



The Port
OF HUENEME

*Port Hueneme,California*

# Comprehensive Annual Financial Report

**Fiscal Years Ended June 30, 2013 and 2012**

*We Make Cargo Move*

The Port of Hueneme (Port) is the only deep water harbor between Los Angeles and the San Francisco Bay area and is a US Port of Entry. The Port plays a vital role in the intermodal logistics supply chain and is critical to the economic vitality of Ventura County and Southern California. The Port supports the transport of over $7 billion in cargo, generates a $1 billion economic impact, and provides more than 9,400 direct, indirect, induced and influenced jobs regionally. The niche markets that the Port serves include the import and export of automobiles, high and heavy equipment, project cargo, fresh produce and liquid bulk. Its unique positioning near the Santa Barbara Channel and fertile fishing grounds has made the Port the primary support facility for the offshore oil industry in California's Central Coast region and an active squid offloading hub. In fiscal year 2013, the Port handled over 1.4 million metric tons of cargo transported on calls from over 3,000 deep and shallow draft ocean-going vessels. This marks the Port's most productive year in its 76 year history.

# Port of Hueneme - Oxnard Harbor District

***Board of Harbor Commissioners as of June 30, 2013***

| Name | Title | Elected/ Appointed | Current Term |
|---|---|---|---|
| **Jason T. Hodge** | President | Elected | 1/11 - 1/15 |
| **Mary Anne Rooney** | Vice President | Elected | 1/11 - 1/15 |
| **Jess Herrera** | Secretary | Elected | 1/11 - 1/15 |
| **Dr. Manuel M. Lopez** | Commissioner | Elected | 1/13 - 1/17 |
| **Arlene Fraser** | Commissioner | Elected | 1/13 - 1/17 |

*Prepared by:*

**Kristin Decas** – CEO & Port Director
**Andrew Palomares** – Chief Finance & Administrative Officer

**Oxnard Harbor District**
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Port Hueneme, California 93041
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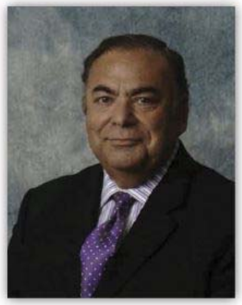
# Commissioners & Senior Staff

## *Board of Harbor Commissioners as of June 30, 2013*

**Jason Hodge**
*President*

**Mary Anne Rooney**
*Vice President*



**Jess Herrera**
*Secretary*

**Dr. Manuel Lopez**
*Commissioner*

**Arlene Fraser**
*Commissioner*

**Kristin Decas**
*CEO & Port Director*

**John Demers**
*Chief Operations Officer*
*COO*

**Chris Birkelo**
*Director of Engineering*

**Christina Birdsey**
*Director of Maintenance & Security*

**Andrew Palomares**
*Chief Finance & Administrative Officer*
*CFO/CAO*

**Will Berg**
*Director of Marketing*

**Michelle Johnson**
*Director of Finance*

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# Introductory Section

*Issued September 30, 2013*

# FY 2013 PORT PERFORMANCE ANALYSIS

The following report provides a comprehensive review of the Port’s performance for Fiscal Year 2013. The information provided supports the conclusions outlined in the Fiscal Year 2013 Audit

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**September 30, 2013**
Port of Hueneme
Oxnard Harbor District
Board of Harbor Commissioners
Port Hueneme, California

Dear:
Commissioner Jason Hodge, President
Commissioner Mary Anne Rooney, Vice-President
Commissioner Jess Herrera, Secretary
Commissioner Dr. Manuel M. Lopez
Commissioner Arlene Fraser

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

The Chief Executive Officer, and the Chief Officer of Finance and Administration/Treasurer, along with the rest of the entire management team assume full responsibility for the completeness and reliability of the information contained in the Management's Discussion and Analysis (MD&A) and Financial Statements, based upon a comprehensive framework of internal control that it has established for this purpose. 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.

Charles Z. Fedak & Co., Certified Public Accountants, has issued an unmodified opinion on the Port's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

A comprehensive FY 2013 Port Performance Analysis immediately follows this letter and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

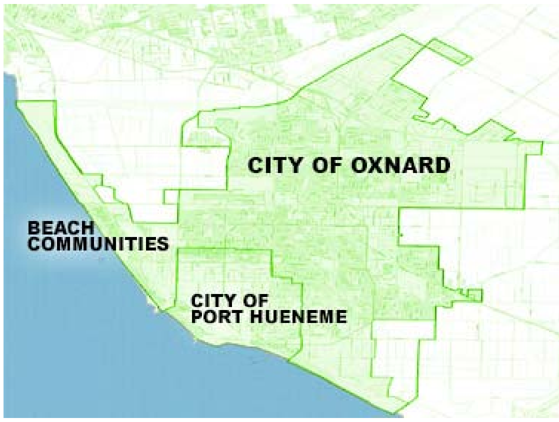
Sincerely,

**Kristin Decas**
CEO & Port Director

**Andrew Palomares**
Chief Finance & Administrative Officer

# Port of Hueneme Profile

The Port of Hueneme, an official US Port of Entry located within Ventura County, is one of the eleven California deep water seaports vital to the statewide economy. Serving as a priority hub in the state's intermodal transportation network, the Port provides the County with competitive advantages to attract business investment and create jobs. Over $7 billion in cargo moves through the Port generating a $1 billion economic impact and impacting over 9,400 trade related direct, induced, indirect and influenced jobs. Trade activity of the Port generates $63.7 million in state, county and local tax revenues to support vital community services.




The Oxnard Harbor District (District) is a political subdivision of the State of California and operates as an independent special district. The District owns and manages the commercial Port of Hueneme. The District was created in 1937 pursuant to authority of the State of California Harbors and Navigation Code which provides for the formation of Harbor Districts (Section § 6000 et. al).

A five-member Board of Harbor Commissioners, elected at large from the District, sets the policies for the Port of Hueneme. The District's current political boundaries are comprised of the City of Oxnard (population 201,500), the City of Port Hueneme (population 21,900) and some unincorporated areas within Ventura County. Each Harbor Commissioner is popularly elected by the voters of the Oxnard Harbor District's service area for a four-year term. Their terms are staggered to maintain continuity. The day-to-day business operations of the District [Herein called the Port] are administered by the CEO and professional staff.

The Port is empowered to acquire, construct, own, operate, control or develop any and all harbor works or facilities necessary to the efficient undertaking of its mission. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations.

The Port does not assess taxes for operations or capital expansion. Its operating expenses are funded by the revenues generated by tariff charges, lease and other contract revenues assessed upon Port users. Port Terminal Tariff No. 7, as amended from time to time sets forth the rules, regulations and fees applicable to the use of Port facilities. The Port has long-term contracts with customers that provide for minimum guarantees and incentives for increased cargo throughput.

Pursuant to an agreement dated October 20, 1983, the District compensates the City of Port Hueneme (City) for certain services provided by the City to the District. Compensation is based on 3.33% of the District's gross operating revenues. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $388,689 and $348,957, respectively.

Pursuant to an agreement dated March 18, 1987, the District compensates the City to mitigate the environmental impacts of the District's Wharf 2 project. Compensation is based on 1.67% of the District's gross operating revenues. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $201,241 and $175,152, respectively.

Additionally, the District compensates the City a cost per unit of $2.75 for the first 50,000 automobiles and an additional $ .77 for each automobile over 50,000 less a credit back to the District of $1.00 for each automobile convoyed on the City's streets. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $342,222 and $294,013, respectively

Pursuant to the Memorandum of Understanding (MOU) between the City, Port Hueneme Surplus Property Authority, and the District dated December 21, 1995 for the acquisition and use of the Naval Civil Engineering Laboratory (NCEL) property, the District compensates the City. Compensation is based on the District's gross operating revenues. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $271,140 and $209,760, respectively.

Pursuant to the California Harbors and Navigation Code, the Port adopts an operating budget, including a capital plan and a debt schedule for each fiscal year (July 1 through June 30). Annually the Port engages an independent auditor to audit the fiscal year-end financial statements.

# FY 2013 Cargo Performance

The Port realized the highest cargo performance year in its 76 year history achieving all time increases in import/export trade. This represents a continuing path to economic recovery bringing the Port beyond trade levels realized prior to the economic downturn. The Port's June 30, 2013 operating revenues grew to its highest level of $13,308,768 for a 10.4% increase over fiscal year 2012.

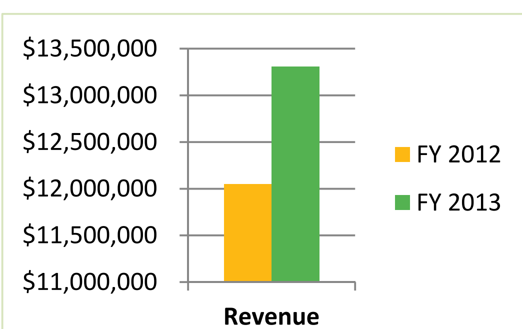
The charts below highlight the overall performance of the Port in fiscal year 2013 compared to fiscal year 2012. The growth stems from business retention and a sustained customer base. The agricultural product market made strong returns in fiscal year 2013. The banana trade hit a peak year realizing an historic increase of 5.7%.

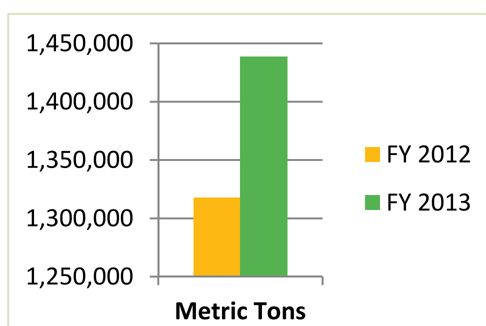
Traditionally the banana business shows an inelastic response to economic trends, but this year showed unprecedented increases. This in part stemmed from the increased capacity of the Del Monte ships and the transition of Chiquita from a 10-day service to a weekly service. Del Monte's dual use ships with Roll-on Roll-off (Ro-Ro) capabilities allowed for increased cargo diversification and higher exports. Yara North America (Yara) fertilizer and environmental solution products continued to see significant gains in market share increasing their cargo throughput by 23.9%. The Port saw growth in the handling of other fresh fruit and vegetable commodities with activity up 6.9% in imports and 103.3% in exports.

The Port's Ro-Ro business continued to show recovery from the economic collapse that bottomed out in fiscal year 2009. Automobile trade activity grew 12.2% in imports and 1.2% in exports, however not reaching all times highs of fiscal year 2006. These increases were coupled with growth in project cargo and high and heavy equipment throughput which increased at 6.8% for imports and 6.4% for exports.

Import/export trade activity combined realized increases of 10.6% for general cargo and 6.6% for shallow draft cargo (squid, lube oil and vessel fuel). Domestic movement of equipment to support the offshore oil rigs fell a short 1.1%.

| | FY 2012 | FY 2013 | % Increase |
|---|---|---|---|
| Metric Tons: | 1,317,716 | 1,438,596 | ▲ 9.2% |
| Revenue: | $12,050,478 | $13,308,768 | ▲10.4% |



## *Fiscal Year 2013 Cargo Performance*

| Import Activity | Year End Comparison Fiscal Year 2013 to 2012 | Approximate Fiscal Year 2013 Tonnage |
|---|---|---|
| Auto Imports | ▲ 12.2% | 26,700 |
| Heavy Equipment Imports | ▲ 6.8% | 36,100 |
| Fruit & Vegetables Imports | ▲ 6.9% | 101,400 |
| Banana Imports | ▲ 5.7% | 650,600 |
| Fertilizer Imports | ▲ 23.9% | 167,300 |
| **Export Activity** | | |
| Auto exports: | ▲ 1.2% | 21,800 |
| Heavy Equipment Exports | ▲ 6.4% | 12,700 |
| Fruit &Vegetables Exports (Apples, Pears, Oranges, Grapes, Stone Fruits, Vegetables) | ▲ 103.3% | 12,000 |
| **Import/Export Combined** | | |
| General Cargo Imports (Not specific cargo as identified in the Port's Tariff No. 7) | ▲ 10.6% | 91,000 |
| **Shallow Draft Cargo** | | |
| Fish, lube oil, and vessel fuel | ▲ 6.6% | 43,000 |
| **Domestic** | | |
| Offshore Oil Domestic | ▼ 1.1% | 56,800 |

# Automobile Import / Export Trade


Automobile imports and exports represent the highest value commodity handled at the Port. The Port holds contracts with three world-class vehicle distribution companies for the handling of vehicles. These companies process the vehicles prior to delivery to dealers and coordinate their inland transportation. The three vehicle distribution companies include Wallenius-Wilhelmsen Logistics (WWL), BMW of North America, and Global Automobile Processing Services, Inc. (GAPS). These companies make the Port of Hueneme an important West Coast gateway for the import and export of automobiles and other rolling stock. The Port has dedicated approximately 34-acres of terminal land for the use by its automobile customers and stages the automobiles in over 8,000 bays.

The Port of Hueneme's prime geographic location (close to the Southern and Northern California automobile markets and the Los Angeles metro area), the Port's significant handling capacity and the processing companies' efficient productivity set the competitive advantages of the Port to serve as  an important automotive gateway center. Automobiles contribute the greatest percentage of ocean freight operating revenue to the Port at 83% in fiscal year 2013.

# Agriculture Sector Import / Export Trade

In 1978 Del Monte began a weekly service to the Port of Hueneme for the import of bananas and tropical fruit from Latin America.

Since the initiation of Del Monte's break bulk terminal operations, the Port has built two on-dock refrigerated transit facilities to support import / export of fresh fruit products. One of the facilities is used by Del Monte for handling bananas, pineapples, melons and other tropical fruits. The other refrigerated transit facility was built in association with Cool Carriers of North America in 1992. Today, the Cool Carriers facility is operated by NYKCool, a company that specializes in refrigerated vessel operations, terminal services and fresh fruit logistics.

Today, the Port has 256,000 square feet of refrigerated terminal space available for fresh fruit importers and exporters. Bananas and fresh fruit comprise the single largest commodity type handled at the Port of Hueneme. The Port handled 650,600 tons of bananas and 113,400 tons of fresh fruit accounting for 24% of the Port's operating revenue in fiscal year 2013.

In 1998, the Port entered into a lease for the distribution of liquid fertilizer. Today, Yara North America, one of the world's largest fertilizer suppliers, operates a state-of-the-art automated terminal at the Port of Hueneme for distribution of fertilizer and fuel additives to the agriculture industry in the surrounding area. Yara realized 23.9% growth in fiscal year 2013 contributing 2% of Port revenue.

# Domestic Trade

The Port of Hueneme through its customers, Exxon, Freeport McMoRan, DCOR and Venoco provide essential support services for the offshore oil trade in the Santa Barbara channel. Work boats supply offshore rigs and platforms with drill pipe, cement, water, fuel and other necessary equipment for operations. Crew boats transport workers to and from the platforms and the supplies necessary for extended living out on the rigs. This business supports 5% of Port revenue.

The Port of Hueneme has a vibrant squid fishery, a seasonal business generally starting slow in the spring and peaking in the fall through the end of the year. Fishing boats work at night and deliver their catch in the early morning hours to the Oxnard Unloading Services LLC. a co-op that unloads and delivers to processing plants throughout southern and central California. The squid industry supports approximately 1,400 jobs.

# Trade Analysis

### *Niche as a Southern California Port*

The Port of Hueneme strategically located in Ventura County, California lies approximately sixty miles north of downtown Los Angeles. The Port serves as one of California's eleven deep water ports identified as a key natural resource for the State of California. It is one of four ports located in Southern California. Combined, the Southern California ports handle in excess of 319 million metric revenue tons of general cargo. The Port of Hueneme is one of the three commercial seaports associated with the Los Angeles/Long Beach gateway. This gateway represents one of the nation's largest commercial seaport complexes.


As the Ports of Los Angeles and Long Beach focus their operations to accommodate the larger container vessels calling on the West Coast, the Port of Hueneme continues to specialize in the fresh fruit industry, the general cargo ro-ro industry, the small scale container market, liquid bulk and the project cargo market. The specialized market sector focus coupled with a core customer base has played a vital role in the Port's recovery from the recession that impacted the automotive industry in Southern California and hit rock bottom in fiscal year 2009.

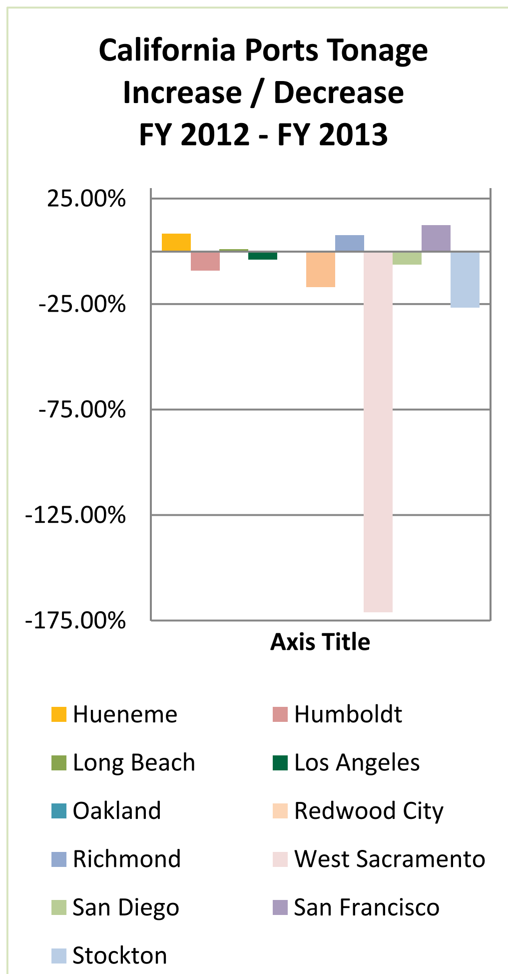
Since the Southern California gateway was adversely effected by the recent global recession's impact on trade, the economic forecast for this gateway shows that recovery of trade began in fiscal year 2010 with year over year increases in cargo throughput and has continued into fiscal year 2013. Additionally, the recent spike in US exports has resulted in new cargo opportunities for the gateway.

### *Cargo Trends and Strategic Planning*

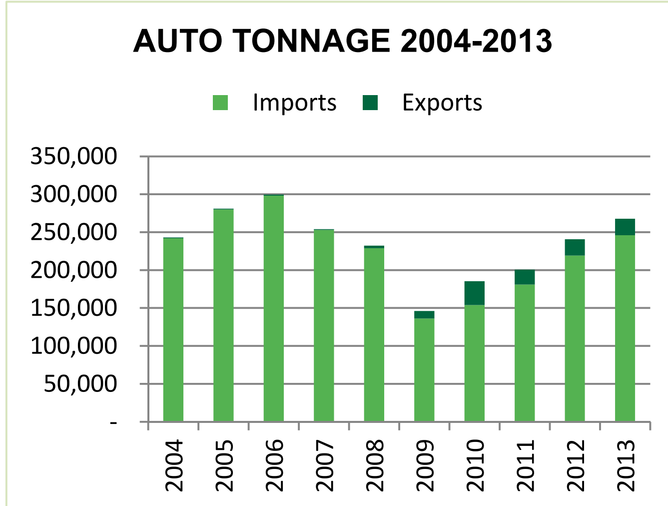
The historical trend for operating revenues and expenses demonstrates the sound fiscal management employed by the Port. Over the past ten years, the Port's ocean freight operating revenues have been driven by the automobile cargo and fresh produce cargo. These two business sectors generate over 72% of the Port's operating revenues from cargo throughput.

### The California Ports

The California Association of Port Authorities (CAPA) represents eleven commercial deep water ports within the State. These commercial deep-water ports make up one of the nation's busiest continuous coastlines that combined account for the majority of goods and freight movements into the United States. California has seen dramatic increases in trade. In fiscal year 2001, the California ports handled 215 million revenue tons of cargo of general cargo, and by fiscal year 2007 this cargo increased to over 332 million tons. While the global recession led to a decline in total tonnage for fiscal years 2008 and 2009, the California Ports forecast continues to rebound. However, California combined Port performance is not at pre-recession levels. General Cargo in fiscal year 2013 accounted for 301 million revenue tons resulting in a 2 million revenue ton decrease over 2012. This decrease is due to Port of Los Angeles decreasing its tonnage by 6 million tons over 2012.



## Roll-on Roll-off Business




The Port had strong automobile business in 2013, realizing recovery from the global financial slowdown which depressed volume during the fiscal years 2007 through 2009 timeframe. Overall, imports and exports have returned, and in some areas surpassed, the volume reached in 2006, which was at the end of a period of five years strong automobile growth.

Export activity is forecasted to grow over the next several years with increased demand from Asian markets and the trend of US manufacturers becoming net exporters. The automotive industry saw significant pent up demand during the economic downturn thereby realizing a large volume of sales. Some economists predict the market to plateau as early as January 2014. However, customers are providing cargo forecasts that demonstrate an expected continued increase in automobile throughput at the Port. The chart above demonstrates the performance of the automobile industry over a time period from 2004 through 2013.

## Agriculture Business

The overall fresh produce cargo market increased steadily over the past 10 years despite the variation in commodity type handled by Port customers. Fresh fruit exports declined precipitously after Sunkist Growers decided to move their lemon-exporting business from the Port of Hueneme to Los Angeles in late 2006. However, increases in the banana trade and other fresh fruit activity stabilized the performance of the Port's niche in perishable commodities. Today, the Port's fresh produce is driven by banana and tropical fruit trade with Central and South America.

The West Coast banana trade is divided among two primary ports: the Port of Hueneme and Port of San Diego. While there will continue to be pressures placed on the banana supply chain to convert palletized, non-containerized fresh produce to fully containerized fruit, the market demand for this product is very suitable for Port of Hueneme's niche market. The sale of products by the banana importers free on board (FOB) at the port-of-entry, makes the highly congested general cargo container terminals in Los Angeles and Long Beach less competitive than the specialized terminals in Port of Hueneme and Port of San Diego. The Port has handled fresh fruit products for over thirty years and it is anticipated that while product mix, origin, and cargo handling modes may change, this cargo will remain a sustainable product line.

The Port has adapted operations to service containerized banana imports, a shipping mode that is making up an increasing share of the business. Today, Chiquita has gone to a fully containerized service, while Del Monte continues break-bulk (palletized) as well as containerized operations.

The Port's acquisition in 2009 of an industrial property has also helped the Port's property management revenues grow. This site is now leased to Channel Islands Logistics on a month-to-month basis to support Chiquita's and Del Monte's off-port logistics.

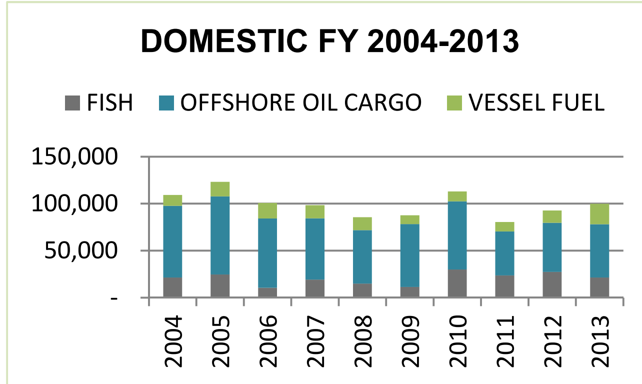
With the execution of a long term (30-year) agreement with Yara, the Port diversified its cargo mix and respective revenues by including liquid bulk fertilizer products. The Port is working with Yara on potential expansion opportunities. Based on the company's record increases, it is forecasted that Yara will continue to see increases in product volumes. The liquid fertilizer market represents a significant opportunity for growth at the Port of Hueneme. Select infrastructure modifications could result in greatly increased throughput for this product line.

