

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The County of Ventura, California (County) is a legal subdivision of the State of California and was established as a General Law County in 1873. It is governed by an elected five-member Board of Supervisors (Board) and provides the following services: general government, public protection, public ways and facilities, health and sanitation services, public assistance, education, and recreation and cultural services.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable and have a financial benefit or burden relationship or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either the County's ability to impose its will on the organization or the potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained by writing to the County of Ventura, Auditor-Controller's Office, 800 South Victoria Avenue, Ventura, CA 93009-1540.

Blended Component Units

Using the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, the County's management has determined that the following component units should be blended with activities of the County as follows:

- Special Revenue Funds – Watershed Protection Districts, County Service Areas, Fire Protection District, and the In-Home Supportive Services Public Authority;
- Enterprise Fund – Waterworks Districts including Camarillo Sewer and Camarillo Roads and Lighting;
- Debt Service Funds – Ventura County Public Financing Authority (PFA) and County Service Area #34;
- Capital Project Funds – the PFA;
- Pension Trust Fund – The County's Supplemental Retirement Plan (SRP).

The County is financially accountable for each of the blended component units. The basis for blending is that the County's Board acts as the governing board for the entities and management of the primary government has operational responsibility for the component unit.

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Discretely Presented Component Unit

Children and Families First Commission

The Children and Families First Commission (Commission) was established in December 1998, under the authority of the California Children and Families First Act of 1998 and sections 130100, et seq., of the Health and Safety Code. The Commission accounts for receipts and disbursements of California Children and Families First Trust Fund allocations and appropriations to the Commission. The Commission is a discretely presented component unit as the County Board appoints all members of the Commission's governing body and is able to impose its will because it can remove appointed members at will. The separate financial statements may be obtained from Children and Families First Commission, 2580 East Main Street, Suite 203, Ventura, CA 93003.

B) New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, effective for periods beginning after June 15, 2015, enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The County implemented the new requirements for the fiscal year 2015-16 financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for periods beginning after June 15, 2015, improves financial reporting by state and local governments by identifying the hierarchy of generally accepted accounting principles (GAAP) and addressing the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP. The County implemented the new requirements for the fiscal year 2015-16 financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for periods beginning after June 15, 2015, except those provisions that address portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The new requirements are not applicable to the County of Ventura.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016, except for the requirements for the selection of assumptions in circumstances where the employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, which are effective for periods beginning after June 15, 2017, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The County implemented the new requirements for the fiscal year 2015-16 financial statements.

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The County is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for periods beginning after June 15, 2015; except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective beginning after June 15, 2016, improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employer and non-employer contributing entities. The provisions effective for the fiscal year 2015-16 financial statements are not applicable to the County of Ventura. The County intends to implement the remaining provisions for the fiscal year 2016-17 financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, improves the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and accessing accountability, primarily through enhanced note disclosures and schedules of required supplementary information. Management believes the new requirements are not applicable to the County of Ventura.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The County intends to implement the new requirements for the fiscal year 2017-18 financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, effective for periods beginning after December 15, 2015, improves financial reporting of state and local governments by providing users the tax abatement information they need to evaluate the financial health of governments, such as, a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The County intends to implement the new requirements for the fiscal year 2016-17 financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for periods beginning after December 15, 2015, amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local government employer. This statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Management believes the new requirements are not applicable to the County of Ventura.

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GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, effective for periods beginning after June 15, 2016, improves financial reporting by clarifying the financial statement presentation requirements for certain component units established in Statement No. 14, *The Financial Report Entity, as amended*, by establishing an additional blending requirement. The County intends to implement the new requirements for the fiscal year 2016-17 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Management believes the new requirements are not applicable to the County of Ventura.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, enhances comparability of financial statements by establishing uniform criteria for governments to recognize and measure certain Asset Retirement Obligations (AROs) and requiring disclosures related to those AROs. The County intends to implement the new requirements for the fiscal year 2019-20 financial statements.

C) Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements include capital assets, long-term liabilities, depreciation, accumulated depreciation, deferred inflows of resources, and deferred outflows of resources.

