred outflows of resources	<u>2,666,071</u>	<u>1,180,100</u>

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

VENTURA REGIONAL SANITATION DISTRICT

STATEMENTS OF NET POSITION (continued) **June 30, 2016 with comparative data for June 30, 2015**

LIABILITIES	2016	2015
Current liabilities:		
Payable from current assets:		
Accounts payable and accrued expenses	\$ 2,272,267	\$ 2,077,948
Accrued wages and compensated absences	762,435	663,963
Accrued interest payable	150,450	76,620
Installment sale agreement - current portion	2,797,923	1,817,060
Payable from current assets – unrestricted	5,983,075	4,635,591
Payable from restricted current assets:		
Customer deposits	44,399	39,399
Landfill closure/postclosure costs - expected within one year	2,828,240	2,821,608
Installment purchase contract - current portion	154,478	118,642
Payable from current assets – restricted	3,027,117	2,979,649
Total current liabilities – unrestricted and restricted	9,010,192	7,615,240
Non-current liabilities:		
Payable from non-current assets:		
Net pension liability	7,685,818	5,870,617
Installment sale agreement	23,463,498	15,771,536
Payable from non-current assets – unrestricted	31,149,316	21,642,153
Payable from restricted non-current assets:		
Tierra Rejada consortium reserve	109,988	215,833
Malibu Bay Club reserve	10,004	-
Landfill closure/postclosure costs	25,454,159	25,394,470
Installment purchase contract	1,670,522	1,754,300
Payable from non-current assets – restricted	27,244,673	27,364,603
Total non-current liabilities – unrestricted and restricted	58,393,989	49,006,756
Total liabilities	67,404,181	56,621,996
DEFERRED INFLOWS OF RESOURCES		
Pension related	820,251	1,558,345
Total deferred inflows of resources	820,251	1,558,345
NET POSITION		
Net investment in capital assets	26,936,724	31,633,318
Restricted for:		
Debt service	1,827,649	1,890,214
Landfill closure and post-closure costs	6,129,299	4,417,636
Unrestricted (deficit)	538,348	(2,110,647)
Total net position	\$ 35,432,020	\$ 35,830,521

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, 2016 with comparative data for June 30, 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Disposal and sanitation fees	\$ 12,412,112	\$ 11,745,287
Contract services	8,737,303	9,670,442
Utility electricity sales	123,067	235,273
Other revenue	223,157	221,301
Total operating revenues	<u>21,495,639</u>	<u>21,872,303</u>
Operating expenses:		
Salaries and benefits	7,602,026	7,491,214
Management and administrative	421,601	490,233
Services and supplies	3,346,233	-
Operating materials and supplies	-	2,241,771
Contract services - labor	-	357,794
Contract services - materials and supplies	-	1,224,393
Professional services	2,284,767	1,503,108
Facility maintenance	1,115,384	1,774,248
Provision for landfill closure/postclosure	1,306,015	1,162,802
Permits, licences and fees	1,710,883	1,259,937
Total operating expenses	<u>17,786,909</u>	<u>17,505,500</u>
Operating income before depreciation and amortization	3,708,730	4,366,803
Depreciation and amortization	<u>(3,813,050)</u>	<u>(3,776,744)</u>
Operating income(loss)	<u>(104,320)</u>	<u>590,059</u>
Non-operating revenues(expenses):		
Interest and investment earnings	636,112	367,627
Gain(loss) on sales/disposals of capital assets, net	47,883	(12,552)
Interest expense	(909,095)	(922,435)
Debt issuance costs	(213,712)	-
Other, net	144,631	95,784
Total non-operating (expenses), net	<u>(294,181)</u>	<u>(471,576)</u>
Change in net position	<u>(398,501)</u>	<u>118,483</u>
Net position, beginning of year	35,830,521	42,509,664
Cumulative effect of accounting changes	-	(6,797,626)
Net position, beginning of year, as restated	<u>35,830,521</u>	<u>35,712,038</u>
Net position, end of year	<u><u>\$ 35,432,020</u></u>	<u><u>\$ 35,830,521</u></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, 2016 with comparative data for June 30, 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers for disposal and sanitation services	\$ 12,673,216	\$ 11,383,890
Receipts from customers for contract services	8,482,818	9,662,709
Receipts from customers for utility electricity sales	123,067	235,273
Receipts for other services	367,788	317,085
Payments to vendors for materials and services	(9,883,333)	(8,505,464)
Payments for salaries, benefits and contract labor	<u>(7,722,586)</u>	<u>(8,361,425)</u>
Net cash provided by operating activities	<u>4,040,970</u>	<u>4,732,068</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	10,068,000	-
Acquisition costs from capital debt	(213,712)	-
Refinancing of existing debt	19,044,517	-
Defeasement of capital debt	(18,444,317)	-
Call premium on defeasement of capital debt	(139,444)	-
Acquisition and construction of capital assets	(7,565,320)	(3,689,004)
Principal received on notes receivable	119,983	109,258
Defeasement of notes receivable	(57,418)	-
Proceeds from the sale of capital assets	128,478	33,988
Principal paid on capital debt	(2,043,316)	(1,852,312)
Interest paid on capital debt	<u>(952,437)</u>	<u>(929,140)</u>
Net cash (used for) capital and related financing activities	<u>(54,986)</u>	<u>(6,327,210)</u>
Cash flows from investing activities:		
Interest on cash and cash equivalents	1,972	4,778
Interest and dividends from investments	609,641	386,645
Proceeds from sales and maturities of investments	17,859,588	19,933,990
Purchases of investments	<u>(18,136,747)</u>	<u>(18,786,962)</u>
Net cash provided by investing activities	<u>334,454</u>	<u>1,538,451</u>
Net increase (decrease) in cash and cash equivalents	4,320,438	(56,691)
Cash and cash equivalents (unrestricted and restricted), beginning of year	<u>2,034,388</u>	<u>2,091,079</u>
Cash and cash equivalents (unrestricted and restricted), end of year	<u><u>\$ 6,354,826</u></u>	<u><u>\$ 2,034,388</u></u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 1,641,588	\$ 1,827,227
Restricted cash and cash equivalents	<u>4,713,238</u>	<u>207,161</u>
Total cash and cash equivalents	<u><u>\$ 6,354,826</u></u>	<u><u>\$ 2,034,388</u></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, 2016 with comparative data for June 30, 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income(loss)	\$ (104,320)	\$ 590,059
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,813,050	3,776,744
Net pension liability	(276,664)	(548,764)
Other non-operating revenues and expenses, net	144,631	95,784
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – disposal and sanitation fees, net	256,104	(361,897)
Accounts receivable – contract services, net	(254,689)	(7,733)
Net OPEB asset	57,631	56,791
Prepaid and other	146,756	(135,600)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	194,319	684,641
Accrued wages and compensated absences	98,472	(20,441)
Customer deposits	5,000	500
Tierra Rejada consortium reserve	(105,845)	(77,255)
Malibu Bay Club reserve	204	-
Landfill closure/postclosure costs	66,321	679,239
Total adjustments	4,145,290	4,142,009
Net cash provided by operating activities	<u>\$ 4,040,970</u>	<u>\$ 4,732,068</u>

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

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2016 (with comparative data for 2015)

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 Standards. 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, 2016, or 2015. 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.

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.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

3. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards.

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.

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.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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 is available to those employees who retire or otherwise terminate their employment. Liabilities for CAL is payable upon termination and 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 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, 2016 and 2015, 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".

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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.

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 and loss on refunding of debt 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

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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 \$123,067 and \$235,273 for the fiscal years ended June 30, 2016 and 2015, respectively.

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.

Certain reclassifications have been made to prior year’s balances to conform to classifications used in 2016.

6. Implementation of new GASB pronouncements

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of observable inputs for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

B. DETAILED NOTES

1. Cash and Investments

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,641,588	\$ 1,827,227
Restricted cash and cash equivalents	4,713,238	207,161
Investments	4,491,564	1,379,312
Restricted investments	<u>29,834,715</u>	<u>32,660,008</u>
Total cash and investments	<u>\$ 40,681,105</u>	<u>\$ 36,073,708</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.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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

	2016	2015
Cash on hand	\$ 1,000	\$ 1,000
Deposits with financial institutions:		
Sweep account	1,455,612	1,655,671
Claims cash account	17,816	23,011
Banc of America Public Capital Corp-Escrow Funds	4,501,607	-
Investments:		
Federal Farm Credit Bank	-	850,077
Federal Home Loan Bank	2,732,409	3,867,575
Federal Home Loan Mortgage	4,148,023	4,581,970
Federal National Mortgage Association	5,017,186	4,951,909
Corporate Bonds	828,835	174,872
Municipal Bonds	1,392,551	1,786,539
Asset-Backed	2,198,203	1,539,287
Corporate Notes	3,591,995	1,435,111
U.S. Treasury Notes	13,624,761	14,059,728
Certificates of deposits	792,316	792,252
Money market funds	257,377	233,967
Local Agency Investment Fund (LAIF)	65,702	65,450
Ventura County Treasury Pool	55,712	55,289
Total cash and investments	<u>\$ 40,681,105</u>	<u>\$ 36,073,708</u>

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

	2016	2015
Cash and cash equivalents:		
Local Agency Investment Fund (LAIF)	\$ 65,702	\$ 65,450
Ventura County Treasury Pool	55,712	55,289
Banc of America Public Capital Corp-Escrow Funds	4,501,607	-
Money market funds	257,377	233,967
Sweep account	1,455,612	1,655,671
Claims cash account	17,816	23,011
Cash on hand	1,000	1,000
Total cash and cash equivalents	<u>\$ 6,354,826</u>	<u>\$ 2,034,388</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 30, 2016, 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, 2016 (with comparative data for 2015)

Cash and Cash Equivalents

At June 30, 2016 and 2015, the carrying amount of cash in banks was \$5,975,035 and \$1,678,682, respectively, and the corresponding bank balance was \$6,188,987 and \$1,729,346, 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, 2016 and 2015 is \$22.7 billion and \$21.5 billion, respectively. LAIF is a part of the California Pooled Money Investment Account (PMIA), which at June 30, 2016 and 2015 had a balance of \$75.4 billion and \$69.6 billion, respectively. Of that amount, 2.81% and 2.08%, respectively, is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 167 days and 239 days as of June 30, 2016 and 2015, respectively.

The District's proportionate share of LAIF's market value was \$65,702 and \$65,450 at June 30, 2016 and 2015, 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, 2016 (with comparative data for 2015)**

Investments at June 30, 2016:

<u>Investment Type</u>	Fair Value Total	Remaining Maturity (in months)		
		12 or Less	13-24	25-60
Federal Home Loan Bank	\$ 2,732,409	\$ 725,369	\$ 2,007,040	\$ -
Federal Home Loan Mortgage	4,148,023	1,550,517	2,365,860	231,646
Federal National Mortgage Association	5,017,186	452,034	1,982,437	2,582,715
Corporate Bonds	828,835	-	-	828,835
Municipal Bonds	1,392,551	727,146	665,405	-
Asset-Backed	2,198,203	-	-	2,198,203
Corporate Notes	3,591,995	345,635	1,100,345	2,146,015
U.S. Treasury Notes	13,624,761	1,376,256	25,061	12,223,444
Certificates of deposits	792,316	292,316	500,000	-
Money market funds	257,377	257,377	-	-
Local Agency Investment Fund (LAIF)	65,702	65,702	-	-
Ventura County Treasury Pool	55,712	55,712	-	-
Total	<u>\$ 34,705,070</u>	<u>\$ 5,848,064</u>	<u>\$ 8,646,148</u>	<u>\$ 20,210,858</u>

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
Corporate Bonds	174,872	-	-	174,872
Municipal Bonds	1,786,539	400,000	723,985	662,554
Asset-Backed	1,539,287	-	-	1,539,287
Corporate Notes	1,435,111	-	345,097	1,090,014
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	-	-
Total	<u>\$ 34,394,026</u>	<u>\$ 8,456,798</u>	<u>\$ 6,290,138</u>	<u>\$ 19,647,090</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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, 2016	Minimum Legal Rating	Exempt From Disclosure	AAA	AA- to AA+	A- to A	BBB+	Not rated
Federal Home Loan Bank	\$ 2,732,409	A	\$ -	\$ -	\$ 2,732,409	\$ -	\$ -	\$ -
Federal Home Loan Mortgage	4,148,023	A	-	-	3,805,906	-	-	342,117
Federal National Mortgage Association	5,017,186	A	-	-	4,176,333	-	-	840,853
Corporate Bonds	828,835	A	-	-	116,879	55,287	656,669	-
Municipal Bonds	1,392,551	A	-	665,405	727,146	-	-	-
Asset-Backed	2,198,203	A	-	1,203,495	-	-	-	994,708
Corporate Notes	3,591,995	A	-	-	1,271,428	1,675,522	645,045	-
U.S. Treasury Notes	13,624,761	N/A	13,624,761	-	-	-	-	-
Certificates of deposits	792,316	N/A	792,316	-	-	-	-	-
Money market funds	257,377	N/A	257,377	-	-	-	-	-
Local Agency Investment Fund (LAIF)	65,702	N/A	-	-	-	-	-	65,702
Ventura County Treasury Pool	55,712	N/A	-	-	-	-	-	55,712
Total	\$ 34,705,070		\$ 14,674,454	\$ 1,868,900	\$ 12,830,101	\$ 1,730,809	\$ 1,301,714	\$ 2,299,092

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	-
Corporate Bonds	174,872	A	-	174,872	-
Municipal Bonds	1,786,539	A	-	1,786,539	-
Asset-Backed	1,539,287	A	-	1,539,287	-
Corporate Notes	1,435,111	A	-	1,435,111	-
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
Total	\$ 34,394,026		\$ 15,085,947	\$ 19,187,340	\$ 120,739

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Investments reflect prices quoted in active markets;
- *Level 2:* Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- *Level 3:* Investments reflect prices based upon unobservable sources.