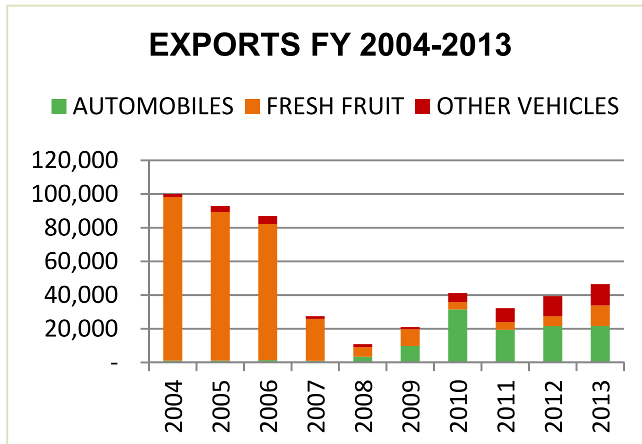
## Domestic Business

The squid and offshore oil businesses realized recovery in fiscal year 2013 and are forecasted to remain stable based on current year performance and forecasted demand for fiscal year 2014.

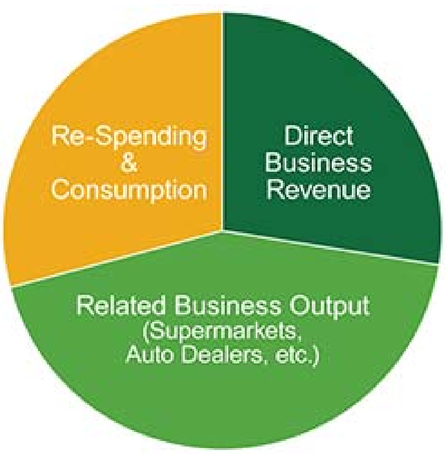
## Economic Assessment

The Port of Hueneme recently retained Martin Associates to perform an Economic Assessment of trade activity at the Port. The assessment demonstrated the Port is one of the most productive and efficient commercial trade gateways for cargo on the West Coast. Furthermore, the Assessment indicated that the Port moves $7 billion in goods each year and consistently ranks among the top ten US ports for automobiles and fresh produce. Findings show that Port operations bring $1 billion in economic activity and create 9,448 direct, indirect, induced and influenced trade-related jobs. More than $63 million in annual state and local taxes have generated from Port related trade, funding vital community services. These numbers are based on fiscal year 2012 performance and will be re-run for fiscal year 2013 performance upon ratification of the fiscal 2013 audit.

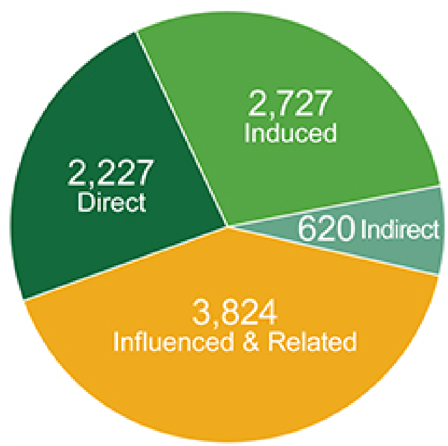


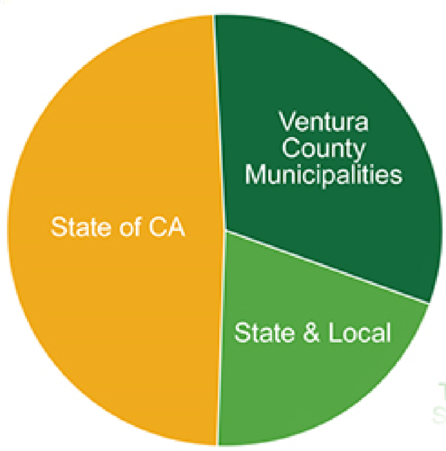




**$7 Billion in Goods Movement**
**$1 Billion in Economic Activity**




**9,448 Total Jobs Related to Port Activity**
**5,624 Total Direct, Induced & Indirect**




**$63.7 Million in State & Local Taxes from Maritime Activity**

## Strategic Planning

The Port of Hueneme is in the process of developing a Strategic Action Plan to ascertain targeted markets for continued growth and to develop a feasible investment strategy for the next 10 years. Martin Associates was retained to conduct phase one of this plan which involved performing an unconstrained market analysis that tied strategic growth goals with economic development benefits. These goals are provided below:

### Break-Bulk Operation Goal

**Sustain successful 350,000 ton break-bulk operation.**

- 256,000 square feet cold storage (much under-utilized)
- Explore new fumigation technologies
- Increase productivity

### Container Service Goal

**Develop a 50,000 unit (85,000 TEUs) container service.**

**Estimated Annual Economic Impact:**

- 836 direct, induced and indirect jobs (317 direct jobs)
- $6.5 million state and local taxes
- $69.4 million local revenue

**Needs:**

- Land
- Development of container terminal
- Dedicated berth
- Container handling equipment
- Improved rail access


### Auto/Ro-Ro Service Goal

**Attract 120,000 Auto/Ro-Ro unit account.**

**Estimated Annual Economic Impact:**

- 724 direct, induced and indirect jobs (290 direct jobs)
- $6.0 million state and local taxes
- $36.5 million local business revenue

**Needs:**

- Near dock/on-dock land
- Improved rail
- Dedicated Berth

### Liquid Bulk Operation Goal

**Develop 50,000 ton liquid bulk imports.**

**Estimated Annual Economic Impact:**

- 80 direct, induced and indirect jobs (36 direct jobs)
- $600,000 state and local taxes
- $3.2 million local business revenue

**Needs:** Private sector investment

### Squid Operation Goal

**Expand Successful Squid Operations.**

**Current Annual Economic Impact:**

- 1,373 annual direct, induced and indirect jobs (588 direct jobs)
- $10.8 million state and local taxes
- $55.5 million local business revenue

**Needs:** Expanded unloading operation

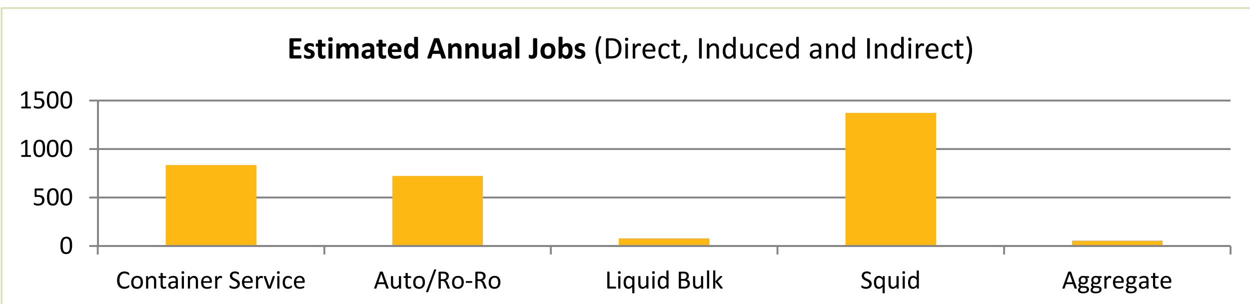
### Aggregate Operation Goal

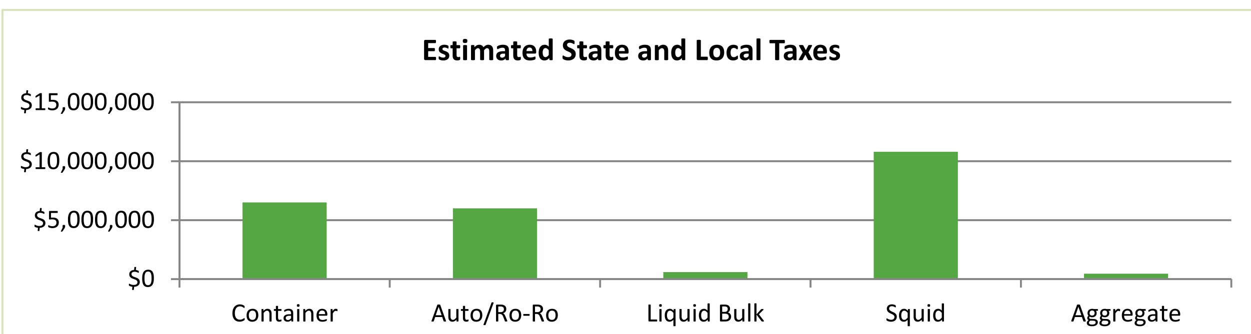
**Develop 200,000 ton aggregate imports.**

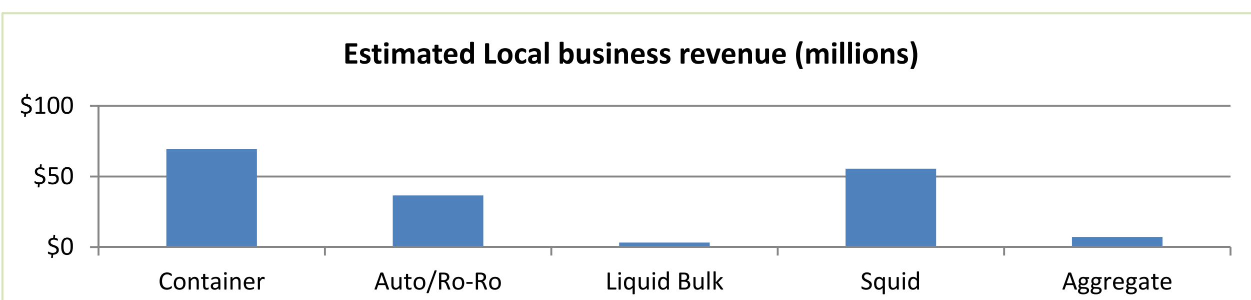
**Estimated Annual Economic Impact:**

- 56 direct, induced and indirect jobs (17 direct jobs)
- $464,000 in annual state and local taxes
- $7.2 million in local business revenue

**Needs:** Private sector participation



The second phase of the planning process involves the development of a capital outlay analysis and financial modeling to best indentify how to secure the opportunities laid out in the specific cargo goals. This phase of planning is scheduled for completion during the course of fiscal year 2014. Conceptual improvements include harbor deepening, a modernized container facility, improvements to on dock rail and property acquisition.

The development of the Strategic Action Plan is being aligned with a ramped up and re-energized approach to marketing. In fiscal year 2013 the Port rebranded and rolled out a new identity platform that included a new logo and a very robust approach to marketing. The Port is currently developing business development tool kits and upgrading its website and electronic communiciation capabilities to best heighten its global profile to both retain and attract new business. Plans also include looking at building up internal resources and staffing to have the 'in the field' ability to realize business development goals.

# Capital Planning

The Port is in the process of a full review of its capital outlay program to identify and prioritize needed infrastructure repairs, opportunities for improvements and expansion and to develop a short and long-term capital investment strategy to be completed in fiscal year 2014.

Due to financial hardship resulting from the recession, the Port has deferred major investments in capital improvements from fiscal year 2008 through 2012. To keep the assets in a state of good repair significant improvements will be required in the near future. The Port has a $12.9 million operating budget and $6 million in available unrestricted reserves to support critical capital repairs for the Port's $70 million in net capital assets. Major capital investments of the Port have been historically financed through the use of revenue bonds issued by the Port pursuant to the California Harbors and Navigation Code. At the close of fiscal year 2013, the Port holds $21.2 million in outstanding revenue bond debt.

In addition to revenue bond funds, the Port utilizes Federal and State Grants to undertake projects identified in the annual capital outlay plan. The Port's Capital Outlay Program includes Port Security Projects that are eligible for funding from California Port and Maritime Security Grant Programs, Department of Homeland Security (DHS) Port Security Grant Programs (multiple years), and the American Recovery and Reinvestment Act (ARRA) Port Security Program. The Port received over $10 million in Federal and State Grants between fiscal year 2007 and 2013. The Port was awarded $1.1 million as part of the fiscal year 2013 Federal Security Grant program. The California Air Resources Board (CARB) awarded a $4.5 million grant and Ventura County Air Pollution Control District awarded a $250k grant for the Shoreside Power System Project that starts in fiscal year 2013.

The Port is continuously seeking financing opportunities and leveraging multiple funding sources to help offset the cost of its infrastructure improvements. Most recently, the Port has been developing a sponsorship of the New Markets Tax Credits federal program working with the private sector in efforts to capitalize projects that have an effect on the local areas designated as Food Deserts.

The fiscal years 2013 and 2014 Capital Outlay Program calls for $12.2 million to support various infrastructure projects. The sources of funds for this year's capital program include: (1) General Fund 55%, (2) Revenue Bonds 8% and (3) State/Federal Grants 37%.

The primary projects moving forward in this current year's capital program are the Shoreside Power System Project for an estimated cost of $11.7 million. This state of the art system will provide shore power to the ships while docked and will drastically reduce emissions. The Shoreside Power System Project will keep the Port in compliance with CARB regulations and will be completed by January 1, 2014.

In addition, the remaining $500k of the capital outlay program will allocate $300k in Port life cycle facility maintenance/upgrade projects, $100k in Financial Software upgrades, and $100k for a replacement of the Port Tram. The Port is also considering improvements to the Arcturus Avenue facility and capital equipment at its cold storage warehouses.

# Financial Policies

## *Internal Control Structure*

The Port's Board of Harbor Commissioners are responsible for policies associated with the Port's financial internal controls. Port employees implement the Port's policies and are responsible for the establishment and maintenance of the day-to-day internal control structure that ensures that the assets of the Port are protected from loss, theft, or misuse.

The internal control structure also ensures that accounting data is appropriately recorded and compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Port's internal control structure is designed to provide reasonable assurance that generally accepted accounting principles are followed.

## *Budgetary Control*

The Port's Board of Harbor Commissioners annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for allocation of Port resources and accountability for the Port's enterprise operations and capital projects. The budget and reporting treatment applied to the Port is consistent with the accrual basis of accounting and the financial statement basis. The Port's operating budget is generally divided into operating business entities managed and administered by program managers.

## *Investment Policy*

The Board of Harbor Commissioners annually adopts an investment policy that conforms to state law, Port ordinances and resolutions, and applicable revenue bond debt covenants. Additionally, the Board designates a Treasurer who is responsible for the implementation of the Port's investment policy. The objectives of the investment policy in order of importance are safety of principal, liquidity, and yield. Port funds are invested in the State of California Local Agency Investment Fund, Federal Securities, Federal Home Loan Bank securities, money market mutual funds and other securities as provided in the investment policy.

# Port Mission and Port Master Plan

## *Mission and Institutional Framework*

The Mission and Vision Statements for the Port as adopted by the Board of Harbor Commissioners are as follows:

***Mission Statement:***
*To operate as a self-supporting Port that enforces the principles of sound public stewardship maximizing the potential of maritime-related commerce and regional economic benefit.*

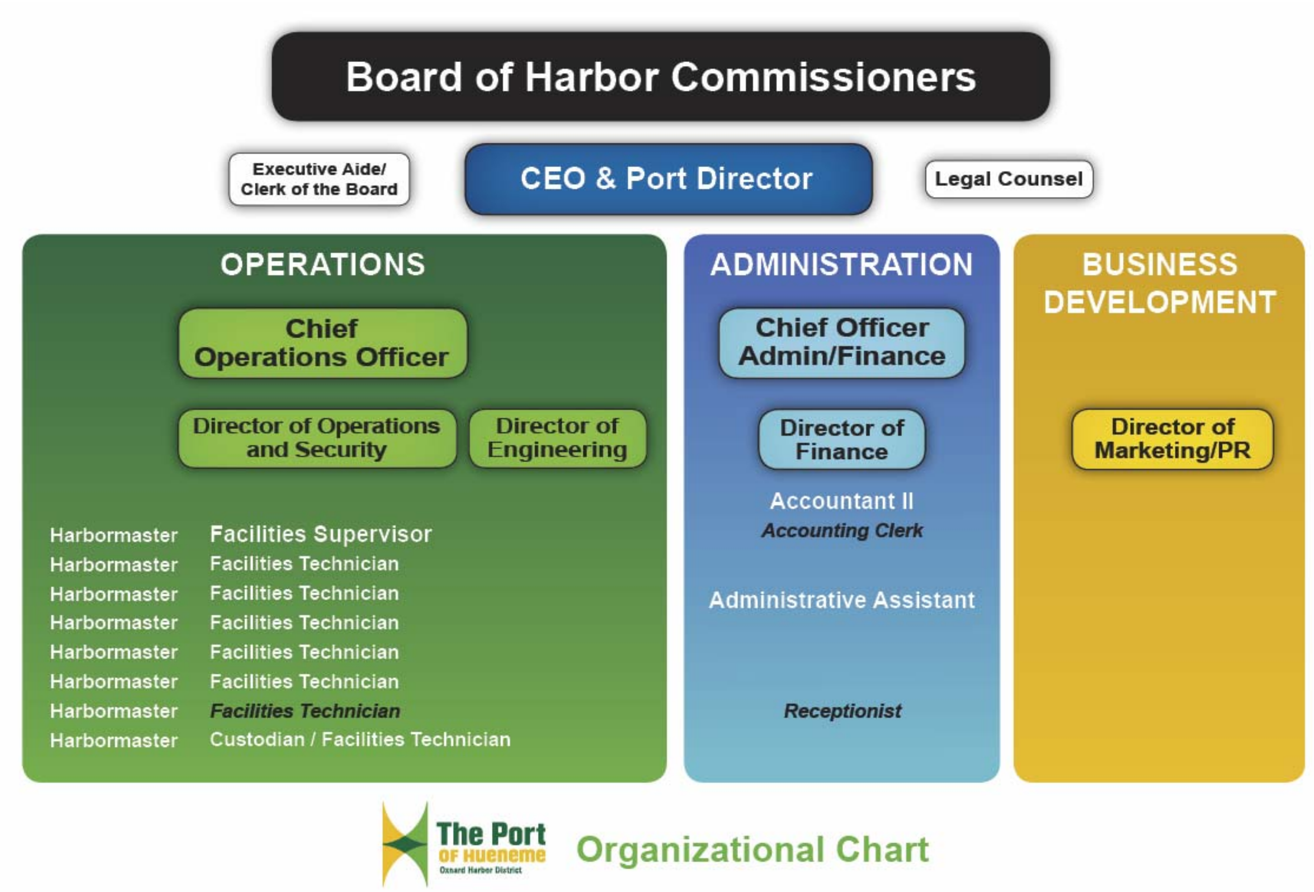
***Vision Statement:***
*To be the preferred Port for specialized cargo and provide the maximum possible economic and social benefits to our community and industries served.*

## *Port Master Plan*

The General Planning Principles that guide the Port's development and expansion are set forth in the Port Master Plan. They include:

- Projects which do not require relatively large amounts of land area are preferable to those which do.
- Projects which require deep draft berths are preferable to those which don't.
- Projects which require vessels that have their own cargo handling equipment are preferable to those which don't and similarly, projects which do not require investments by the Port in major shoreside equipment are preferable to those that do. Investments by the Port in shoreside cargo handling equipment may be required for some projects.
- Projects which require no special storage facilities or other buildings are preferable to those which do.
- Projects which require relatively large inputs of labor are preferable to those which don't.
- Projects which offer relatively high facility utilization are preferable to those which don't.
- Projects which represent the first venture into a major market are generally preferable to those which are likely to be the only one of the kind.
- Public access to the Port's facilities should be provided that are practically and economically feasible and consistent with public safety and efficiency of port operations and land availability.
- Every effort shall be made to enhance the aesthetic appearance of the Port's facilities.
- Every effort shall be made to minimize any adverse environmental impact of any particular project, to the extent that it is practically and economically feasible.




As a public purpose entity and gateway to global markets, the Port strives to maximize its resources for the purpose of stimulating economic growth and creating jobs for the region. For this purpose, the Port threads three (3) fundamental business elements into its organizational operation functions. These include (1) Operations, (2) Finance and Administration, and (3) Business Development.

***Operations:*** The day to day on-dock and intermodal activities associated with running the commercial seaport fall under the Operations function of the Port. Key areas of focus include productivity, strategic communication and information flows, safety and security, quality control, information technology (IT), maintenance and repair, scheduling, and customer satisfaction. Responsibilities include the management of and compliance with specific leases and marine terminal agreements, and the contract services performed by outside contractors (e.g. Pilots, Vessel Assist Services, Stevedoring, Cargo Handling, Security, etc.). The Operations team ensures all operations are running efficiently, rules are being complied with and port facilities are well maintained.

***Finance & Administration:*** The priority responsibilities enveloped under Finance & Administration include human resources, accounting services, investment strategy, project financing, procurement, contract management and other related general accounting procedures and processes. The Finance & Administration unit develops internal systems for risk management, finance performance and workforce productivity that improve resource efficiency and maximize the financial stability of the Port.

***Business Development:*** Strategies for business retention and growth, intermodal connectivity, marketing, and innovation fall under the core area of Business Development. The Business Development team strives to maximize the Port’s potential, forge new partnerships, collaborate with Navy Base Ventura County, ensure community trust and implement a sound and sustainable environmental framework. Responsibilities include business and real estate development, port promotion and marketing, media relations, public information and community outreach services.

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## *Awards and Acknowledgements*

**American Association of Port Authorities - Award of Excellence Confined Aquatic Disposal (CAD)**

In 2009, the Port was recognized with an Award of Excellence from the American Association of Port Authorities and with a Project of the Year award from the Oxnard-Ventura Post of the Society of American Military Engineers for the planning, development and implementation of a Confined Aquatic Disposal (CAD) project. The CAD project was a joint project of the Port, US Navy and US Army Corps of Engineers. The project established an in-harbor dredge disposal site for the removal of contaminated sediments from the Hueneme Harbor. The project was recognized for innovative project delivery and for the environmental benefits of removing contaminants from US waterways. The project resulted in a 50% cost reduction for each of the agencies responsible for portions of the Harbor clean-up.

**State Legislature - Environmental Award**

Most recently the Port received an environmental award from the State Legislature signed by Senator Pavley for its efforts to balance trade with sound environmental policy.

**Railway Industrial Clearance Association - Most Improved Port**

The Port of Hueneme was honored recently by the Railway Industrial Clearance Association (RICA) as 2012's Most Improved Port. Founded in 1969, the Railway Industrial Clearance Association is dedicated to serving the heavy and dimensional transportation industry, cargos with large dimensions, excess weight or center of gravity or other unusual issues. With over 400 members the association seeks opportunities to solve transportation challenges that lead to improved cooperation between shippers, receivers and railroads to implement common solutions to intermodal problems. The RICA honor was the result of a membership vote at their annual conference in Charleston, South Carolina.

**Government Finance Officers Association- Award of Excellence in Financial Reporting**

The Port was awarded the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting* for the first time for its 2010 Comprehensive Annual Financial Report (CAFR) and again in 2011 and 2012. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

This is the fourth year that the Port is submitting its Comprehensive Annual Financial Report (CAFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*. A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2013.

Preparation of this report was accomplished by the combined efforts of the Port's Management Team. We appreciate the dedicated efforts and professionalism that these staff members contribute to the Port. We would also like to thank the members of the Board of Harbor Commissioners for their continued support in planning and implementation of the Oxnard Harbor District Port's fiscal policies.

# *Awards and Acknowledgements (cont'd)*

### AAPA Award of Excellence for Special Events

In recognition of outstanding contributions in creative communication resulting in an increased awareness of port activity within the maritime industry and the Port's local community.

### Workforce Investment Board

Youth Opportunity Award - Global Trade & Logistics Class for providing internships or employment opportunities that will grow and strengthen Ventura County's future workforce.

