



Ventura River Water District
We Serve Water

(A California Special District)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

VENTURA RIVER WATER DISTRICT
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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VENTURA RIVER WATER DISTRICT
GOVERNING BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

GOVERNING BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Ed Lee	President
Bruce Kuebler	Vice President
Marvin Hanson	Treasurer
Jack Curtis	Director
Tom Jamison	Director
Peggy Wiles	Director

ADMINISTRATION

Bert Rapp	General Manager
Don Good	Office Manager

Ventura River Water District
409 Old Baldwin Road
Ojai, CA 93023

Management's Discussion and Analysis

As management of the VENTURA RIVER WATER DISTRICT, we offer readers of the VENTURA RIVER WATER DISTRICT'S financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the VENTURA RIVER WATER DISTRICT'S basic financial statements. The VENTURA RIVER WATER DISTRICT'S basic financial statements comprise two components:

1. Financial Statements
2. Notes to financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements are designed to provide readers with a broad overview of the VENTURA RIVER WATER DISTRICT'S finances in a manner similar to a private-sector business; the financial statements can be found on pages 10-12 of this report. The business-type activities of the VENTURA RIVER WATER DISTRICT are conducted by the District governed by its own elected five person board of directors and they include only water operations. The District has no component units. The VENTURA RIVER WATER DISTRICT uses enterprise funds to account for its water operations.

The *Statement of Net Position* is intended to disclose the financial position of the District at a specific point in time, June 30, 2016. It reflects the assets of the District, the liabilities and net position (equity). Assets and liabilities are listed in order of their estimated liquidity. Cash and other unrestricted assets readily convertible to cash are listed first. Property, plant and equipment are listed near the bottom of the assets because they are highly illiquid. Further, property, plant and equipment are depreciated. This is the estimated diminution of value attributed to the wear and tear of assets caused by the usage and the passage of time.

The *Statement of Revenues, Expenses and Changes in Net Position* is intended to disclose the results of operations over a period of time, the fiscal year ended June 30, 2016. This statement reflects revenues earned (whether collected or not), and expenses incurred (whether paid or not) during the year. This statement differs significantly from the balance sheet, yet coordinates well with that statement. The net earnings of the District flows into the net position of the District as reflected on the balance sheet

The *Statement of Cash Flows* combines aspects of both the balance sheet and the statement of activities and discloses how cash flows through the District.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items. The notes to the financial statements can be found on pages 13-21 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the VENTURA RIVER WATER DISTRICT'S progress in funding its obligations. *Required supplementary information* can be found on pages 22-25 of this report. *Supplementary information* concerning the organization of the District and selected operating expenses can be found on pages 26-28.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis and Highlights:

The assets of the VENTURA RIVER WATER DISTRICT exceeded its liabilities at the close of the most recent fiscal year by \$5,755,592 (*net position*). Of this amount \$2,457,773 (*unrestricted net position*) may be used to meet the district's ongoing obligations to citizens and creditors and provide for projected capital improvements as outlined in the district's 10-year capital improvement plan.

The statement of net position presents information on all of the VENTURA RIVER WATER DISTRICT'S assets and liabilities, with the difference between the two 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 VENTURA RIVER WATER DISTRICT is improving or deteriorating.

VENTURA RIVER WATER DISTRICT'S total net position increased by \$474,636. Overall, Operating Revenues increased \$315,304. Water Sales increased \$295,522 due primarily to Purchased Water Surcharge and Temporary Drought Surcharge. No Capital Improvement fees were collected. Total Expenses increased \$110,729. The largest portions of the increase were Water Purchases expense which increased \$29,558 and Engineering and Professional Fees which increased \$59,220. Water Purchases Expense was incurred by the need of the District to purchase water from Casitas Municipal Water District to offset declining VENTURA RIVER WATER DISTRICT well production. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus some revenues and expenses are reported for some items that will only result in cash flows (inflows and outflows of cash) in future fiscal periods (e.g. earned but unused vacation leave)

The VENTURA RIVER WATER DISTRICT'S total current liabilities increased \$105,173.

By far the largest portion of the VENTURA RIVER WATER DISTRICT'S net position \$3,297,819 (57 percent) reflects its investment in capital assets. (e.g., land, buildings, machinery and equipment) The VENTURA RIVER WATER DISTRICT uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the VENTURA RIVER WATER DISTRICT investment in capital assets is reported net of debt, it is not a spendable resource. The resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The *unrestricted net position* \$2,457,773 (43 percent) may be used to meet the district's ongoing obligations to citizens and creditors

Ventura River Water District

Table 1
Net Position Components

<u>Description</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 2,969,847	\$ 2,238,629	\$ 1,918,029
Capital Assets	3,297,819	3,423,325	3,504,772
Deferred Outflow of Resources	28,700	68,998	-
Total Assets	6,296,366	5,730,952	5,422,801
Current Liabilities	196,401	91,228	84,264
Net Pension Liability	209,689	251,316	-
Deferred Inflows of Resources	134,684	107,452	-
Total Liabilities	540,774	449,996	84,264
Net Investment in Capital Assets	3,297,819	3,423,325	3,504,772
Unrestricted Net Position Amounts	2,457,773	1,857,631	1,511,858
Total Net Position	\$ 5,755,592	\$ 5,280,956	\$ 5,016,630