The District has the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value Level	Total as of June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Home Loan Bank	\$ 2,732,409	\$ -	\$ 2,732,409	\$ -
Federal Home Loan Mortgage	4,148,023	-	4,148,023	-
Federal National Mortgage Association	5,017,186	-	5,017,186	-
Corporate Bonds	828,835	-	828,835	-
Municipal Bonds	1,392,551	-	1,392,551	-
Asset-Backed	2,198,203	-	2,198,203	-
Corporate Notes	3,591,995	-	3,591,995	-
U.S. Treasury Notes	13,624,761	13,624,761	-	-
Total investments measured by fair value level	33,533,963	<u>\$ 13,624,761</u>	<u>\$ 19,909,202</u>	<u>\$ -</u>

Investments measured at the Net Asset Value (NAV)

Money market funds	257,377
Local Agency Investment Fund (LAIF)	65,702
Ventura County Treasury Pool	55,712
	<u>378,791</u>

Investments not reported by Fair Value Level

Certificates of deposits	792,316
Total	<u>\$ 34,705,070</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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:

Issuer	Investment Type	2016	2015
Federal National Mortgage Association	Federal Agency Securities	\$ 5,017,186	\$ 4,951,909
Federal Home Loan Mortgage	Federal Agency Securities	4,148,023	4,581,970
Federal Home Loan Bank	Federal Agency Securities	2,732,409	3,867,575

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 \$12,792 and \$15,303 at June 30, 2016 and 2015, 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 \$15,782 and \$13,245 at June 30, 2016 and 2015, respectively.

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

June 30, 2016

<u>Accounts Receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Disposal and sanitation	\$ 1,281,514	\$ (12,792)	\$ 1,268,722
Contract services	1,574,148	(15,782)	1,558,366
Total accounts receivable	<u>\$ 2,855,662</u>	<u>\$ (28,574)</u>	<u>\$ 2,827,088</u>

June 30, 2015

<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>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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>2016</u>	<u>2015</u>
Toland Landfill east perimeter & drainage	\$ -	\$ 775,581
Siloxane removal system	-	638,847
Toland Landfill compliance wells	-	600,800
Toland Landfill gas blower	-	599,357
Toland Landfill Phase 4A	2,116,397	310,251
Biosolids Phase 2	-	104,902
Sulfa-treat expansion	-	67,500
Toland H2S and Flare	77,447	-
Toland Landfill master plan	66,190	66,190
Conversion technology	-	50,504
VCERA integration	-	48,431
MBC system configuration	42,737	38,261
VRSD payroll outsourcing Integration	-	9,593
Grand total	<u>\$ 2,302,771</u>	<u>\$ 3,310,217</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) **June 30, 2016 (with comparative data for 2015)**

A summary of changes in capital assets for the years ended June 30, 2016 and 2015 follows:

	Beginning Balance June 30, 2015	Additions	Deletions	Ending Balance June 30, 2016
Capital assets, not being depreciated				
Land	\$ 2,817,108	\$ -	\$ -	\$ 2,817,108
Construction-in-Progress	3,310,217	6,330,072	(7,337,518)	2,302,771
Total capital assets, not being depreciated	6,127,325	6,330,072	(7,337,518)	5,119,879
Capital assets, being depreciated				
Structures and improvements	61,790,393	7,186,602	-	68,976,995
Equipment	18,201,878	1,510,578	(488,222)	19,224,234
Total capital assets, being depreciated	79,992,271	8,697,180	(488,222)	88,201,229
Less accumulated depreciation for:				
Structures and improvements	(25,169,598)	(2,454,939)	-	(27,624,537)
Equipment	(9,855,142)	(1,358,111)	407,627	(10,805,626)
Total accumulated depreciation	(35,024,740)	(3,813,050)	407,627	(38,430,163)
Total capital assets, being depreciated, net	44,967,531	4,884,130	(80,595)	49,771,066
Net capital assets	<u>\$ 51,094,856</u>	<u>\$ 11,214,202</u>	<u>\$ (7,418,113)</u>	<u>\$ 54,890,945</u>

	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	3,742,102	2,385,223	-	6,127,325
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	79,166,324	1,303,781	(477,834)	79,992,271
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	(31,679,289)	(3,776,744)	431,293	(35,024,740)
Total capital assets, being depreciated, net	47,487,035	(2,472,963)	(46,541)	44,967,531
Net capital assets	<u>\$ 51,229,137</u>	<u>\$ (87,740)</u>	<u>\$ (46,541)</u>	<u>\$ 51,094,856</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

5. Long-Term Debt

On January 29, 2016 and June 24, 2016, the District refinanced all its existing loans (1) through 6)) for a lower interest rate. The semiannual payment dates and term of the loans did not change. The refinanced loans are listed individually (7) through 10)). The District reduced its aggregate installment sale agreement debt service payments by \$1,049,179, which resulted in an economic gain of \$957,619 (2) through 4)). The District reduced its aggregate installment purchase contract debt service payments by \$168,351, which resulted in an economic gain of \$144,736 (1)). In addition, the District added a new loan (11)) for the Phase 4A Toland Road Landfill Liner Project.

1) 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. This Installment Purchase Contract was defeased on June 24, 2016.

2) 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. This Installment Sale Agreement was defeased on January 29, 2016.

3) 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. This Installment Sale Agreement was defeased on January 29, 2016.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

4) 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. This Installment Sale Contract was defeased on January 29, 2016.

5) 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. 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. This Installment Sale Agreement was defeased on January 29, 2016.

6) Installment Purchase Agreement-Refinanced

On June 24, 2016, the District entered into an Installment Purchase Agreement with Compass Mortgage Corporation in the amount of \$1,825,000. The funds were received to retire the existing loan with Citizens Bank. The purpose of the original loan was 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. Semiannual principal and interest payments of \$95,916 are due October 4 and April 4, commencing October 4, 2016 through April 4, 2027. Interest is at 2.71%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Purchase Agreement.

7) Installment Sale Agreement-Refinanced

On January 29, 2016, the District entered into an Installment Sale Agreement with Banc of America Public Capital Corp in the amount of \$3,491,504. The funds were received to retire the existing loan with City National Bank. The purpose of the original loan was to provide financing for the expansion of the Toland Road Landfill. Semiannual principal and interest payments of \$310,118 are due June 4 and December 4, commencing June 4, 2016 through December 4, 2021. Interest is at 1.99%. 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, 2016 (with comparative data for 2015)

8) Installment Sale Agreement-Refinanced

On January 29, 2016, the District entered into an Installment Sale Agreement with Banc of America Public Capital Corp in the amount of \$3,980,887. The funds were received to retire the existing loan with Citizens Bank. The purpose of the original loan was to provide financing for the acquisition and construction of a biosolids drying facility project. Semiannual principal and interest payments of \$307,471 are due June 21 and December 21, commencing June 21, 2016 through December 21, 2022. Interest is at 2.12%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Sale Agreement.

9) Installment Sale Agreement-Refinanced

On January 29, 2016, the District entered into an Installment Sale Agreement with Banc of America Public Capital Corp in the amount of \$6,037,415. The funds were received to retire the existing loan with City National Bank. The purpose of the original loan was to provide financing for the acquisition and construction of a biosolids drying facility and microturbine project. Semiannual principal and interest payments of \$392,511 are due November 13 and May 13, commencing May 13, 2016 through May 13, 2024. Interest is at 2.27%. The District has pledged the Net Revenues of the Solid Waste operations for the repayment of the Installment Sale Agreement.

10) Installment Sale Agreement-Refinanced

On January 29, 2016, the District entered into an Installment Sale Agreement with Banc of America Public Capital Corp in the amount of \$3,709,711. The funds were received to retire the existing loan with Bank of America. The purpose of the original loan was to provide financing for the expansion of the Toland Road Landfill. Semiannual principal and interest payments of \$214,693 are due June 23 and December 23, commencing June 23, 2016 through December 23, 2025. Interest is at 2.87%. The District has pledged the District's Net Revenues for the repayment of the Installment Sale Agreement.

11) Installment Sale Agreement

The District entered into an Installment Sale Agreement with Banc of America Public Capital Corp for \$10,068,000. The funds were received to provide financing for the Phase 4 liner project at the Toland Road Landfill. Semiannual principal and interest payments of \$500,886 are due July 29 and January 29, commencing July 29, 2016 through January 29, 2028. Interest is at 2.94%. The District has pledged the District's Net Revenues for the repayment of the Installment Sale Agreement.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) **June 30, 2016 (with comparative data for 2015)**

The following is a schedule of changes in long-term debt of the District for the fiscal year ended June 30, 2016:

	Beginning Balance	Additions	Payments/ Deletions	Defeasements	Ending Balance	Amounts Due in One Year
1) Malibu Bay Club: Apr 01, 2007	\$ 1,872,942	\$ -	\$ (118,642)	\$ (1,754,300)	\$ -	\$ -
6) Malibu Bay Club: Jun 24, 2016	-	1,825,000	-	-	1,825,000	154,478
2) Toland Landfill Liner: Nov. 2, 2006	3,607,731	-	(242,145)	(3,365,586)	-	-
7) Toland Landfill Liner: Jan. 29, 2016	-	3,491,504	(275,377)	-	3,216,127	559,002
3) Biosolids Drying Facility Project: Dec. 1, 2007	4,069,970	-	(231,715)	(3,838,255)	-	-
8) Biosolids Drying Facility Project: Jan. 29, 2016	-	3,980,887	(265,274)	-	3,715,613	539,013
4) Biosolids Drying Facility/ Microturbine Project: May 13, 2009	6,095,777	-	(278,686)	(5,817,091)	-	-
9) Biosolids Drying Facility/ Microturbine Project: Jan. 29, 2016	-	6,037,415	(323,986)	-	5,713,429	659,046
5) Toland Landfill 3B Liner: Dec. 23, 2010	3,815,118	-	(146,034)	(3,669,084)	-	-
10) Toland Landfill 3B Liner: Jan. 29, 2016	-	3,709,711	(161,459)	-	3,548,252	329,901
11) Toland Landfill 4A Liner: Jan. 29, 2016	-	10,068,000	-	-	10,068,000	710,961
Total long-term debt	<u>\$ 19,461,538</u>	<u>\$ 29,112,517</u>	<u>\$ (2,043,318)</u>	<u>\$ (18,444,316)</u>	<u>\$ 28,086,421</u>	<u>\$ 2,952,401</u>

The following schedule illustrates the debt service requirements to maturity for loans outstanding as of June 30, 2016:

Fiscal Years Ending June 30,	Principal	Interest	Total
2017	\$ 2,952,401	\$ 690,789	\$ 3,643,190
2018	3,013,780	629,409	3,643,189
2019	3,087,822	555,368	3,643,190
2020	3,163,728	479,462	3,643,190
2021	3,241,547	401,643	3,643,190
2022-2026	10,507,116	980,737	11,487,853
2027-2028	2,120,027	75,350	2,195,377
Total	<u>\$ 28,086,421</u>	<u>\$ 3,812,758</u>	<u>\$ 31,899,179</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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 \$28,282,399 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 100% of estimated capacity for the closed landfills, and on 52.2% for the Toland Road Landfill. The District will recognize the remaining estimated cost of closure and postclosure care for the Toland Road Landfill of \$10,481,158 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 1.010% and 1.015% was included for the years 2016 and 2015, respectively. The District is in compliance with these requirements, and, at June 30, 2016, cash and cash equivalents and investments of \$29,970,489 are held for these purposes. These are reported as restricted assets on the Statement of Net Position.

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.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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, 2016.

<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%	52.2%
<u>Estimated Closure Costs:</u>	\$ 13,541,650	\$ 9,954,107	\$ 250,000	\$ 2,250,000	\$ 12,256,792
Estimated corrective action	400,187	374,977	-	-	531,612
Total est. postclosure/corrective action costs	4,650,799	3,267,314	467,394	1,741,316	9,130,759
Total costs	18,592,636	13,596,398	717,394	3,991,316	21,919,163
Closures/postclosure recognized	18,592,636	13,596,398	717,394	3,991,316	11,438,005
Remaining closure/postclosure to be recognized	\$ -	\$ -	\$ -	\$ -	\$ 10,481,158
<u>Remaining landfill life</u>	Closed FY 97	Closed FY 95	Closed FY 87	Closed FY 82	11 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.