### Ventura County Leadership Academy

Business of the Year Award recognizing that business which represents the values and leadership qualities of VCLA


Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Oxnard Harbor District**

**Port of Hueneme**

**California**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2012**

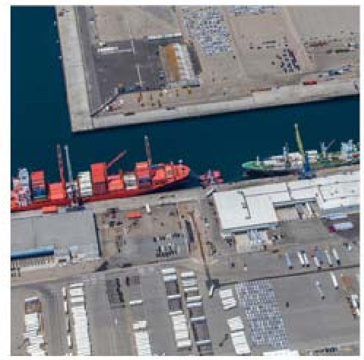
Jeffrey R. Emer

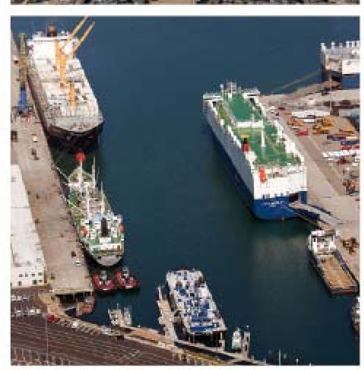
Executive Director/CEO

# Quick Facts

## *A CRITICAL PORT*

- Significant economic engine for Southern California ($7 billion in cargo, $1 billion economic impact; over 9,400 trade related jobs)
- Prime geographic location and convenient access to major agricultural heartland and Los Angeles metropolitan area
- Only Deep Water Port between Los Angeles and San Francisco
- Offers resiliency and redundancy to LA and Long Beach
- Plays critical role in the economy and freight mobility
- Critical to national defense (shares port with Naval Base Ventura County); increases Port exposure and readiness requirements





## *PORT GOVERNANCE*

- California Special District Created in 1937
- Five-Member Board of Harbor Commissioners, popularly elected.
- Political Boundaries are comprised of the Cities of Oxnard (pop. 201,500) and Port Hueneme (pop. 21,900)
- Non-Taxing Authority for Operations and Capital Expansion
- Bonding Authority

## *KEY PORT INFORMATION*

Harbor Depth: Entrance Channel; 35ft MLLW
Channel Length: 2,300 Feet
Turning Basin: 1,200 Feet
Tides: Average rise and fall is approximately 5.4ft to 6ft (1.65m)
Anchorages: West and Northwest of the Entrance Channel
Port Terminal: 120 Acre Terminal
Navy Terminal: 30 Acre Facility (Joint Use Property)
Berths: Wharf 1 (Three 600 linear feet berths) – Commercial Cargo
Wharf 2 (Two 700 linear feet berths) – Commercial Cargo
Wharf 3 (One 1,000 linear foot berth-Joint Use) – Commercial Cargo
Wharf 4,5 & 6 (License Agreement with Navy)
1 Shallow Draft (320 linear feet) – Squid Fishery
4 Floats approximately 600 feet of floating docking – Small Craft
Largest Vessel: 800ft (244m) LOA; 35ft (10m) depth
Rail: 12 Mile Short Line Track Owned by Ventura County Railway, LLC
Genesee & Wyoming Operator
Connects to Union Pacific
Navy Parcels: Up to 130 Acres for commercial use (out lease by Navy)
Arcturus Site: 10 Acre Off Port Property
Edison Site: 5 Acre Off Port Property
Private Parcels: 279 Acres of Privately Owned Port Industrial Property
Rail Yard: 8 acre switchyard that holds 99 box cars or 80 auto racks
Refrigeration: 256,000 SF On-Dock
900,000+ SF Off-Dock (Private)

# Quick Facts (continued)

## *PORT PRIMARY COMMODITIES*

| **Import Activity** | **Export Activity** | **Domestic Activity** |
|---|---|---|
| Autos | Autos | Squid |
| Heavy Equipment | Heavy Equipment | Liquid Bulk (Oil) |
| Fruit & Vegetables | Fruit & Vegetables | |
| Bananas | | |
| Liquid Fertilizer | | |

## *PORT CUSTOMERS*

**Vehicle Processing Centers**
Pacific Vehicle Processing, Global Auto Processing Services Inc., BMW (AMPORTS)

**Vehicle Brands**
BMW, Mini Cooper, Rolls Royce, Hyundai, Kia, Volvo, Jaguar, Land Rover, Maserati, Aston Martin, Mitsubishi, General Motors, Ford, Honda, Toyota, Nissan, Tesla

**Ro-Ro/High and Heavy Products**
Caterpillar, John Deere, New Holland, Case, Hyster

**Agricultural and Fresh Fruit Customers**
Chiquita (NYKCool), Del Monte, Yara

**Distribution Centers**
Channel Islands Cold Storage, Lineage Logistics

**Shipping Lines**
Champion Tankers, COSCO, Eukor, Glovis, Hamburg Sud, K-Line, MOL, NorBulk, NYK, WWL

**Domestic Customers**
Oxnard Unloading Services, LLC, EXXON, Freeport McMoRan, DCOR

**Service Providers**
Brusco Tug and Barge, TracTide Marine, Port Hueneme Pilots Association, San Pedro Port Services, T&T Truck and Crane, OST Cranes, Securitas

**Stevedores**
Ports America, SSA Marine, Pacific Ro-Ro, Ceres

**Union Labor**
ILWU, Teamsters, Operating Engineers

# Financial Section

Charles Z. Fedak & Company
Certified Public Accountants
An Accountancy Corporation

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Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

## Independent Auditor's Report

Board of Harbor Commissioners
Oxnard Harbor District
Port Hueneme, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Oxnard Harbor District (District), which comprises the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements.

### *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 controls 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 basic 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 of 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 audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oxnard Harbor District as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in note 1.E to the basic financial statements, in 2013 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 28 and the required supplementary information on page 59 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Matters***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 20, the supplementary information of combining schedules on pages 60 through 63, and the statistical section on pages 64 through 79 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken 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.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2013, 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. This report can be found on pages 80 and 81.

Charles Z Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPAs – An Accountancy Corporation
Cypress, California
September 30, 2013

# Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Oxnard Harbor District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

## *Financial Highlights*

- The District's net position increased 12.69% or $7,216,740 from $56,847,712 to $64,064,452 in fiscal year 2013 as a result of this year's operations. In fiscal year 2012, the District's net position increased 8.03% or $4,227,145 from $52,620,567 to $56,847,712 as a result of that year's operations.
- In 2013, the District's operating revenues increased by 10.44% or $1,258,290, due primarily to an increase in cargo and property management activities. In 2012, the District's operating revenues increased by 14.90% or $1,562,616, due primarily to an increase in cargo and property management activities.
- In 2013, the District's operating expenses increased by 17.84% or $1,242,803, due primarily to an increase in salaries and benefits of $530,195, governmental contractual agreements of $173,670 and professional and legal expenses of $285,944 in the fiscal year. In 2012, the District's operating expenses increased by 1.83% or $125,305, due primarily to an increase in professional and legal expenses of $94,223 in the fiscal year.

## *Required Financial Statements*

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate fiscal stability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing activities.

## *Financial Analysis of the District*

One of the most important questions asked about the District's finances is, "Is the District better or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

**Financial Analysis of the District, continued**

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, new or changed government legislation and opportunities to attract new customers to the Port.

## *Statement of Net Position*

**Condensed Statement of Net Position**

| | | 2013 | 2012 | Change | 2011 | Change |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Current assets | $ | 21,107,147 | 18,952,337 | 2,154,810 | 14,063,768 | 4,888,569 |
| Non-current assets | | 3,759,903 | 4,223,941 | (464,038) | 5,146,075 | (922,134) |
| Capital assets, net | | 70,439,776 | 65,046,245 | 5,393,531 | 63,184,639 | 1,861,606 |
| **Total assets** | | 95,306,826 | 88,222,523 | 7,084,303 | 82,394,482 | 5,828,041 |
| **Deferred outflows of resources** | | 304,127 | 331,567 | (27,440) | 354,609 | (23,042) |
| **Total assets and deferred outflows of resources** | $ | 95,610,953 | 88,554,090 | 7,056,863 | 82,749,091 | 5,804,999 |
| **Liabilities:** | | | | | | |
| Current liabilities | $ | 5,692,462 | 4,564,864 | 1,127,598 | 1,990,799 | 2,574,065 |
| Non-current liabilities | | 25,487,538 | 26,723,271 | (1,235,733) | 28,137,725 | (1,414,454) |
| **Total liabilities** | | 31,180,000 | 31,288,135 | (108,135) | 30,128,524 | 1,159,611 |
| **Deferred inflows of resources** | | 366,501 | 418,243 | (51,742) | - | 418,243 |
| **Net position:** | | | | | | |
| Net investment in capital assets | | 47,287,402 | 40,269,569 | 7,017,833 | 37,639,639 | 2,629,930 |
| Restricted | | 5,491,584 | 6,144,964 | (653,380) | 7,285,362 | (1,140,398) |
| Unrestricted | | 11,285,466 | 10,433,179 | 852,287 | 7,695,566 | 2,737,613 |
| **Total net position** | | 64,064,452 | 56,847,712 | 7,216,740 | 52,620,567 | 4,227,145 |
| **Total liabilities, deferred inflows of resources and net position** | $ | 95,610,953 | 88,554,090 | 7,056,863 | 82,749,091 | 5,804,999 |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by $64,064,452 and $56,847,712 as of June 30, 2013 and 2012, respectively.

A large portion of the District's net position (74% as of June 30, 2013 and 71% as of June 30, 2012) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide dockage and wharfage facilities and other services to customers of the District; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2013 and 2012, the District shows a positive balance in its unrestricted net position of $11,285,466 and $10,433,179, respectively. (See note 14 for the amount of spendable net position that may be utilized in future years)

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

| | | 2013 | 2012 | Change | 2011 | Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Operating revenues | $ | 13,308,768 | 12,050,478 | 1,258,290 | 10,487,862 | 1,562,616 |
| Non-operating revenues | | 383,831 | 160,142 | 223,689 | 200,705 | (40,563) |
| **Total revenues** | | 13,692,599 | 12,210,620 | 1,481,979 | 10,688,567 | 1,522,053 |
| Expenses: | | | | | | |
| Operating expenses | | 8,208,532 | 6,965,729 | 1,242,803 | 6,840,424 | 125,305 |
| Depreciation and amortization | | 2,943,094 | 2,978,656 | (35,562) | 3,010,045 | (31,389) |
| Non-operating expenses | | 1,858,473 | 2,044,935 | (186,462) | 2,826,910 | (781,975) |
| **Total expenses** | | 13,010,099 | 11,989,320 | 1,020,779 | 12,677,379 | (688,059) |
| **Net income before cap con** | | 682,500 | 221,300 | 461,200 | (1,988,812) | 2,210,112 |
| Capital contributions | | 6,534,240 | 4,005,845 | 2,528,395 | 785,965 | 3,219,880 |
| **Change in net position** | | 7,216,740 | 4,227,145 | 2,989,595 | (1,202,847) | 5,429,992 |
| **Net position, beginning of year** | | 56,847,712 | 52,620,567 | 4,227,145 | 53,823,414 | (1,202,847) |
| **Net position, end of year** | $ | 64,064,452 | 56,847,712 | 7,216,740 | 52,620,567 | 4,227,145 |

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

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. Net position increased by $7,216,740 and $4,227,145 for the fiscal years ended June 30, 2013 and 2012, respectively.

A closer examination of the sources of changes in net position reveals that:

In 2013, the District's operating revenues increased by 10.44% or $1,258,290, due primarily to an increase in cargo and property management activities. In 2012, the District's operating revenues increased by 14.90% or $1,562,616, due primarily to an increase in cargo and property management activities.

In 2013, the District's operating expenses increased by 17.84% or $1,242,803, due primarily to an increase in salaries and benefits of $530,195, governmental contractual agreements of $173,670 and professional and legal expenses of $285,944 in the fiscal year. In 2012, the District's operating expenses increased by 1.83% or $125,305, due primarily to an increase in professional and legal expenses of $94,223 in the fiscal year.

## *Operating and Non-Operating Revenues*

| | | 2013 | 2012 | Change | 2011 | Change |
|---|---|---|---|---|---|---|
| **Operating revenues:** | | | | | | |
| Auto cargo | $ | 7,323,391 | 6,589,395 | 733,996 | 5,553,797 | 1,035,598 |
| Fresh produce cargo | | 3,148,189 | 2,909,571 | 238,618 | 2,731,854 | 177,717 |
| Offshore oil | | 634,909 | 651,839 | (16,930) | 616,907 | 34,932 |
| Property management | | 1,530,793 | 1,398,892 | 131,901 | 1,177,109 | 221,783 |
| Other operating income | | 671,486 | 500,781 | 170,705 | 408,195 | 92,586 |
| **Total operating revenues** | | 13,308,768 | 12,050,478 | 1,258,290 | 10,487,862 | 1,562,616 |
| **Non-operating revenues:** | | | | | | |
| Investment earnings | | 16,799 | 24,500 | (7,701) | 42,016 | (17,516) |
| Change in membership in VCR Co. | | 204,873 | 133,256 | 71,617 | 140,713 | (7,457) |
| Other non-operating revenues | | 162,159 | 2,386 | 159,773 | 17,976 | (15,590) |
| **Total non-operating revenues** | | 383,831 | 160,142 | 223,689 | 200,705 | (40,563) |
| **Total revenues** | $ | 13,692,599 | 12,210,620 | 1,481,979 | 10,688,567 | 1,522,053 |

Total revenues increased by $1,481,979 and $1,522,053 in fiscal years 2013 and 2012, respectively.

## Operating and Non-Operating Expenses

Total expenses increased by $1,020,779 and decreased by $688,059 in fiscal years 2013 and 2012, respectively.

| | | 2013 | 2012 | Change | 2011 | Change |
|---|---|---|---|---|---|---|
| **Operating expenses:** | | | | | | |
| Salaries and benefits | $ | 4,868,475 | 4,338,280 | 530,195 | 4,292,829 | 45,451 |
| Governmental contractual agreements | | 1,213,579 | 1,039,909 | 173,670 | 1,043,463 | (3,554) |
| Security | | 215,647 | 218,751 | (3,104) | 208,777 | 9,974 |
| Facilities and maintenance | | 655,090 | 465,959 | 189,131 | 463,166 | 2,793 |
| Professional and legal | | 660,163 | 374,219 | 285,944 | 279,996 | 94,223 |
| Materials and services | | 17,513 | 14,217 | 3,296 | 12,837 | 1,380 |
| Port promotion | | 324,347 | 234,410 | 89,937 | 192,122 | 42,288 |
| Insurance | | 253,718 | 279,984 | (26,266) | 347,234 | (67,250) |
| Depreciation and amortization | | 2,943,094 | 2,978,656 | (35,562) | 3,010,045 | (31,389) |
| **Total operating expenses** | | 11,151,626 | 9,944,385 | 1,207,241 | 9,850,469 | 93,916 |
| **Non-operating expenses:** | | | | | | |
| Interest expense – long-term debt | | 1,109,151 | 1,445,915 | (336,764) | 1,550,615 | (104,700) |
| Amortization of deferreds | | 644,609 | 50,853 | 593,756 | 71,405 | (20,552) |
| Other non-operating items | | - | 540,935 | (540,935) | 1,092,177 | (551,242) |
| Other non-operating expenses | | 104,713 | 7,232 | 97,481 | 112,713 | (105,481) |
| **Total non-operating expenses** | | 1,858,473 | 2,044,935 | (186,462) | 2,826,910 | (781,975) |
| **Total expenses** | $ | 13,010,099 | 11,989,320 | 1,020,779 | 12,677,379 | (688,059) |

## Capital Asset Administration

The changes in capital assets of the District are summarized below:

| | | Balance 2011 | Additions/ Transfers | Deletions/ Transfers | Balance 2012 |
|---|---|---|---|---|---|
| Non-depreciable assets | $ | 19,117,769 | 8,336,625 | (8,997,389) | 18,457,005 |
| Depreciable assets | | 86,693,157 | 8,997,389 | - | 95,690,546 |
| Accumulated depreciation | | (40,764,681) | (2,943,094) | - | (43,707,775) |
| Total capital assets, net | $ | 65,046,245 | 14,390,920 | (8,997,389) | 70,439,776 |

Changes in capital assets for fiscal year 2012 were as follows:

| | | Balance 2011 | Additions/ Transfers | Deletions/ Transfers | Balance 2011 |
|---|---|---|---|---|---|
| Non-depreciable assets | $ | 16,035,391 | 4,840,262 | (1,757,884) | 19,117,769 |
| Depreciable assets | | 84,941,606 | 1,757,884 | (6,333) | 86,693,157 |
| Accumulated depreciation | | (37,792,358) | (2,978,656) | 6,333 | (40,764,681) |
| Total capital assets, net | $ | 63,184,639 | 3,619,490 | (1,757,884) | 65,046,245 |

At the end of fiscal year 2013, the District's investment in capital assets amounted to $70,439,776 (net of accumulated depreciation). Major capital asset additions during the year amounted to $8,336,625 for various projects and equipment.

At the end of fiscal year 2012, the District's investment in capital assets amounted to $65,046,245 (net of accumulated depreciation). Major capital asset additions during the year amounted to $4,840,262 for various projects and equipment. (See Note 8 for further information)

## Debt Administration

The long-term debt position of the District is summarized below:

Changes in long-term debt for fiscal year 2013 was as follows:

| | Balance 2012 | Additions/ Transfers | Deletions/ Transfers | Balance 2013 |
|---|---|---|---|---|
| Revenue bonds | $ 24,690,000 | - | (1,600,000) | 23,090,000 |

Changes in long-term debt for fiscal year 2012 was as follows:

| | Balance 2011 | Additions/ Transfers | Deletions/ Transfers | Balance 2012 |
|---|---|---|---|---|
| Revenue bonds | $ 25,545,000 | 24,690,000 | (25,545,000) | 24,690,000 |

Long-term debt decreased by $1,600,000 for the fiscal year ended June 30, 2013, due to regular principal payments on the District's revenue bonds. (See Note 12 for further information)

## Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 34 through 58.

## Economic Conditions

The Port of Hueneme, a critical hub in Southern California, realized historic increases in import/export trade. The total tonnage for fiscal year 2013 jumped to 1,438,594 metric tons for a 9.2% increase over fiscal year 2012, marking the Port's most active trade year since its inception in 1937. The Port's performance stems from stability returning to the US economy, business retention, and cargo diversification. Freight activity escalated in the Port of Hueneme's niche markets of automobiles, high and heavy cargo, fresh produce, fertilizer, and domestic commodities (fish and petroleum products). Automobile imports and exports represent the highest value commodity handled at the Port. The Port holds contracts with three world-class vehicle distribution companies for the handling of vehicles. These companies process the vehicles prior to delivery to dealers and coordinate their inland transportation. The three vehicle distribution companies include Wallenius-Wilhelmsen Logistics (WWL), BMW of North America, and Global Automobile Processing Services, Inc. (GAPS). These companies make the Port of Hueneme an important West Coast gateway for the import and export of automobiles and other rolling stock.

Automobile imports shot up 12.2% over last fiscal year while exports grew 1.2%. Pent up demand for automobiles from the economic downturn resulted in benchmark sales in US markets and explains the significant increases in imports. A large fraction of the export increase was driven by more US manufacturers and foreign manufacturers operating from new facilities within the US and exporting their autos to the Asian markets.

Also accounting for the year's high numbers, was a 6.8% rise in imports and a 6.4% jump in exports of high and heavy cargo (agricultural and construction equipment). Companies in this business include John Deere, New Holland, Case International, Hyster, Caterpillar and Volvo. Shipping lines includes WWL, NYK Lines, Eukor, MOL, and K Lines, transport this cargo. On the fruit side of the Port's business portfolio, banana imports grew 5.7% from 615,588 metric tons to 650,600 metric tons. Other fresh produce handled by the Port grew by 6.4% for imports and 103.3% for exports. Chiquita and Del Monte Fresh Produce Company are the Port's pillar businesses for the shipment of perishable commodities.

**Economic Conditions, continued**

Liquid fertilizer imports grew by 23.9% accounting for 167,300 metric tons of product transport (the Port's best year on record), indicating a growing demand by the region's agricultural industry. Yara North America Inc. manages this trade at the Port.

Exxon, Freeport McMoRan, DCOR and Venoco provide essential support services for the offshore oil trade in the Santa Barbara Channel. Throughput fell a short 1.1%.

Total shallow draft cargo (fish, lube oil, and vessel fuel) increased 6.6% for the year. The Oxnard Unloading Services LLC is a co-op that unloads and delivers fish (squid) to processing plants throughout southern and central California. TracTide Marine Corporation handles lube oil and vessel fuel.

The Port of Hueneme, a US Port of Entry, plays a vital role in the intermodal logistics supply chain and is critical to the economic health of Ventura County and the Southern California region. Serving as a priority hub in the state's intermodal transportation network, the Port provides the County with competitive advantages to attract business investment and create jobs. Over $7 billion in cargo moves through the Port generating a $1 billion economic impact and over 9,400 trade related direct, induced, indirect and influenced jobs. Trade activity of the Port yields $63.7 million in state, county, and local tax revenues to support vital community services.

## *Requests for Information*

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's CEO & Port Director at 333 Ponoma Street, Port Hueneme, CA 93041.

# FY 2013 PORT BASIC FINANCIAL STATEMENTS

## Oxnard Harbor District

### *Statements of Net Position*

**June 30, 2013 and 2012**

| *Assets and Deferred Outflows of Resources* | | 2013 | 2012 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents (note 2) | $ | 10,509,572 | 10,014,964 |
| Restricted – cash and cash equivalents (note 2 and 3) | | 3,477,552 | 6,735,696 |
| Restricted – investments (note 2 and 3) | | 2,464,482 | - |
| Accrued interest receivable | | 5,230 | 5,650 |
| Restricted – accrued interest receivable (note 3) | | 6 | 4 |
| Accounts receivable – harbor operations, net (note 4) | | 1,497,156 | 1,165,491 |
| Grants receivable | | 2,700,651 | 692,828 |
| Accounts receivable – other | | 403 | 3,819 |
| Prepaid expenses and other assets | | 452,095 | 333,885 |
| **Total current assets** | | 21,107,147 | 18,952,337 |
| **Non-current assets:** | | | |
| World Trade Center license (note 5) | | 51,000 | 51,000 |
| Membership in Ventura County Railway Co., LLC (note 6) | | 3,708,903 | 3,504,030 |
| Deferred charges, net (note 7) | | - | 668,911 |
| Capital assets, not being depreciated (note 8) | | 18,457,005 | 19,117,769 |
| Capital assets, being depreciated (note 8) | | 51,982,771 | 45,928,476 |
| **Total non-current assets** | | 74,199,679 | 69,270,186 |
| **Total assets** | | 95,306,826 | 88,222,523 |
| **Deferred outflows of resources:** (note 9) | | | |
| Discount on revenue bonds, net | | 118,370 | 129,050 |
| Deferred loss on refunding of revenue bonds, net | | 185,757 | 202,517 |
| **Total deferred outflows of resources** | | 304,127 | 331,567 |
| **Total assets and deferred outflows of resources** | $ | 95,610,953 | 88,554,090 |

*Continued on the next page*

See accompanying notes to the basic financial statements

## Oxnard Harbor District
### *Statements of Net Position, Continued*
**June 30, 2013 and 2012**

| *Liabilities, Deferred Inflows of Activities and Net Position* | | 2013 | 2012 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Accounts payable and accrued expenses | $ | 1,934,768 | 1,053,379 |
| Accrued revenue sharing payables (note 19) | | 1,068,787 | 927,061 |
| Accrued salaries and benefits | | 123,788 | 116,149 |
| Customer deposits and deferred revenue | | 86,455 | 119,350 |
| Accrued interest payable | | 450,456 | 590,736 |
| Long-term liabilities – due within one year: | | | |
| Compensated absences (note 10) | | 117,625 | 122,500 |
| Pension-related debt (note 11) | | 40,583 | 35,689 |
| Revenue bonds payable (note 12) | | 1,870,000 | 1,600,000 |
| **Total current liabilities** | | 5,692,462 | 4,564,864 |
| **Non-current liabilities:** | | | |
| Long-term liabilities – due in more than one year: | | | |
| Compensated absences (note 10) | | 352,875 | 367,600 |
| Other post-employment benefits payable (note 13) | | 3,450,000 | 2,760,425 |
| Pension-related debt (note 11) | | 464,663 | 505,246 |
| Revenue bonds payable (note 12) | | 21,220,000 | 23,090,000 |
| **Total non-current liabilities** | | 25,487,538 | 26,723,271 |
| **Total liabilities** | | 31,180,000 | 31,288,135 |
| **Deferred inflows of resources: (note 9)** | | | |
| Premium on revenue bonds, net | | 366,501 | 418,243 |
| **Total deferred inlows of resources** | | 366,501 | 418,243 |
| **Net position:** (note 14) | | | |
| Net investment in capital assets | | 47,287,402 | 40,269,569 |
| Restricted for construction projects | | 990,309 | 1,957,770 |
| Restricted for debt service | | 4,501,275 | 4,187,194 |
| Unrestricted | | 11,285,466 | 10,433,179 |
| **Total net position** | | 64,064,452 | 56,847,712 |
| **Total liabilities, deferred inflows of resources and net position** | $ | 95,610,953 | 88,554,090 |