The statement of net position and statement of activities display information about the primary government (the County) and its component units. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each segment (different identifiable activities) of the business-type activities of the County. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

The internal service funds' activity, except for interfund services provided and used, is eliminated and net balances are primarily included in the governmental activities, with a lesser amount included in the business-type activities, because the internal service funds predominantly serve the governmental funds. Fiduciary funds are not reported on the government-wide financial statements. When restricted and unrestricted net position are available, restricted resources would generally be considered to be used first, with the unrestricted resources used as they are needed.

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Fund Financial Statements

The governmental fund financial statements are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. The proprietary and fiduciary fund financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus, except agency funds which have no measurement focus. They provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major governmental and non-major enterprise funds.

Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented which explains the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses, including salaries and benefits, services and supplies, and depreciation, represent the costs of providing goods and services to customers. Nonoperating expenses are those expenses such as losses from disposal of capital assets and interest expense that do not result from the principal activity of the fund but from secondary or auxiliary activities.

The County reports the following major governmental funds:

- The *General* Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and debt service.
- The *Roads* Fund provides for planning, design, construction, maintenance, and administration of County roads. It also engages in traffic safety and other transportation planning activities. Revenues consist primarily of the County's share of state highway use taxes, sales taxes, and federal grants. These funds are restricted for the purpose of the fund.
- The *Watershed Protection Districts* Fund controls flood and storm waters and conserves such waters for beneficial public use. Revenues are primarily received from property taxes, aid from other governmental units, and charges for current services. These funds are restricted for the purpose of the fund.
- The *Fire Protection District* Fund provides fire protection to the unincorporated areas of the County as well as the cities of Camarillo, Moorpark, Ojai, Port Hueneme, Simi Valley, and Thousand Oaks. Support is principally from property taxes and aid from other governmental units. These funds are restricted for the purpose of the fund.

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The County reports the following major enterprise funds:

- The *Medical Center* Fund is part of the County Health Care Agency which operates a two campus hospital. The main campus in Ventura is a general acute care facility providing emergency room, inpatient, and mental health inpatient services. The Santa Paula campus is licensed and accredited as part of Ventura County Medical Center (VCMC) and is licensed for 49 acute beds. VCMC maintains comprehensive neonatal, emergency and outpatient medical care programs. Outpatient care is provided by a fully integrated system of nineteen community-based clinics and nine specialty clinics located throughout the County. It also provides support services to related public and mental health programs administered by the Health Care Agency. The fund provides indigent care which is subsidized, in part, by transfers from the General Fund for such services.
- The *Department of Airports* Fund operates the County-owned general aviation facilities at the Camarillo and Oxnard airports and provides administrative, fiscal, and other support services for airport tenants and the flying public. This fund accounts for aid from other governmental units in support of aviation and also provides support services for the operation of the streets, street lighting, and storm drains at the Camarillo airport.
- The *Waterworks Districts* Fund performs necessary administrative, maintenance, and operations functions to provide uninterrupted water delivery services and sewer collection and disposal services to various communities of Ventura County. These districts include Waterworks Districts 1, 16, 17, 19, 38, and Camarillo Sewer.

The County reports the following additional funds and fund types:

- *Internal Service* Funds account for the County's fleet maintenance; engineering, construction, and maintenance services; telecommunication and information systems; general services; and self-insurance programs – workers' compensation, long-term disability, employee benefits, medical malpractice, and general insurance on a cost-reimbursement basis.
- The *Supplemental Retirement Plan (SRP) Pension Trust* Fund accounts for the assets, contributions, and benefit payments of the SRP established January 1, 1992, under provisions of the Internal Revenue Code Section 401(a).
- The *Investment Trust* Fund (a single cash pool managed by the Treasury) accounts for the assets of legally separate entities that deposit cash with the County Treasurer. The entities include school and community college districts and special districts governed by local boards. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand. The County follows procedures of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Detailed information about the major legal entities included in the Investment Trust Fund is provided in the Schedule of Fiduciary Net Position and Schedule of Changes in Fiduciary Net Position in the Supplementary Information section.
- The *Private-purpose Trust* Fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Ventura County Redevelopment Successor Agency (Successor Agency).

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- The *County Agency* Fund accounts for assets held for distribution by the County as an agent for various local tax entities.