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 2016 and 2015, \$105,845 and \$77,256 in expenses were incurred at the Tierra Rejada Landfill, respectively.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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, 2016, is as follows:

Condensed Statement of Net Position

	Water and Wastewater	Solid Waste	Biosolids
Current assets	\$ (3,689,283)	\$ 23,329,248	\$ (13,210,839)
Restricted current assets	157,127	10,210,443	-
Restricted non-current assets	1,680,322	24,355,642	-
Capital assets, net	3,395,085	35,167,317	16,004,342
Non-current assets	168,754	145,551	19
Total assets	1,712,005	93,208,201	2,793,522
Deferred outflows of resources	942,149	854,437	177,697
Liabilities payable from unrestricted current assets	427,070	3,685,131	1,505,573
Liabilities payable from restricted current assets	154,478	2,872,639	-
Liabilities payable from unrestricted non-current assets	2,899,782	17,594,753	8,535,547
Liabilities payable from restricted non-current assets	1,680,526	25,564,147	-
Total liabilities	5,161,856	49,716,670	10,041,120
Deferred inflows of resources	261,593	231,821	103,955
Net position			
Net investment in capital assets	1,586,988	18,363,884	6,661,651
Restricted	1,827,649	6,129,299	-
Unrestricted	(6,183,932)	19,620,964	(13,835,507)
Total net position (deficit)	\$ (2,769,295)	\$ 44,114,147	\$ (7,173,856)

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Water and Wastewater	Solid Waste	Biosolids
Operating revenues:			
Disposal and sanitation fees	\$ -	\$ 12,412,112	\$ -
Contract services	4,904,469	-	2,613,682
Utility electricity sales	-	-	123,067
Other revenue	12,273	174,569	25,237
Total operating revenues	4,916,742	12,586,681	2,761,986
Operating expenses:			
Salaries and benefits	2,947,976	2,739,935	86,894
Depreciation	308,807	2,339,549	1,075,363
Other operating expenses	1,256,235	5,742,202	1,447,239
Total operating expenses	4,513,018	10,821,686	2,609,496
Operating income	403,724	1,764,995	152,490
Non-operating revenues(expenses):			
Interest and investment earnings	11,390	616,587	5,178
Interest expense	(108,271)	(310,864)	(489,960)
Other non-operating revenue(expense)	103,309	(72,278)	(52,229)
Total non-operating revenues (expenses)	6,428	233,445	(537,011)
Transfers in/(out)	(567,217)	(1,906,720)	(495,417)
Change in net position	(157,065)	91,720	(879,938)
Net position (deficit), beginning of year	(2,612,230)	44,022,427	(6,293,918)
Net position (deficit), end of year	\$ (2,769,295)	\$ 44,114,147	\$ (7,173,856)

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) **June 30, 2016 (with comparative data for 2015)**

Condensed Statement of Cash Flows

	Water and Wastewater	Solid Waste	Biosolids
Net cash provided by operating activities	\$ 840,288	\$ 4,073,587	\$ 1,624,794
Net cash (used for) non-capital financing activities	(567,217)	(1,906,720)	(495,415)
Net cash provided by (used for) capital and related financing activities	(392,574)	1,730,307	(1,344,237)
Net cash provided by investing activities	11,391	3,439,350	5,178
Net increase (decrease)	(108,112)	7,336,524	(209,680)
Cash and cash equivalents, beginning of year	(4,700,468)	19,547,686	(13,243,215)
Cash and cash equivalents, end of year	<u>\$ (4,808,580)</u>	<u>\$ 26,884,210</u>	<u>\$ (13,452,895)</u>

8. Defined Benefit Pension Plans

A. General Information about the Pension Plan

The District participates in two defined benefit pension plans, the Ventura County Employees' Retirement Association (VCERA) pension plan and a Public Agency Retirement System (PARS) Retirement Enhancement Plan. The pension plans consist of a cost-sharing multiple employer defined benefit pension and a defined benefit single-employer retirement plan, respectively. The summary of the pension related liability, deferred inflows of resources and deferred outflows of resources are as follows:

	VCERA Plan	PARS Plan	Total
Deferred Outflows of Resources - Pension Related	\$ 1,856,066	\$ 677,805	\$ 2,533,871
Net Pension Liability	3,853,220	3,832,598	7,685,818
Deferred Inflows of Resources - Pension Related	651,822	168,429	820,251

Ventura County Employees' Retirement Association (VCERA) 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.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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, 2016. 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.

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:

The Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Tier 1	Tier 2	PEPRA
Hire Date	Prior to July 1, 1979	July 1, 1979 to December 31, 2012	On or after January 1, 2013
Final Average Compensation	Highest 12 consecutive months	Highest 36 consecutive months	Highest 36 consecutive months
Normal Retirement Age	Age 55	Age 55	Age 55
Early Retirement: Years of service required and/or age eligible for	Age 70 any years 10 years age 50 30 years any age	Age 70 any years 10 years age 50 30 years any age	Age 70 any years 5 years age 52 N/A
Benefit percent per year of service for normal retirement age	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).
Final Average Compensation Limitation	100% of final compensation	100% of final compensation	May be over 100% subject to the provisions of PEPRA
Required employee contribution rates	5.11% to 13.11%	2.66% to 9.03%	7.03% to 9.66%
Required employer contribution rates	12.59%	8.44%	6.50% to 6.70%

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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 to the Plan for the fiscal year ended June 30, 2016 were \$897,617. The actual employer payments of \$897,617 made to VCERA by the District during the measurement period ended June 30, 2015 differed from the District's proportionate share of the employer's contributions of \$882,357 by \$15,260, 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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. 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, 2016 (with comparative data for 2015)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation date	June 30, 2015
Measurement date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of assets
Actuarial Assumptions	
Discount rate	7.50%
Inflation	3.00%
Real across-the-board salary increase	0.50%
Projected salary increases (1)	4.00% - 11.50% varying by service, including inflation
Investment rate of return	7.50%, net of pension plan administration and investment expenses, including inflation
Cost of living adjustments	2% to 3%
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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014. They are the same as the assumptions used in the June 30, 2015 funding actuarial valuation for VCERA.

The long-term expected rate of return on pension plan investments was determined in 2015 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, 2016 (with comparative data for 2015)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	27.74%	5.90%
Small Cap U.S. Equity	3.41%	6.60%
Developed International Equity	14.73%	6.95%
Emerging Market Equity	3.12%	8.44%
U.S. Core Fixed Income	14.00%	0.71%
Real Estate	7.00%	4.65%
Private Debt/Credit Strategies	5.00%	6.01%
Absolute Return (Risk Parity)	16.00%	4.13%
Real Assets (Master Limited Partnerships)	4.00%	6.51%
Private Equity	5.00%	9.25%
Total	100.00%	

Change of Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.75 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.50 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) for the measurement date June 30, 2015 was 7.50%. The discount rate used to measure the TPL in the previous year was 7.75%. 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 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, 2015 and June 30, 2014.

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; 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, 2016 (with comparative data for 2015)**

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: 6/30/2014 (VD)	\$ 21,967,581	\$ 19,450,823	\$ 2,516,758
Balance at: 6/30/2015 (MD)	23,539,202	19,685,982	3,853,220
Net changes during 2014-15	1,571,621	235,159	1,336,462

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, 2015 (measurement date June 30, 2014)	0.455%
Proportionate share at June 30, 2016 (measurement date June 30, 2015)	0.451%
Change - Increase (Decrease)	-0.004%

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, 2015, the measurement date, calculated using the discount rate of 7.50%, 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:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Net Pension Liability	\$ 7,010,498	\$ 3,853,220	\$ 1,277,665

Subsequent Events

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

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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

There are differences between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended June 30, 2015. 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 5.20 years determined as of June 30, 2014 (the beginning of the measurement period ending June 30, 2015).

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 for the plan was \$2,516,758. For the measurement period ending June 30, 2015 (the measurement date), the District incurred pension expense of \$429,301 for the Plan.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) **June 30, 2016 (with comparative data for 2015)**

As of June 30, 2016, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employer's proportion	\$ 93,300	\$ -
Net difference between projected and actual earnings on pension plan investments	-	146,964
Difference between expected and actual experience in the Total Pension Liability	-	504,858
Changes of assumptions or other inputs	855,293	-
Difference between the employer's contributions and the employer's proportionate share of contributions	9,856	-
Pension contributions subsequent to measurement date	897,617	-
Total	<u>\$ 1,856,066</u>	<u>\$ 651,822</u>

These amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. \$897,617 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 fiscal year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ (34,713)
2018	(34,713)
2019	(34,713)
2020	337,064
Thereafter	73,702

E. Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$46,860 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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, 2016 (with comparative data for 2015)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2016, (measurement date) are summarized as follows:

	Group 1	Group 2
Hire Date	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
Benefit formula	CalPERS "2% @ 55" formula less VCERA Tier 1 or 2 formula	CalPERS "2% @ 55" formula less VCERA Tier 1 or 2 formula 2% COLA
Benefit vesting schedule	From date of hire	From date of hire
Benefit payments	Life-only annuity	Life-only annuity
Retirement age	On or after 50	On or after 50
Monthly benefits as a % of eligible compensation	Various, coordinated with VCERA benefits	Various, coordinated with VCERA benefits
Required employee contribution rates	1% of annual compensation	1% of annual compensation
Required employer contribution rates	11.96%	11.96%

Employees Covered

At June 30, 2015 (valuation date), the following employees were covered by the benefit terms:

	PARS
Inactive employees or beneficiaries	
currently receiving benefits	28
Active employees	39
	<u>67</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 employees during the year,

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

A. General Information about the Pension Plan (Continued)

Contributions (Continued)

with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer Contributions to the Plan for the fiscal year ended June 30, 2016 were \$376,419.

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, 2016, using an annual actuarial valuation as of June 30, 2015. 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

	PARS
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Asset valuation method	None
Actuarial assumptions:	
Discount rate	7.00%
Inflation	2.75%
Salary increases (1)	3.50% - 12.20%
Investment rate of return	7.00%
Cost of living adjustment	2.00%
	CalPERS
Mortality rate table	miscellaneous non-industrial rates

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

B. Net Pension Liability (Continued)

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.

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 July 1, 2016. The following table reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Cash	3.38%	0.42%	0.41%
Core fixed income	47.01%	2.12%	1.99%
Broad US equities	38.24%	5.12%	3.81%
Foreign Developed Equities	8.65%	5.85%	4.20%
Emerging market equities	2.72%	8.07%	4.79%
	<u>100.00%</u>		
Assumed inflation - mean		2.32%	2.30%

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, 2016 (with comparative data for 2015)**

C. Changes in Net Pension Liability

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

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015	\$ 8,240,191	\$ 4,886,332	\$ 3,353,859
Changes recognized for the measurement period:			
• Service cost	137,380		137,380
• Interest on the total pension liability	585,486		585,486
• Effect of economic/ demographic gains or losses	(207,599)		(207,599)
• Effect of assumptions changes of inputs	332,945		332,945
• Contributions from the employer		376,419	(376,419)
• Contributions from employees		29,566	(29,566)
• Net investment income		(1,218)	1,218
• Administrative expenses		(35,294)	35,294
• Benefit payments, including refunds of employee contributions	(282,451)	(282,451)	-
Net changes during 2015-16	\$ 565,761	\$ 87,022	\$ 478,739
Balance at: 6/30/2016	\$ 8,805,952	\$ 4,973,354	\$ 3,832,598

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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 (8.00 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
PARS net pension liability	\$ 5,151,546	\$ 3,832,598	\$ 2,752,008

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

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

The expected average remaining service lifetime (EARS�) 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, 2015), the net pension liability is \$3,353,859.

For the measurement period ending June 30, 2016 (the measurement date), the District incurred a pension expense of \$519,971 for the Plan. A complete breakdown of the pension expense is as follows:

Components of pension expense:	
Service cost	\$ 137,380
Interest on the total pension liability	585,486
Expected investment income (net of investment expenses)	(345,079)
Member contributions	(29,566)
Administrative expense	35,294
Recognition of deferred inflows/outflows of resources	
Economic/demographic gains or losses	(39,170)
Assumption changes or inputs	62,820
Investment gains or losses	112,806
Pension expense	\$ 519,971

As of June 30, 2016, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 168,429
Changes of assumptions	270,125	-
Net difference between projected and actual earnings on pension plan investments	407,680	-
Total	<u>\$ 677,805</u>	<u>\$ 168,429</u>

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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

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

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ 136,456
2018	136,456
2019	136,457
2020	92,911
2021	7,096
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$14,237 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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, 2016, the District calculated and recorded a net OPEB asset of \$524,359, and a net OPEB asset of \$581,990, as of June 30, 2015.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

Annual OPEB Cost and Net OPEB Obligation (Asset)

For 2016, 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 \$100,991 to the PARS trust. The table below shows the components of the District's annual OPEB costs for the years 2016 and 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (asset):

	June 30, 2016	June 30, 2015
Annual required contribution	\$ 155,906	\$ 150,998
Interest on net OPEB obligation	(29,100)	(31,939)
Adjustment to annual required contribution	31,816	33,677
Annual OPEB cost (expense)	158,622	152,736
Contributions made	(100,991)	(95,945)
Decrease in net OPEB asset	57,631	56,791
Net OPEB obligation (asset)- beginning of year	(581,990)	(638,781)
Net OPEB obligation (asset) - end of year	<u>\$ (524,359)</u>	<u>\$ (581,990)</u>

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 2016 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)
2014	\$ 33,370	277.7%	\$ (638,781)
2015	\$ 152,736	62.8%	\$ (581,990)
2016	\$ 158,622	63.7%	\$ (524,359)

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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	861,284
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.

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:</i> Pre-65: 6.00% in 2014 graded down to 4.75% in 2070 and thereafter. Post-65: 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)

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) **June 30, 2016 (with comparative data for 2015)**

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 2016 and 2015 was \$18,000 and \$18,000, respectively. Further, the contribution limit remains unchanged at \$18,000 for 2017.

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. Earnings subject to Social Security will increase by 7.3% in 2017, to \$127,200. The District also pays contributions for Medicare of 1.45% of covered wages. Contributions made by the District for Social Security and Medicare for 2016 and 2015 were \$378,543 and \$385,377, 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 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, 2016, 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 \$15,500,000 and excess liability coverage of \$10,000,000, bringing total coverage limits to \$25,500,000.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) **June 30, 2016 (with comparative data for 2015)**

Program deductibles include:

- \$2,500 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 \$4,625,395, 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 \$12,816,282 subject to a deductible of \$50,000 per claim (\$12,503,782 – property damage and \$312,500 business interruption).
- Malibu Bay Club System with an aggregate limit of \$3,417,120 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, 2015 and 2014.

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, 2015 and 2014.

VENTURA REGIONAL SANITATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued) June 30, 2016 (with comparative data for 2015)

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, 2016 and 2015 was approximately \$165,112 and \$176,893, respectively. Future minimum lease payments required under the lease are:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Annual Lease</u> <u>Commitment</u>
2017	\$ 166,972
	<u>\$ 166,972</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.

The District is currently involved in a civil action case (Environmental Defense Center v. Ventura Regional Sanitation District) involving a Complaint for Declaratory and Injunctive Relief and Civil Penalties under the Federal Water Pollution Control Act, which is also referred to as the Clean Water Act ("CWA"). This case is currently pending before United States District Judge Virginia A. Phillips with no trial or discovery cut-off date. An estimate cannot be made at this time.

In the opinion of management, there is no pending litigation other than that which has been discussed above, that would materially affect the District's liability insurance policies or financial position.