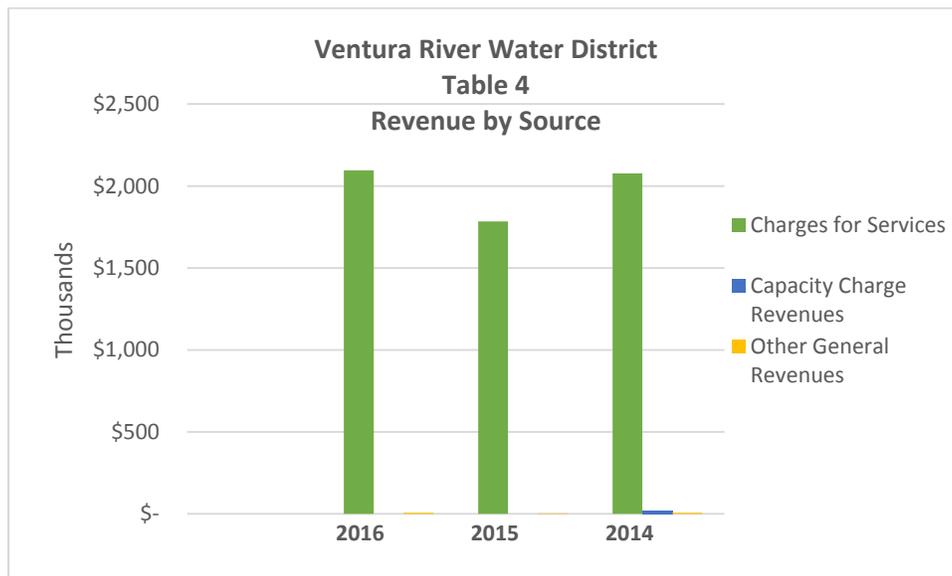
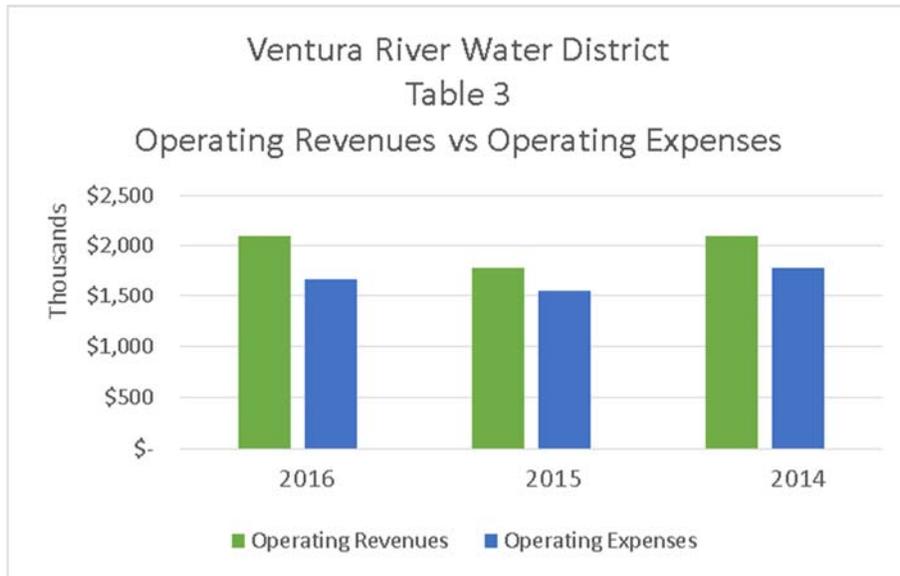
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

At the end of the current fiscal year, the VENTURA RIVER WATER DISTRICT is able to report positive balances in its net position. The same situation held true for the prior fiscal years.

Ventura River Water District
Table 2
Changes in Net Position

Description	2016	2015	2014
<i>Operating Revenues:</i>			
Charges for Services	\$ 2,096,031	\$ 1,784,548	\$ 2,077,332
Capacity Charge Revenues	-	-	20,000
Other General Revenues	6,464	2,643	6,826
Total Operating Revenues	2,102,495	1,787,191	2,104,158
<i>Non-Operating Revenues</i>			
Interest Income	6,405	2,690	4,111
Property Tax Revenue	34,970	32,952	31,025
Total Non-Operating Revenue	41,375	35,642	35,136
Total Revenues	2,143,870	1,822,833	2,139,294
<i>Operating Expenses:</i>			
Salaries and Related Items	718,920	728,129	741,224
Water Purchase	158,321	128,763	290,046
Utilities	68,837	91,092	98,340
Water System Maintenance	117,686	191,234	240,004
Depreciation	256,355	249,096	228,916
<i>Administrative Expenses</i>			
Insurance	38,071	25,565	28,876
Legal Fees	31,165	12,887	12,738
Engineering and Professional Fees	76,703	17,483	15,215
Other Administrative Expenses	203,176	114,256	129,635
Total Operating Expenses	1,669,234	1,558,505	1,784,994
<i>Non-Operating Expenses</i>			
Total Non-Operating Expenses	-	-	-
Total Expense	-	-	-
Increase (decrease) in Net Position	474,636	264,328	354,300
Net Position Beginning	5,280,956	5,016,628	4,984,237
Prior Period Adjustment	-	-	(321,909)
Net Position Ending	\$ 5,755,592	\$ 5,280,956	\$ 5,016,628