D) Measurement Focus and Basis of Accounting

The government-wide, proprietary, pension, investment trust, and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized when the underlying transactions take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within six months following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital asset acquisitions and general principal payments are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

E) Cash and Investments

For purposes of reporting cash flows, cash and investments and cash equivalents include cash in banks and investments held by the County Treasurer in a cash management pool generally with original maturities of 90 days or less. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investments is determined using the fair value hierarchy established by GASB 72. The fair value of participants' aggregate position in the pool is the same as the aggregate value of the pool shares. The participants share a ratable portion of the pool's activity and its value based on average daily balances. For SRP, investment income components (interest, dividends, and net increase or decrease in fair value) are determined at year-end as reported by the various trustees and custodians on the accrual basis.

F) Inventories and Other Assets

Inventories consisting of materials and supplies, are valued at cost, approximating market value, primarily on a first-in, first-out (FIFO) basis. The costs of governmental fund inventories are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Inventories and prepaid items recorded in governmental funds are offset by nonspendable fund balance to indicate the portion of fund balance that is not in spendable form.

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G) Capital Assets

Capital asset components consist of land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure. The County defines capital assets as assets with an estimated useful life in excess of one year.

The capitalization level and estimated useful lives are as follows:

<u>Category</u>	<u>Capitalization Level</u>	<u>Useful Life</u>
Land improvements	\$5,000	5-75
Structures and improvements	\$25,000, except \$5,000 for Airports, and \$50,000 for Waterworks	30-75 *
Betterments	\$5,000	30-75
Equipment	\$5,000	2-30
Vehicles	\$5,000	2-25
Software	\$5,000, purchased software; \$50,000, internally generated software	3-10
Capital leases	As above, based on category	5-40
Infrastructure	All new construction and major renovations are capitalized; all other costs are considered maintenance and are expensed.	40-100

* Except for certain fixed equipment which may have a shorter useful life.

The County has two networks of infrastructure assets – roads and watershed protection. The roads network includes roads, bridges, and traffic signals. The watershed protection network includes flood channels, debris dams, detention basins, pump stations, and rights of way.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Assets acquired from gifts or donations are valued at their estimated fair value on the date contributed. Self-constructed assets, including structures and improvements and internally generated software, are recorded at the amount of direct labor, material, and net interest costs incurred (for proprietary funds) if financed by tax-exempt borrowing.

Acquisitions of capital assets are recorded as expenditures in the governmental funds statement. Capital assets are capitalized and depreciated on the government-wide and the proprietary funds statements. Land, easements, construction in progress, and assets not used in operations are not depreciated. Other components used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lower of the capital lease period or their estimated useful lives. The County has elected the depreciation approach for infrastructure.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

H) Deferred Outflow of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

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I) Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about fiduciary net position of the County's pension plan with Ventura County Employees Retirement Association (VCERA) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by VCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J) Compensated Absences

County policy permits employees to accumulate earned but unused vacation, sick pay, and compensatory time. A liability for all vacation pay and compensatory time and 25 percent of unused accumulated sick leave for those employees with at least ten years of service is accrued when earned in the government-wide and proprietary funds financial statements. In accordance with GASB Interpretation No. 6, a liability for these amounts is reported in the governmental funds financial statements only if they have matured as a result of employee resignations and retirements prior to year-end and are paid by the County subsequent to year-end.

K) Interfund Transactions

Interfund transactions are reflected as loans, services provided or used, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans) and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the General Fund and as restricted, committed, or assigned fund balance in other governmental funds as applicable.

Services provided or used and deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are repayments (adjustments to the expenditures or expenses) from the funds responsible for certain expenditures or expenses to the funds that initially paid for them. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L) Deferred Inflow of Resources

A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future reporting period.

M) Fund Balance Policy

The County has adopted a policy to achieve a minimum level of unassigned fund balance in the General Fund of 10 percent of total appropriations/revenue, with a long term goal of 15 percent.

N) Estimates

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

O) Reclassifications

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

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NOTE 2 - CASH AND INVESTMENTS

The County sponsors an Investment Pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the Investment Pool. The respective funds' shares of the total pool are included in the accompanying basic financial statements under the captions "Cash and investments" and "Restricted cash and investments". Cash and investments managed separately from the Investment Pool include those of the PFA and SRP.

The Investment Pool is comprised of internal and external pool participants. The internal pool participants include the funds and component units of the reporting entity and are reported in the various County funds. The external pool participants include legally separate entities, which are not part of the sponsor's reporting entity. The external investment component of the Investment Pool is reported in the accompanying financial statements as an investment trust fund within the fiduciary funds and uses the economic resources measurement focus and accrual basis of accounting.