Required Supplementary Information



Required
Supplementary Information

Ventura Regional Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016 and June 30, 2015



REQUIRED SUPPLEMENTARY INFORMATION

**VENTURA REGIONAL SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2016**

Public Agency Retirement System (PARS) - Retirement Enhancement Plan (Group 1 & Group 2)

*Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Years**

Measurement Period	2015-16	2014-15
TOTAL PENSION LIABILITY		
Service Cost	\$ 137,380	\$ 160,741
Interest	585,486	547,331
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	-
Net Investment Income	(207,599)	-
Changes of Assumptions or Inputs	332,945	-
Benefit Payments, Including Refunds of Employee Contributions	(282,451)	(248,094)
Net Change in Total Pension Liability	565,761	459,978
Total Pension Liability - Beginning	8,240,191	7,780,213
Total Pension Liability - Ending (a)	\$ 8,805,952	\$ 8,240,191
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 376,419	\$ 394,281
Contributions - Employee	29,566	30,728
Net Investment Income	(1,218)	111,586
Benefit Payments, Including Refunds of Employee Contributions	(282,451)	(248,094)
Administrative Expenses	(35,294)	(38,944)
Net Change in Fiduciary Net Position	87,022	249,557
Plan Fiduciary Net Position - Beginning	4,886,332	4,636,775
Plan Fiduciary Net Position - Ending (b)	\$ 4,973,354	\$ 4,886,332
Plan Net Pension Liability - Ending (a) - (b)	\$ 3,832,598	\$ 3,353,859
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.48%	59.30%
Covered-Employee Payroll	\$ 3,397,512	\$ 3,072,800
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	112.81%	109.15%

* Measurement period 2014-15 (fiscal year 2015) was the 1st year of implementation, therefore, only two years are presented.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: There were no changes in assumptions.

**VENTURA REGIONAL SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2016**

Public Agency Retirement System (PARS) - Retirement Enhancement Plan (Group 1 & Group 2)

*Schedule of Plan Contributions - Last 10 Years**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency/ (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014-15	\$ 395,604	\$ 394,281	\$ 1,323	\$ 3,072,800	12.83%
2015-16	\$ 394,507	\$ 376,419	\$ 18,088	\$ 3,397,512	11.08%

* Measurement period 2014-15 (fiscal year 2015) was the 1st year of implementation, therefore, only two years are presented.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2015 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level dollar Closed period Amortization period at 06/30/2015 - 17 years Amortization growth rate equals 0.00%
Asset Valuation Method	Smoothing period - None Recognition period - None Corridor - None
Inflation	2.75%
Salary increases	3.50% - 12.20%
Payroll Growth	2.00%
Investment Rate of Return	7.00%
Retirement Age	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Mortality	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.

**VENTURA REGIONAL SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2016**

Ventura County Employees' Retirement Association (VCERA)

***Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
as of the Measurement Date - Last 10 Years****

Measurement Date	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered-employee payroll ⁽¹⁾	Proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
6/30/2014	0.455%	\$ 2,516,758	\$ 4,758,000	52.90%	88.54%
6/30/2015	0.451%	\$ 3,853,220	\$ 4,948,000	77.87%	83.63%

(1) Covered-employee payroll represents earnable and pensionable compensation.

Schedule of Plan Contributions - Last 10 Years*

Fiscal Year	Contractually Required Contribution	Actual Employer Contributions	Contribution (Excess)/ Deficiency	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014-15	\$ 849,102	\$ 845,123	\$ 3,979	\$ 4,758,000	17.76%
2015-16	\$ 882,357	\$ 897,617	\$ (15,260)	\$ 4,948,000	18.14%

* Fiscal year 2014-15 was the first year of implementation, therefore, only two years are presented.

Change in Assumptions: The discount rate was changed from 7.75 percent (net of administrative expenses) to 7.50 percent to correct for an adjustment to exclude administrative expenses.

**VENTURA REGIONAL SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FISCAL YEAR ENDED JUNE 30, 2016**

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2008	\$297,578	\$461,920	\$164,342	64.42%	\$5,472,250	3.00%
7/1/2011	\$640,245	\$876,665	\$236,420	73.03%	\$5,169,254	4.57%
7/1/2014	\$861,284	\$1,416,452	\$555,168	60.81%	\$3,575,455	15.53%

Supplementary Section



Supplementary
Section

Ventura Regional Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016 and June 30, 2015



SUPPLEMENTARY INFORMATION

TYPES OF OPERATIONS

Water and Wastewater The District is responsible for management, operation and maintenance of water and wastewater facilities and equipment throughout Ventura County. Included are facilities owned by the Triunfo Sanitation, Saticoy Sanitary and Camarillo Sanitary Districts; Cities of Fillmore, Oxnard, Thousand Oaks and Ventura; County of Ventura; California State University at Channel Islands; and several small water agencies. In total, the District operates and maintains three potable water systems and one recycled water system.

Solid Waste The District manages six municipal waste landfills, only one of which is active. The Toland Road landfill is located in a confined, V-shaped canyon four miles east of Santa Paula and four miles west of Fillmore. The 161-acre site has been operated as a landfill since 1970.

Biosolids/Microturbine Electrical Generation The District's Biosolids facility converts Biosolids from local wastewater treatment facilities into EPA Class A recyclable material, using landfill gas to heat two 80-ton-per-day batch dryers. The end product is applied as alternative daily cover for refuse deposited at the landfill. The nine low emission microturbines uses compressed landfill gas to generate 2.32 megawatts of electricity. Roughly one-third is used to power the Biosolids facility and the remainder is delivered to the local power grid. This project was placed in a permanent non-operational status in October 2015.

Administration The Finance and Administration Department manages three public agency's finance and accounting functions through contracted services. The District provides finance and accounting functions to Saticoy Sanitary District (SSD), Triunfo Sanitation District (TSD) and Ventura County Regional Energy Alliance (VCREA).

VENTURA REGIONAL SANITATION DISTRICT
SCHEDULE OF NET POSITION
JUNE 30, 2016

ASSETS	Water and Wastewater	Solid Waste	Biosolids	Administration	Total
Current assets:					
Cash and cash equivalents	\$ (4,808,580)	\$ 22,170,972	\$ (13,452,895)	\$ (2,267,909)	\$ 1,641,588
Accrued interest receivable	-	63,858	-	15,458	79,316
Accounts receivable – disposal and sanitation fees, net	-	1,057,133	211,589	-	1,268,722
Accounts receivable – contract services, net	1,114,999	-	-	443,367	1,558,366
Prepaid and other	4,298	37,285	30,467	59,937	131,987
Total current assets – unrestricted	(3,689,283)	23,329,248	(13,210,839)	(1,749,147)	4,679,979
Restricted current assets:					
Cash and cash equivalents	-	4,713,238	-	-	4,713,238
Investments	-	5,469,273	-	-	5,469,273
Notes receivable	157,127	-	-	-	157,127
Accrued interest receivable	-	27,932	-	-	27,932
Total current assets – restricted	157,127	10,210,443	-	-	10,367,570
Total current assets – unrestricted and restricted	(3,532,156)	33,539,691	(13,210,839)	(1,749,147)	15,047,549
Restricted non-current assets:					
Investments	9,800	24,355,642	-	-	24,365,442
Notes receivable	1,670,522	-	-	-	1,670,522
Total non-current assets – restricted	1,680,322	24,355,642	-	-	26,035,964
Non-current assets:					
Investments	-	-	-	4,491,564	4,491,564
Capital assets, net	3,395,085	35,167,317	16,004,342	324,201	54,890,945
Net OPEB asset	168,754	145,551	19	210,035	524,359
Total non-current assets – unrestricted	3,563,839	35,312,868	16,004,361	5,025,800	59,906,868
Total non-current assets – unrestricted and restricted	5,244,161	59,668,510	16,004,361	5,025,800	85,942,832
Total assets	1,712,005	93,208,201	2,793,522	3,276,653	100,990,381
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	925,246	825,491	91,346	691,788	2,533,871
Loss on refunding of debt	16,903	28,946	86,351	-	132,200
Total deferred outflows of resources	942,149	854,437	177,697	691,788	2,666,071

VENTURA REGIONAL SANITATION DISTRICT
SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2016

LIABILITIES	Water and Wastewater	Solid Waste	Biosolids	Administration	Total
Current liabilities:					
Payable from current assets:					
Accounts payable and accrued expenses	\$ 101,947	\$ 1,700,182	\$ 276,639	\$ 193,499	\$ 2,272,267
Accrued wages and compensated absences	324,670	254,138	11,825	171,802	762,435
Accrued interest payable	453	130,947	19,050	-	150,450
Installment sale agreement – current portion	-	1,599,864	1,198,059	-	2,797,923
Payable from current assets – unrestricted	427,070	3,685,131	1,505,573	365,301	5,983,075
Payable from restricted current assets:					
Customer deposits	-	44,399	-	-	44,399
Landfill closure/postclosure costs – expected within one year	-	2,828,240	-	-	2,828,240
Installment purchase contract – current portion	154,478	-	-	-	154,478
Payable from current assets – restricted	154,478	2,872,639	-	-	3,027,117
Total current liabilities – unrestricted and restricted	581,548	6,557,770	1,505,573	365,301	9,010,192
Non-current liabilities:					
Payable from non-current assets:					
Net pension liability	2,899,782	2,362,238	304,564	2,119,234	7,685,818
Installment sale agreement	-	15,232,515	8,230,983	-	23,463,498
Payable from non-current assets – unrestricted	2,899,782	17,594,753	8,535,547	2,119,234	31,149,316
Payable from restricted non-current assets:					
Tierra Rejada consortium reserve	-	109,988	-	-	109,988
Malibu Bay Club reserve	10,004	-	-	-	10,004
Landfill closure/postclosure costs	-	25,454,159	-	-	25,454,159
Installment purchase contract	1,670,522	-	-	-	1,670,522
Payable from non-current assets – restricted	1,680,526	25,564,147	-	-	27,244,673
Total non-current liabilities – unrestricted and restricted	4,580,308	43,158,900	8,535,547	2,119,234	58,393,989
Total liabilities	5,161,856	49,716,670	10,041,120	2,484,535	67,404,181
DEFERRED INFLOWS OF RESOURCES					
Pension related	261,593	231,821	103,955	222,882	820,251
Total deferred inflows of resources	261,593	231,821	103,955	222,882	820,251
NET POSITION					
Net investment in capital assets	1,586,988	18,363,884	6,661,651	324,201	26,936,724
Restricted for:					
Debt service	1,827,649	-	-	-	1,827,649
Landfill closure and post-closure costs	-	6,129,299	-	-	6,129,299
Unrestricted amounts (deficit)	(6,183,932)	19,620,964	(13,835,507)	936,823	538,348
Total net position(deficit)	\$ (2,769,295)	\$ 44,114,147	\$ (7,173,856)	\$ 1,261,024	\$ 35,432,020

VENTURA REGIONAL SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2016

	Water and Wastewater	Solid Waste	Biosolids	Administration	Total
Operating revenues:					
Disposal and sanitation fees	\$ -	\$ 12,412,112	\$ -	\$ -	\$ 12,412,112
Contract services	4,904,469	-	2,613,682	1,219,152	8,737,303
Utility electricity sales	-	-	123,067	-	123,067
Other revenue	12,273	174,569	25,237	11,078	223,157
Total operating revenues	<u>4,916,742</u>	<u>12,586,681</u>	<u>2,761,986</u>	<u>1,230,230</u>	<u>21,495,639</u>
Operating expenses:					
Salaries and benefits	2,947,976	2,739,935	86,894	1,827,221	7,602,026
Management and administrative	53,000	99,113	62,682	206,806	421,601
Services and supplies	946,463	1,627,746	562,637	209,387	3,346,233
Professional services	57,179	762,471	373,023	1,092,094	2,284,767
Facility maintenance	167,269	684,446	59,984	203,685	1,115,384
Provision for landfill closure/postclosure	-	1,306,015	-	-	1,306,015
Permits, licences and fees	32,324	1,262,411	388,913	27,235	1,710,883
Total operating expenses	<u>4,204,211</u>	<u>8,482,137</u>	<u>1,534,133</u>	<u>3,566,428</u>	<u>17,786,909</u>
Operating income (loss) before depreciation and amortization	712,531	4,104,544	1,227,853	(2,336,198)	3,708,730
Depreciation and amortization	<u>(308,807)</u>	<u>(2,339,549)</u>	<u>(1,075,363)</u>	<u>(89,331)</u>	<u>(3,813,050)</u>
Operating income (loss)	<u>403,724</u>	<u>1,764,995</u>	<u>152,490</u>	<u>(2,425,529)</u>	<u>(104,320)</u>
Non-operating revenues (expenses):					
Interest and investment earnings	11,390	616,587	5,178	2,957	636,112
Gain on sales and/or disposals of capital assets, net	2,011	33,301	12,571	-	47,883
Interest expense	(108,271)	(310,864)	(489,960)	-	(909,095)
Debt issuance costs	(43,274)	(105,638)	(64,800)	-	(213,712)
Other, net	144,572	59	-	-	144,631
Total non-operating revenues (expenses)	<u>6,428</u>	<u>233,445</u>	<u>(537,011)</u>	<u>2,957</u>	<u>(294,181)</u>
Income (loss) before transfers	<u>410,152</u>	<u>1,998,440</u>	<u>(384,521)</u>	<u>(2,422,572)</u>	<u>(398,501)</u>
Transfers in	767,617	2,000,687	101,583	2,982,902	5,852,789
Transfers out	<u>(1,334,834)</u>	<u>(3,907,407)</u>	<u>(597,000)</u>	<u>(13,548)</u>	<u>(5,852,789)</u>
Change in net position	<u>(157,065)</u>	<u>91,720</u>	<u>(879,938)</u>	<u>546,782</u>	<u>(398,501)</u>
Net position (deficit), beginning of year	<u>(2,612,230)</u>	<u>44,022,427</u>	<u>(6,293,918)</u>	<u>714,242</u>	<u>35,830,521</u>
Net position (deficit), end of year	<u>\$ (2,769,295)</u>	<u>\$ 44,114,147</u>	<u>\$ (7,173,856)</u>	<u>\$ 1,261,024</u>	<u>\$ 35,432,020</u>