See accompanying notes to the basic financial statements

## Oxnard Harbor District

### *Statements of Revenues, Expenses and Changes in Net Position*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **Operating revenues:** | | |
| Auto cargo | $ 7,323,391 | 6,589,395 |
| Fresh produce cargo | 3,148,189 | 2,909,571 |
| Offshore oil | 634,909 | 651,839 |
| Property management: | | |
| Land | 822,693 | 799,952 |
| Buildings | 708,100 | 598,940 |
| Other operating revenue: | | |
| Liquid fertilizer | 237,890 | 191,454 |
| Reefer receptacles | 150,749 | 101,063 |
| Water hose rentals | 3,854 | 2,760 |
| Wharfage – fish and water | 91,392 | 127,316 |
| Other – moorings, permits and fees | 187,601 | 78,188 |
| **Total operating revenues** | 13,308,768 | 12,050,478 |
| **Operating expenses:** | | |
| Salaries and benefits | 4,868,475 | 4,338,280 |
| Governmental contractual agreements | 1,213,579 | 1,039,909 |
| Security | 215,647 | 218,751 |
| Facilities and maintenance | 655,090 | 465,959 |
| Professional and legal | 660,163 | 374,219 |
| Materials and services | 17,513 | 14,217 |
| Port promotion | 324,347 | 234,410 |
| Insurance | 253,718 | 279,984 |
| **Total operating expenses** | 8,208,532 | 6,965,729 |
| Operating income before depreciation and amortization | 5,100,236 | 5,084,749 |
| Depreciation – capital recovery | (2,943,094) | (2,978,656) |
| **Operating income** | 2,157,142 | 2,106,093 |
| **Non-operating revenues(expenses):** | | |
| Investment earnings | 16,799 | 24,500 |
| Interest expense – long-term debt | (1,109,151) | (1,445,915) |
| Amortization of deferred charges (note 7) | (668,911) | (60,979) |
| Amortization of deferred resources inflows/(outflows) (note 9) | 24,302 | 10,126 |
| CalPERS side-fund (note 11) | - | (540,935) |
| Change in membership in Ventura County Railway Co., LLC (note 6) | 204,873 | 133,256 |
| Other revenue(expense), net | 57,446 | (4,846) |
| **Total non-operating revenues, net** | (1,474,642) | (1,884,793) |
| **Net income before capital contributions** | 682,500 | 221,300 |
| **Capital contributions:** | | |
| Federal capital grants | 1,966,300 | 2,712,395 |
| State capital grants | 3,147,558 | 1,293,450 |
| Local capital grants | 103,085 | - |
| Local capital grants – shore side power | 1,317,297 | - |
| **Total capital contributions** | 6,534,240 | 4,005,845 |
| **Change in net assets** | 7,216,740 | 4,227,145 |
| **Net position, beginning of year** | 56,847,712 | 52,620,567 |
| **Net position, end of year** | $ 64,064,452 | 56,847,712 |

See accompanying notes to the basic financial statements

## Oxnard Harbor District

### *Statements of Cash Flows*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | | 2013 | 2012 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash receipts from customers for harbor operations | $ | 13,109,783 | 11,811,206 |
| Cash paid to employees for salaries and wages | | (2,577,230) | (2,404,068) |
| Cash paid to vendors and suppliers for materials and services | | (4,189,185) | (3,018,211) |
| Net cash provided by operating activities | | 6,343,368 | 6,388,927 |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | | (8,336,625) | (4,840,262) |
| Proceeds from capital contributions | | 4,526,417 | 3,490,173 |
| Proceeds received from refunding revenue bonds | | - | 24,996,301 |
| Cost of issuance of revenue refunding bonds | | - | (374,280) |
| Reaquistion price of escrowed refunding security | | - | (25,754,500) |
| Principal paid on revenue bonds | | (1,600,000) | - |
| Interest paid on revenue bonds | | (1,249,431) | (1,453,098) |
| Net cash used in capital and related financing activities | | (6,659,639) | (3,935,666) |
| Cash flows from investing activities: | | | |
| Purchase of investments | | (2,465,000) | - |
| Proceeds from sale of investments | | - | 1,724,301 |
| Proceeds from interest and investment earnings | | 17,735 | 26,256 |
| Net cash provided by (used in) investing activities | | (2,447,265) | 1,750,557 |
| Net increase(decrease) in cash and cash equivalents | | (2,763,536) | 4,203,818 |
| Cash and cash equivalents, beginning of year | | 16,750,660 | 12,546,842 |
| Cash and cash equivalents, end of year | $ | 13,987,124 | 16,750,660 |
| Reconciliation of cash and cash equivalents to statement of financial position: | | | |
| Cash and cash equivalents | $ | 10,509,572 | 10,014,964 |
| Restricted assets – cash and cash equivalents | | 3,477,552 | 6,735,696 |
| Total cash and cash equivalents | $ | 13,987,124 | 16,750,660 |

*Continued on next page*

See accompanying notes to the basic financial statements

## Oxnard Harbor District

### *Statements of Cash Flows, Continued*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | | 2013 | 2012 |
|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | $ | 2,157,142 | 2,106,093 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Deprecation and amortization | | 2,943,094 | 2,978,656 |
| Other revenue(expense), net | | 57,446 | (4,846) |
| Changes in assets – (increase)decrease: | | | |
| Accounts receivable – harbor operations, net | | (331,665) | (236,006) |
| Accounts receivable – other | | 3,416 | (3,266) |
| Prepaid expenses and other assets | | (118,210) | 67,437 |
| Changes in liabilities – increase(decrease): | | | |
| Accounts payable and accrued expenses | | 881,389 | 694,835 |
| Accrued revenue sharing payables | | 141,726 | 228,657 |
| Accrued salaries and benefits | | 7,639 | 5,718 |
| Customer deposits and deferred revenue | | (32,895) | 37,949 |
| Compensated absences | | (19,600) | (86,300) |
| Post-employment benefits payable | | 689,575 | 600,000 |
| Pension-related debt | | (35,689) | - |
| Total adjustments | | 4,186,226 | 4,282,834 |
| Net cash provided by operating activities | $ | 6,343,368 | 6,388,927 |

See accompanying notes to the basic financial statements

## (1) Reporting Entity and Summary of Significant Accounting Policies

### A. Organization and Operations of the Reporting Entity

The Oxnard Harbor District (District), a special district of the State of California, was created in 1937 under the State of California Harbors and Navigation Code, which provides for the formation of harbor districts. The District is under the control of an elected five-member Board of Harbor Commissioners and is administered by the CEO & Port Director. The District is empowered to acquire, construct, own, operate, control or develop any and all harbor works or facilities within or outside the established boundaries of the District. The commercial Port of Hueneme (Port) is owned and administered by the District. The District prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations.

The District operates as principal landlord for the purpose of assigning or leasing Port facilities and land areas. The District's principal sources of revenue are from cargo activity under tariffs and contracts (dockage and wharfage) and rentals of land and facilities. Capital construction is financed through operations and revenue bond debt proceeds. Daily operation of Port facilities and regular maintenance are performed by the District's regular work force. Major maintenance and new construction projects are awarded by bid to commercial contractors. As a non-operating port, cargo handling is the responsibility of commercial contractors as permitted by the Board of Harbor Commissioners.

### B. 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 (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. 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.

Operating revenues and expenses are generated and incurred through the cargo activities performed by the District's customers; operating expenses include the maintenance of the facilities and infrastructure, security, port promotion, service contracts and environmental mitigation with the City of Port Hueneme. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses, not included in the above categories, are reported as non-operating revenues and expenses.

### C. Financial Reporting

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for financial statements for periods beginning after December 15, 2011. The District implemented this new pronouncement in the current year. The effect of the implementation of this statement to the District is limited to renaming of ***Net Assets*** to ***Net Position***.

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**1. 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.

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with an original maturity of three months or less to be a cash equivalent.

**3. Investments**

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Accounts Receivable**

The District extends credit to customers in the normal course of operations and has recorded an allowance for doubtful accounts for those estimated uncollectable account balances.

**5. 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.

**6. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Wharves and docks – 3 to 40 years
- Land improvements – 3 to 40 years
- Buildings and buildings improvements – 3 to 30 years
- Equipment – 3 to 10 years

**7. Restricted Assets**

Restricted assets are cash and cash equivalents and investments whose use is limited by legal and debt covenant requirements such as debt payment, reserve balance maintenance and accrued interest on bonds.

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**8. Deferred Charges**

The deferred charges are related to the bond issuance costs that will be amortized over the remaining life of the respective debt service. Per the implementation of GASB No. 65 in 2013, deferred charges were fully-amortized.

**9. Compensated Absences**

The District's personnel policies provide for accumulation of vacation and sick leave (employee benefits). Liabilities for vacation leave are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. Partial cash payment for accrued sick leave is available upon retirement or termination if certain criteria are met.

**10. Net Position**

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

- **Net Investment in Capital Assets Component of Net Position**– 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, is included in this component of net position
- **Restricted Component of Net Position** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted Component of Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**11. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by outside parties.

**12. Budgetary Policies**

The District adopts an annual non-appropriated 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.

**13. Reclassifications**

The District has reclassified certain prior year information to conform to current year presentations as well as conforming to the implementation of GASB No. 63 and 65.

### (1) Reporting Entity and Summary of Significant Accounting Policies, continued

### E. Implementation of New Accounting Pronouncements

For the year ended June 30, 2013, the District implemented the following Governmental Accounting Standards Board pronouncements:

***Governmental Accounting Standards Board Statement No. 60***

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangement*s. This standard addresses how to account for and report service concession arrangements, a type of public-private or public-public partnership that state and local governments are increasingly entering into. There were no Concession Arrangements entered into by the District.

***Governmental Accounting Standards Board Statement No. 61***

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus.* This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*.

***Governmental Accounting Standards Board Statement No. 62***

In December 2010, The GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the *FASB & AICPA pronouncements*. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

***Governmental Accounting Standards Board Statement No. 63***

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as *Net Position*, rather than *Net Assets*.

***Governmental Accounting Standards Board Statement No. 65***

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**(2) Cash and Investments**

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

| | | 2013 | 2012 |
|---|---|---|---|
| Cash and cash equivalents | $ | 10,509,572 | 10,014,964 |
| Restricted – cash and cash equivalents | | 3,477,552 | 6,735,696 |
| Restricted – investments | | 2,464,482 | - |
| Total cash and investments | $ | 16,451,606 | 16,750,660 |

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

| | | 2013 | 2012 |
|---|---|---|---|
| Cash on hand | $ | 300 | 300 |
| Deposits with financial institutions | | 1,931,912 | 4,190,122 |
| Investments | | 14,519,394 | 12,560,238 |
| Total cash and investments | $ | 16,451,606 | 16,750,660 |

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

The table below identifies the investment types that are authorized in accordance with the California Government Code or the District's investment policy, where more restrictive. Additionally, 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 are discussed. This section also addresses investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| State and local agency bonds | 5 years | None | None |
| U.S. treasury obligations | 5 years | None | None |
| Government sponsored agency securities | 5 years | None | None |
| Banker's acceptances | 270 days | 40% | 30% |
| Prime commercial paper | 180 days | 30% | 10% |
| Negotiable certificates of deposit | 5 years | 30% | None |
| Medium-term notes | 5 years | 30% | None |
| Mortgage pass-through securities | 5 years | 20% | None |
| Mutual funds | 5 years | 20% | 10% |
| Money market mutual funds | 5 years | 20% | 20% |
| Collateralized bank deposits | 5 years | None | None |
| County pooled investment funds | N/A | None | None |
| California Local Agency Investment Fund (LAIF) | N/A | None | None |

**(2) Cash and Investments, continued**

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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. With respect to investments, 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 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 provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2013 and 2012, respectively. Of the bank balances, up to $250,000 per bank for specific accounts are federally insured and the remaining balance should be collateralized in accordance with the Code; however, the collateralizing securities are not held in the District's name.

***Investment in State Investment Pool***

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

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term 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 investments by maturity date:

### (2) Cash and Investments, continued

### *Interest Rate Risk, continued*

Investments at June 30, 2013 consisted of the following:

| Investment Type | | Total | Remaining Maturity 12 Months Or Less |
|---|---|---|---|
| Local Agency Investment Fund (LAIF) | $ | 9,386,102 | 9,386,102 |
| Held by bond trustee: | | | |
| Money market funds | | 2,668,810 | 2,668,810 |
| Government sponsored agency securities | | 2,464,482 | 2,464,482 |
| Total | $ | 14,519,394 | 14,519,394 |

Investments at June 30, 2012 consisted of the following:

| Investment Type | | Total | Remaining Maturity 12 Months Or Less |
|---|---|---|---|
| Local Agency Investment Fund (LAIF) | $ | 6,368,786 | 6,368,786 |
| Held by bond trustee: | | | |
| Money market funds | | 6,191,452 | 6,191,452 |
| Total | $ | 12,560,238 | 12,560,238 |

### *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, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2013, were as follows:

| Investment type | | Total | Minimum legal rating | Exempt or Not Rated | Rating as of year-end AAA |
|---|---|---|---|---|---|
| Local Agency Investment Fund (LAIF) | $ | 9,386,102 | N/A | 9,386,102 | - |
| Held by bond trustee: | | | | | |
| Money market funds | | 2,668,810 | N/A | 2,668,810 | - |
| Government sponsored agency securities | | 2,464,482 | AAA | | 2,464,482 |
| Total | $ | 14,519,394 | | 12,054,912 | 2,464,482 |

Credit ratings of investments as of June 30, 2012, were as follows:

| Investment type | | Total | Minimum legal rating | Exempt or Not Rated | Rating as of year-end AAA |
|---|---|---|---|---|---|
| Local Agency Investment Fund (LAIF) | $ | 6,368,786 | N/A | 6,368,786 | - |
| Held by bond trustee: | | | | | |
| Money market funds | | 6,191,452 | N/A | 6,191,452 | - |
| Total | $ | 12,560,238 | | 12,560,238 | - |

### (3) Restricted Assets

Assets were restricted for the following purposes:

| | | 2013 | 2012 |
|---|---|---|---|
| Revenue bonds reserve funds | $ | 2,468,735 | 2,469,042 |
| Revenue bonds debt service funds | | 540,611 | 708,883 |
| Revenue bonds construction funds | | 253,881 | 1,413,522 |
| Revenue bonds principal funds | | 1,870,064 | 1,600,005 |
| Navy joint-use construction funds | | 808,749 | 544,248 |
| Total | $ | 5,942,040 | 6,735,700 |

Reconciliation of restricted assets to the statement of net position:

| | | 2013 | 2012 |
|---|---|---|---|
| Restricted assets – cash and cash equivalents | $ | 3,477,552 | 6,735,696 |
| Restricted assets – investments | | 2,464,482 | - |
| Restricted assets – accrued interest receivable | | 6 | 4 |
| Total restricted assets | $ | 5,942,040 | 6,735,700 |

### (4) Accounts Receivable – Harbor Operations, Net

The balance at June 30, consists of the following:

| | | 2013 | 2012 |
|---|---|---|---|
| Accounts receivable - harbor operations | $ | 1,522,156 | 1,190,491 |
| Allowance for uncollectable accounts | | (25,000) | (25,000) |
| Accounts receivable - harbor operations, net | $ | 1,497,156 | 1,165,491 |

### (5) World Trade Center License

The District purchased the local World Trade Center License (License) for $51,000 and re-established the World Trade Center of Oxnard. The World Trade Center Association (WTCA) provides licensing and membership for World Trade Centers around the world. The WTCA is a not-for-profit, non-political association dedicated to the establishment and effective operation of World Trade Centers as instruments for trade expansion. The WTCA represents approximately 325 members in 100 countries. Each member is involved in the development or operation of World Trade Centers or in providing related services. These World Trade Center's service more than 750,000 international trading clients. WTCA members develop and maintain facilities to house the practitioners of trade and the services they need to conduct business, creating a central focal point for a region's trade services and activities, or a "one-stop shopping center" for international business. Therefore, the District has determined that its License has an indefinite life as long as international trade continues at the District.

### (6) Membership in Ventura County Railway Company, LLC

The Ventura County Railway Company, LLC, (Railway) owns railway lines used for, among other things, transport of port customers' goods from the harbor facilities and their private facilities to the main line railway. In November 2003, the District acquired all outstanding memberships of the Railway for $2,000,000. Under the equity method of accounting, the purchase of the total outstanding membership is carried at the cost of acquisition plus operational earnings. The District's total investment in the membership of the Ventura County Railway Company, LLC as of June 30, 2013 and 2012, amounted to $3,708,903 and $3,504,030, respectively.

### (6) Membership in Ventura County Railway Company, LLC, continued

Financial information for the Ventura County Railway Company, LLC as of June 30, was as follows:

| Balance Sheet | | Fiscal Year 2013 | Fiscal Year 2012 | Income Statement | | Fiscal Year 2013 | Fiscal Year 2012 |
|---|---|---|---|---|---|---|---|
| Current assets | $ | 1,736,134 | 1,528,479 | Revenues | $ | 268,439 | 196,297 |
| Capital assets, net | | 1,972,769 | 1,975,551 | Expenses | | (63,566) | (63,041) |
| Total assets | | 3,708,903 | 3,504,030 | Net income | | 204,873 | 133,256 |
| Liabilities | | - | - | Equity – beginning of period | | 3,504,030 | 3,370,774 |
| Equity | | 3,708,903 | 3,504,030 | Equity – end of period | $ | 204,873 | 133,256 |
| Total liabilities and equity | $ | 3,708,903 | 3,504,030 | | | | |

### (7) Deferred Charges, net

| The balance consists of the following issuance costs, net: | | 2013 | | 2012 |
|---|---|---|---|---|
| Refunding revenue bonds – Series 2011 A & B | $ | - | | 668,911 |
| Total | $ | - | * | 668,911 |

* Per the implementation of GASB No. 65 in fiscal year 2013 - Deferred charges have been amortized to a $0 balance

### (8) Capital Assets

Changes in capital assets for 2013 were as follows:

| | | Balance 2012 | Additions/ Transfers | Deletions/ Transfers | Balance 2013 |
|---|---|---|---|---|---|
| Non-depreciable assets: | | | | | |
| Land and easements | $ | 15,332,137 | - | - | 15,332,137 |
| Construction-in-process | | 3,785,632 | 8,336,625 | (8,997,389) | 3,124,868 |
| Total non-depreciable assets | | 19,117,769 | 8,336,625 | (8,997,389) | 18,457,005 |
| Depreciable assets: | | | | | |
| Wharves and docks | | 27,207,292 | - | - | 27,207,292 |
| Warehouses | | 25,528,441 | 225,928 | - | 25,754,369 |
| Land improvements | | 25,322,664 | 3,738,224 | - | 29,060,888 |
| Fuel tanks | | 1,055,322 | - | - | 1,055,322 |
| Buildings | | 5,199,897 | - | - | 5,199,897 |
| Building improvements | | 1,412,252 | 2,992,250 | - | 4,404,502 |
| Vehicles and equipment | | 967,289 | 2,040,987 | - | 3,008,276 |
| Total depreciable assets | | 86,693,157 | 8,997,389 | - | 95,690,546 |
| Accumulated depreciation: | | | | | |
| Wharves and docks | | (17,892,489) | (677,268) | - | (18,569,757) |
| Warehouses | | (12,847,373) | (915,497) | - | (13,762,870) |
| Land improvements | | (6,746,301) | (928,913) | - | (7,675,214) |
| Fuel tanks | | (601,722) | (66,858) | - | (668,580) |
| Buildings | | (1,428,131) | (195,586) | - | (1,623,717) |
| Building improvements | | (599,272) | (91,838) | - | (691,110) |
| Vehicles and equipment | | (649,393) | (67,134) | - | (716,527) |
| Total depreciation | | (40,764,681) | (2,943,094) | - | (43,707,775) |
| Total depreciable assets, net | | 45,928,476 | 6,054,295 | - | 51,982,771 |
| Total capital assets, net | $ | 65,046,245 | 14,390,920 | (8,997,389) | 70,439,776 |

Capital asset additions during the year amounted to $8,336,625 for various projects and equipment.

**(8) Capital Assets, continued**

Changes in capital assets for 2012 were as follows:

| | | Balance 2011 | Additions/ Transfers | Deletions/ Transfers | Balance 2012 |
|---|---|---|---|---|---|
| Non-depreciable assets: | | | | | |
| Land and easements | $ | 15,332,137 | - | - | 15,332,137 |
| Construction-in-process | | 703,254 | 4,840,262 | (1,757,884) | 3,785,632 |
| Total non-depreciable assets | | 16,035,391 | 4,840,262 | (1,757,884) | 19,117,769 |
| Depreciable assets: | | | | | |
| Wharves and docks | | 27,036,525 | 173,025 | (2,258) | 27,207,292 |
| Warehouses | | 25,528,441 | - | - | 25,528,441 |
| Land improvements | | 24,481,142 | 841,522 | - | 25,322,664 |
| Fuel tanks | | 1,055,322 | - | - | 1,055,322 |
| Buildings | | 5,199,897 | - | - | 5,199,897 |
| Building improvements | | 860,751 | 551,501 | - | 1,412,252 |
| Vehicles and equipment | | 779,528 | 191,836 | (4,075) | 967,289 |
| Total depreciable assets | | 84,941,606 | 1,757,884 | (6,333) | 86,693,157 |
| Accumulated depreciation: | | | | | |
| Wharves and docks | | (17,105,562) | (789,185) | 2,258 | (17,892,489) |
| Warehouses | | (11,931,876) | (915,497) | - | (12,847,373) |
| Land improvements | | (5,900,232) | (846,069) | - | (6,746,301) |
| Fuel tanks | | (534,864) | (66,858) | - | (601,722) |
| Buildings | | (1,232,544) | (195,587) | - | (1,428,131) |
| Building improvements | | (558,882) | (40,390) | - | (599,272) |
| Vehicles and equipment | | (528,398) | (125,070) | 4,075 | (649,393) |
| Total depreciation | | (37,792,358) | (2,978,656) | 6,333 | (40,764,681) |
| Total depreciable assets, net | | 47,149,248 | (1,220,772) | - | 45,928,476 |
| Total capital assets, net | $ | 63,184,639 | 3,619,490 | (1,757,884) | 65,046,245 |

Major capital asset additions during the year amounted to $4,840,262 for various projects and equipment.

### *Construction-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-in-process balances at June 30 are as follows:

| The balance at June 30, consist of the following projects: | | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Port security grant program | $ | 686,352 | 3,702,515 | - |
| Shoreside power project | | - | 83,039 | 3,122,686 |
| Various minor projects | | 16,902 | 78 | 2,182 |
| Total | $ | 703,254 | 3,785,632 | 3,124,868 |

### (9) Deferred Outflows and Inflows of Resources

Changes in deferred outflows and inflows of resources for 2013 were as follows:

| | | Balance 2012 | Additions | | Amortization | Balance 2013 |
|---|---|---|---|---|---|---|
| Deferred outflows of resources: | | | | | | |
| Discount on revenue bonds, net | $ | 129,050 | - | | (10,680) | 118,370 |
| Deferred loss on refunding of revenue bonds, net | | 202,517 | - | | (16,760) | 185,757 |
| Total deferred outflows of resources | $ | 331,567 | - | | (27,440) | 304,127 |
| Deferred inflows of resources: | | | | | | |
| Premium on revenue bonds, net | $ | 418,243 | - | | (51,742) | 366,501 |
| Total deferred inflows of resources | $ | 418,243 | - | | (51,742) | 366,501 |
| Amortization of deferred resources – inflows/(outflows), net | | | | $ | 24,302 | |

Changes in deferred outflows and inflows of resources for 2012 were as follows:

| | | Balance 2011 | Additions | | Amortization | Balance 2012 |
|---|---|---|---|---|---|---|
| Deferred outflows of resources: | | | | | | |
| Discount on revenue bonds, net | $ | - | 133,500 | | (4,450) | 129,050 |
| Deferred loss on refunding of revenue bonds, net | | - | 209,500 | | (6,983) | 202,517 |
| Total deferred outflows of resources | $ | - | 343,000 | | (11,433) | 331,567 |
| Deferred inflows of resources: | | | | | | |
| Premium on revenue bonds, net | $ | - | 439,802 | | (21,559) | 418,243 |
| Total deferred inflows of resources | $ | - | 439,802 | | (21,559) | 418,243 |
| Amortization of deferred resources – inflows/(outflows), net | | | | $ | 10,126 | |

### (10) Compensated Absences

| Changes in compensated absences were as follows: | | 2013 | 2012 |
|---|---|---|---|
| Balance, beginning of year | $ | 490,100 | 576,400 |
| Additions | | 248,051 | 241,073 |
| Payments to employees | | (267,651) | (327,373) |
| Balance, end of year | | 470,500 | 490,100 |
| Current portion | | (117,625) | (122,500) |
| Long-term portion | $ | 352,875 | 367,600 |

### (11) Pension-Related Debt – CalPERS Side-Fund

As of June 30, 2003, CalPERS implemented risk-pooling for the District's agent multiple-employer public employee defined benefit pension plan. As a result, the District's defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate. CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies that all had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth out the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District's annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District's CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side Fund falls under the definition of pension- related debt, as described in GASB Statement No. 27 and recorded as liability on the District's financial statements.