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Analysis of Balances and Transactions of Funds:

The District is a single purpose, proprietary entity, and such as, does not maintain multiple fund types. Consequently, there are no inter-fund balances. The analysis of balances is shown above in tables one and two, and in the section labeled “Financial Highlights”.

Analysis of Variations between original and final budget amounts:

The District adopts its budget in accordance with California law. It is policy to not modify the budget in total, although certain reallocations of expenditures may occasionally be made. The budget is adopted on a projected cash flow basis. Consequently, it reflects such items as projected capital expenditures as cash outflows that are not recognized as expenses under Generally Accepted Accounting Principles.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Ventura River Water District
Table 5
Significant Budget Variances

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanation</u>
<i>Operating Revenues</i>				
Water Sales	\$ 1,951,642	\$ 1,981,759	(30,117)	Usage was higher than projected.
Purchased Water Surcharge	65,000	88,058	(23,058)	Continuation of drought, decreased well production as a result of drought.
<i>Non-Operating Revenues</i>				
Tax Revenue	\$ 27,150	\$ 34,970	(7,820)	Actual revenue was more than projected.
<i>Operating Expenses</i>				
Operating Expenses	\$ 1,543,643	\$ 1,669,233	(125,590)	District constructed a rock barrier in order to prevent flood damage. Engineering and professional fees increase due to construction of well #7.

Capital Asset and Debt Administration:

Capital Assets

The VENTURA RIVER WATER DISTRICT'S investment in capital assets for its business type activities as of June 30, 2016 amounts to \$3,297,819 (*net of accumulated depreciation*). This investment in capital assets includes land, buildings, water system facilities, improvements, machinery and equipment. The total decrease in the VENTURA RIVER WATER DISTRICT'S investment in capital assets for the current fiscal year was \$125,506 due to additions, disposals, and depreciation.

Ventura River Water District
Table 6
Capital Assets
(Net of Depreciation)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land, Water Rights of Way	\$ 297,989	\$ 227,581	\$ 227,581
Construction in Progress	4,104	-	54,813
Water System Utility	2,829,778	3,053,028	3,050,828
Furniture and Equipment	60,586	36,265	45,479
Vehicles	2,977	6,534	10,523
Buildings	102,385	99,917	115,548
Net Capital Assets	<u>\$ 3,297,819</u>	<u>\$ 3,423,325</u>	<u>\$ 3,504,772</u>

Additional information on the VENTURA RIVER WATER DISTRICT'S capital assets can be found in Note 1 on page 13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Infrastructure Assets:

The District has adopted the recommended approach of GASB Statement No. 34 with regard to infrastructure assets. All identifiable infrastructure assets have been capitalized at their purchase cost, estimated value for contributed or donated assets, or estimated cost for those items expensed in prior years and not previously capitalized.

Economic Factors and Rates:

- The District adopted a three year rate increase structure effective December 15, 2012. The rate structure includes a 4th tier for water use over 50 units and above to help encourage conservation. The base rate remained unchanged. The adopted rate increase will fund long term maintenance, and correct historical insufficient funding for depreciation of assets.
- With the fourth consecutive year of drought, District priorities have shifted in an effort to improve well production. The District undertook a rehabilitation project for Well #1 in Fiscal 2014 to help reduce the need to purchase supplemental water. This project proved successful by increasing well production and reducing the amount of supplemental water purchases. At the same time, keeping the cost of water down by using the District's less expensive well source. Well #3 needs to be replaced. Explorative monitoring wells were drilled to determine the best location for the replacement well which will be called Well #7. Water Waste and Conservation Ordinance 2014-1 is now in place with prohibitions on wasteful practices with escalating penalties for violation. As the drought continues, and the wells are not able to produce water, reliance on supplemental water will increase. The cost of water to customers has increased in the form of the Purchase Water Surcharge. The District continues an aggressive effort to replace aging valves, fire hydrants, and meters.

All of these factors were considered in preparing the VENTURA RIVER WATER DISTRICT'S budget for the 2015-2016 fiscal year.

Requests for Information:

This financial report is designed to provide a general overview of the VENTURA RIVER WATER DISTRICT'S financial position for all those with an interest in the District's finances. Questions or requests for additional financial information should be directed to: VENTURA RIVER WATER DISTRICT 409 Old Baldwin Road, Ojai, CA 93023.