VENTURA REGIONAL SANITATION DISTRICT
SCHEDULE OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2016

	Water and Wastewater	Solid Waste	Biosolids	Administration	Total
Cash flows from operating activities:					
Receipts from customers for disposal and sanitation services	\$ -	\$ 12,388,948	\$ 284,268	\$ -	\$ 12,673,216
Receipts from customers for contract services	4,841,176	-	2,613,682	1,027,960	8,482,818
Receipts from customers for utility electricity sales	-	-	123,067	-	123,067
Receipts for other services	156,845	174,628	25,237	11,078	367,788
Payments to vendors for materials and services	(1,211,517)	(5,732,086)	(1,297,088)	(1,642,642)	(9,883,333)
Payments for salaries, benefits and contract labor	(2,946,216)	(2,757,903)	(124,372)	(1,894,095)	(7,722,586)
Net cash provided by (used for) operating activities	840,288	4,073,587	1,624,794	(2,497,699)	4,040,970
Cash flows from non-capital financing activities:					
Transfers in (out)	(567,217)	(1,906,720)	(495,415)	2,969,352	-
Net cash provided by (used for) non-capital financing activities	(567,217)	(1,906,720)	(495,415)	2,969,352	-
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	10,068,000	-	-	10,068,000
Acquisition costs from capital debt	(43,274)	(105,638)	(64,800)	-	(213,712)
Refinancing of existing debt	1,825,000	7,201,215	10,018,302	-	19,044,517
Defeasement of capital debt	(1,754,299)	(7,034,669)	(9,655,349)	-	(18,444,317)
Call premium on defeasement of capital debt	(16,928)	(31,180)	(91,336)	-	(139,444)
Acquisition and construction of capital assets	(245,194)	(7,271,644)	-	(48,482)	(7,565,320)
Principal received on notes receivable	119,983	-	-	-	119,983
Defeasement of notes receivable	(57,418)	-	-	-	(57,418)
Proceeds from the sale of capital assets	27,478	46,000	55,000	-	128,478
Principal paid on capital debt	(118,642)	(825,014)	(1,099,660)	-	(2,043,316)
Interest paid on capital debt	(129,280)	(316,763)	(506,394)	-	(952,437)
Net cash provided by (used for) capital and related financing activities	(392,574)	1,730,307	(1,344,237)	(48,482)	(54,986)
Cash flows from investing activities:					
Interest on cash and cash equivalents	268	1,583	90	31	1,972
Interest and dividends from investments	11,123	602,674	5,088	(9,244)	609,641
Proceeds from sales and maturities of investments	-	16,366,171	-	1,493,417	17,859,588
Purchases of investments	-	(13,531,078)	-	(4,605,669)	(18,136,747)
Net cash provided by (used for) investing activities	11,391	3,439,350	5,178	(3,121,465)	334,454
Net increase (decrease) in cash and cash equivalents	(108,112)	7,336,524	(209,680)	(2,698,294)	4,320,438
Cash and cash equivalents (unrestricted and restricted), beginning of year	(4,700,468)	19,547,686	(13,243,215)	430,385	2,034,388
Cash and cash equivalents (unrestricted and restricted), end of year	<u>\$ (4,808,580)</u>	<u>\$ 26,884,210</u>	<u>\$ (13,452,895)</u>	<u>\$ (2,267,909)</u>	<u>\$ 6,354,826</u>
Reconciliation of cash and cash equivalents to statement of net position:					
Cash and cash equivalents	\$ (4,808,580)	\$ 22,170,972	\$ (13,452,895)	\$ (2,267,909)	\$ 1,641,588
Restricted cash and cash equivalents	-	4,713,238	-	-	4,713,238
Total cash and cash equivalents	<u>\$ (4,808,580)</u>	<u>\$ 26,884,210</u>	<u>\$ (13,452,895)</u>	<u>\$ (2,267,909)</u>	<u>\$ 6,354,826</u>

VENTURA REGIONAL SANITATION DISTRICT
SCHEDULE OF CASH FLOWS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2016

	Water and Wastewater	Solid Waste	Biosolids	Administration	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 403,724	\$ 1,764,995	\$ 152,490	\$ (2,425,529)	\$ (104,320)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Deprecation and amortization	308,807	2,339,549	1,075,363	89,331	3,813,050
Net pension liability	(103,952)	(97,815)	(3,138)	(71,759)	(276,664)
Other non-operating revenues and expenses, net	144,572	59	-	-	144,631
Changes in assets and liabilities:					
(Increase)decrease in assets:					
Accounts receivable – disposal and sanitation fees, net	-	(28,164)	284,268	-	256,104
Accounts receivable – contract services, net	(63,497)	-	-	(191,192)	(254,689)
Net OPEB asset	24,377	19,572	-	13,682	57,631
Prepaid and other	11	22,743	119,690	4,312	146,756
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	44,708	26,896	30,462	92,253	194,319
Accrued wages and compensated absences	81,334	60,276	(34,341)	(8,797)	98,472
Customer deposits	-	5,000	-	-	5,000
Tierra Rejada consortium reserve	-	(105,845)	-	-	(105,845)
Malibu Bay Club reserve	204	-	-	-	204
Landfill closure/postclosure costs	-	66,321	-	-	66,321
Total adjustments	436,564	2,308,592	1,472,304	(72,170)	4,145,290
Net cash provided by (used for) operating activities	\$ 840,288	\$ 4,073,587	\$ 1,624,794	\$ (2,497,699)	\$ 4,040,970

Statistical Section



Ventura Regional Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016 and June 30, 2015



Ventura Regional Sanitation District

Statistical Section

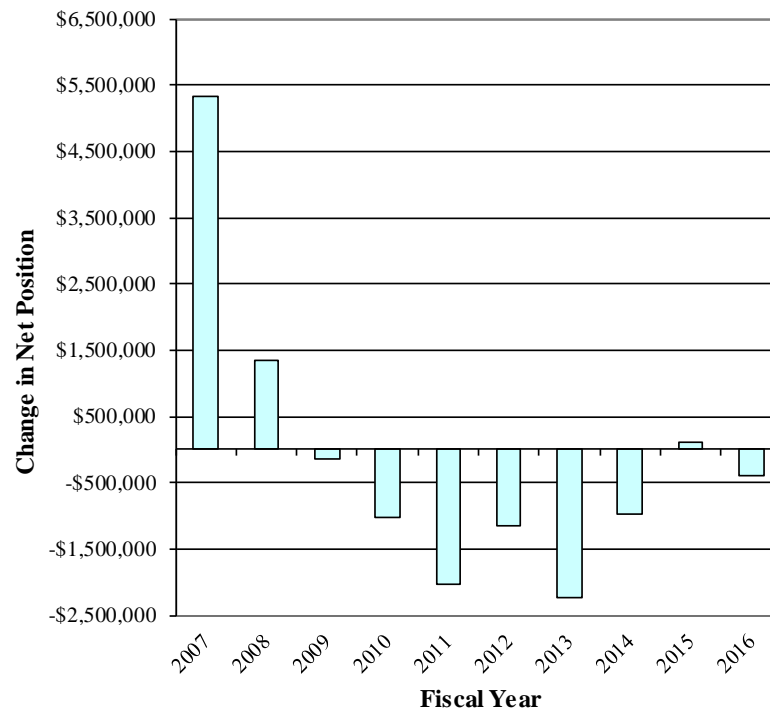
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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	Page
Financial Trends	81
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	85
These schedules contain information to help the reader assess the District's most significant own-source revenues and wastewater service.	
Debt Capacity	88
These schedules help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic Information	91
These schedules offer demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	95
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

Ventura Regional Sanitation District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

		Fiscal Year			
		2007	2008	2009	2010
Changes in net position:					
Operating revenues (see Schedule 2)	\$	14,898,038	15,278,206	15,373,416	17,633,198
Operating expenses (see Schedule 3)		(10,522,327)	(14,247,159)	(14,916,090)	(16,077,364)
Overhead absorption		-	-	-	-
Depreciation and amortization		(1,530,790)	(2,092,335)	(2,287,277)	(2,213,614)
Operating income(loss)		2,844,921	(1,061,288)	(1,829,951)	(657,780)
Non-operating revenues(expenses)					
Interest income		2,171,431	2,686,225	2,143,110	1,145,112
Gain/(loss) on sale of assets		26,600	43,496	5,047	(565,110)
Interest expense		(182,033)	(617,606)	(758,663)	(1,065,108)
Other revenue/(expense), net		465,518	284,696	260,913	117,434
Total non-operating revenues(expenses), net		2,481,516	2,396,811	1,650,407	(367,672)
Net income before capital contributions		5,326,437	1,335,523	(179,544)	(1,025,452)
Capital contributions		-	-	34,024	-
Changes in net position	\$	5,326,437	1,335,523	(145,520)	(1,025,452)
Net position by component:					
Net investment in capital assets	\$	29,029,582	31,614,983	34,123,145	34,691,895
Amounts restricted		5,464,948	7,280,008	8,642,226	4,250,295
Unrestricted amounts		14,237,032	11,172,094	7,156,194	9,953,923
Total net position	\$	48,731,562	50,067,085	49,921,565	48,896,113



Notes:

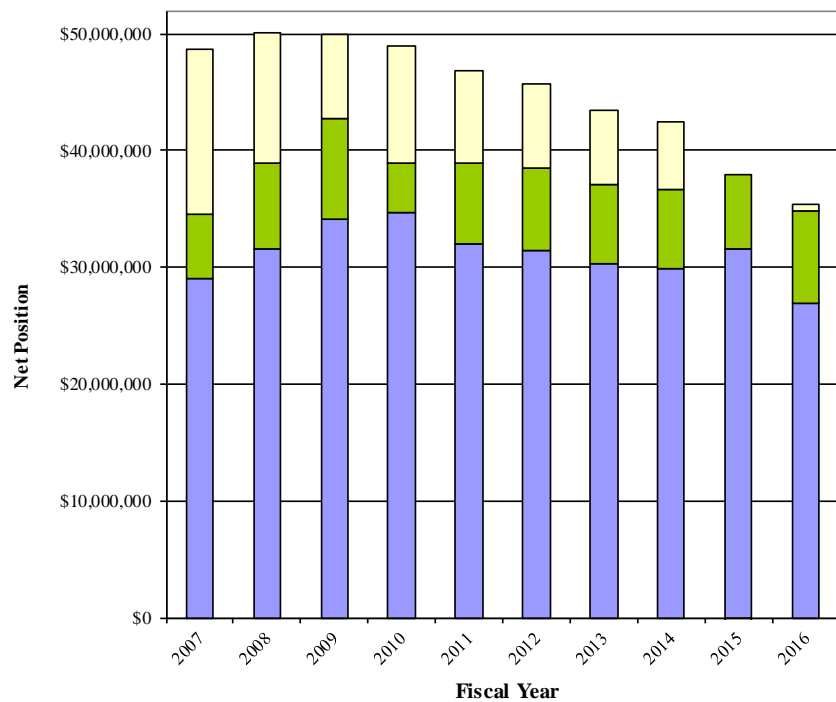
(1) The District made an adjustment to reflect the implementation of GASB Statemenet No. 63.

(2) The District made an adjustment to reflect the implementation of GASB Statemenet No. 68.

Source: Ventura Regional Sanitation District Finance Department

Ventura Regional Sanitation District
Changes in Net Position and Net Position by Component (Continued)
Last Ten Fiscal Years