Annual payments on the CalPERS Side-Fund represent principal and interest payments on the pension-related debt. Debt principal and interest expense is blended into the CalPERS pension benefit rate by individual class of District employee and repaid to CalPERS each payroll period throughout the fiscal year. The following is a pay-down schedule of the remaining payments of the District's CalPERS Side- Fund at a 7.50% interest rate, which was reduced by CalPERS in fiscal year 2012 for fiscal years 2012 and beyond as follows:

| Year | | Principal | Interest | Total |
|---|---|---|---|---|
| 2014 | $ | 40,583 | 37,377 | 77,960 |
| 2015 | | 45,980 | 34,319 | 80,299 |
| 2016 | | 51,855 | 30,853 | 82,708 |
| 2017 | | 58,241 | 26,948 | 85,189 |
| 2018 | | 65,181 | 22,564 | 87,745 |
| 2019-2021 | | 243,406 | 29,841 | 273,247 |
| Total | | 505,246 | 181,902 | 687,148 |
| Current | | (40,583) | | |
| Long-term | $ | 464,663 | | |

**(12) Long-Term Debt**

Changes in long-term debt amounts for 2013 were as follows:

| | | Balance 2012 | Additions/ Adjustments | Principal Payments | Balance 2013 |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Revenue bonds – Series 2011A | $ | 17,470,000 | - | (1,590,000) | 15,880,000 |
| Revenue bonds – Series 2011B | | 7,220,000 | - | (10,000) | 7,210,000 |
| Total long-term debt | $ | 24,690,000 | - | (1,600,000) | 23,090,000 |
| Less current portion | | (1,600,000) | | | (1,870,000) |
| Non-current portion | $ | 23,090,000 | | | 21,220,000 |

Changes in long-term debt amounts for 2012 were as follows:

| | | Balance 2011 | Additions/ Adjustments | Principal Payments | Balance 2012 |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Revenue bonds – Series 1999 | $ | 10,820,000 | - | (10,820,000) | - |
| Revenue bonds – Refunding Series 2000 | | 4,250,000 | - | (4,250,000) | - |
| Revenue bonds – Series 2004A | | 3,675,000 | - | (3,675,000) | - |
| Revenue bonds – Series 2004B | | 6,800,000 | - | (6,800,000) | - |
| Revenue bonds – Series 2011A | | - | 17,470,000 | - | 17,470,000 |
| Revenue bonds – Series 2011B | | - | 7,220,000 | - | 7,220,000 |
| Total long-term debt | $ | 25,545,000 | 24,690,000 | (25,545,000) | 24,690,000 |
| Less current portion | | - | | | (1,600,000) |
| Non-current portion | $ | 25,545,000 | | | 23,090,000 |

**Revenue Bonds**

All of the District's revenue bond issues are secured by a lien on and pledge of net revenues of the District and contain certain covenants. One of the covenants requires the District to maintain a minimum debt service coverage ratio of 125%. The debt service coverage ratio is the ratio of net revenues (as defined in the bond trust agreement) to debt service payments. Net revenues as defined in the agreement were calculated as $6,069,447 and $5,838,313 for the years ended June 30, 2013 and 2012. The actual debt service coverage ratios were 213% and 402% for the years ended June 30, 2013 and 2012. The District is in compliance with its bond covenants for fiscal years 2013 and 2012. (See page 63).

**(12) Long-Term Debt, continued**

***Revenue Bonds – Refunding Series 2011A and 2011B***

In 2011, the District issued $24,690,000 in 10-year and 14-year Revenue Bonds, respectively, $17,470,000 Series 20011A (AMT) and $7,220,000 Series 2012B (Non-AMT). The proceeds were used to refund the District's total outstanding debt of $25,545,000. As a result, the District's total Revenue Bond debt of $25,545,000 from prior issuances is considered defeased and the liability for those obligations has been removed from the District's financial statements. The District completed the advance refunding to reduce the District's total debt service payments over the next ten to twelve years by a present-value amount of approximately $1.8 million and to obtain an economic gain of approximately $2.3 million. Also, the refunding issuance resulted in a deferred loss of $209,500, which will be amortized over the remaining life of the debt service.

***Series 2011A (AMT)***

The bonds are scheduled to mature in fiscal year 2021. An interest rate premium in the amount of $439,802 was calculated on the issuance of the refunding revenue bonds and will be amortized over the life of the debt. Interest is payable semi-annually on August 1st and February 1st each year at rates ranging from 3.00% to 5.00% while principal installments ranging from $1,590,000 to $2,390,000 are payable August, 2012 through August, 2021 as follows:

| Year | | Principal | Interest | Total |
|---|---|---|---|---|
| 2014 | $ | 1,810,000 | 730,650 | 2,540,650 |
| 2015 | | 1,865,000 | 656,875 | 2,521,875 |
| 2016 | | 1,960,000 | 561,250 | 2,521,250 |
| 2017 | | 2,055,000 | 460,875 | 2,515,875 |
| 2018 | | 2,160,000 | 355,500 | 2,515,500 |
| 2018-2021 | | 6,030,000 | 406,750 | 6,436,750 |
| Total | | 15,880,000 | 3,171,900 | 19,051,900 |
| Current | | (1,810,000) | | |
| Long-term | $ | 14,070,000 | | |

***Series 2011B (Non-AMT)***

The bonds are scheduled to mature in fiscal year 2025. An interest rate discount in the amount of $133,500 was calculated on the issuance of the refunding revenue bonds and will be amortized over the life of the debt. Interest was payable semi-annually on August 1st and February 1st at rates ranging from 4.00% to 5.00% while principal installments ranging from $10,000 to $1,765,000 would be payable August 2012 through August 2024 as follows:

| Year | | Principal | Interest | Total |
|---|---|---|---|---|
| 2014 | $ | 60,000 | 322,095 | 382,095 |
| 2015 | | 65,000 | 319,595 | 384,595 |
| 2016 | | 65,000 | 316,995 | 381,995 |
| 2017 | | 70,000 | 314,295 | 384,295 |
| 2018 | | 70,000 | 311,355 | 381,355 |
| 2019-2023 | | 3,415,000 | 1,717,867 | 5,132,867 |
| 2024-2025 | | 3,465,000 | 193,951 | 3,658,951 |
| Total | | 7,210,000 | 3,496,153 | 10,706,153 |
| Current | | (60,000) | | |
| Long-term | $ | 7,150,000 | | |

### (13) Other Post-Employment Benefits Payable

The District provides other post-retirement health care, vision care, dental care and life insurance benefits, in accordance with the Board of Harbor Commissioners employee benefit resolutions, to all employees who retire from the District and meet the age and years of service requirements as specified in such resolutions. Retired Harbor Commissioners are subject to additional eligibility requirements as specified in Government Code Section 53201.

The District contributes a fixed amount for health care benefits, (ranging from 50% to 100% of the premium), 100% of the premium for the retiree and one dependent for vision and dental care, and 100% of the premium for the retiree for life insurance.

The post-retirement vision care, dental care, and life insurance benefits became effective July 1, 1991. Currently, 23 retirees meet the eligibility requirements for the health care benefit, 18 retirees meet the eligibility requirements for vision and dental care and 14 retirees meet the eligibility requirements for life insurance. Expenditures for post-employment retirement benefits are recognized on a monthly basis as premiums are paid. Expenditures of $245,011 and $208,143 were recognized for post-retirement health care, vision care, dental care, and life insurance benefits during the years ended June 30, 2013 and 2012, respectively.

#### *Plan Description – Eligibility*

The District administers its post-employment benefits plan, a single-employer defined benefit plan. The following requirements must be satisfied in order to be eligible for lifetime post-employment medical benefits: (1) Attainment of age 50, and 5 years of full-time service, and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement). Former Harbor Commissioners must have served at least three 4-year terms (12 years) to qualify for medical benefits.

Lifetime dental and vision benefits are provided upon retirement (1) after age 55 with at least 10 years of service, or (2) upon retirement with 30 years after age 50. Retiree life insurance benefits are provided upon retirement after either (1) age 55 with at least 15-years of service, or (2) age 62 to 65 with at least 10-years of service, or (3) age 50 with 30 years of service. Former Harbor Commissioners must have served at least three 4-year terms (12 years) to qualify for lifetime dental, vision and life insurance benefits.

Membership in the OPEB plan consisted of the following members as of June 30:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Active plan members | 26 | 28 | 28 |
| Retirees and beneficiaries receiving benefits | 23 | 20 | 21 |
| Separated plan members entitled to but not yet receiving benefits | - | - | - |
| Total plan membership | 49 | 48 | 49 |

**(13) Other Post Employment Retirement Benefits, continued**

***Plan Description – Benefits***

The District offers lifetime post-employment medical to employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Eligible retirees may enroll in any plan available through the CalPERS medical program. Each year the District establishes a maximum monthly premium that the District will pay for medical benefits; the maximum monthly premium that the District will pay for calendar year 2013 and 2012 is $1,190 and $1,190, respectively.

The Board of Harbor Commissioners of the District approved Resolution No. 1070 modified April 22, 2013 establishing the employment benefits for all employees except as otherwise provided for by the SEIU Local 721 MOU. The Retirement Program – Section 2.A.1 states that the District shall provide medical or alternative medical insurance benefits for retired employees up to the maximum monthly contribution set for the year the employee retires. CalPERS medical or alternative medical insurance benefits for retired employees shall be subject to each retired employee's specific length of service with the District. Each retired employee's length of service with the District (excluding any other CalPERS creditable service prior to joining the District) shall determine the type of benefit for which a retired employee is eligible. There are a different percentage of District contributions for retirement medical benefits for employees hired prior to July 1, 2008, and employees hired after July 1, 2008 as follows:

| District Years of Service | Hired Prior to July 1, 2008 % of Maximum Benefit | Hired After July 1, 2008 % of Maximum Benefit |
|---|---|---|
| 5 years | 50% | 0% |
| 6 years | 60% | 0% |
| 7 years | 70% | 0% |
| 8 years | 80% | 0% |
| 9 years | 90% | 0% |
| 10 or more | 100% | 50% |
| 15 or more | | 100% |

A Memorandum of Understanding (MOU) was entered into between the District and the Service Employees International Union Local 721 (SEIU Local 721) for the period of July 1, 2008 – June 30, 2013. SEIU Local 721 representing the job classifications of the District's Clerical Unit, Wharfinger Unit, and the Maintenance Unit. The Retirement Program – Article 1.29 states that during the term of the MOU the District shall provide the following retirement medical benefits up to the maximum monthly contribution: Medical insurance shall be subject to each retired bargaining unit employee's specific length of service with the District. Each bargaining unit employee's length of service with the District (excluding any other PERS creditable service prior to joining the District) shall determine the type of benefit for which each retired bargaining unit employee is eligible. For bargaining unit employees who have completed five (5) years of service with the District and who retire in good standing after reaching the age of fifty (50), the District shall pay for medical insurance retirement benefits by directly paying premiums as outlined below:

**(13) Other Post Employment Retirement Benefits, continued**

## *Plan Description – Benefits, continued*

MOU employees who retire with fewer than 10-years of service receive a pro-rata share of the benefit allotment as follows:

| District Years of Service | % of Maximum Benefit |
|---|---|
| 5 years | 50% |
| 6 years | 60% |
| 7 years | 70% |
| 8 years | 80% |
| 9 years | 90% |
| 10 or more | 100% |

## *Funding Policy*

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, 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 the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay- as-you-go and the actuarially determined ARC cost.

### *Annual OPEB Cost and Net OPEB Obligation*

For the year ended June 30, 2013 and 2012, the District's ARC cost is $934,586 and $808,143, respectively. The District's net OPEB payable obligation amounted to $3,450,000 and $2,760,425 for the years ended June 30, 2013 and 2012, respectively. The District paid retiree benefits of $245,011 and $208,143 for current retiree OPEB premiums for the years ended June 30, 2013 and 2012, respectively.

| The balance at June 30, consists of the following: | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Annual OPEB expense: | | | | |
| Annual required contribution (ARC) | $ | 894,855 | 832,284 | 774,582 |
| Interest on net OPEB obligation | | 110,417 | 85,956 | 64,601 |
| Interest earnings on irrevocable trust balance | | - | - | - |
| Adjustment to annual required contribution | | (70,686) | (110,097) | (104,722) |
| Total annual OPEB expense | | 934,586 | 808,143 | 734,461 |
| Contributions made: | | | | |
| Contributions made to irrevocable trust | | - | - | - |
| Retiree benefit payments paid outside of a trust | | (245,011) | (208,143) | (189,073) |
| Total contributions made | | (245,011) | (208,143) | (189,073) |
| Total change in net OPEB payable obligation | | 689,575 | 600,000 | 545,388 |
| OPEB payable – beginning of year | | 2,760,425 | 2,160,425 | 1,615,037 |
| OPEB payable – end of year | $ | 3,450,000 | 2,760,425 | 2,160,425 |

**(13) Other Post Employment Retirement Benefits, continued**

***Annual OPEB Cost and Net OPEB Obligation***

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

*Three-Year History of Net OPEB Obligation*

| Fiscal Year Ended | Annual OPEB Cost | Contributions Made to Trust | Retiree Benefit Payments | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation Payable |
|---|---|---|---|---|---|
| 2013 | $ 934,586 | - | 245,011 | 26.22% | $ 3,450,000 |
| 2012 | 808,143 | - | 208,143 | 25.76% | 2,760,425 |
| 2011 | 734,461 | - | 189,073 | 25.74% | 2,160,425 |

The most recent valuation (dated July 1, 2010) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $8,622,114. There are no plan assets because the District funds on a pay- as-you-go basis and maintains net position equal to the remaining net post-employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2010 was $2,463,568. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 349.98%. See Page 59 for the Schedule of Funding Progress.

## *Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability 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. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

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

| | |
|---|---|
| Valuation date | July 1, 2010 |
| Actuarial cost method | Entry age normal cost method |
| Amortization method | Level percent of payroll amortization |
| Remaining amortization period | 27 Years as of the valuation date |
| Asset valuation method | 15 Year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 4.00% |
| Projected salary increase | 3.25% |
| Inflation - discount rate | 4.00% |

This is an open plan with the healthcare cost trend rate of 7.00%.

### (14) Net Position Calculation

| Calculation of net position as of June 30, were as follows: | | 2013 | 2012 |
|---|---|---|---|
| Net investment in capital assets: | | | |
| Capital assets, not being depreciated | $ | 18,457,005 | 19,117,769 |
| Depreciable capital assets, net | | 51,982,771 | 45,928,476 |
| Deferred outflows of resources | | 304,127 | 331,567 |
| Revenue bonds payable – current | | (1,870,000) | (1,600,000) |
| Revenue bonds payable – non-current | | (21,220,000) | (23,090,000) |
| Deferred inflows of resources | | (366,501) | (418,243) |
| Total net investment in capital assets | | 47,287,402 | 40,269,569 |
| Restricted net position: | | | |
| Restricted – cash and cash equivalents | | 3,477,552 | 6,735,696 |
| Restricted – accrued interest receivable | | 6 | 4 |
| Restricted – investments | | 2,464,482 | - |
| Accrued interest payable | | (450,456) | (590,736) |
| Total restricted net position | | 5,491,584 | 6,144,964 |
| Restricted net position are categorized as follows: | | | |
| Restricted for construction projects | | 990,309 | 1,957,770 |
| Restricted for debt service | | 4,501,275 | 4,187,194 |
| Total restricted net position | | 5,491,584 | 6,144,964 |
| Unrestricted net position: | | | |
| Non-spendable net position: | | | |
| Prepaid expenses and other assets | | 452,095 | 333,885 |
| World Trade Center license | | 51,000 | 51,000 |
| Membership-Ventura County Railway Co., LLC | | 3,708,903 | 3,504,030 |
| Deferred charges, net | | - | 668,911 |
| Total non-spendable net position | | 4,211,998 | 4,557,826 |
| Spendable net position are designated as follows: | | | |
| Undesignated net position reserve | | 7,073,468 | 5,875,353 |
| Total spendable net position | | 7,073,468 | 5,875,353 |
| Total unrestricted net position | | 11,285,466 | 10,433,179 |
| Total net position | $ | 64,064,452 | 56,847,712 |

### (15) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by Nationwide Retirement Solutions at June 30, 2013 and 2012 was $352,310 and $293,546, respectively, and by CalPERS Salary Savings Program at June 30, 2013 and 2012 was $2,181,400 and $1,911,189, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

### (16) Defined Benefit Pension Plan

#### *Plan Description*

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA 95814.

#### *Funding Policy and Annual Pension Cost*

The contribution rate for plan members in the CalPERS 2.5% at 55 Risk Pool Retirement Plan is 8% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2013, 2012 and 2011 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

#### *California Public Employees Pension Reform Act of 2013*

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

### (16) Defined Benefit Pension Plan

***Second-Tier – Beginning January 1, 2013***

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. District employees contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer and member contribution rate is 6.25% for a combined rate of 12.50% which will be in effect until June 30, 2015.

For fiscal years 2013, 2012 and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

***Three Years CalPERS Funding Information***

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation | APC Percentage of Payroll |
|---|---|---|---|---|
| 2010-2011 | $ 292,927 | 100% | - | 12.514% |
| 2011-2012 | 338,187 | 100% | - | 15.565% |
| 2012-2013 | 331,752 | 100% | - | 16.236% |

See Page 59 for the Schedule of Funding Progress.

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability 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. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

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

| | |
|---|---|
| Valuation date | June 30, 2011 |
| Actuarial cost method | Entry age normal cost method |
| Amortization method | Level percent of payroll, open |
| Average remaining amortization period | 21 years as of the valuation date |
| Asset valuation method | 15 year smoothed market |
| Actuarial assumptions: | |
| Discount rate | 7.50% (net of administrative expenses) |
| Projected salary increase | 3.30% to 14.20% depending on age, service, and type of emplyment |
| Inflation | 2.75% |
| Payroll growth | 3.00% |
| Individual salary growth | A merit scale varying by duration of emplyment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% |

**(16) 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; natural disasters; and terrorism. The District has purchased various commercial and marine insurance policies to manage the potential liabilities that may occur from the previously named sources. At June 30, 2013, the District held the following commercial and marine insurance policies:

- Property loss is paid at the replacement cost for scheduled property to a combined total of $50 million per occurrence (with certain limits), subject to a $100,000 deductible per occurrence, except for $10,000 per occurrence for transit, mobile equipment, valuable papers, personal property, and accounts receivable.
- Boiler and machinery coverage for the replacement cost up to $50 million per occurrence, subject to a $50,000 deductible.
- General and marine liability coverage up to $1,000,000, per occurrence, and $3,000,000, general aggregate, for any one policy period subject to a $10,000 deductible.
- Liability coverage on District vehicles up to $1,000,000, with deductibles of $250/$250 as elected; deductibles of $250/$250 apply to hired automobiles.
- Public officials' liability coverage up to $10,000,000, each occurrence and in the aggregate, with a $100,000 deductible, subject to the terms, conditions and exclusions as provided in the insurance policy.
- Excess port liability coverage up to $150,000,000 per occurrence.
- Terrorism property coverage up to $20,000,000 per occurrence and in aggregate subject to a $100,000 deductible.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

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, 2013, 2012 and 2011, except for not renewing earthquake property coverage effective May 2010. 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, 2013, 2012 and 2011.

## (17) Governmental Accounting Standards Board Statements

### Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that has effective dates that may impact future financial presentations.

#### *Governmental Accounting Standards Board Statement No. 66*

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections—2013—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

#### *Governmental Accounting Standards Board Statement No. 68*

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision- useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

#### *Governmental Accounting Standards Board Statement No. 69*

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations.* The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

#### *Governmental Accounting Standards Board Statement No. 70*

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non- exchange Guarantees.* Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

### (18) Related Party Transactions

The District, which is governed by a five-member Board of Harbor Commissioners elected at large from within the geographical boundaries of the District, derives its principal source of revenues from cargo activity under tariffs and contracts with Port customers. Two of the five current members of the Board of Harbor Commissioners are frequently employed by various stevedoring companies, which in turn contract with various customers of the District for labor services at the Port. For the fiscal years ended June 30, 2013 and 2012, the amount of District revenues derived from these various customers and stevedoring companies was approximately $11,034,385 and $9,996,486, respectively.

### (19) Commitments

#### *Operating Leases Receivable*

The District leases a portion of its land and facilities to others. The majority of these leases provide for cancellation on thirty days notice by either party and for retention of ownership by the District. These lease agreements generally are subject to periodic inflationary escalation of base amounts due to the District and adjustments for increases in terminal space. As of June 30, 2013, minimum lease rental payments receivable under operating leases that have initial or remaining non-cancelable lease terms in excess of one-year are as follows:

| Fiscal year | | Amount |
|---|---|---|
| 2014 | $ | 828,434 |
| 2015 | | 757,726 |
| 2016 | | 565,801 |
| 2017 | | 589,324 |
| 2018 | | 464,593 |
| Remaining | | 21,829 |
| Total | $ | 3,227,707 |

#### *Long-Term Revenue Sharing Contracts with Customers*

The District has contractual agreements with major customers which offer annual revenue sharing incentives based upon cargo activity. Some of these customers guarantee the District minimum revenue as defined.

#### *Contracts with the City of Port Hueneme*

Pursuant to an agreement dated October 20, 1983, the District compensates the City of Port Hueneme (City) for certain services provided by the City to the District. Compensation is based on 3.33% of the District's gross operating revenues. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $388,689 and $348,957, respectively.

Pursuant to an agreement dated March 18, 1987, the District compensates the City to mitigate the environmental impacts of the District's Wharf 2 project. Compensation is based on 1.67% of the District's gross operating revenues. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $201,241 and $175,152, respectively.

## (19) Commitments, continued

### *Contracts with the City of Port Hueneme, continued*

Additionally, the District compensates the City a cost per unit of $2.75 for the first 50,000 automobiles and an additional $ 0.77 for each automobile over 50,000 less a credit back to the District of $1.00 for each automobile convoyed on the City's streets. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $342,222 and $294,013, respectively

**Pursuant to the Memorandum of Understanding** (MOU) between the City, Port Hueneme Surplus Property Authority, and the District dated December 21, 1995, for the acquisition and use of the Naval Civil Engineering Laboratory (NCEL) property, the District compensates the City. Compensation is based on the District's gross operating revenues. Amounts allocated to the City for the fiscal years ended June 30, 2013 and 2012, totaled $271,140 and $209,760, respectively.

### *Navy Joint Use Agreement*

In 2002, the District entered into a fifteen-year agreement with the Navy that provides for joint use of the Navy's Wharf 3 and associated real property comprising up to 25 acres of the Naval Base Ventura County. The District has the ability to use this property for loading, unloading and the storage of vehicles and cargo in a manner consistent with Navy operations. As consideration for the District's use of Wharf 3 and associated real property, the District pays 39.5% of the tariff revenue attributable to District use to the Navy.

The Navy joint use agreement includes three five-year options to extend the term. As of June 30, 2013, the amount payable to the Navy for long-term maintenance of Wharf 3 and associated real property is $808,748.