The County has adopted an Investment Policy Statement (IPS), which complies with the requirements of California Government Code, and serves as the basis for the type of investments, maturity limit, credit rating, and diversification of securities comprising the Investment Pool. The objectives of the IPS are safety of principal, maintenance of liquidity, and earning a competitive rate of return.

Investments permitted by the IPS include obligations of the U.S. Treasury, agencies and instrumentalities, or commercial paper rated A-1 or better by Standard and Poor's Ratings Services (S &P), P-1 by Moody's Investors Service, or F1 or better by Fitch Ratings, Supranationals rated AAA by S & P, bankers' acceptances, repurchase agreements, corporate notes, negotiable certificates of deposit and Yankee certificates of deposit, obligations of the State of California, and obligations of any local agency within California.

Total cash and investments at fair value as reported at June 30, 2016, are as follows (in thousands):

Governmental activities	\$ 926,554
Business-type activities	<u>170,416</u>
Primary government	1,096,970
Component unit	<u>23,953</u>
Total government-wide	<u>1,120,923</u>
Fiduciary funds:	
Pension trust fund	20,982
Investment trust fund	1,260,451
Private-purpose trust fund	476
Agency fund	<u>11,592</u>
Total cash and investments	<u>\$ 2,414,424</u>

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Cash and investments at fair value for County funds, including those funds managed separately from the Treasury, at June 30, 2016, are summarized as follows (in thousands):

	Treasury	Fiscal Agents	SRP Pension Trust	Total
Cash:				
Cash on hand	\$ 5	\$ 20	\$ -	\$ 25
Deposits (net outstanding checks)	<u>272,925</u>	<u>24,357</u>	<u>570</u>	<u>297,852</u>
Total cash (net outstanding checks)	<u>272,930</u>	<u>24,377</u>	<u>570</u>	<u>297,877</u>
Investments:				
In Treasurer's pool	2,096,135	-	-	2,096,135
In pension portfolios	<u>-</u>	<u>-</u>	<u>20,412</u>	<u>20,412</u>
Total investments	<u>2,096,135</u>	<u>-</u>	<u>20,412</u>	<u>2,116,547</u>
Total cash and investments	<u>\$ 2,369,065</u>	<u>\$ 24,377</u>	<u>\$ 20,982</u>	<u>\$ 2,414,424</u>

Cash

The cash portion of cash and investments includes demand deposits.

At June 30, 2016, the carrying amount of the County's cash was \$297,877,000, and the bank balance per various institutions was \$342,690,000. Treasury cash of \$272,930,000 is net of outstanding checks of \$44,813,000. Treasurer's pool investments are managed daily to maximize earnings and provide cash as needed. Of the bank balance in financial institutions, \$810,000 is covered by federal depository insurance and \$341,880,000 was uninsured. The uninsured deposits were held by financial institutions, which are legally required by the California Government Code (GC) to collateralize the County's deposits by pledging government securities or first trust deed mortgage notes. In accordance with GC 53652, the market value of the pledged securities and first trust deed mortgage notes must be at least 110 percent and 150 percent of the County's deposits, respectively, as provided for in the County's Contract for Deposit of Moneys.

Restricted cash and investments in the amount of \$95,987,000 are held in the proprietary funds and include \$94,487,000 that is restricted by trust agreements for funding capital projects and debt service. Of this, \$9,671,000 is held with fiscal agents and \$84,816,000 is held in the County Treasury. In addition, \$1,500,000 is restricted for Health Care Plan tangible net equity deposit and is held in the County Treasury. The amounts of \$215,000 for Waterworks Districts and \$1,500,000 for Health Care Plan are included in cash and cash equivalents on the Statement of Cash Flows.

Investments—Investment Pool (Treasury)

Fair value calculations at fiscal year-end for the Investment Pool are based on market values provided by the County's investment custodian. The net change in fair value from carrying value at June 30, 2016, amounted to an increase of \$3,892,000. The net change in fair value from June 30, 2015 to June 30, 2016, was an increase of \$5,867,000.