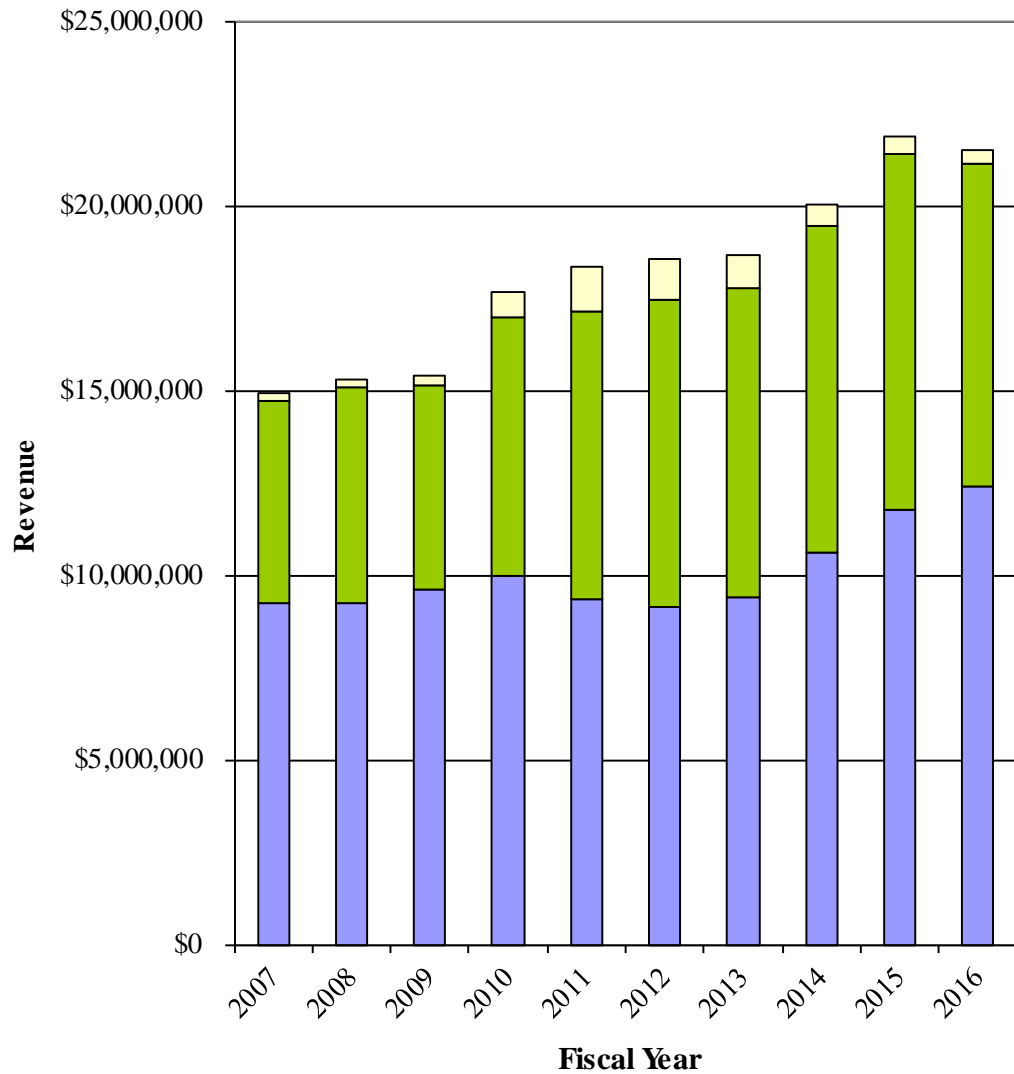
Fiscal Year					
2011	2012	2013	2014	2015	2016
18,344,046	18,573,500	18,674,905	20,033,901	21,872,303	21,495,639
(16,104,155)	(16,538,575)	(16,443,180)	(16,946,768)	(17,505,500)	(17,786,909)
-	-	-	-	-	-
(3,771,550)	(3,733,126)	(3,535,354)	(3,529,371)	(3,776,744)	(3,813,050)
(1,531,659)	(1,698,201)	(1,303,629)	(442,238)	590,059	(104,320)
564,387	590,889	40,184	360,060	367,627	636,112
(4,461)	5,022	-	4,832	(12,552)	47,883
(1,166,432)	(1,152,492) ⁽¹⁾	(1,079,159) ⁽¹⁾	(1,002,525) ⁽¹⁾	(922,435) ⁽¹⁾	(909,095)
111,907	138,782	95,021	108,262	95,784	(69,081)
(494,599)	(417,799)	(943,954)	(529,371)	(471,576)	(294,181)
(2,026,258)	(2,116,000)	(2,247,583)	(971,609)	118,483	(398,501)
-	975,000	-	-	-	-
(2,026,258)	(1,141,000)	(2,247,583)	(971,609)	118,483	(398,501)
31,989,522	31,430,945	30,327,602	29,915,287	31,633,318	26,936,724
6,978,210	7,128,963	6,829,325	6,737,432	6,307,850	7,956,948
7,902,123	7,168,948 ⁽¹⁾	6,324,346 ⁽¹⁾	5,856,945 ⁽¹⁾	(2,110,647) ⁽¹⁾	538,348
46,869,855	45,728,856	43,481,273	42,509,664 ⁽²⁾	35,830,521 ⁽²⁾	35,432,020



Ventura Regional Sanitation District

Operating Revenue by Source Last Ten Fiscal Years

Fiscal Year	Disposal and Sanitation Fees	Contract Services	Other Charges and Services	Total Operating Revenue
2007	\$ 9,212,400	\$ 5,509,207	\$ 176,431	\$ 14,898,038
2008	9,259,545	5,836,937	181,724	15,278,206
2009	9,607,937	5,546,327	219,152	15,373,416
2010	9,966,760	7,012,791	653,647	17,633,198
2011	9,355,858	7,762,500	1,225,688	18,344,046
2012	9,152,054	8,318,925	1,102,521	18,573,500
2013	9,394,086	8,367,014	913,805	18,674,905
2014	10,618,088	8,810,556	605,257	20,033,901
2015	11,745,287	9,670,442	456,574	21,872,303
2016	12,412,112	8,737,303	346,224	21,495,639



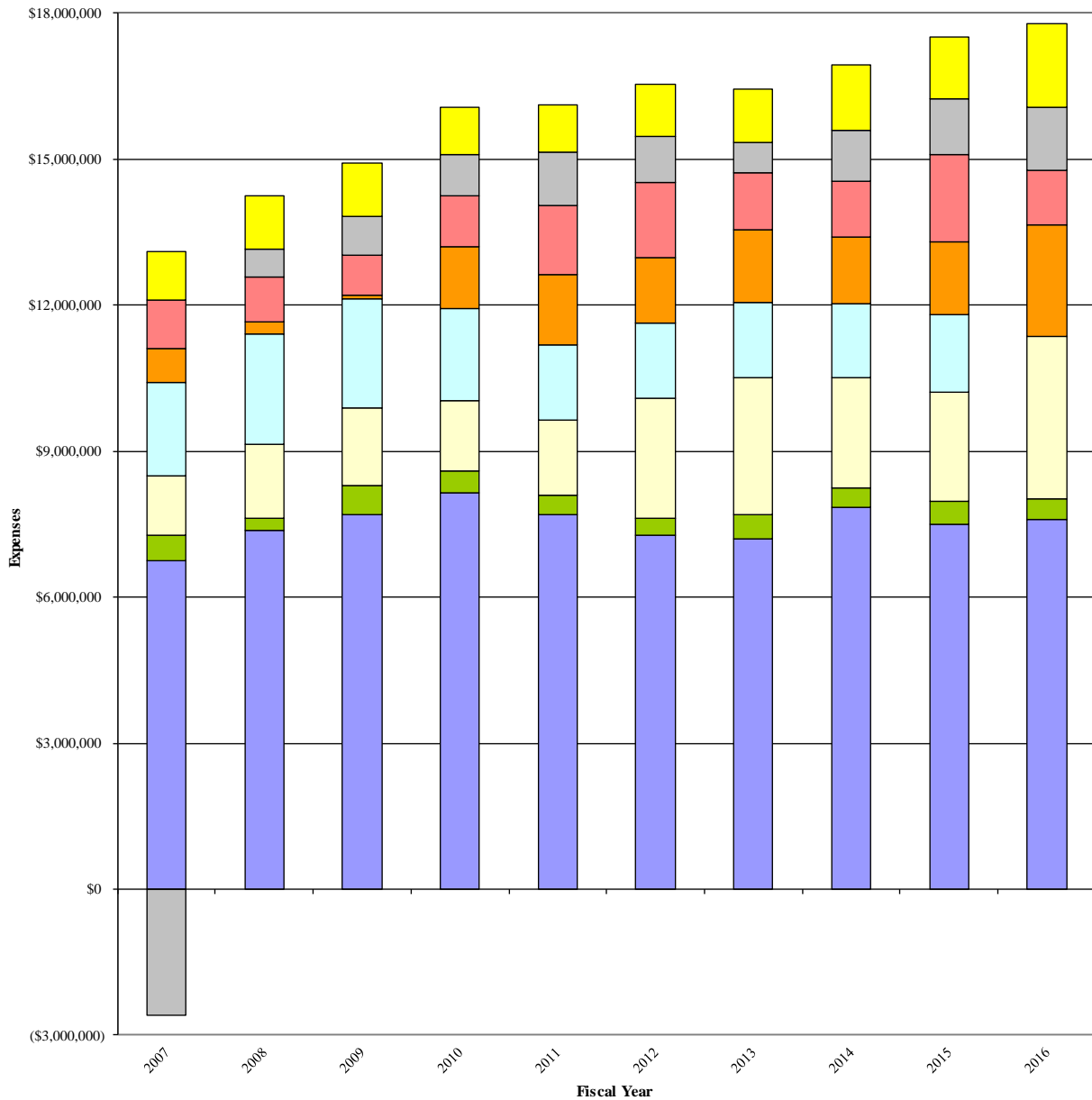
Source: Ventura Regional Sanitation District Finance Department

Ventura Regional Sanitation District

Operating Expenses by Activity

Last Ten Fiscal Years

Fiscal Year	Salaries and Benefits	Management and Administrative	Services and Supplies	Contracted Services	Professional Services	Facility Maintenance	Provision for Landfill Closure and Postclosure	Permits, Licenses and Fees	Total Operating Expenses
2007	\$ 6,747,170	\$ 532,280	\$ 1,216,581	\$ 1,909,543	\$ 710,491	\$ 976,682	\$ (2,581,131)	\$ 1,010,711	\$ 10,522,327
2008	7,368,788	240,714	1,536,603	2,251,579	246,898	940,267	563,226	1,099,084	14,247,159
2009	7,703,135	590,037	1,585,282	2,258,401	66,708	822,050	785,776	1,104,701	14,916,090
2010	8,149,361	437,040	1,449,145	1,893,266	1,281,810	1,038,288	845,629	982,825	16,077,364
2011	7,706,235	379,680	1,561,329	1,530,910	1,454,889	1,422,248	1,100,128	948,736	16,104,155
2012	7,275,785	342,981	2,461,250	1,555,190	1,345,856	1,545,223	950,318	1,061,972	16,538,575
2013	7,194,101	505,660	2,801,974	1,551,441	1,502,462	1,162,453	635,289	1,089,800	16,443,180
2014	7,838,224	413,873	2,248,325	1,518,522	1,369,881	1,153,284	1,055,618	1,349,041	16,946,768
2015	7,491,214	490,233	2,241,771	1,582,187	1,503,108	1,774,248	1,162,802	1,259,937	17,505,500
2016	7,602,026	421,601	3,346,233	-	2,284,767	1,115,384	1,306,015	1,710,883	17,786,909

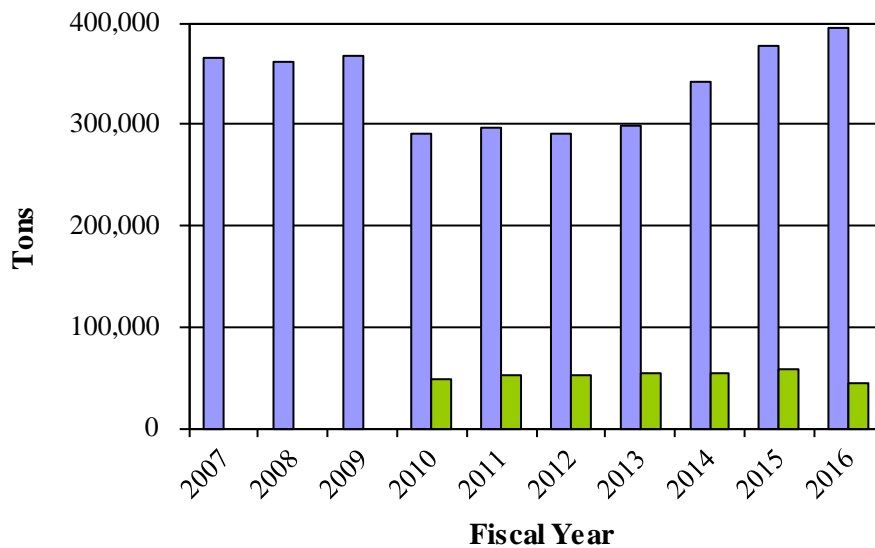


Source: Ventura Regional Sanitation District Finance Department

Ventura Regional Sanitation District

Revenue Base Last Ten Fiscal Years

Fiscal Year	Solid Waste Received (tons)	Biosolids Received (tons)
2007	365,238	-
2008	360,779	-
2009	366,920	-
2010	291,572	48,095
2011	295,821	52,373
2012	291,109	51,923
2013	297,595	53,265
2014	342,268	54,972
2015	376,756	58,871
2016	395,365	44,322



Note: See Schedule 2 "Operating Revenue by Source" for information regarding sanitation revenues.

Sources: Ventura Regional Sanitation District Finance Department

Ventura Regional Sanitation District
Revenue Rates⁽¹⁾⁽³⁾
Last Ten Fiscal Years

Tipping Fees⁽²⁾	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Refuse	\$ 30.22	\$ 30.22	\$ 33.63	\$ 39.60	\$ 39.60	\$ 39.60	\$ 39.60	\$ 39.60	\$ 39.60	\$ 39.60
Residual Refuse	24.16	24.16	26.89	34.54	34.54	34.54	34.54	34.54	34.54	34.54
Hard-to-handle	100.00	100.00	100.00	110.00	110.00	110.00	110.00	110.00	110.00	110.00

Notes:

(1) Rates as of June 30 of each fiscal year.

(2) Rates are per ton

(3) Rates only represent non-contracted rates

Source: Ventura Regional Sanitation District Board of Directors approved rate ordinances and resolutions

Ventura Regional Sanitation District
Principal Customers
Current Fiscal Year and Ten Years Ago

Customer	2016		2006	
	Tons Processed	Percentage of Total	Tons Processed	Percentage of Total
Gold Coast Recycling	263,917	60.0%	284,434	72.5%
City of Oxnard/DelNorte Reg. Recycling	130,415	29.7%	59,192	15.1%
City of Ventura Wastewater Treatment Plant	10,689	2.4%	-	N/A
E.J. Harrison & Sons	13,338	3.0%	22,849	5.8%
Recology Los Angeles	12,273	2.8%	-	N/A
Perc Water Corporation	2,898	0.7%	-	N/A
Fillmore Wastewater Treatment Plant	1,715	0.4%	-	N/A
Ventura County PWA, Flood Control	-	N/A	155	0.0%
Ventura County PWA, Road Maintenance	-	N/A	251	0.1%
Venco Western	-	N/A	286	0.1%
Geske's Hauling Service, Inc.	272	0.1%	-	N/A
Gal-Gue Hauling & Roll Off Svc.	-	N/A	557	0.1%
JTZ Inc. DBA Zaccaro Roll-off	586	0.1%	1,036	0.3%
Standard Industries	-	N/A	1,293	0.3%
City of Santa Paula	-	N/A	9,510	2.4%
M Maintenance Construction	-	N/A	1,029	0.3%
Limoneira Co.	-	N/A	800	0.2%
Lynn's Heavy duty Towing, Inc.	-	N/A	884	0.2%
J & L Hauling & Disposal, Inc.	-	N/A	580	0.1%
J & R Services, Inc.	-	N/A	1,160	0.3%
Other Customers	3,584	0.8%	8,471	2.2%
Total Tons Processed	439,687	100.0%	392,487	100.0%

Source: Ventura Regional Sanitation District

Ventura Regional Sanitation District
Ratio of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	Amount	Total	
		Per Capita	As a Share of Personal Income
2007	\$ 9,499,442	\$14.29	0.031%
2008	15,886,465	23.74	0.052%
2009	24,097,419	35.80	0.083%
2010	22,840,478	34.36	0.079%
2011	26,405,632	39.49	0.086%
2012	24,782,531	36.83	0.076%
2013	23,086,368	34.20	0.070%
2014	21,313,850	31.28	0.062%
2015	19,461,538	28.38	-
2016	28,086,421	40.55	-

Note: Personal income data not currently available for 2015 and 2016.