Smith Marion & Company, LLP · Certified Public Accountants
Redlands Office · 1940 Orange Tree Lane, Suite 100 · Redlands, CA 92374 · (909) 307-2323

Board of Directors
Ventura River Water District
Ojai, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Ventura River Water District as of and for the years ended June 30, 2016 and 2015, and the notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's responsibility for the Financial Statements

Ventura River Water District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, generally accepted government auditing standards when applicable 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We did not test the CalPERS PEPRA Plan Liability because plan information was not available from CalPERS as of the issuance of the financial statements. We were unable to obtain sufficient appropriate audit evidence about the net pension liability associated with this pension plan by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Ventura River Water District at June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS REPORT (CONTINUED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 2-7 and 26-28 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 opinions on the financial statements that collectively comprise the Ventura River Water District's financial statements as a whole. The supplemental information on pages 30-32 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017 on our consideration of Ventura River Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ventura River Water District's internal control over financial reporting and compliance.



January 19, 2017

FINANCIAL STATEMENTS

VENTURA RIVER WATER DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash in bank	\$ 144,599	\$ 125,917
Cash equivalents	2,503,042	1,861,547
Cash restricted for customer deposits	33,390	29,974
Total Cash	<u>2,681,031</u>	<u>2,017,438</u>
Accounts receivable, trade	247,887	179,423
Interest receivable	215	215
Prepaid expenses	40,714	41,553
Total Current Assets	<u>2,969,847</u>	<u>2,238,629</u>
Non-current Assets		
Capital Assets		
Land, water and rights of way	297,989	227,581
Construction in process	4,104	-
Utility plant	6,259,673	6,236,543
Furniture and equipment	330,957	300,530
Vehicles	178,641	178,641
Buildings	457,760	454,980
Total property, plant and equipment	<u>7,529,124</u>	<u>7,398,275</u>
Less: accumulated depreciation	(4,231,305)	(3,974,950)
Total Non-current Assets	<u>3,297,819</u>	<u>3,423,325</u>
Deferred Outflows of Resources from Pensions	<u>28,700</u>	<u>68,998</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,296,366</u>	<u>\$ 5,730,952</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 86,872	\$ 32,121
Accrued payroll and related items	76,590	28,145
Restricted and other deposits	32,939	30,962
Total Current Liabilities	<u>196,401</u>	<u>91,228</u>
Non-current Liabilities		
Net Pension Liability	209,689	251,316
Total Non-Current Liabilities	<u>209,689</u>	<u>251,316</u>
Deferred Inflows of Resources from Pensions	<u>134,684</u>	<u>107,452</u>
Total Liabilities and Deferred Inflows of Resources	<u>540,774</u>	<u>449,996</u>
NET POSITION		
Investment in capital assets	3,297,819	3,423,325
Unrestricted	2,457,773	1,857,631
TOTAL NET POSITION	<u>\$ 5,755,592</u>	<u>\$ 5,280,956</u>

VENTURA RIVER WATER DISTRICT**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Water sales	\$ 2,069,817	\$ 1,774,295
All other water revenue	26,214	10,253
Capital improvement charges	-	-
Other revenues	6,464	2,643
Total Operating Revenues	<u>2,102,495</u>	<u>1,787,191</u>
OPERATING EXPENSES		
Salaries and related items	718,920	728,129
Water purchases	158,321	128,763
Utilities	68,837	91,092
Water system maintenance	117,686	191,234
Depreciation	256,355	249,096
Administrative expenses		
Insurance	38,071	25,565
Legal fees	31,165	12,887
Engineering and professional fees	76,703	17,483
Other administrative expenses	203,176	114,256
Total Operating Expenses	<u>1,669,234</u>	<u>1,558,505</u>
Operating Income (Loss)	433,261	228,686
NON-OPERATING REVENUES (EXPENSES)		
Interest income	6,405	2,690
Tax revenue, current secured	33,185	31,242
Tax revenue, current unsecured	1,095	-
Tax revenue, prior year and other tax revenue	690	1,710
Interest expense	-	-
Total Non-operating Revenues (Expenses)	<u>41,375</u>	<u>35,642</u>
CHANGE IN NET POSITION	474,636	264,328
NET POSITION, BEGINNING OF YEAR	<u>5,280,956</u>	<u>5,016,628</u>
NET POSITION, END OF YEAR	<u>\$ 5,755,592</u>	<u>\$ 5,280,956</u>

VENTURA RIVER WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,001,353	\$ 1,803,334
Receipts from other sources	34,653	1,219
Payments to employees	(670,475)	(769,452)
Payments to suppliers	(612,466)	(581,304)
Net Cash Provided (Used) by Operating Activities	<u>753,065</u>	<u>453,797</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax revenues received	34,970	32,952
Net Cash Provided (Used) by Noncapital Financing Activities	<u>34,970</u>	<u>32,952</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(130,847)	(167,649)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(130,847)</u>	<u>(167,649)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,405	3,455
Net Cash Provided (Used) by Investing Activities	<u>6,405</u>	<u>3,455</u>
NET INCREASE (DECREASE) IN CASH	663,593	322,555
Cash at Beginning of Year	2,017,438	1,694,883
CASH AT END OF YEAR	<u>\$ 2,681,031</u>	<u>\$ 2,017,438</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 433,261	\$ 228,686
<i>Noncash items included in operating income:</i>		
Depreciation	256,355	249,096
Pension related activities	25,901	36,859
Pension contributions subsequent to measurement date	-	(68,998)
<i>Net (increase) decrease in:</i>		
Accounts receivable	(68,464)	3,424
Prepaid expenses	839	(2,234)
<i>Net (decrease) increase in:</i>		
Accounts payable	54,751	(2,258)
Accrued payroll and related items	48,445	9,184
Restricted and other deposits	1,977	38
Net Cash Provided (Used) by Operating Activities	<u>\$ 753,065</u>	<u>\$ 453,797</u>