The Investment Pool maintains investments in two investment pools regulated by the California Government Code: (1) the State of California Local Agency Investment Fund (LAIF) and (2) CalTRUST. LAIF is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. CalTRUST is a joint powers authority governed by a Board of Trustees of investment officers and policy-makers of the public agency members. At June 30, 2016, the County's investments in LAIF and CalTRUST were \$35,000,000 and \$15,000,000, respectively. Each investment approximates fair value and is the same as the value of the pool shares, which is determined on an amortized cost basis.

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The County is not registered with the Securities and Exchange Commission as an investment company. No legally binding guarantees have been provided during the period to support the value of shares in the pool. Investment earnings are allocated based on the average daily balance in the Investment Pool for the calendar quarter. The earnings are distributed to participants twice per quarter as cash is received.

As of June 30, 2016, the major classes of the County's investments, including those managed outside the Treasury, consisted of the following (in thousands):

	Interest Rate Range	Maturity Date/Range	Cost	Fair Value	Weighted Average Maturity (Years)	Credit Rating (S & P)	Credit Rating (Moody's)	Credit Rating (Fitch)	Percent of Portfolio
Investments in Investment Pool									
U.S. Government Agencies:									
FFCB Bonds	0.450-1.100	9/16/16-11/19/18	\$ 237,127	\$ 237,600	1.281	AA+	Aaa	AAA	11.335%
FHLB Bonds	0.410-1.250	10/14/16-4/18/19	149,880	150,132	1.116	AA+	Aaa	N/A	7.162%
FHLB Discount Notes	0.350-0.750	7/28/16-1/04/17	29,921	29,986	0.154	A-1+	NR	N/A	1.431%
FHLMC Bonds	0.375-1.220	7/15/16-4/26/19	98,208	98,322	1.296	AA+	Aaa	AAA	4.691%
FHLMC Discount Notes	0.400	8/01/16	4,981	4,999	0.087	A-1+	P-1	F1+	0.239%
FNMA Bonds	0.375-5.250	7/05/16-2/26/19	44,612	44,629	1.308	AA+	Aaa	N/A	2.129%
Yankee Certificates of Deposits:									
Yankee Certificates of Deposits	0.560-1.100	7/18/16-3/06/17	60,004	60,017	0.359	A-1+	P-1	F1	2.863%
Yankee Certificates of Deposits	0.610-0.880	7/01/16-10/03/16	90,010	90,015	0.114	A-1	P-1	NR	4.294%
Yankee Certificates of Deposits	0.610-1.170	7/01/16-3/10/17	105,014	105,051	0.330	A-1	P-1	F1	5.012%
Yankee Certificates of Deposits	0.650-1.200	7/01/16-2/10/17	60,011	60,043	0.281	A-1	P-1	F1+	2.864%
Yankee Certificates of Deposits	0.940-1.070	9/09/16-2/17/17	40,002	40,029	0.414	A-1+	P-1	F1+	1.910%
Negotiable Certificates of Deposit:									
Negotiable Certificates of Deposit	0.830	7/14/16	5,000	5,001	0.038	A-1+	P-1	F1+	0.239%
Medium-Term Corporate Notes:									
Corporate Notes	0.792-1.450	1/13/17-3/07/18	4,999	5,020	0.995	AA	Aa2	AA-	0.239%
Corporate Notes	1.100-1.200	4/06/18-4/25/18	34,997	34,891	1.792	AA-	Aa3	A	1.665%
Corporate Notes	1.250	7/20/16	10,081	10,002	0.055	A	A2	AA-	0.477%
Commercial paper:									
Commercial paper	0.560-1.090	7/22/16-2/14/17	214,012	214,627	0.228	A-1	P-1	F1	10.239%
Commercial paper	0.930-1.010	12/16/16-2/17/17	23,809	23,849	0.555	A-1	P1*	F1+	1.138%
Commercial paper	0.610-1.090	7/11/16-3/03/17	109,285	109,714	0.304	A-1	P-1	F1*	5.234%
Commercial paper	0.590-0.940	8/10/16-10/25/16	54,769	54,921	0.210	A-1+	P-1	F1+	2.620%
Commercial paper	0.540-1.100	7/25/16-2/15/17	34,848	34,908	0.298	A-1+	P-1	F1	1.665%
Municipal Bonds:									
Municipal Bonds	0.750-1.250	11/01/16-4/01/18	35,986	36,041	1.090	AA-	Aa3	N/A	1.719%
Municipal Bonds	0.991	12/01/16	604	601	0.421	AAA	Aa1	N/A	0.029%
Municipal Bonds	2.565	8/01/16	1,157	1,122	0.087	A+	Aa3	N/A	0.054%
Municipal Bonds	0.845-1.507	12/01/16-12/01/17	5,250	5,263	0.673	AA	A1	N/A	0.251%
Municipal Bonds	1.100	9/01/16	145	145	0.172	A+	NR	N/A	0.007%
Municipal Bonds	0.730-1.150	5/01/17-5/01/19	300	300	1.831	AA+	Aa1	N/A	0.014%
Municipal Bonds	1.050-1.123	11/01/16-9/01/17	3,008	3,025	1.073	AA-	NR	N/A	0.144%
Municipal Bonds	1.430-2.230	8/01/16-8/01/18	2,380	2,398	1.194	A	NR	N/A	0.114%
Municipal Bonds	1.200	4/01/18	3,350	3,372	1.749	AA+	Aa2	N/A	0.161%
Municipal Bonds	1.040-1.850	8/01/16-8/01/18	1,750	1,764	1.170	AA	NR	N/A	0.084%
Municipal Bonds	0.950-1.169	5/15/18-5/15/19	7,000	7,023	2.296	AA	Aa2	N/A	0.335%
Municipal Bonds	0.900-1.500	8/01/16-8/01/18	1,871	1,870	1.154	AA-	Aa2	N/A	0.089%
Local agency investment fund	0.463		35,000	35,000	0.003	AA	NR	N/A	1.670%
CalTRUST	0.720		15,000	15,000	0.003	AA	NR	N/A	0.716%
Supranationals:									
Supranationals	0.610-1.350	11/15/16-4/26/19	482,888	484,571	1.484	AAA	Aaa	AAA	23.117%
Supranationals	0.650-1.260	5/15/17-1/22/19	74,995	74,866	1.649	AAA	Aaa	AAA	3.572%
U.S. Treasury Notes	0.625-0.750	2/15/17-10/31/17	9,989	10,018	0.981	AA+	Aaa	AAA	0.478%
Total investments in Investment Pool			<u>2,092,243</u>	<u>2,096,135</u>					<u>100.000%</u>
Investments outside Investment Pool									
<i>SRP Pension Trust:</i>									
Bond mutual funds			5,729	6,851	7.510	NR	NR		
Equity mutual funds			8,048	13,561	-	NR	NR		
Subtotal			<u>13,777</u>	<u>20,412</u>	2.521				
Total investments outside Investment Pool			<u>13,777</u>	<u>20,412</u>					
Total fair value				<u>\$2,116,547</u>					