## (20) Contingencies

### *Grant Awards*

Grant funds received by the District are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

### *Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

## (21) Subsequent Events

Events occurring after June 30, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2013, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# Required Supplementary Information

## Schedule of Funding Status

**For the Fiscal Years Ended June 30, 2013 and 2012**

### (1) Defined Benefit Pension Plan

| Development of the Actuarial Value of Assets Calculation in a Risk Pool | | | |
|---|---|---|---|
| The District is part of the CalPERS Miscellaneous 2.5% at 55 yrs. Risk Pool | June 30, 2011 | June 30, 2012 | June 30, 2013 |
| 1. Plan's accrued liability | $ 13,118,753 | - | - |
| 2. Plan's side fund | (570,654) | - | - |
| 3. Pool's accrued liability | 2,135,350,204 | - | - |
| 4. Pool's side fund | (117,829,589) | - | - |
| 5. Pool's actuarial value of assets (AVA) including receivables | 1,724,200,585 | - | - |
| 6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5] | 10,723,776 | - | - |
| 7. Pool's market value of assets (MVA) including receivables | 1,543,100,350 | - | - |
| 8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7] | 9,597,412 | - | - |

### *Funding History*

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

| Actuarial Valuation Date | | Actuarial Accrued Liability (a) | Actuarial Value of Assets (AVA) (b) | Market Value of Assets (MVA) (c) | Funded Ratio AVA (b/a) | Funded Ratio MVA (c/a) | | Annual Covered Payroll |
|---|---|---|---|---|---|---|---|---|
| June 30, 2011 | $ | 13,118,753 | 10,723,776 | 9,597,412 | 81.74% | 73.16% | $ | 2,331,588 |
| June 30, 2012 | * | - | - | - | 0.00% | 0.00% | | - |
| June 30, 2013 | * | - | - | - | 0.00% | 0.00% | | - |

* CalPERS has not provided the information for these periods as of the date of the audit report.

### (2) Other Post-Employment Benefits Payable

| Actuarial Valuation Date | | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|---|---|
| July 1, 2010 | $ | - | 8,622,114 | 8,622,114 | 0.00% | $ | 2,463,568 | 349.98% |
| July 1, 2007 | $ | - | 7,141,813 | 7,141,813 | 0.00% | $ | 2,506,464 | 284.94% |

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2014 based on the year ending June 30, 2013.

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# Supplemental Information

## Oxnard Harbor District

### *Schedule of Operating Expenses*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | | 2013 | 2012 |
|---|---|---|---|
| Salaries and benefits: | | | |
| Commisioner salaries | $ | 36,000 | 36,000 |
| Administrative salaries | | 759,583 | 661,643 |
| Maintenance salaries | | 612,960 | 576,051 |
| Operations salaries | | 822,988 | 796,031 |
| Temporary employee salaries | | 26,727 | 908 |
| Sick leave | | 97,270 | 71,276 |
| Vacation | | 184,249 | 148,961 |
| Payroll taxes | | 193,832 | 175,960 |
| Workers' compensation | | 197,460 | 98,125 |
| Insurance: | | | |
| Dental | | 36,447 | 37,363 |
| HRA | | 19,778 | 18,492 |
| Life | | 35,174 | 30,480 |
| Medical | | 355,357 | 311,446 |
| Vision | | 11,066 | 11,127 |
| PERS Pension contributions – employeer | | 331,752 | 338,187 |
| PERS Pension contributions – employee | | 180,026 | 170,307 |
| Post-employment benefits | | 934,586 | 808,143 |
| Employee recruitment | | 5,523 | 34,005 |
| Employee relations | | 15,026 | 6,077 |
| Employee training and uniforms | | 12,671 | 7,698 |
| Total salaries and benefits | | 4,868,475 | 4,338,280 |
| Governmental contractual agreements: | | | |
| 1983 Contract | | 388,689 | 348,957 |
| 1987 Contract | | 201,241 | 175,152 |
| 1995 Memorandum of understanding | | 271,140 | 209,760 |
| Contracts – automobiles | | 342,222 | 294,013 |
| City of Oxnard – property tax in-lieu fees | | - | (5,854) |
| Ventura County Fire District | | 2,000 | 10,000 |
| Ventura County LAFCO | | 8,287 | 7,881 |
| Total governmental contractual agreements | | 1,213,579 | 1,039,909 |
| Security: | | | |
| Guards and traffic control | | 215,405 | 208,390 |
| Security plan and equipment | | 242 | 10,361 |
| Total security | $ | 215,647 | 218,751 |

Continued on next page

## Oxnard Harbor District

## *Schedule of Operating Expenses*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | | 2013 | 2012 |
|---|---|---|---|
| Facilities and maintenance: | | | |
| Gas and oil | $ | 16,770 | 15,968 |
| Repair and maintenance | | 83,417 | 47,913 |
| Supplies | | 106,856 | 46,158 |
| Supplies – computer | | 2,812 | 1,480 |
| Computer access fees | | 17,455 | 3,498 |
| Safety supplies | | 10,777 | 2,605 |
| Miscellaneous | | 3,733 | 4,336 |
| Utilities: | | | |
| Water and sewer | | 155,991 | 118,259 |
| Electricity | | 206,542 | 182,746 |
| Telephone | | 28,802 | 19,464 |
| Natural gas | | 517 | 359 |
| Trash disposal | | 15,972 | 14,826 |
| Hazardous waste disposal | | - | - |
| Equipment rental | | 5,446 | 8,347 |
| Total facilities and maintenance | | 655,090 | 465,959 |
| Professional and legal: | | | |
| Professional fees | | 504,013 | 299,141 |
| Legal services | | 156,150 | 75,078 |
| Total professional and legal | | 660,163 | 374,219 |
| Materials and services: | | | |
| Business meeting expense | | 7,159 | 6,467 |
| Publications and subscriptions | | 1,426 | 967 |
| Publications - legal notices | | 120 | 120 |
| Permits and licenses | | 3,958 | 3,689 |
| Postage | | 4,850 | 2,974 |
| Total materials and services | | 17,513 | 14,217 |
| Port promotions: | | | |
| Advertising | | 73,560 | 35,407 |
| Trade relations | | 144,263 | 86,505 |
| Memberships and dues | | 72,460 | 75,835 |
| Travel | | 34,064 | 36,663 |
| Total port promotions | | 324,347 | 234,410 |
| Insurance: | | | |
| General liability | | 76,778 | 77,456 |
| Property | | 171,760 | 200,874 |
| Other | | 5,180 | 1,654 |
| Total insurance | | 253,718 | 279,984 |
| Total operating expenses | $ | 8,208,532 | 6,965,729 |

# Oxnard Harbor District

## *Schedule of Non-Operating Revenues and Expenses*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | | 2013 | 2012 |
|---|---|---|---|
| Non-operating income: | | | |
| Finance charges | $ | 2,353 | 1,698 |
| Refunds from prior years | | 94,344 | 688 |
| Rebate | | 10,000 | - |
| Department of Fish and Game reimbursement | | 10,000 | - |
| Special Event – Banana Festival – sponsorship and recepits | | 40,580 | - |
| Scrap recycling | | 3,280 | - |
| Miscellaneous receipts | | 1,602 | - |
| Total other income | | 162,159 | 2,386 |
| Non-operating expense: | | | |
| Bank and trust fees | | 3,624 | 6,488 |
| Election expense | | 37,482 | 744 |
| Special Event – Banana Festival – expenses | | 53,534 | - |
| Office rehabilitation expense | | 10,073 | - |
| Total other expense | | 104,713 | 7,232 |
| Total other revenue(expense), net | $ | 57,446 | (4,846) |

## Oxnard Harbor District

### *Schedule of Debt Service Net Revenues Coverage Ratio*

**For the Fiscal Years Ended June 30, 2013 and 2012**

| | | 2013 | 2012 |
|---|---|---|---|
| Total revenues: | | | |
| Total operating revenues | $ | 13,308,768 | 12,050,478 |
| Total non-operating revenues: | | | |
| Investment earnings | | 16,799 | 24,500 |
| Amortization of deferred resources inflows/(outflows) | | 24,302 | 10,126 |
| Change in membership in Ventura County Railway Co., LLC | | 204,873 | 133,256 |
| Other revenue(expense), net | | 57,446 | (4,846) |
| Add back noncash items: | | | |
| Unrealized (gains)losses on invesntments, net | | 518 | 654 |
| Amortization of deferred resources inflows/(outflows) | | (24,302) | (10,126) |
| Total non-operating revenues adjusted for noncash items | | 279,636 | 153,564 |
| Total revenues | | 13,588,404 | 12,204,042 |
| Total expenses: | | | |
| Total operating expenses | | 8,208,532 | 6,965,729 |
| Less noncash items: | | | |
| Other post-employment benefits noncash accrued liability increase | | (689,575) | (600,000) |
| Total operating expenses adjusted for noncash items | | 7,518,957 | 6,365,729 |
| Total non-operating expenses | | 1,778,062 | 2,047,829 |
| Less debt service and noncash items: | | | |
| Interest expense – long-term debt | | (1,109,151) | (1,445,915) |
| Amortization of deferred charges | | (668,911) | (60,979) |
| CalPERS side-fund | | - | (540,935) |
| Total non-operating expenses adjusted for debt service & noncash items | | - | - |
| Total expenses | | 7,518,957 | 6,365,729 |
| Net revenues avaliable for debt service | $ | **6,069,447** | **5,838,313** |
| Debt service for the fiscal year | $ | **2,849,431** | **1,453,098** |
| Debt service net revenues coverage ratio | | **213.01%** | **401.78%** |

# Statistical Information Section

*Oxnard Harbor District*

# Statistical Section

The Statistical Section provides ten-year trends of detailed information as a context for understanding the financial statements, note disclosures, and the required supplementary information. The information is presented in these categories:

The Port
OF HUENEME
Oxnard Harbor District

## Table of Contents


**Page No.**

***Financial Trends*** 66-69

These schedules contain the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position trend information to help the reader understand how the District's financial performance has changed over time.

***Debt Capacity*** 70-71

This schedule presents information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt.

***Operating Information*** 72-77

These schedules present information to help the reader understand the District's customers, operations and activities.

***Staffing Information*** 78-79

These schedules offer demographic information to help the reader understand the staffing structure and other data within which the District's operates.


**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years. The District implemented GASB No. 34 in the fiscal year ended June 30, 2004.

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*Port of Hueneme*

# OXNARD HARBOR DISTRICT

## Statement of Net Assets - Fiscal Years Ended June 30, 2004 through 2013

| FISCAL YEAR ENDED: | 2004 | 2005 | 2006 | 2007 (2) | 2008 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets:** | | | | | |
| Cash and cash equivalents | $ 765,795 | $ 8,917,956 | $ 9,127,619 | $ 9,558,027 | $ 8,503,174 |
| Restricted - cash and cash equivalents | 6,168,787 | 1,145,491 | 1,080,847 | 3,588,822 | 2,471,959 |
| Accrued interest receivable | 33,371 | 56,523 | 113,291 | 157,877 | 96,214 |
| Restricted - accrued interest receivable | 24,155 | 50,675 | 69,100 | 81,793 | 54,467 |
| Accounts receivable- harbor operations, net | 1,548,466 | 2,060,858 | 1,737,085 | 1,616,640 | 1,571,370 |
| Grants receivable | - | - | - | - | - |
| Accounts receivable- other | - | - | - | - | 146,600 |
| Prepaid expenses and other assets | 520,070 | 522,849 | 640,375 | 762,489 | 760,662 |
| **Total current assets** | $ 9,060,644 | $ 12,754,352 | $ 12,768,317 | $ 15,765,648 | $ 13,604,446 |
| **Non-current Assets:** | | | | | |
| Investments | $ 7,750,676 | $ 903,281 | $ 3,381,128 | $ 4,168,142 | $ 1,919,690 |
| Restricted - investments | 11,316,370 | 8,995,226 | 9,454,422 | 9,028,645 | 6,237,126 |
| Deposit - City of Port Hueneme | 127,458 | 105,311 | 83,171 | 61,031 | 38,891 |
| World Trade Center license | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 |
| Membership in Ventura County Railway Co., LLC | - | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Deferred charges, net | 978,663 | 878,103 | 778,924 | 684,557 | 592,956 |
| Capital assets, not being depreciated | 15,347,263 | 14,240,756 | 14,450,484 | 14,858,035 | 20,470,570 |
| Depreciable capital assets, net | 43,617,347 | 47,492,987 | 45,345,032 | 43,151,122 | 45,569,963 |
| **Total non-current assets** | $ 79,188,777 | $ 74,666,664 | $ 75,544,161 | $ 74,002,532 | $ 76,880,196 |
| **Total assets** | $ 88,249,421 | $ 87,421,016 | $ 88,312,478 | $ 89,768,180 | $ 90,484,642 |
| **Deferred outflows of resources:** | | | | | |
| Discounts on revenue bonds, net | | | | | |
| Deferred loss on refunding of revenue bonds,net | | | | | |
| **Total deferred outflows of resources** | $ - | $ - | $ - | $ - | $ - |
| **Total assets and deferred outflows of resources** | $ 88,249,421 | $ 87,421,016 | $ 88,312,478 | $ 89,768,180 | $ 90,484,642 |
| **Liabilities and Net Assets** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued expenses | $ 2,690,681 | $ 603,182 | $ 503,817 | $ 315,729 | $ 544,746 |
| Accrued revenue sharing payables | 938,946 | 1,445,596 | 1,656,259 | 1,984,297 | 2,152,038 |
| Accrued salaries and benefits (1) | - | 119,484 | 58,918 | 85,738 | 88,848 |
| Customer deposits and deferred revenue | 67,142 | 64,599 | 73,454 | 70,416 | 80,760 |
| Accrued interest payable | 594,522 | 811,452 | 792,073 | 766,224 | 738,739 |
| Long-term liabilities- due within one year: | | | | | |
| Compensated absences (1) | - | 229,865 | 276,625 | 108,977 | 120,333 |
| Pension-related debt | - | - | - | - | - |
| Revenue bonds payable | 1,330,000 | 1,160,000 | 1,335,000 | 1,395,000 | 1,460,000 |
| **Total current liabilities** | $ 5,621,291 | $ 4,434,178 | $ 4,696,146 | $ 4,726,381 | $ 5,185,464 |
| **Non-current liabilities:** | | | | | |
| Compensated absences (1) | $ - | $ - | $ - | $ 326,930 | $ 360,995 |
| Other post-employment benefits payable | - | 25,000 | 25,000 | 25,000 | 483,997 |
| Pension-related debt | - | - | - | - | - |
| Revenue bonds payable | 35,719,995 | 34,560,000 | 33,225,000 | 31,830,000 | 30,370,000 |
| **Total non-current liabilities** | $ 35,719,995 | $ 34,585,000 | $ 33,250,000 | $ 32,181,930 | $ 31,214,992 |
| **Total liabilities** | $ 41,341,286 | $ 39,019,178 | $ 37,946,146 | $ 36,908,311 | $ 36,400,456 |
| **Deferred inflows of resources:** | | | | | |
| Premium on revenue bonds, net | | | | | |
| **Total deferred inflows of resources** | $ - | $ - | $ - | $ - | $ - |
| **Net position:** | | | | | |
| Net investment in capital assets | $ 33,355,809 | $ 31,169,955 | $ 30,567,905 | $ 25,468,714 | $ 34,803,489 |
| Retsricted for construction projects | 6,040,747 | 4,987,310 | 5,246,005 | 11,933,036 | 8,024,813 |
| Retsricted for debt service | - | - | - | - | - |
| Unrestricted | 7,511,579 | 12,244,573 | 14,552,422 | 15,458,119 | 11,255,884 |
| **Total net assets** | $ 46,908,135 | $ 48,401,838 | $ 50,366,332 | $ 52,859,869 | $ 54,084,186 |
| **Total liabilities, deferred inflows of resources and net position** | $ 88,249,421 | $ 87,421,016 | $ 88,312,478 | $ 89,768,180 | $ 90,484,642 |

**Source:** OXNARD HARBOR DISTRICT - Finance Department

## *Port of Hueneme*

# OXNARD HARBOR DISTRICT

### Statement of Net Assets - Fiscal Years Ended June 30, 2004 through 2013 *(Continued)*

| FISCAL YEAR ENDED: | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets:** | | | | | |
| Cash and cash equivalents | $ 3,903,178 | $ 7,673,824 | $ 6,388,401 | $ 10,014,964 | $ 10,509,572 |
| Restricted - cash and cash equivalents | 1,817,090 | 1,361,742 | 6,158,441 | 6,735,696 | 5,942,034 |
| Accrued interest receivable | 19,533 | 7,117 | 7,871 | 5,650 | 5,230 |
| Restricted - accrued interest receivable | 54,836 | 1,959 | 539 | 4 | 6 |
| Accounts receivable- harbor operations, net | 1,080,349 | 1,069,836 | 929,485 | 1,165,491 | 1,497,156 |
| Grants receivable | 471,387 | 209,865 | 177,156 | 692,828 | 2,700,651 |
| Accounts receivable- other | 86,087 | 98,727 | 553 | 3,819 | 403 |
| Prepaid expenses and other assets | 746,497 | 400,038 | 401,322 | 333,885 | 452,095 |
| **Total current assets** | $ 8,178,957 | $ 10,823,108 | $ 14,063,768 | $ 18,952,337 | $ 21,107,147 |
| **Non-current Assets:** | | | | | |
| Investments | $ 848,625 | $ 1,058,337 | $ - | $ - | |
| Restricted - investments | 6,701,367 | 6,593,528 | 1,724,301 | - | |
| Deposit - City of Port Hueneme | 16,751 | - | - | - | |
| World Trade Center license | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 |
| Membership in Ventura County Railway Co., LLC | 2,000,000 | 2,000,000 | 3,370,774 | 3,504,030 | 3,708,903 |
| Deferred charges, net | 508,890 | 426,014 | 354,609 | 668,911 | |
| Capital assets, not being depreciated | 25,347,271 | 16,505,025 | 16,035,391 | 19,117,769 | 18,457,005 |
| Depreciable capital assets, net | 43,213,784 | 49,504,771 | 47,149,248 | 45,928,476 | 51,982,771 |
| **Total non-current assets** | $ 78,687,688 | $ 76,138,675 | $ 68,685,323 | $ 69,270,186 | $ 74,199,679 |
| **Total assets** | $ 86,866,645 | $ 86,961,783 | $ 82,749,091 | $ 88,222,523 | $ 95,306,826 |
| **Deferred outflows of resources:** | | | | | |
| Discounts on revenue bonds, net | | | | $ 129,050 | $ 118,370 |
| Deferred loss on refunding of revenue bonds,net | | | | $ 202,517 | $ 185,757 |
| **Total deferred outflows of resources** | $ - | $ - | $ - | $ 331,567 | $ 304,127 |
| **Total assets and deferred outflows of resources** | $ 86,866,645 | $ 86,961,783 | $ 82,749,091 | $ 88,554,090 | $ 95,610,953 |
| **Liabilities and Net Assets** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued expenses | $ 379,513 | $ 411,411 | $ 358,544 | $ 1,053,379 | $ 1,934,768 |
| Accrued revenue sharing payables | 1,379,682 | 846,597 | 698,404 | 927,061 | 1,068,787 |
| Accrued salaries and benefits (1) | 97,675 | 84,528 | 110,431 | 116,149 | 123,788 |
| Customer deposits and deferred revenue | 79,506 | 85,302 | 81,401 | 119,350 | 86,455 |
| Accrued interest payable | 678,437 | 678,437 | 597,919 | 590,736 | 450,456 |
| Long-term liabilities- due within one year: | | | | | |
| Compensated absences (1) | 131,900 | 144,264 | 144,100 | 122,500 | 117,625 |
| Pension-related debt | - | - | - | 35,689 | 40,583 |
| Revenue bonds payable | - | 1,605,000 | - | 1,600,000 | 1,870,000 |
| **Total current liabilities** | $ 2,746,713 | $ 3,855,539 | $ 1,990,799 | $ 4,564,864 | $ 5,692,462 |
| **Non-current liabilities:** | | | | | |
| Compensated absences (1) | $ 395,900 | $ 432,793 | $ 432,300 | $ 367,600 | $ 352,875 |
| Other post-employment benefits payable | 1,037,973 | 1,615,037 | 2,160,425 | 2,760,425 | 3,450,000 |
| Pension-related debt | - | - | - | 505,246 | 464,663 |
| Revenue bonds payable | 28,840,000 | 27,235,000 | 25,545,000 | 23,090,000 | 21,220,000 |
| **Total non-current liabilities** | $ 30,273,873 | $ 29,282,830 | $ 28,137,725 | $ 26,723,271 | $ 25,487,538 |
| **Total liabilities** | $ 33,020,586 | $ 33,138,369 | $ 30,128,524 | $ 31,288,135 | $ 31,180,000 |
| **Deferred inflows of resources:** | | | | | |
| Premium on revenue bonds, net | | | | $ 418,243 | $ 366,501 |
| **Total deferred inflows of resources** | $ - | $ - | $ - | $ 418,243 | $ 366,501 |
| **Net position:** | | | | | |
| Net investment in capital assets | $ 39,721,055 | $ 37,169,796 | $ 37,639,639 | $ 40,269,569 | $ 47,287,402 |
| Retsricted for construction projects | 7,894,856 | 7,278,792 | 1,762,412 | 1,957,770 | 990,309 |
| Retsricted for debt service | - | - | 5,522,950 | 4,187,194 | 4,501,275 |
| Unrestricted | 6,230,148 | 9,374,826 | 7,695,566 | 10,433,179 | 11,285,466 |
| **Total net assets** | $ 53,846,059 | $ 53,823,414 | $ 52,620,567 | $ 56,847,712 | $ 64,064,452 |
| **Total liabilities, deferred inflows of resources and net position** | $ 86,866,645 | $ 86,961,783 | $ 82,749,091 | $ 88,554,090 | $ 95,610,953 |

*(1) Fiscal Years 2002-2006 grouped certain liabilities differently.*

*(2) Fiscal Year 2007 forward, line item format changed regarding restricted assets*

# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

### Summary of Revenues, Expenses, and Change in Net Assets
### Fiscal Years Ended June 30, 2004 through 2013

| FISCAL YEAR ENDED: | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | |
| Auto Cargo | $ 5,422,761 | $ 6,637,365 | $ 7,197,719 | $ 6,667,719 | $ 6,524,468 |
| Fresh Produce Cargo | 1,437,856 | 2,265,508 | 2,506,809 | 2,847,993 | 2,852,238 |
| Offshore Oil | 650,848 | 689,749 | 671,861 | 660,867 | 611,043 |
| Property Management | 1,001,109 | 1,020,787 | 957,764 | 935,028 | 1,109,826 |
| Other | 734,152 | 774,724 | 575,049 | 565,922 | 540,318 |
| **Total** | $ 9,246,726 | $ 11,388,133 | $ 11,909,202 | $ 11,677,529 | $ 11,637,893 |
| **Operating Expenses:** | | | | | |
| Salaries & Benefits | $ 3,038,224 | $ 3,258,690 | $ 3,535,436 | $ 3,805,813 | $ 4,108,050 |
| Governmental Contractual Agreements | 956,556 | 975,086 | 1,152,778 | 1,233,960 | 1,307,298 |
| Security | 110,930 | 113,450 | 110,854 | 123,953 | 128,153 |
| Facilities and Maintenance | 626,956 | 898,461 | 792,797 | 676,649 | 730,952 |
| Professional and Legal | 173,385 | 423,938 | 499,690 | 268,206 | 273,097 |
| Materials and Services | 113,491 | 99,231 | 95,812 | 86,835 | 84,972 |
| Port Promotion | 291,046 | 305,874 | 369,693 | 355,907 | 310,561 |
| Insurance | 466,604 | 434,220 | 462,178 | 568,208 | 696,754 |
| **Total** | $ 5,777,192 | $ 6,508,950 | $ 7,019,238 | $ 7,119,531 | $ 7,639,837 |
| **Operating Profit ( Loss) before depreciation:** | $ 3,469,534 | $ 4,879,183 | $ 4,889,964 | $ 4,557,998 | $ 3,998,056 |
| Depreciation Expense | $ 2,174,964 | $ 2,217,297 | $ 2,463,964 | $ 2,475,816 | $ 2,632,521 |
| **Net Operating Profit (Loss)** | $ 1,294,570 | $ 2,661,886 | $ 2,426,000 | $ 2,082,182 | $ 1,365,535 |
| **Nonoperating Income (Expense) and Capital Contributions:** | | | | | |
| Investment earnings | $ 118,769 | $ 418,648 | $ 769,969 | $ 1,115,429 | $ 897,862 |
| Interest expense – long-term debt | (1,193,129) | (1,734,013) | (1,904,851) | (1,837,583) | (1,648,562) |
| Amortization of deferred charges | (75,899) | (103,279) | (98,577) | (94,367) | (91,601) |
| CalPERS side-fund | - | - | - | - | - |
| Loss on discontiuance of deep draft navigation project | - | - | - | - | - |
| Change in membership in Ventura County Railway Co, LLC | - | - | - | - | - |
| Other revenue, net | 129,694 | (12,432) | 549,573 | 624,361 | 414,208 |
| Net Contributed Capital/Grants | - | 262,893 | 222,380 | 603,515 | 286,875 |
| **Net Nonoperating Income (Expense) and Capital Contributions** | $ (1,020,565) | $ (1,168,183) | $ (461,506) | $ 411,355 | $ (141,218) |
| **Change in Net Assets** | $ 274,005 | $ 1,493,703 | $ 1,964,494 | $ 2,493,537 | $ 1,224,317 |
| Investment in capital assets, net of related debt | $ 33,355,809 | $ 31,169,955 | $ 30,567,905 | $ 25,468,714 | $ 34,803,489 |
| Restricted for construction projects and debt service | 6,040,747 | 4,987,310 | 5,246,005 | 11,933,036 | 8,024,813 |
| Unrestricted | 7,511,579 | 12,244,573 | 14,552,422 | 15,458,119 | 11,255,884 |
| **Net assets, end of year** | $ 46,908,135 | $ 48,401,838 | $ 50,366,332 | $ 52,859,869 | $ 54,084,186 |