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - REPORTING ENTITY:

Basis of Accounting: The Ventura River Water District is accounted for as an Enterprise Fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the Water District is accounted for as an Enterprise Fund, the accrual method of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Reporting Entity: The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility and determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by GASB. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

Budget: The District is required to adopt annual budgets. The budget is presented on the basis of the funding sources available. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The District prepares a tentative budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The District adopts a preliminary budget for the expenditures of the District.
3. Prior to July 1, the final budget is adopted by the District. Once a budget is approved, it can be amended by the Board of Directors.

Accounts Receivable: Accounts receivable, as reflected in the financial statements, are from customers whose property is located within the County of Ventura. Historically uncollectable amounts have been negligible, therefore the District has not established an allowance for doubtful accounts. The District uses the write off method to discharge amounts deemed uncollectable at year end. While the write off method is not in accordance with GAAP the results are consistent with the allowance method and the affect on the financial statements is immaterial.

Vacation Leave Policy: The District has recorded an accrual for compensated absences in accordance with District policy of paying for unused vacation time of any employee. Sick leave is included in the accrual as the District pays for unused sick time at the rate of 25% of total available hours, up to 800 hours, upon employee termination for employees with 10 years or more of service.

Cash: For purposes of the statement of cash flows, cash includes cash on hand and funds on deposit with financial institutions available for current use with an initial maturity of three months or less. The District maintains bank accounts at financial institutions located within the County of Ventura. All deposits are carried at cost plus accrued interest.

Investments: As of June 30, 2016, the District has the following investments authorized by legal or contractual provisions: Local Agency Investments Fund (LAIF) and Funds in County Treasury. It is the District's policy to maintain all investments in insured accounts in the District's name. California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, section 53600, chapter 4 - Financial Affairs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The LAIF, created by California statute, is a special fund of the California State Treasury through which local governments may pool investments. The local investment advisory, board which consists of five members as designated by state statute, has oversight responsibilities for LAIF.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This measured by the assignment of a rating by a nationally recognized statistical rating organization.

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 investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit.

At year end the District's cash balance was covered by federal depository insurance.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual funds or government investment pool.

Capital Assets: Minor expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized. In cases where assets are donated to the district, construction costs or estimated market values are recorded. Costs of assets sold, accounts, and gains or losses on disposition are included in operations.

The cost of property and equipment is depreciated over the estimated lives of the assets from date of acquisition based on the straight line method of depreciation, with estimated lives for computation of depreciation as follows:

Buildings	5 - 25	years
Operating & Office equipment	3 - 20	years
Meters	10 - 20	years
Water wells	5 - 30	years
Vehicles	5	years
Pipeline and appurtenances	10 - 30	years
Pumps	5 - 20	years
Tanks	5 - 60	years
SCADA system	5 - 10	years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - CASH:

The District had the following depository accounts as of June 30, 2016 and 2015:

Cash on Hand	2016	2015
Rabo Bank Trust Account	\$ 33,390	29,974
Rabo Bank General Account	144,018	125,547
Petty Cash On Hand	581	370
Total Cash on Hand with Financial Institutions	<u>\$ 177,989</u>	<u>\$ 155,891</u>

NOTE 3 - INVESTMENTS:

The fair value of the District's investments as of June 30, 2016 and 2015 are as follows:

Investment	Maturities	2016	2015
Local Agency Investment Fund	Current	\$ 2,100,880	\$ 1,496,185
Funds in County Treasury	Current	<u>402,162</u>	<u>365,362</u>
Total Investments		<u>\$ 2,503,042</u>	<u>\$ 1,861,547</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – CAPITAL ASSETS:

The District’s capital assets as of June 30, 2016 and 2015 are as follows:

Capital Asset Component	Balance06/30/15	Additions	Disposals	Balance06/30/16
Capital Assets Not Being Depreciated				
Land, Water Rights	\$ 227,581	\$ 70,408	\$ -	\$ 297,989
Construction in Process	-	4,104	-	4,104
Total Capital Assets Not Being Depreciated	227,581	74,512	-	302,093
Capital Assets Being Depreciated				
Furniture and Equipment	300,530	30,427	-	330,957
Vehicles	178,641	-	-	178,641
Buildings	454,980	2,780	-	457,760
Utility Plant	6,236,543	23,130	-	6,259,673
Total Capital Assets Being Depreciated	7,170,694	56,337	-	7,227,031
Less: Accumulated Depreciation	(3,974,950)	(256,355)	-	(4,231,305)
Total Capital Assets being Depreciated, Net	3,195,744	(200,018)	-	2,995,726
Total Capital Assets	\$ 3,423,325	\$ (125,506)	\$ -	\$ 3,297,819
Asset Component	Balance06/30/14	Additions	Disposals	Balance06/30/15
Capital Assets Not Being Depreciated				
Land, Water Rights	\$ 227,581	\$ -	\$ -	\$ 227,581
Construction in Process	54,812	-	(54,812)	-
Total Capital Assets Not Being Depreciated	282,393	-	(54,812)	227,581
Capital Assets Being Depreciated				
Furniture and Equipment	295,530	5,000	-	300,530
Vehicles	178,641	-	-	178,641
Buildings	454,980	-	-	454,980
Utility Plant	6,019,082	217,461	-	6,236,543
Total Capital Assets Being Depreciated	6,948,233	222,461	-	7,170,694
Less: Accumulated Depreciation	(3,725,854)	(249,096)	-	(3,974,950)
Total Capital Assets being Depreciated, Net	3,222,379	(26,635)	-	3,195,744
Total Capital Assets	\$ 3,504,772	\$ (26,635)	\$ (54,812)	\$ 3,423,325

NOTE 5 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:

Credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government code and the District’s investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 15% of the secured public deposit.

None of the District’s deposits with financial institutions were in excess of federal depository insurance limits.

NOTE 6 - JOINT POWERS AUTHORITY:

The District is a member of the "Association of California Water Agencies Joint Powers Insurance Authority" (ACWA/JPIA). The ACWA/JPIA was formed in 1979 by the water agencies of the state of California to provide insurance benefits to its member agencies, including the District. The ACWA/JPIA provides risk-sharing pools to meet the needs of its members for insurance coverage. The risk-sharing pools are a cost-effective form of risk management available only to public entities, allowing them to bypass the high cost of commercial insurance.

It is the District's policy to record as expense all amounts paid to the authority for employee health benefits coverage. The District does not recognize as an asset any "equity" that it may accrue as a member of the joint powers authority as it is believed that any such "equity" would simply convert to adjustments of future premiums. The District does not recognize as a liability any deficiency for amounts self insured by the authority, as it is not measurable, nor is there any certainty of payment. Any such amount would also convert to adjustments of future premiums.

NOTE 7 - DEFINED BENEFIT PENSION PLAN:

Plan Description

Effective January 1, 1994, the District began participation in the California Public Employees' Retirement System (CalPERS). All District employees who meet participation criteria are eligible to participate in CalPERS. The District has two cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. The CalPERS Miscellaneous Classic Plan (Classic) is no longer open to new entrants. All employees hired after January 1, 2013 are enrolled in the CalPERS Miscellaneous PEPRA Plan (PEPRA). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. As of the date of the report information was not available from CalPERS for the PEPRA Plan.

Contribution Description

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 the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate for the Classic plan is 7.0 percent of annual pay, and the average employer's contribution rate is 7.159 percent of annual payroll. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate for the PEPRA plan is 6.25 percent of annual pay, and the average employer's contribution rate is 6.555 percent. The District pays the employee portion on behalf of the employees in addition to the employer contribution portion.

Actuarial Methods and Assumptions Used to Determine total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was based on the following actuarial methods and assumptions:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	7.65%
Discount Rate	2.75%
Inflation	Varies by Entry Age and Service
Salary Increase	7.50% Net of Pension Plan Investment and Administrative Expenses: includes inflation
Investment Rate of Return	Derived using CalPERS' Membership Data for all Funds
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets.

Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

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

Pension Plan Fiduciary Net Position

Detailed information about CalPERS' fiduciary net position is available in a separately issued CalPERS comprehensive annual financial report at CalPERS' website.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Allocation of Net Pension Liability and Pension Expense to Individual Plans

Please refer to the Cal PERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan's proportionate share of total pension liability and fiduciary net position.

For the measurement period ended June 30, 2015, the District was allocated 0.00013835% of the plan's aggregate pension liability, 0.00015394% of the plan's aggregate net position, and 0.00012226% of the plan's aggregate deferred inflows, outflows and pension expense.

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

		Increase (Decrease)		
		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
		(a)	(b)	(a) - (b)
Balance at:	6/30/2014 (VD)	\$ 1,679,219	\$ 1,427,903	\$ 251,316
Balance at:	6/30/2015 (MD)	\$ 1,887,025	\$ 1,677,336	\$ 209,689
Net Changes during 2014-15		\$ 94,317	\$ 203,523	\$ (109,206)

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate.

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Plan's Net Pension Liability/(Asset)	\$ 351,515	\$ 209,601	\$ 92,434

Subsequent Events Related to Pension

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 5 year straight-line amortization and actual earnings

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Recognition of Gains and Losses (Continued)

The EARSLS for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows

For the measurement period ended June 30, 2015 (the measurement date), Ventura River Water District incurred a pension expense of \$(70,560) for the Plan (the pension expense for the risk pool for the measurement period is \$169,012,983).