* Parent Rating

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

The following represents a condensed statement of net position and changes in net position for the pool (internal and external) as of June 30, 2016 (in thousands):

Statement of Net Position	<u>Total</u>
Net position held for pool participants	\$ 2,369,065
Equity of internal pool participants	\$ 1,084,445
Equity of external pool participants	1,260,667
Equity of discretely presented component unit	23,953
Total equity	\$ 2,369,065
<u>Statement of Changes in Net Position</u>	
Net position at July 1, 2015	\$ 2,324,459
Increase in investment by pool participants, net	44,606
Net position at June 30, 2016	\$ 2,369,065

The Investment Pool includes both voluntary and involuntary participants for whom cash and investments are held by the County Treasurer. The total percentage share of the Investment Pool related to involuntary participants is estimated at 42 percent. Legal provisions require certain special districts to maintain surplus cash in the Investment Pool including public school districts, cemetery districts, recreation and park districts, and the Air Pollution Control District.

Requests for additional information or the separately issued financial statements of the Investment Pool can be addressed to the County Treasurer-Tax Collector, 800 South Victoria Avenue, Ventura, CA 93009-1290.

Investments – SRP

The SRP adopts an investment policy which emphasizes safety, diversification and yield and follows the “prudent investor rule” as required by the Employment Retirement Income Security Act of 1974. Investments permitted by the policy include fixed income and equity mutual funds. Fair value calculations at fiscal year-end for the SRP are based on market values provided by the SRP’s investment custodian.