**Source:** OXNARD HARBOR DISTRICT - Finance Department

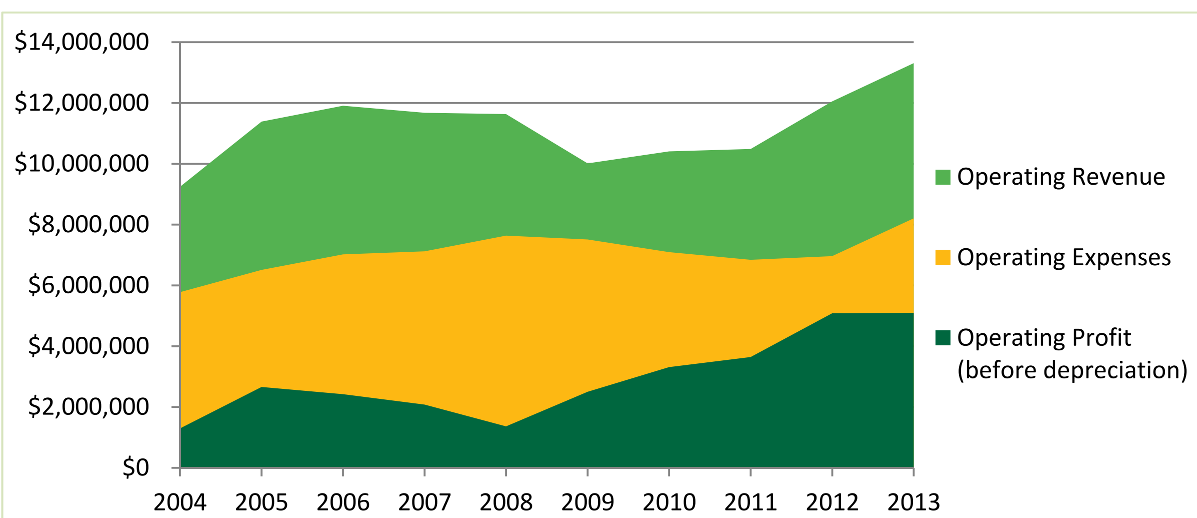
# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Summary of Revenues, Expenses, and Change in Net Assets *(Continued)***

**Fiscal Years Ended June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | |
| Auto Cargo | $ *4,141,894* | $ 5,067,786 | $ 5,553,797 | $ 6,589,395 | $ 7,323,391 |
| Fresh Produce Cargo | *3,454,636* | 2,986,912 | 2,731,854 | 2,909,571 | 3,148,189 |
| Offshore Oil | 688,031 | 716,410 | 616,907 | 651,839 | 634,909 |
| Property Management | 1,343,297 | 1,142,746 | 1,177,109 | 1,398,892 | 1,530,793 |
| Other | *387,474* | 494,388 | 408,195 | 500,781 | 671,486 |
| **Total** | $ 10,015,332 | $ 10,408,242 | $ 10,487,862 | $ 12,050,478 | $ 13,308,768 |
| | | | | | |
| **Operating Expenses:** | | | | | |
| Salaries & Benefits | $ 4,292,580 | $ 4,317,130 | $ 4,292,829 | $ 4,338,280 | $ 4,868,475 |
| Governmental Contractual Agreements | 1,081,298 | 956,572 | 1,043,463 | 1,039,909 | 1,213,579 |
| Security | 209,259 | 213,543 | 208,777 | 218,751 | 215,647 |
| Facilities and Maintenance | 553,292 | 446,626 | 463,166 | 465,959 | 655,090 |
| Professional and Legal | 316,492 | 286,206 | 279,996 | 374,219 | 660,163 |
| Materials and Services | 19,371 | 12,427 | 12,837 | 14,217 | 17,513 |
| Port Promotion | 280,374 | 162,106 | 192,122 | 234,410 | 324,347 |
| Insurance | 758,021 | 698,365 | 347,234 | 279,984 | 253,718 |
| **Total** | $ 7,510,687 | $ 7,092,975 | $ 6,840,424 | $ 6,965,729 | $ 8,208,532 |
| **Operating Profit ( Loss) before depreciation:** | $ 2,504,645 | $ 3,315,267 | $ 3,647,438 | $ 5,084,749 | $ 5,100,236 |
| | | | | | |
| Depreciation Expense | $ 2,701,143 | $ 3,087,810 | $ 3,010,045 | $ 2,978,656 | $ 2,943,094 |
| **Net Operating Profit (Loss)** | $ (196,498) | $ 227,457 | $ 637,393 | $ 2,106,093 | $ 2,157,142 |
| | | | | | |
| **Nonoperating Income (Expense) and Capital Contributions:** | | | | | |
| Investment earnings | $ 250,941 | $ 31,669 | $ 42,016 | $ 24,500 | $ 16,799 |
| Interest expense – long-term debt | (1,708,560) | (1,628,250) | (1,550,615) | (1,445,915) | (1,109,151) |
| Amortization of deferred charges | (84,066) | (82,876) | (71,405) | (50,853) | (644,609) |
| CalPERS side-fund | - | - | - | (540,935) | - |
| Loss on discontiuance of deep draft navigation project | - | - | (1,092,177) | - | |
| Change in membership in Ventura County Railway Co, LLC | - | - | 140,713 | 133,256 | 204,873 |
| Other revenue, net | 387,154 | 763,108 | (94,737) | (4,846) | 57,446 |
| Net Contributed Capital/Grants | 1,112,902 | 666,247 | 785,965 | 4,005,845 | |
| **Net Nonoperating Income (Expense) and Capital Contributions** | $ (41,629) | $ (250,102) | $ (1,840,240) | $ 2,121,052 | $ (1,474,642) |
| **Change in Net Assets** | $ (238,127) | $ (22,645) | $ (1,202,847) | $ 4,227,145 | $ 682,500 |
| | | | | | |
| Investment in capital assets, net of related debt | $ 39,721,055 | $ 37,169,796 | $ 37,639,639 | $ 40,269,569 | $ 47,287,402 |
| Restricted for construction projects and debt service | 7,894,856 | 7,278,792 | 7,285,362 | 6,144,964 | 5,491,584 |
| Unrestricted | 6,230,148 | 9,374,826 | 9,457,978 | 10,433,179 | 11,285,466 |
| **Net assets, end of year** | $ 53,846,059 | $ 53,823,414 | $ 54,382,979 | $ 56,847,712 | $ 64,064,452 |



# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Revenue Bond Coverage**
**Fiscal Years Ended June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| **Gross Revenues** (1) | $ 9,495,189 | $ 11,908,435 | $ 13,228,744 | $ 13,417,319 | $ 12,949,963 |
| **Operating Expenses** (2) | 5,777,192 | 6,508,950 | 7,019,238 | 7,119,531 | 6,978,533 |
| **Net Revenue Available for Debt Service** | $ 3,717,997 | $ 5,399,485 | $ 6,209,506 | $ 6,297,788 | $ 5,971,430 |
| **Debt Service Requirements:** (3) | | | | | |
| Principal | $ 1,240,000 | $ 1,330,000 | $ 1,160,000 | $ 1,335,000 | $ 1,395,000 |
| Interest | 1,337,555 | 1,745,225 | 1,924,230 | 1,869,955 | 1,805,954 |
| **Totals:** | $ 2,577,555 | $ 3,075,225 | $ 3,084,230 | $ 3,204,955 | $ 3,200,954 |
| **Debt Ratio Coverage** | 144.25% | 175.58% | 201.33% | 196.50% | 186.55% |
| **Debt Covenant Requirement** | 125.00% | 125.00% | 125.00% | 125.00% | 125.00% |
| **OVER (UNDER)** | 19.25% | 50.58% | 76.33% | 71.50% | 61.55% |

All of the revenue bond issues are secured by a lien on and pledge of net revenues of the District and contain certain covenants. One of the covenants requires the District to maintain a minimum debt service coverage ratio of 125%. The debt service coverage ratio is the ratio of net revenues (as defined in the bond trust agreement) to debt service payments. Net revenues as defined in the agreement were calculated as $6,069,447 and $5,838,313 for the years ended June 30, 2031 and 2012, respectively. The actual debt service coverage ratios were 213% and 402% for the years ended June 30, 2013 and 2012, respectively.

The District is in compliance with its bond covenants for fiscal year 2013; however, the District was not in compliance with its bond covenants (debt service net revenues coverage ratio) in fiscal year 2009, so the District initiated a defeasance of its fiscal year 2010 debt service principal payments.

The Long-Term Debt balance on Revenue Bonds as of June 30, 2013:

- Series 2011(A) - $15,880,000
- Series 2011(B) - $7,210,000

*NOTES:*

*(1) Total revenues include interest but exclude the contributed capital and grant funds that were generated by donated property (GASB 33).*
*(2) Total operating expenses exclusive of depreciation, OPEB accrual and debt service interest expense.*
*(3) Includes principal and interest of revenue bonds only.*

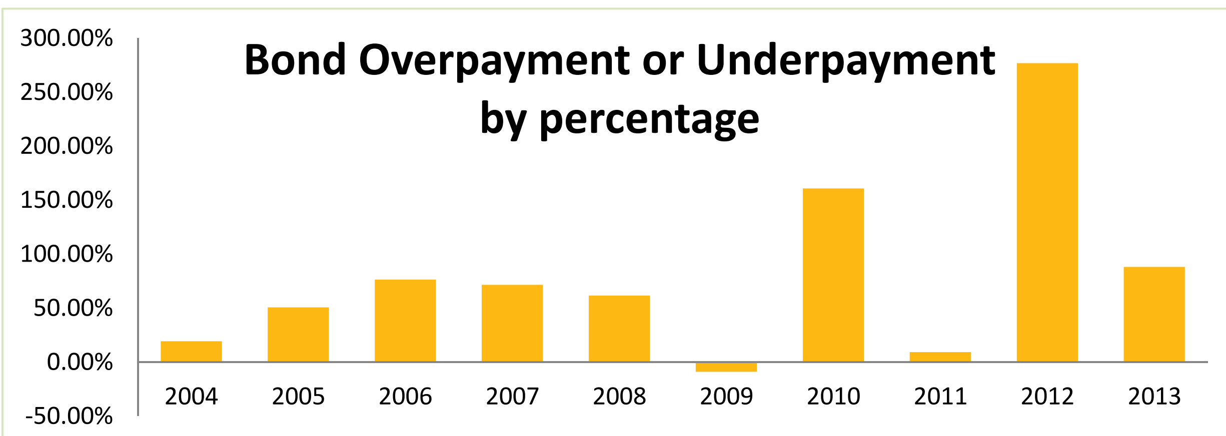
**Source:** OXNARD HARBOR DISTRICT - Accounting and Maritime Operations Departments

# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Revenue Bond Coverage *(Continued)***
**Fiscal Years Ended June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Gross Revenues** (1) | $ 10,663,566 | $ 11,169,046 | $ 10,575,709 | $ 12,204,042 | $ 13,588,404 |
| **Operating Expenses** (2) | 6,956,711 | 6,515,911 | 6,295,036 | 6,365,729 | 7,518,957 |
| **Net Revenue Available for Debt Service** | $ 3,706,855 | $ 4,653,135 | $ 4,280,673 | $ 5,838,313 | $ 6,069,447 |
| **Debt Service Requirements:** (3) | | | | | |
| **Principal** | $ 1,460,000 | $ - | $ 1,640,289 | $ - | $ 1,740,280 |
| **Interest** | 1,737,839 | 1,628,250 | 1,550,615 | $ 1,453,098 | 1,109,151 |
| **Totals:** | $ 3,197,839 | $ 1,628,250 | $ 3,190,904 | $ 1,453,098 | $ 2,849,431 |
| **Debt Ratio Coverage** | 115.92% | 285.78% | 134.15% | 401.78% | 213.01% |
| **Debt Covenant Requirement** | 125.00% | 125.00% | 125.00% | 125.00% | 125.00% |
| **OVER (UNDER)** | -9.08% | 160.78% | 9.15% | 276.78% | 88.01% |




# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

### LARGEST REVENUE CUSTOMERS (Net of Revenue Sharing)

### Last Ten Fiscal Years

| FISCAL YEAR ENDED: | | 2004 | |
|---|---|---|---|
| *CUSTOMER* | | | |
| 1 Wallenius Wilhelmsen Logistics, Inc. | $ | 1,766,188 | 15.5% |
| 2 NYK Cool USA, Inc. | | 1,266,250 | 11.1% |
| 3 Del Monte Fresh Produce W.A. Inc. | | 923,179 | 8.1% |
| 4 BMW of North America, LLC | | 903,373 | 7.9% |
| 5 Glovis America, Inc. | | 579,044 | 5.1% |
| 6 Carmichael International Services | | 400,828 | 3.5% |
| 7 YARA North America, Inc. | | 322,863 | 2.8% |
| 8 General Steamship Corp., LTD. | | 287,982 | 2.5% |
| 9 Mitsubishi Motor Sales of America | | 262,636 | 2.3% |
| 10 EXXON Co. USA | | 256,623 | 2.3% |
| Sub-total Top Ten | $ | 6,968,965 | 61.2% |
| All Other | | 2,277,761 | 38.8% |
| Total Revenue | $ | 9,246,726 | 100.0% |

| FISCAL YEAR ENDED: | | 2005 | |
|---|---|---|---|
| *CUSTOMER* | | | |
| 1 NYK Cool USA, Inc. | $ | 1,925,987 | 16.2% |
| 2 Wallenius Wilhelmsen Logistics, Inc. | | 1,733,159 | 14.6% |
| 3 BMW of North America, LLC | | 1,523,602 | 12.8% |
| 4 Glovis America, Inc. | | 1,436,055 | 12.1% |
| 5 Del Monte Fresh Produce W.A. Inc. | | 1,286,222 | 10.8% |
| 6 Carmichael International Services | | 377,307 | 3.2% |
| 7 YARA North America, Inc. | | 329,019 | 2.8% |
| 8 General Steamship Corp., LTD. | | 298,720 | 2.5% |
| 9 Mitsubishi Motor Sales of America | | 264,089 | 2.2% |
| 10 Mazda Motor of America, Inc. | | 260,483 | 2.2% |
| Sub-total Top Ten | $ | 9,434,642 | 79.2% |
| All Other | | 1,953,491 | 20.8% |
| Total Revenue | $ | 11,388,133 | 100.0% |

| FISCAL YEAR ENDED: | | 2006 | |
|---|---|---|---|
| *CUSTOMER* | | | |
| 1 NYK Cool USA, Inc. | $ | 2,045,291 | 17.5% |
| 2 BMW of North America, LLC | | 1,750,041 | 15.0% |
| 3 Wallenius Wilhelmsen Logistics, Inc. | | 1,737,861 | 14.9% |
| 4 Del Monte Fresh Produce W.A. Inc. | | 1,418,947 | 12.2% |
| 5 Glovis America, Inc. | | 679,535 | 5.8% |
| 6 Carmichael International Services | | 558,805 | 4.8% |
| 7 Global Auto Processing Services, Inc. | | 348,955 | 3.0% |
| 8 YARA North America, Inc. | | 346,886 | 3.0% |
| 9 Mazda Motor of America, Inc. | | 298,720 | 2.6% |
| 10 General Steamship Corp., LTD. | | 285,347 | 2.4% |
| Sub-total Top Ten | $ | 9,470,388 | 81.1% |
| All Other | | 2,438,814 | 18.9% |
| Total Revenue | $ | 11,909,202 | 100.0% |

| FISCAL YEAR ENDED: | | 2007 | |
|---|---|---|---|
| *CUSTOMER* | | | |
| 1 NYK Cool USA, Inc. | $ | 2,024,021 | 17.4% |
| 2 BMW of North America, LLC | | 1,813,305 | 15.6% |
| 3 Wallenius Wilhelmsen Logistics, Inc. | | 1,722,618 | 14.8% |
| 4 Del Monte Fresh Produce W.A. Inc. | | 1,681,429 | 14.4% |
| 5 Glovis America, Inc. | | 556,514 | 4.8% |
| 6 Mitsubishi Motor Sales of America | | 425,509 | 3.7% |
| 7 Carmichael International Services | | 397,850 | 3.4% |
| 8 YARA North America, Inc. | | 336,073 | 2.9% |
| 9 Pacific Vehicle Processors, Inc. | | 316,407 | 2.7% |
| 10 General Steamship Corp., LTD. | | 300,413 | 2.6% |
| Sub-total Top Ten | $ | 9,574,139 | 82.3% |
| All Other | | 2,103,390 | 17.7% |
| Total Revenue | $ | 11,677,529 | 100.0% |

| FISCAL YEAR ENDED: | | 2008 | |
|---|---|---|---|
| *CUSTOMER* | | | |
| 1 BMW of North America, LLC | $ | 1,985,501 | 19.8% |
| 2 NYK Cool USA, Inc. | | 1,699,977 | 17.0% |
| 3 Del Monte Fresh Produce W.A. Inc. | | 1,689,527 | 16.9% |
| 4 Wallenius Wilhelmsen Logistics, Inc. | | 1,458,474 | 14.6% |
| 5 Global Auto Processing Services, Inc. | | 1,434,711 | 14.3% |
| 6 Carmichael International Services | | 362,205 | 3.6% |
| 7 YARA North America, Inc. | | 359,988 | 3.6% |
| 8 Pacific Vehicle Processors, Inc. | | 309,901 | 3.1% |
| 9 Mitsubishi Motor Sales of America | | 303,653 | 3.0% |
| 10 General Steamship Corp., LTD. | | 301,583 | 3.0% |
| Sub-total Top Ten | $ | 9,905,520 | 98.9% |
| All Other | | 1,732,373 | 1.1% |
| Total Revenue | $ | 11,637,893 | 100.0% |

| FISCAL YEAR ENDED: | | 2009 | |
|---|---|---|---|
| *CUSTOMER* | | | |
| 1 Del Monte Fresh Produce W.A. Inc. | $ | 2,114,257 | 20.3% |
| 2 BMW of North America, LLC | | 1,557,140 | 15.0% |
| 3 NYK Cool USA, Inc. | | 1,129,521 | 10.9% |
| 4 Global Auto Processing Services, Inc. | | 1,088,942 | 10.5% |
| 5 Wallenius Wilhelmsen Logistics, Inc. | | 1,073,381 | 10.3% |
| 6 YARA North America, Inc. | | 352,026 | 3.4% |
| 7 Pacific Vehicle Processors, Inc. | | 351,924 | 3.4% |
| 8 EXXON Co. USA | | 312,261 | 3.0% |
| 9 General Steamship Corp., LTD. | | 295,870 | 2.8% |
| 10 DCOR, LLC | | 201,232 | 1.9% |
| Sub-total Top Ten | $ | 8,476,554 | 81.4% |
| All Other | | 1,538,778 | 18.6% |
| Total Revenue | $ | 10,015,332 | 100.0% |

**Source:** OXNARD HARBOR DISTRICT - Finance Department

Some Customers were acquired or changed their names over the 10 Year period.

# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

### LARGEST REVENUE CUSTOMERS (Net of Revenue Sharing) *(Continued)*

### Last Ten Fiscal Years

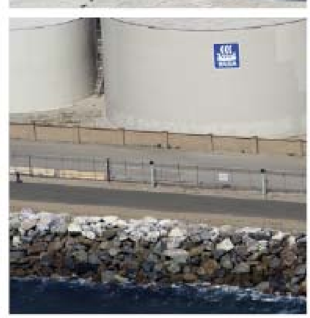
| | FISCAL YEAR ENDED: | 2010 | |
|---|---|---|---|
| | CUSTOMER | | |
| 1 | Del Monte Fresh Produce W.A. Inc. | $ 1,908,195 | 18.2% |
| 2 | Wallenius Wilhelmsen Logistics, Inc. | 1,871,353 | 17.8% |
| 3 | Global Auto Processing Services, Inc. | 1,711,578 | 16.3% |
| 4 | BMW of North America, LLC | 1,484,855 | 14.2% |
| 5 | NYK Cool USA, Inc. | 1,103,583 | 10.5% |
| 6 | YARA North America, Inc. | 447,008 | 4.3% |
| 7 | EXXON Co. USA | 302,297 | 2.9% |
| 8 | Marine Terminals Corp. (Ports America) | 228,522 | 2.2% |
| 9 | Plains Exploration & Prod Co. | 185,299 | 1.8% |
| 10 | American Civil Constructors | 175,607 | 1.7% |
| | Sub-total Top Ten | $ 9,418,297 | 89.8% |
| | All Other | 989,945 | 10.2% |
| | Total Revenue | $ 10,408,242 | 100.0% |

| | FISCAL YEAR ENDED: | 2011 | |
|---|---|---|---|
| | CUSTOMER | | |
| 1 | Wallenius Wilhelmsen Logistics, Inc. | $ 2,038,840 | 19.4% |
| 2 | BMW of North America, LLC | 1,794,757 | 17.1% |
| 3 | Del Monte Fresh Produce W.A. Inc. | 1,719,214 | 16.4% |
| 4 | Global Auto Processing Services, Inc. | 1,692,634 | 16.1% |
| 5 | NYK Cool USA, Inc. | 1,039,508 | 10.0% |
| 6 | YARA North America, Inc. | 439,461 | 4.2% |
| 7 | EXXON Co. USA | 315,930 | 3.0% |
| 8 | Marine Terminals Corp. (Ports America) | 264,122 | 2.5% |
| 9 | Irwin Holdings Company | 202,497 | 2.0% |
| 10 | Plains Exploration & Prod Co. | 199,980 | 1.9% |
| | Sub-total Top Ten | $ 9,706,943 | 92.6% |
| | All Other | 780,919 | 7.4% |
| | Total Revenue | $ 10,487,862 | 100.0% |

| | FISCAL YEAR ENDED: | 2012 | |
|---|---|---|---|
| | CUSTOMER | | |
| 1 | Wallenius Wilhelmsen Logistics, Inc. | $ 2,512,325 | 20.8% |
| 2 | Global Auto Processing Services, Inc. | 2,293,224 | 19.0% |
| 3 | Del Monte Fresh Produce W.A. Inc. | 1,722,532 | 14.3% |
| 4 | BMW of North America, LLC | 1,718,335 | 14.3% |
| 5 | NYK Cool USA, Inc. | 1,252,551 | 10.4% |
| 6 | YARA North America, Inc. | 497,521 | 4.1% |
| 7 | EXXON Co. USA | 357,966 | 3.0% |
| 8 | Marine Terminals Corp. (Ports America) | 266,362 | 2.2% |
| 9 | Irwin Holdings Company | 264,792 | 2.2% |
| 10 | Plains Exploration & Prod Co. | 224,518 | 1.9% |
| | Sub-total Top Ten | $ 11,110,126 | 92.2% |
| | All Other | 940,352 | 7.8% |
| | Total Revenue | $ 12,050,478 | 100.0% |

| | FISCAL YEAR ENDED: | 2013 | |
|---|---|---|---|
| | CUSTOMER | | |
| 1 | Wallenius Wilhelmsen Logistics, Inc. | $ 2,554,529 | 19.2% |
| 2 | BMW of North America, LLC | 2,363,418 | 17.8% |
| 3 | Global Auto Processing Services, Inc. | 2,291,347 | 17.2% |
| 4 | Del Monte Fresh Produce W.A. Inc. | 1,857,743 | 14.0% |
| 5 | NYK Cool USA, Inc. | 1,404,544 | 10.6% |
| 6 | YARA North America, Inc. | 559,804 | 4.2% |
| 7 | Marine Terminals Corp. (Ports America) | 395,843 | 3.0% |
| 8 | Channel Islands Logistics | 378,290 | 2.8% |
| 9 | Irwin Holdings Company | 295,524 | 2.2% |
| 10 | EXXON Co. USA | 327,302 | 2.5% |
| | Sub-total Top Ten | $ 12,428,344 | 93.5% |
| | All Other | 880,425 | 6.5% |
| | Total Revenue | $ 13,308,769 | 100.0% |



The Port of Hueneme
Oxnard Harbor District

# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Ten Year Trend – Cargo Revenue Tons**

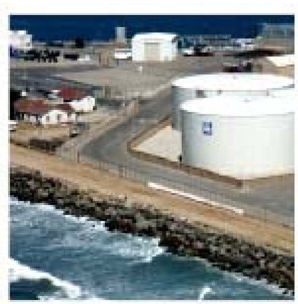
***Fiscal Years Ended:* June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| **COMMODITY TYPE:** | | | | | |
| **AUTOMOBILES** | | | | | |
| Imports | 241,995 | 280,007 | 298,090 | 253,011 | 228,936 |
| Exports | 1,071 | 1,114 | 1,437 | 1,064 | 3,381 |
| **OTHER VEHICLES** | | | | | |
| Imports/Exports | 28,478 | 39,700 | 47,018 | 37,622 | 38,626 |
| **BANANAS** | | | | | |
| Imports | 403,184 | 548,628 | 581,727 | 648,114 | 609,429 |
| **FRESH FRUIT** | | | | | |
| Imports | 24,079 | 56,598 | 75,378 | 103,216 | 87,233 |
| Exports | 97,173 | 88,236 | 80,889 | 24,844 | 5,797 |
| **GENERAL CARGO** | | | | | |
| Imports/Exports | 58,026 | 69,009 | 82,225 | 93,159 | 81,563 |
| FISH | | | | | |
| Coastwise | 21,368 | 24,614 | 10,529 | 19,223 | 14,908 |
| **OFFSHORE OIL CARGO** | | | | | |
| Coastwise | 76,251 | 83,161 | 73,778 | 65,112 | 56,845 |
| **TOTAL** | 951,625 | 1,191,067 | 1,251,071 | 1,245,364 | 1,126,719 |
| | | | | | |
| **BULK LIQUID** | | | | | |
| Import | 119,411 | 126,378 | 132,174 | 123,042 | 128,312 |
| **VESSEL FUEL** | | | | | |
| Coastwise | 11,641 | 15,500 | 16,425 | 14,027 | 13,768 |
| **TOTAL** | 131,052 | 141,878 | 148,599 | 137,070 | 142,081 |
| **GRAND TOTAL** | **1,082,677** | **1,332,945** | **1,399,670** | **1,382,433** | **1,268,799** |
| | | | | | |
| **PASSENGERS** | 9,870 | 13,076 | 15,798 | 18,151 | 17,883 |

**Source:** OXNARD HARBOR DISTRICT – Maritime Operations Department

Measurements:
*Metric Ton = 1000 kgs or Cubic Meter*
*Auto = One Unit*

The Port of Hueneme
Oxnard Harbor District



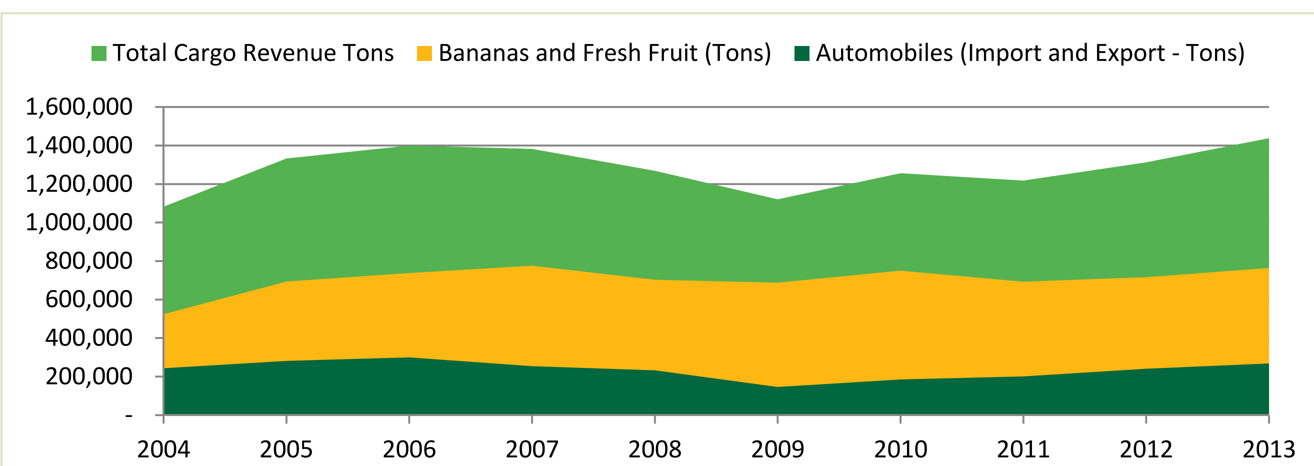
# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Ten Year Trend – Cargo Revenue Tons *(Continued)***

***Fiscal Years Ended:* June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **COMMODITY TYPE:** | | | | | |
| **AUTOMOBILES** | | | | | |
| Imports | 136,145 | 153,862 | 181,042 | 219,164 | 245,974 |
| Exports | 9,851 | 31,431 | 19,488 | 21,497 | 21,763 |
| **OTHER VEHICLES** | | | | | |
| Imports/Exports | 28,841 | 20,362 | 34,334 | 45,734 | 48,813 |
| **BANANAS** | | | | | |
| Imports | 602,567 | 640,477 | 603,703 | 615,588 | 650,608 |
| **FRESH FRUIT** | | | | | |
| Imports | 75,094 | 105,518 | 85,034 | 94,874 | 101,382 |
| Exports | 10,035 | 4,379 | 4,429 | 5,912 | 12,019 |
| **GENERAL CARGO** | | | | | |
| Imports/Exports | 84,166 | 71,444 | 100,343 | 82,196 | 90,924 |
| **FISH** | | | | | |
| Coastwise | 11,311 | 30,010 | 23,587 | 27,408 | 21,437 |
| **OFFSHORE OIL CARGO** | | | | | |
| Coastwise | 66,994 | 72,466 | 46,898 | 52,282 | 56,729 |
| **TOTAL** | 1,025,004 | 1,129,950 | 1,098,858 | 1,164,655 | 1,249,650 |
| **BULK LIQUID** | | | | | |
| Import | 86,630 | 115,938 | 108,777 | 134,939 | 167,253 |
| **VESSEL FUEL** | | | | | |
| Coastwise | 9,321 | 10,520 | 10,008 | 13,063 | 21,693 |
| **TOTAL** | 95,951 | 126,458 | 118,785 | 148,002 | 188,946 |
| **GRAND TOTAL** | **1,120,955** | **1,256,408** | **1,217,643** | **1,312,657** | **1,438,596** |
| **PASSENGERS** | 13,532 | 7,037 | 6,659 | 7,820 | 15,563 |



# Port of Hueneme

***OXNARD HARBOR DISTRICT***

**Ten Year Trend in Tonnages for California Ports**
**Metric Revenue Tons**
**Fiscal Years Ended June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| **Commodities** | | | | | |
| General Cargo | 254,512,281 | 272,242,146 | 305,328,306 | 332,329,568 | 326,674,840 |
| Dry Bulk | 15,570,408 | 18,546,855 | 18,991,558 | 20,022,841 | 15,714,821 |
| Liquid Bulk | 44,992,942 | 47,399,571 | 57,267,406 | 50,806,469 | 43,382,047 |
| **Total Tonnage** | 315,075,631 | 338,188,572 | 381,587,270 | 403,158,878 | 385,771,708 |
| | | | | | |
| **TOTAL TONNAGE BY PORT** | | | | | |
| Hueneme | 1,149,401 | 1,332,559 | 1,399,670 | 1,383,144 | 1,269,462 |
| Humboldt | 839,180 | 752,920 | 633,818 | 640,099 | 522,604 |
| Long Beach | 118,235,705 | 137,132,460 | 156,798,238 | 169,814,499 | 173,036,521 |
| Los Angeles | 162,068,000 | 162,109,000 | 181,635,000 | 189,934,000 | 169,970,898 |
| Oakland | 24,114,589 | 26,180,165 | 29,632,861 | 30,405,162 | 31,696,637 |
| Redwood City | 1,490,624 | 1,908,172 | 1,833,022 | 1,436,626 | 1,487,064 |
| Richmond | 101,588 | 156,372 | 361,490 | 318,125 | 331,604 |
| West Sacramento | 706,406 | 736,117 | 616,145 | 880,873 | 852,849 |
| San Diego | 2,540,912 | 2,761,206 | 3,535,073 | 3,349,491 | 3,142,691 |
| San Francisco | 1,978,914 | 2,213,502 | 1,708,934 | 1,620,231 | 1,362,694 |
| Stockton | 1,850,312 | 2,906,099 | 3,433,019 | 3,376,628 | 2,098,684 |
| **Total Tonnage** | 315,075,631 | 338,188,572 | 381,587,270 | 403,158,878 | 385,771,708 |

**Source:** California Association of Port Authorities

The Port of Hueneme
Oxnard Harbor District

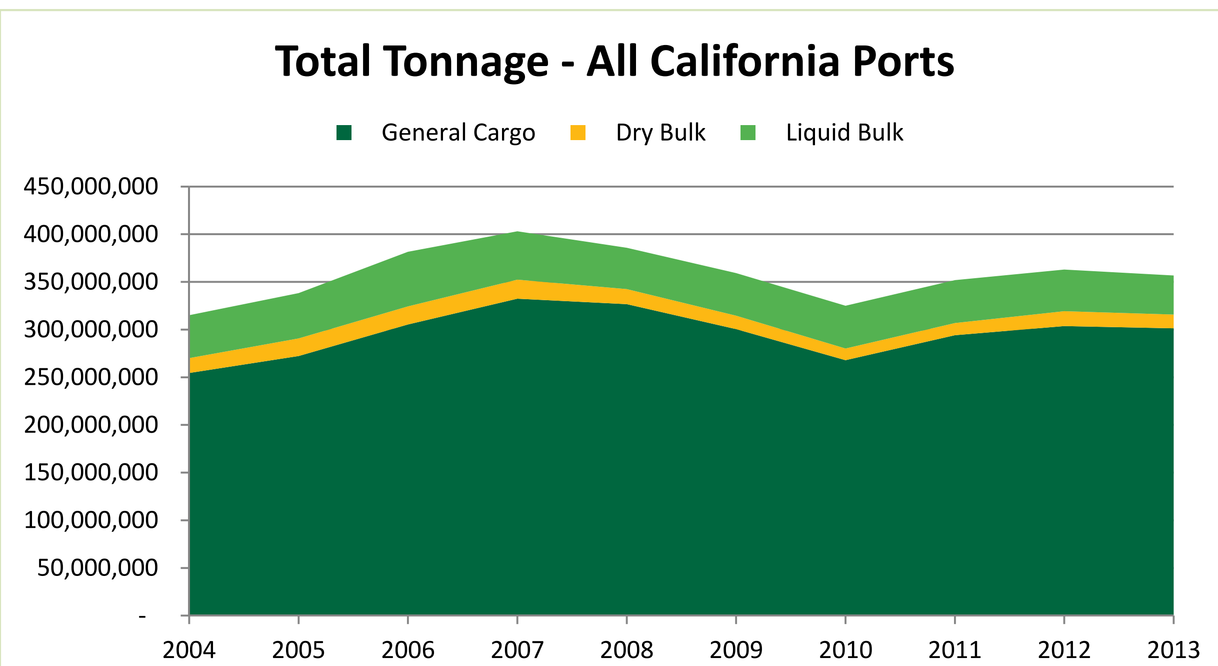
# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Ten Year Trend in Tonnages for California Ports *(Continued)***
**Metric Revenue Tons**
**Fiscal Years Ended June 30, 2004 through 2013**

| FISCAL YEAR ENDED: | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Commodities** | | | | | |
| General Cargo | 300,478,869 | 267,988,161 | 294,138,923 | 303,606,826 | 301,293,420 |
| Dry Bulk | 14,054,796 | 12,257,955 | 12,707,528 | 15,771,301 | 14,465,939 |
| Liquid Bulk | 44,770,128 | 44,778,813 | 45,049,117 | 43,543,921 | 40,965,656 |
| **Total Tonnage** | 359,303,793 | 325,024,929 | 351,895,568 | 362,922,048 | 356,725,015 |

| TOTAL TONNAGE BY PORT | | | | | |
|---|---|---|---|---|---|
| Hueneme | 1,120,955 | 1,135,381 | 1,217,643 | 1,317,717 | 1,438,594 |
| Humboldt | 154,551 | 153,403 | 308,435 | 491,863 | 451,078 |
| Long Beach | 162,909,940 | 131,113,155 | 153,138,651 | 148,609,793 | 150,151,030 |
| Los Angeles | 157,494,143 | 156,166,239 | 158,237,225 | 170,904,406 | 164,543,000 |
| Oakland | 30,286,020 | 29,787,552 | 31,698,436 | 32,287,606 | 32,129,094 |
| Redwood City | 986,727 | 842,727 | 871,940 | 1,609,237 | 1,376,991 |
| Richmond | 346,582 | 187,120 | 206,294 | 235,127 | 254,909 |
| West Sacramento | 729,734 | 668,886 | 538,135 | 805,536 | 296,999 |
| San Diego | 2,819,472 | 2,798,180 | 2,902,128 | 2,920,338 | 2,746,503 |
| San Francisco | 1,096,536 | 912,595 | 763,435 | 1,088,272 | 1,242,048 |
| Stockton | 1,359,133 | 1,259,691 | 2,013,246 | 2,652,153 | 2,094,769 |
| **Total Tonnage** | 359,303,793 | 325,024,929 | 351,895,568 | 362,922,048 | 356,725,015 |



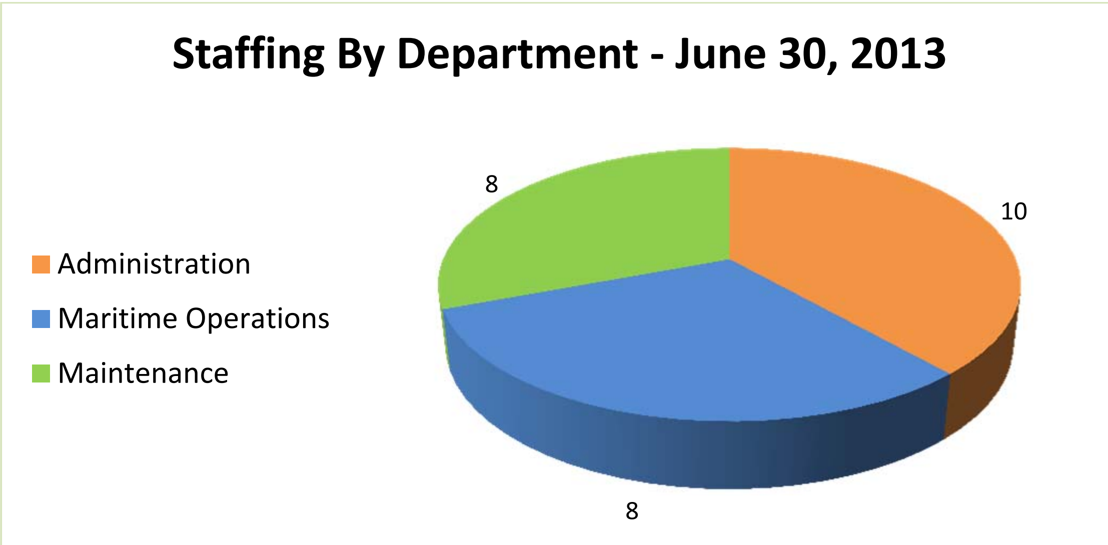
# Port of Hueneme

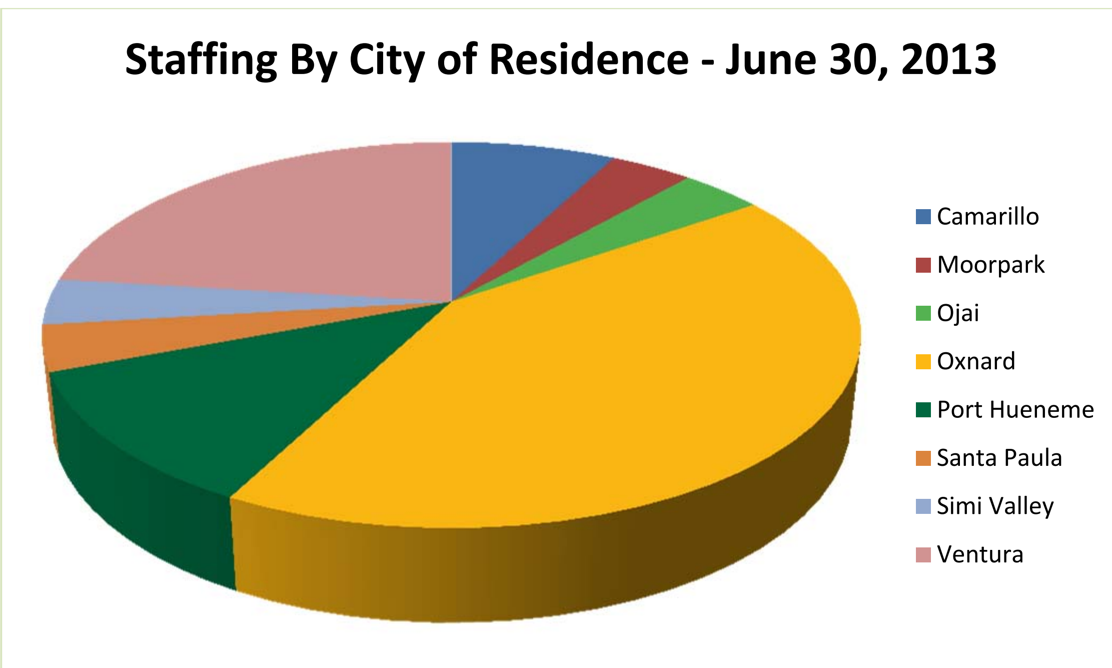
## *OXNARD HARBOR DISTRICT*

**Employee Statistics - Last Ten Years**

| FISCAL YEAR ENDED: | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Administration | 13 | 13 | 13 | 12 | 11 | 11 | 11 | 11 | 10 | 10 |
| Maritime Operations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Maintenance | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 8 |
| **Total Labor Force** | 29 | 29 | 29 | 28 | 27 | 27 | 26 | 26 | 25 | 26 |

*The Chief Operations Officer and the Director of Operations and Security are counted in Administration for purposes of this report.*




**Source:** OXNARD HARBOR DISTRICT - Finance Department

# Port of Hueneme

## *OXNARD HARBOR DISTRICT*

**Demographic and Economic Statistics, Ventura County, California**
**Last Ten Fiscal Years**

| Year | Population (a) | Personal Income (in millions) (c) | Per Capita Personal Income (e) | Unemployment Rate (g) |
|---|---|---|---|---|
| **2003** | 784,632 | 29,068 | 36,886 | 5.80% |
| **2004** | 792,213 | 31,334 | 39,464 | 5.40% |
| **2005** | 795,962 | 33,151 | 41,742 | 4.80% |
| **2006** | 799,049 | 35,706 | 44,735 | 4.30% |
| **2007** | 803,572 | 37,309 | 46,634 | 4.90% |
| **2008** | 808,970 | 37,603 | 46,634 | 6.30% |
| **2009** | 815,284 | 35,769 | 43,881 | 9.80% |
| **2010** | 822,108 | 36,858 (d) | 44,653 | 10.80% |
| **2011** | 827,874 (b) | 37,300 (d) | 45,055 (f) | 10.10% |
| **2012** | 832,970 (b) | 37,925 (d) | 45,530 (f) | 9.30% |

**Sources**:

(a) State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, January 1, 2001-2010, with 2000 and 2010 census counts, as of August 2011.
(b) State of California, Department of Finance, E-1 Population for Cities, Counties and the State with annual percent change - January 1, 2011, and 2012, as of May 2012.
(c) US Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, CA1-3-Personal Income, as of April 2012. All dollar estimates are in current dollars (not adjusted for inflation).
(d) California Lutheran University, Center for Economic Research Forecasting
(e) US Department of Commerce, bureau of Economic Analysis, Regional Economic Accounts, CA 1-3-Per Capita Personal Income 2, as of April 2012. Per capita personal income was computed using Census Bureau midyear population estimates available as of April 2012. All dollar estimates are in current dollars (not adjusted for inflation).
(f) The 2011 and 2012 estimates are a calculated total of personal income divided by population reported for that year.
(g) State of California, Employment Development Department, Labor Market Information Division, August 2012. Historical Civilian Labor Force, data not seasonally adjusted. 2003 to 2011 rates are annual averages. The 2012 rate is a seven month average.

**VENTURA COUNTY'S TOP EMPLOYERS**

**Employers with 5,000 to 9,999 Employees**

| Employer | Location | Industry |
|---|---|---|
| U.S. Navy Base | Point Mugu/Port Hueneme | National Security |
| County of Ventura | Countywide | Government |
| Amgen, Inc. | Thousand Oaks | Biotechnology |

**Employers with 1,000 to 4,999 Employees**

| Employer | Location | Industry |
|---|---|---|
| Anthem Blue Cross of CA | Westlake Village | Healthcare |
| Baxter Healthcare | Westlake Village | Pharmaceutical |
| Boskovich Farms | Oxnard | Agriculture |
| Community Memorial Hospital | Ventura | Hospital |
| Farmers Insurance Group of Companies | Simi Valley | Insurance |
| Harbor Freight Tools | Camarillo | Hardware Stores |
| Los Robles Hospital & Medical Center | Thousand Oaks | Hospital |
| Sheriff's Department & Jails | Thousand Oaks | Public Safety |
| St. John's Regional Medical Center | Oxnard | Hospital |
| City of Oxnard | Oxnard | Government |

**Employers with 500 to 999 Employees**

| Employer | Location | Industry |
|---|---|---|
| CSU Channel Islands | Camarillo | Education |
| Haas Automation | Oxnard | Machinery |
| Moorpark College | Moorpark | Education |
| Nancy Reagan Breast Center | Simi Valley | Diagnostic Imaging Center |
| Oxnard College | Oxnard | Education |
| Simi Valley Hospital | Simi Valley | Hospital |
| Ventura College | Ventura | Education |

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# Report on Internal Controls and Compliance

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Charles Z. Fedak, CPA, MBA
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## Independent Auditor's 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*

Board of Harbor Commissioners
Oxnard Harbor District
Port Hueneme, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oxnard Harbor District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated September 30, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Independent Auditor's 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,* continued**

**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.

Charles Z Fedak & Company CPA's - An Accountancy Corporation

**Charles Z. Fedak & Company, CPA's An Accountancy Corporation**
**Cypress, California**
**September 30, 2013**