As of June 30, 2015 (the measurement date), Ventura River Water District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,305	\$ -
Changes in Assumptions	-	21,807
Difference between Employer's Actual Contribution and Proportionate Share of Contributions	-	83,786
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	18,159
Adjustment due to Differences in Proportions	-	10,932
Plan Total	<u>2,305</u>	<u>134,684</u>
Contributions subsequent to the measurement date of 6/30/2015	26,395	-
District Total	<u>\$ 28,700</u>	<u>\$ 134,684</u>

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. The amount shown above for "Contributions subsequent to the measurement date of 6/30/2015" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than contributions subsequent to the measurement date, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources	
2016	\$ 607	\$ (34,753)
2017	607	(34,753)
2018	607	(34,753)
2019	484	(28,239)
2020	-	(2,186)
Thereafter	-	-
Total	<u>\$ 2,305</u>	<u>\$ (134,684)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Payable to the Pension Plan

At June 30, 2016, Ventura River Water District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016

NOTE 8 - RESTRICTED CASH/SECURITY DEPOSITS:

Cash has been set aside as well as a corresponding liability for the eventual refund of customer security deposits. Customer security deposits are requested on new customers unless they can prove good credit. Customers with deposits on file who have reached a satisfactory good payment history of approximately 18 months received a refund of their deposit.

NOTE 9 – PROPERTY TAX CALENDAR

The District assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1	
Levy date	July 1 to June 30	
Due date	November 1	-First Installment
	March 1	-Second Installment
Delinquent date	December 10	-First Installment
	April 10	-Second Installment

NOTE 10 - LINE OF CREDIT LOAN:

The District does not currently have any open lines of credit.

NOTE 11- SUBSEQUENT EVENTS:

Management has evaluated subsequent events through January 19, 2017, the date on which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VENTURA RIVER WATER DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES				
Water sales	\$ 2,016,642	\$ 2,016,642	\$ 2,069,817	\$ 53,175
All other water revenue	14,000	14,000	26,214	12,214
Capital improvement charges	4,000	4,000	-	(4,000)
Other revenues	2,000	2,000	6,464	4,464
Total Operating Revenues	2,036,642	2,036,642	2,102,495	65,853
OPERATING EXPENSES				
Operating expenses excluding depreciation	1,502,575	1,502,575	1,412,879	89,696
Depreciation	240,000	240,000	256,355	(16,355)
Total Operating Expenses	1,742,575	1,742,575	1,669,234	73,341
Operating Income (Expense)	294,067	294,067	433,261	139,194
NON-OPERATING REVENUES (EXPENSES)				
Interest income	3,400	3,400	6,405	3,005
Tax revenue				
Current secured	27,000	27,000	33,185	6,185
Current unsecured	50	50	1,095	1,045
Prior year and other	-	-	690	690
Home owners property tax relief	100	100	-	(100)
Total Non-Operating Revenues (Expenses)	30,550	30,550	41,375	10,825
NET POSITION	\$ 324,617	\$ 324,617	\$ 474,636	\$ 150,019
NON-GAAP BUDGET EXPENDITURES				
Buildings	\$ -	\$ -	\$ 2,780	\$ (2,780)
Office equipment	34,900	34,900	30,427	4,473
Vehicles	-	-	-	-
Water system improvements	1,156,760	1,156,760	23,130	1,133,630
Total Capital Expenditures	\$ 1,191,660	\$ 1,191,660	\$ 56,337	\$ 1,135,323

VENTURA RIVER WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	June 30 2015	June 30 2014	[1]
Proportion of the net pension liability/(asset)	0.00764%	0.00404%	
Proportionate share of the net pension liability/(asset)	\$ 209,689	\$ 251,316	
Covered-employee payroll	\$ 446,098	\$ 513,149	
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	47%	48.98%	
Proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	88.88%	85.03%	

[1] Historical information is required only for the measurement periods for which GASB 68 is applicable.

VENTURA RIVER WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS
AS OF THE MEASUREMENT DATE

	<u>June 30</u> <u>2015</u>	<u>June 30</u> <u>2014</u> [1]
Actuarially determined contribution	\$ 42,864	\$ 37,904
Contributions in relation to the actuarially determined contribution	35,962	(37,904)
Contribution deficiency (excess)	<u>\$ 6,902</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 446,098	 \$ 513,149
 Contributions as a percentage of covered- employee payroll	 -0.080614573	 7.39%

[1] Historical information is required only for the measurement periods for which GASB 68 is applicable.

VENTURA RIVER WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2016

Change in Benefit Terms

The figures presented in the required supplementary information related to pensions do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 as they have minimal cost impact.