Sources: Ventura Regional Sanitation District Finance Department

Ventura Regional Sanitation District
Pledged-Revenue Coverage
Installment Agreements
Fiscal Year 2007-2016

District Total	Fiscal Year			
	2007	2008	2009	2010
Revenue sources				
Operating revenues	\$ 9,608,554	\$ 9,478,381	\$ 9,926,943	\$ 11,934,180
Non-operating revenues	1,666,631	1,942,568	1,879,040	933,690
Total revenue sources	11,275,185	11,420,949	11,805,983	12,867,870
Expenses				
Operating expenses	3,039,468	6,110,542	6,845,564	8,123,134
Non-operating expenses	-	-	-	-
Total expenses	3,039,468	6,110,542	6,845,564	8,123,134
Change in net position	8,235,717	5,310,407	4,960,419	4,744,736
Installment payments				
Principal	166,158	612,977	789,046	1,256,942
Interest	156,800	583,701	707,733	1,070,302
Total installment payments	\$ 322,958	\$ 1,196,678	\$ 1,496,779	\$ 2,327,244
Coverage	25.5	4.4	3.3	2.0
<u>Solid Waste</u>				
Revenue sources				
Operating revenues	\$ 9,608,554	\$ 9,478,381	\$ 9,926,943	\$ 10,831,600
Non-operating revenues	1,666,631	1,942,568	1,879,040	933,690
Total revenue sources	11,275,185	11,420,949	11,805,983	11,765,290
Expenses				
Operating expenses	3,039,468	6,110,542	6,845,564	7,323,930
Non-operating expenses	-	-	-	-
Total expenses	3,039,468	6,110,542	6,845,564	7,323,930
Change in net position	8,235,717	5,310,407	4,960,419	4,441,360
Installment payments				
Principal	166,158	612,977	789,046	464,654
Interest	156,800	583,701	707,733	388,398
Total installment payments	\$ 322,958	\$ 1,196,678	\$ 1,496,779	\$ 853,052
<u>Biosolids</u>				
Revenue sources				
Operating revenues	\$ -	\$ -	\$ -	\$ 1,102,580
Non-operating revenues	-	-	-	-
Total revenue sources	-	-	-	1,102,580
Expenses				
Operating expenses	-	-	-	799,204
Non-operating expenses	-	-	-	-
Total expenses	-	-	-	799,204
Change in net position	-	-	-	303,376
Installment payments				
Principal	-	-	-	792,288
Interest	-	-	-	681,904
Total installment payments	\$ -	\$ -	\$ -	\$ 1,474,192

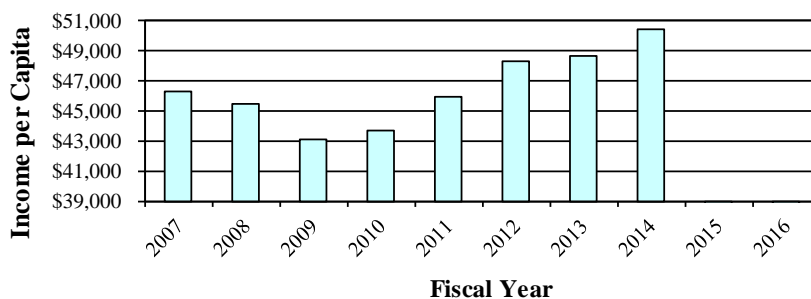
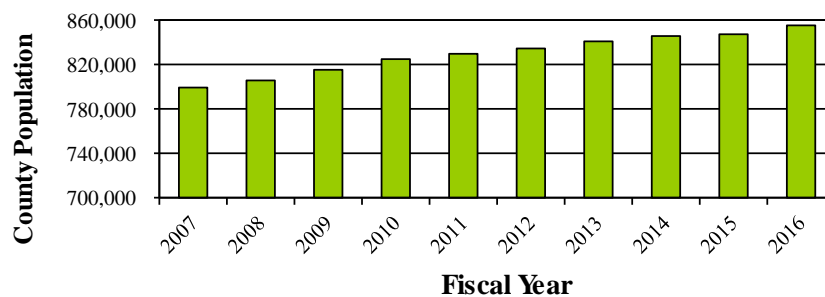
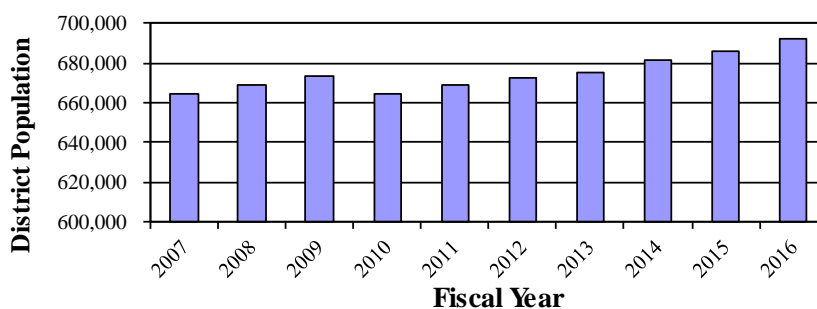
Source: Ventura Regional Sanitation District

Ventura Regional Sanitation District
Pledged-Revenue Coverage (Continued)
Installment Agreements
Fiscal Year 2007-2016

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 13,211,178	\$ 13,096,130	\$ 13,342,394	\$ 14,456,429	\$ 15,804,940	\$ 15,348,667
556,878	575,536	38,929	354,195	353,340	621,765
13,768,056	13,671,666	13,381,323	14,810,624	16,158,280	15,970,432
8,575,181	9,161,608	9,459,671	9,637,740	10,054,954	10,016,270
-	-	-	-	-	-
8,575,181	9,161,608	9,459,671	9,637,740	10,054,954	10,016,270
5,192,875	4,510,058	3,921,652	5,172,884	6,103,326	5,954,162
1,434,846	1,623,101	1,696,163	1,772,519	1,852,312	2,043,316
1,119,503	1,158,353	1,085,291	1,008,935	929,142	952,437
\$ 2,554,349	\$ 2,781,454	\$ 2,781,454	\$ 2,781,454	\$ 2,781,454	\$ 2,995,753
2.0	1.6	1.4	1.9	2.2	2.0
\$ 9,619,349	\$ 9,504,453	\$ 9,632,869	\$ 10,894,198	\$ 11,921,343	\$ 12,586,681
553,317	563,883	37,270	348,189	351,066	616,587
10,172,666	10,068,336	9,670,139	11,242,387	12,272,409	13,203,268
6,487,285	6,637,981	6,819,665	7,008,171	7,428,993	8,482,137
-	-	-	-	-	-
6,487,285	6,637,981	6,819,665	7,008,171	7,428,993	8,482,137
3,685,381	3,430,355	2,850,474	4,234,216	4,843,416	4,721,131
606,851	757,787	791,851	827,450	864,649	943,656
473,306	549,474	515,410	479,811	442,612	446,043
\$ 1,080,157	\$ 1,307,261	\$ 1,307,261	\$ 1,307,261	\$ 1,307,261	\$ 1,389,699
\$ 3,591,829	\$ 3,591,677	\$ 3,709,525	\$ 3,562,231	\$ 3,883,597	\$ 2,761,986
3,561	11,653	1,659	6,006	2,274	5,178
3,595,390	3,603,330	3,711,184	3,568,237	3,885,871	2,767,164
2,087,896	2,523,627	2,640,006	2,629,569	2,625,961	1,534,133
-	-	-	-	-	-
2,087,896	2,523,627	2,640,006	2,629,569	2,625,961	1,534,133
1,507,494	1,079,703	1,071,178	938,668	1,259,910	1,233,031
827,995	865,314	904,312	945,069	987,663	1,099,660
646,197	608,879	569,881	529,124	486,530	506,394
\$ 1,474,192	\$ 1,474,193	\$ 1,474,193	\$ 1,474,193	\$ 1,474,193	\$ 1,606,054

Ventura Regional Sanitation District Demographic Statistics Last Ten Fiscal Years

Year	Population within District	County of Ventura ⁽¹⁾			
		Unemployment Rate	Population	Personal Income	Personal Income per Capita
2007	664,838	4.9%	800,027	37,081,090	46,350
2008	669,116	6.3%	806,353	36,669,201	45,475
2009	673,180	9.9%	815,130	35,123,778	43,090
2010	664,660	10.9%	825,353	36,032,516	43,657
2011	668,647	10.2%	830,973	38,195,055	45,964
2012	672,827	9.1%	835,476	40,391,098	48,345
2013	674,974	7.8%	840,972	40,940,858	48,683
2014	681,490	6.2%	846,178	42,651,306	50,405
2015	685,863	5.3%	848,073	-	- (2)
2016	692,626	5.4%	856,508	-	- (2)



Sources: Ventura County General Plan Public Facilities & Services Appendix-10-20-15 Edition; CA EDD Labor Market Information: Mo. Labor Force Data for Counties August 2016-Preliminary; US Bureau of Economic Analysis CA1 Personal Income Summary

Notes: Population, Personal Income, & Personal Income per Capita for years 2007-2013 were revised to reflect the Bureau of Economic Analysis' revision dated November 19, 2015

- (1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.
(2) Personal income and per capita data not available for 2015 and 2016.

Ventura Regional Sanitation District
Principal Employers – County of Ventura
Current Fiscal Year and Ten Years Ago

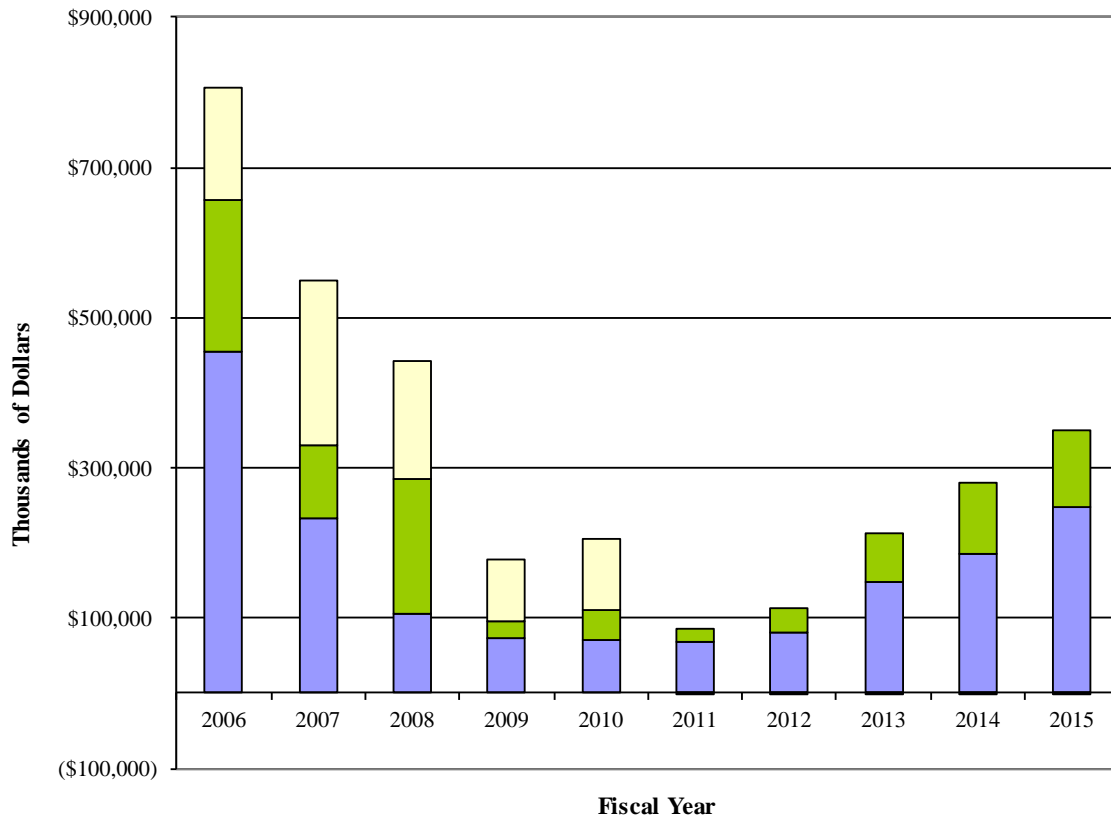
Employer	2016		2006	
	Number of Employees	Percentage of Total Employed	Number of Employees	Percentage of Total Employed
Air National Guard	1,000 - 4,999	1.2%	-	n/a
Amgen	5,000 - 9,999	2.5%	3,523	0.9%
Anthem Blue Cross	1,000 - 4,999	1.2%	-	n/a
Baxter Healthcare	1,000 - 4,999	1.2%	-	n/a
Boskovich Farms	1,000 - 4,999	1.2%	-	n/a
Cal Atlantic Homes	1,000 - 4,999	1.2%	-	n/a
City of Simi Valley	500 - 999	0.2%	-	n/a
Coleman Welding	1,000 - 4,999	1.2%	-	n/a
Community Memorial Health System	1,000 - 4,999	1.2%	-	n/a
Community Memorial Hospital	1,000 - 4,999	1.2%	-	n/a
Conejo Unified School District	-	n/a	2,523	0.6%
Countrywide Home Loans Headquarters	-	n/a	2,450	0.6%
County of Ventura - Government Center	-	n/a	7,100	1.8%
GTE	-	n/a	3,200	0.8%
Haas Automation, Inc.	500 - 999	0.2%	-	n/a
Harbor Freight Tools USA Inc	1,000 - 4,999	1.2%	-	n/a
I Yogi Technical Support	5,000 - 9,999	2.5%	-	n/a
Los Robles Hospital & Medical Center	1,000 - 4,999	1.2%	-	n/a
Moorpark College	500 - 999	0.2%	-	n/a
Nancy Reagan Breast Center	500 - 999	0.2%	-	n/a
Naval Air Warfare Ctr Weapons, Pt. Mugu	5,000 - 9,999	2.5%	7,985	2.0%
Naval Construction Battalion, Port Hueneme	5,000 - 9,999	2.5%	9,184	2.3%
Ojai Valley Inn & Spa	500 - 999	0.2%	-	n/a
Oxnard College	500 - 999	0.2%	-	n/a
Sheriff's Department-Jails	1,000 - 4,999	1.2%	-	n/a
Simi Valley City Manager	500 - 999	0.2%	-	n/a
Simi Valley Hospital	500 - 999	0.2%	-	n/a
Simi Valley Unified School District	-	n/a	2,373	0.6%
St John's Regional Medical Center	1,000 - 4,999	1.2%	-	n/a
Technicolor Video Services	-	n/a	2,500	0.6%
Ventura County Ofc of Education	500 - 999	0.2%	-	n/a
Wellpoint Health Network, Inc.	-	n/a	3,442	0.9%
Total Employed in County	402,100		403,800	

Sources: America's Labor Market Information-Labor Force Data for Counties Aug 2016 & Major Employers in Ventura County 2016 2nd Edition

Notes: Exact number of employees by employer not available for current year. Therefore, employer's percentage of total employment based on maximum number of employees by employer.