Change in Assumptions

The discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

SUPPLEMENTARY INFORMATION

VENTURA RIVER WATER DISTRICT
SCHEDULE OF SELECTED OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING EXPENSES		
Salaries and Related Cost		
Salaries and wages	\$ 444,864	\$ 516,119
FICA	52,654	39,176
Public employees retirement system	79,787	36,859
Group insurance	114,556	114,822
State unemployment	-	636
Workers compensation insurance	27,059	20,517
Total Salaries and Related Cost	\$ 718,920	\$ 728,129
Water Systems Maintenance		
Auto equipment maintenance	\$ 5,720	\$ 10,533
Other equipment maintenance	5,916	30,971
Operating supplies	60,873	59,051
Meter replacement	36,508	-
Contract labor	-	50,885
Water equipment maintenance	4,498	39,794
Field maintenance	4,171	-
Total Water Systems Maintenance	\$ 117,686	\$ 191,234
Other Administrative Expenses		
Telephone/communications	\$ 19,535	\$ 7,614
Fuel/oil/tires	13,096	13,492
Membership, dues, subscriptions	12,932	10,918
Office supplies	32,629	18,625
Contract labor	85,455	-
Janitorial	-	2,216
Postage	14,116	12,602
Board member fees	3,541	13,600
Security	2,380	3,117
Public and legal notices	2,121	978
Director's travel and expenses	1,631	1,515
Public relations/seminars	1,691	4,129
Ventura river watershed issues	5,323	350
Equipment rental	4,483	1,490
LAFCO fees	1,155	2,155
Improvements	-	20,361
Miscellaneous/tax/licenses/bank charges	3,068	740
Bad debt expense	20	354
Total Other Administrative Expenses	\$ 203,176	\$ 114,256

VENTURA RIVER WATER DISTRICT

ORGANIZATION OF THE DISTRICT

FOR THE YEAR ENDED JUNE 30, 2016

Nature of Business

Ventura River Water District (The District), a public agency, was formed July 16, 1956 under County Water District Law, the laws of the state of California, as amended, with authority under the Water Code, Section 30,000 et seq. The District is authorized to issue bonds and may apply its operating revenue to reduce interest and principal on outstanding indebtedness. Taxes may be levied on all taxable property within The District's boundary. Veterans' exemptions are allowed.

The District began operations by leasing the water system from the Ventura River Mutual Water Company in the 1957-58 fiscal year. An election held April 1, 1958 authorized a bond issue of \$175,000 for the purchase of all assets of the Ventura River Mutual Water Company and for other necessary capital outlays to provide a complete and adequate water system to supply the entire district. The bonds, which carried an interest rate of 4.2%, were sold and the proceeds were received September 23, 1958. These bonds are no longer outstanding.

Location

The District covers approximately 2,103 acres located in the Ventura River drainage area, generally between the city of Ojai and the community of Casitas Springs. It operates and maintains a retail water distribution system. Water is obtained from its four active wells and from Casitas Municipal Water District and is distributed to approximately 2,150 residential and commercial constituents.

On January 1, 1979, The District annexed and officially assumed administration and operation of Waterworks District Numbers 4 and 7. Pursuant to the District Reorganization Act, commencing with Section 56,000 of the Government Code, the Board of Supervisors of the County of Ventura, as well as the Board of Directors of the Ventura County Waterworks District Numbers 4 and 7 (Waterworks) and Ventura River County Water District (VRCWD) jointly resolved to reorganize and then dissolve Waterworks former territories and thus transferred jurisdiction from the Board of Supervisors to the Board of VRCWD

Board of Directors

The District is governed by a Board of five directors.

The powers and functions of the Board are:

1. To enter into contracts and employ labor.
2. To acquire, hold and dispose of property, real and personal, all for the purpose of providing the public with the necessary services, including but not limited to, the acquisition of necessary facilities and equipment, the employment of personnel, and the operation and maintenance of a water district. The District has the power of eminent domain.
3. To incur debt, liabilities and obligations necessary to accomplish the purpose of The District
4. To sue and be sued in the name of The District.
5. To perform such other functions as may be necessary or appropriate, so long as such other functions so performed are not prohibited by any provision of the law.

Accounts and Records

The District maintains income and expense records, and minutes of the Directors meetings.

Cash receipts and disbursements are maintained at Rabobank NA. Water services deposits are held in a separate trust account and are normally refunded after eighteen months of non-delinquent status. The savings account and LAIF, an account for surplus funds, are maintained at the County of Ventura. The state of California requires an annual report of financial transactions of special districts and compensation reporting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUPPLEMENTARY INFORMATION (CONTINUED)

Tax Rates

The District does not have a separate tax rate for the fiscal year ended June 30, 2016 but simply receives an apportionment of the county's 1% tax levy, the maximum rate since the passage of Proposition 13.

INTERNAL CONTROL AND COMPLIANCE MATTERS



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Redlands Office · 1940 Orange Tree Lane, Suite 100 · Redlands, CA 92374 · (909) 307-2323

To the Board of Directors of
Ventura River Water District
Ojai, CA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Ventura River Water District as of and for the years ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ventura River Water District's internal control over financial reporting in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ventura River Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ventura River Water District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employee's, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventura River Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Manion & Co.

January 19, 2017