Ventura Regional Sanitation District
Building Permits – County of Ventura
Last Ten Years

Fiscal Year	New Single Family Residence	Other Residential	Total Residential	Nonresidential	Total All Building
2006	454,260	202,459	656,719	148,594	805,313
2007	234,027	95,036	329,063	221,365	550,428
2008	106,055	178,096	284,151	157,623	441,774
2009	74,364	21,892	96,256	82,195	178,451
2010	69,738	41,306	111,044	93,470	204,514
2011	68,257	16,690	84,947	(1)	(2)
2012	80,035	32,669	112,704	(1)	(2)
2013	147,853	65,525	213,378	(1)	(2)
2014	184,973	94,558	279,531	(1)	(2)
2015	248,427	102,058	350,485	(1)	(2)



Note:

No information available for 2016 as of the date of this report

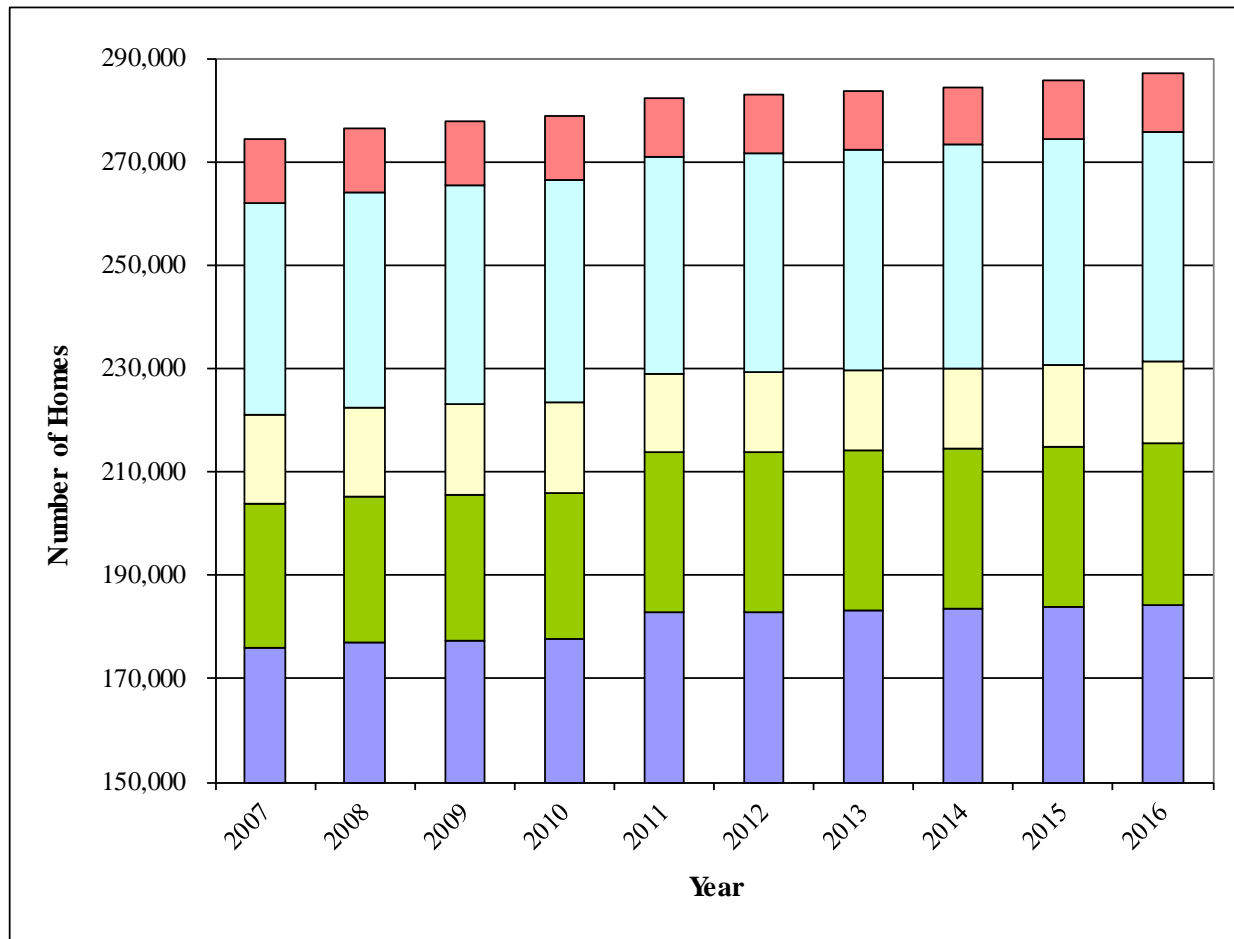
(1) No longer able to track non-residential permits

(2) No longer able to track total building permits

Sources: US Census, Business & Industry, Construction Building Permits by County and Ventura County Statistical Abstract 2005-2012

Ventura Regional Sanitation District
Housing Stock Estimates – County of Ventura
Last Ten Fiscal Years

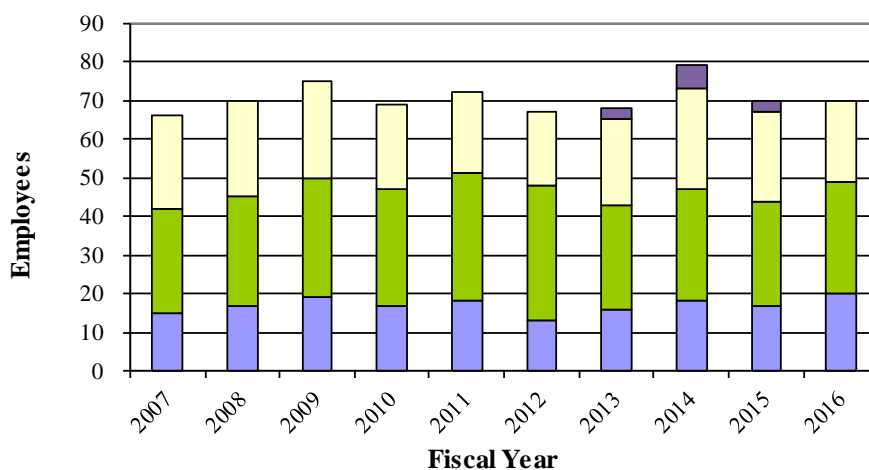
Fiscal Year	Single Family Residential Detached	Single Family Residential Attached	Multiple 2 to 4 Units	Multiple 5 or More Units	Mobile Homes	Total All Housing
2007	175,906	28,088	16,963	40,933	12,334	274,224
2008	176,979	28,131	17,181	41,698	12,331	276,320
2009	177,354	28,156	17,433	42,603	12,349	277,895
2010	177,564	28,185	17,591	43,049	12,362	278,751
2011	182,857	30,922	15,286	41,879	11,324	282,268
2012	183,011	30,906	15,406	42,271	11,329	282,923
2013	183,151	30,966	15,560	42,561	11,337	283,575
2014	183,389	31,018	15,641	43,100	11,341	284,489
2015	183,775	31,038	15,759	43,890	11,346	285,808
2016	184,141	31,259	15,886	44,444	11,350	287,080



Source: CA Dept. of Finance Demographic Research Unit, E-5 City/County Population & Housing Estimates, 1/1/2016

Ventura Regional Sanitation District
Operating and Capacity Indicators
Last Ten Fiscal Years

District Employees by Department					
Fiscal Year	Central Services	Water & Wastewater	Solid Waste	Biosolids	Total
2007	15	27	24	-	66
2008	17	28	25	-	70
2009	19	31	25	-	75
2010	17	30	22	-	69
2011	18	33	21	-	72
2012	13	35	19	-	67
2013	16	27	22	3	68
2014	18	29	26	6	79
2015	17	27	23	3	70
2016	20	29	21	0	70



Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Collection System (Miles)	Treatment Capacity (MGD)	Average Dry Weather Flow (MGD)	Potable Water Capacity (MGM)	Recycled Water Capacity (MGM)	Landfill Acreage	Daily Landfill Capacity (tons)
2007	1,864	150	5.95	3.74	70.32	27.57	161	1,500
2008	1,864	150	5.95	3.74	70.32	27.57	161	1,500
2009	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2010	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2011	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2012	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2013	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2014	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2015	1,864	150	5.95	3.63	70.32	27.57	161	1,500
2016	1,864	150	5.95	3.63	70.32	27.57	161	1,500

MGD - Millions of Gallons per Day
MGM - Millions of Gallons per Month

Sources: Ventura Regional Sanitation District Finance Department

Ventura Regional Sanitation District
Operating and Capacity Indicators (continued)
Capital Asset Statistics by Function

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Wastewater										
Vehicles	10	12	13	13	13	13	23	24	27	26
Water truck	-	-	-	-	-	-	-	1	1	-
Golf Cart	-	-	1	1	1	1	1	1	1	-
Mobilehome	1	1	1	-	-	-	-	-	-	-
Machinery & Equipment	14	16	17	17	17	17	14	16	16	15
Cranes	1	1	1	1	1	1	1	1	1	1
Heavy equipment	2	3	3	3	3	3	3	3	4	3
Trailers	-	1	1	2	2	2	-	-	-	-
Furniture & Fixtures	-	-	-	16	16	16	2	2	2	2
Computer equipment	1	1	1	1	1	1	3	3	4	5
Water tanks	1	-	-	-	-	-	-	-	-	-
Buildings	1	1	1	3	3	3	2	2	2	2
Buildings (square footage)	3,000	3,000	3,000	5,880	5,880	5,880	5,880	5,880	5,880	5,880
Wastewater treatment system	1	1	1	1	1	1	2	2	2	2
Valew vacuum system	-	-	-	1	1	1	2	2	2	3
Solid Waste										
Vehicles	8	8	8	8	8	8	17	14	14	15
Golf Cart	-	-	-	-	-	-	1	1	1	2
Trailers	-	-	-	-	-	-	1	-	-	-
Machinery & Equipment	16	16	16	15	15	15	20	23	23	26
Forklifts/Hydraulic lifts	1	2	2	2	2	2	3	3	3	3
Heavy equipment	5	5	5	5	5	5	6	6	6	8
Compactor	-	1	1	1	1	1	2	2	2	2
Fuel truck	1	1	1	1	1	1	1	1	1	1
Water truck	1	1	1	1	1	1	2	2	2	2
Bulldozers	6	5	5	5	5	5	3	3	3	3
Computer equipment	4	6	6	6	6	6	9	10	11	13
Fuel tanks	-	1	1	1	1	1	1	1	1	1
Solar system	1	1	1	1	1	1	1	1	1	1
Buildings	3	3	3	3	3	3	3	3	3	4
Buildings (square footage)	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480	3,480
Landfills	4	4	4	4	4	4	4	4	4	4
Scalehouse	2	2	2	2	2	2	2	2	2	2
Site security system	-	-	-	1	1	1	1	1	1	1
Leachate systems	2	2	2	2	2	2	2	2	2	-
Gas monitoring wells	-	-	-	5	5	5	3	4	4	4
Water wells	4	4	4	4	4	4	7	7	7	7
Water tanks	3	3	3	3	3	3	4	4	4	4
Land (acreage)	652	652	652	652	652	652	652	652	652	652
Biosolids										
Trailers	-	-	3	13	16	16	16	16	16	15
Machinery & Equipment	-	-	-	-	-	-	3	3	3	3
Vehicles	-	-	-	-	-	-	1	1	1	1
Water tank	-	-	-	-	-	-	-	2	2	2
Irrigation system	-	-	-	-	-	-	-	1	1	1
Biosolids facility	-	-	-	1	1	1	1	1	1	1
Microturbine generation station	-	-	-	1	1	1	1	1	1	1
Landfill gas treatment skid	-	-	-	1	1	1	1	1	1	1
Central Administration										
Vehicles	1	1	1	1	1	1	1	1	1	2
Machinery & Equipment	1	1	1	1	1	1	5	6	6	10
Furniture & Fixtures	11	11	11	11	11	11	5	6	6	2
Computer equipment	8	9	9	9	9	9	8	8	11	16

Sources: Ventura Regional Sanitation District Finance Department