Risk Disclosures

Custodial Credit Risk

Investment Pool. Custodial credit risk is the risk that the County will not be able to recover the value of its deposits, investments, and collateral securities that are in possession of an outside party. For deposits, this risk is mitigated through federal depository insurance coverage and collateralization in accordance with California Government Code Section 53652. Information about the composition of insured and uninsured deposits at June 30, 2016, is provided in the section “Cash.” For investments, the County utilizes third party delivery versus payment to mitigate risk. Further, all securities owned by the County are held by a third party bank trust department.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Credit Risk

Investment Pool. State law and the IPS limit investments in commercial paper to those with the rating of A-1 or better by Standard & Poor's or P-1 by Moody's Investors Service. State law limits investment in medium term notes to a rating of A or better by Standard & Poor's or Moody's Investors Service; the IPS limits the short term ratings to A-1 or higher by Standard and Poor's, P-1 by Moody's, and F1 or higher by Fitch Ratings. In addition, the IPS limits the long-term ratings to A or higher by Standard and Poor's, A2 or higher by Moody's, and A or higher by Fitch Ratings. State law does not limit investments in Municipal notes, bonds, and other obligations; the IPS limits the long-term ratings to A or higher by Standard and Poor's, A2 or higher by Moody's, and A or higher by Fitch Ratings. The County does not have credit limits on government agency securities. Certificates of deposit are required to be insured by the FDIC.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Concentration of Credit Risk

Investment Pool. State law and the IPS limit investments in commercial paper to 40 percent of the investment pool and 10 percent of the investment pool per issuer. State law limits investments in medium term notes to 30 percent of the investment pool; the IPS limit is 20 percent of the investment pool. State law and the IPS limit investments in negotiable certificates of deposit to 30 percent of the investment pool. The following is a summary of the concentration of credit risk as a percentage of the Investment Pool's fair value at June 30, 2016:

Investment	Percentage of Investment Pool
International Bank for Reconstruction & Development	21.13 %
Federal Farm Credit Bank	11.34 %
Federal Home Loan Bank	8.59 %
J.P. Morgan Securities	5.23 %
International Finance Corporation	5.21 %
Federal Home Loan Mortgage Corporation	4.93 %
Chiba Bank Ltd New York	4.29 %
Standard Chartered Bank New York	3.58 %
Bank of Tokyo-Mitsubishi	3.57 %
National Bank of Kuwait	2.86 %
Banco Del Esta De Chile	2.86 %
Abbey National Treasury	2.85 %
Korea Development Bank	2.62 %
Federal National Mortgage Association	2.13 %
Credit Agricole Corporate & Investment Bank	1.91 %
Credit Suisse AG	1.91 %
State of California	1.72 %
Local Agency Investment Fund	1.67 %
Toyota Motor Credit Corporation	3.33 %
Canadian Imperial Holdings	1.14 %
CalTRUST	0.72 %
Combined Individual Issuers less than 1% of Portfolio:	
Yankee Certificate of Deposits	3.34 %
Municipal Bonds	1.28 %
Medium Term Corporate Notes	0.72 %
U.S Treasury Notes	0.48 %
Supranationals	0.35 %
Negotiable Certificate of Deposits	0.24 %
Total	100.00 %

SRP. Investments in mutual funds are excluded from the requirement to disclose concentration of credit risk. As of June 30, 2016, the SRP was not exposed to concentration of credit risk.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Interest Rate Risk

Investment Pool. Through its IPS, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of the Investment Pool's holdings to 375 days. At June 30, 2016, the weighted average maturity of the Investment Pool was 328 days.

SRP. The SRP does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The SRP has exposure to interest rate risk by investing \$6,851,000, or 34 percent, of its investments in bond mutual funds.

Foreign Currency Risk

Investment Pool. The Investment Pool is precluded from investing in foreign currency by the IPS; therefore, it is not subject to foreign currency risk.

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GASB 72, *Fair Value Measurement and Application*. These principles recognize a three-tiered fair value hierarchy, as follows:

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

Deposits and withdrawals in governmental investment pools, such as LAIF and CalTRUST are made on the basis of one dollar and not fair value. Accordingly, the fair value of the County's proportionate share in these types of investments is an uncategorized input not defined as Level 1, Level 2, or Level 3.

The County's investments by fair value level as of June 30, 2016 include the following (in thousands):

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in Investment Pool				
Investments subject to fair value hierarchy:				
U.S. Government agency bonds	\$ 530,683	\$ -	\$ 530,683	\$ -
U.S. Government agency discount notes	34,985	34,985	-	-
Yankee certificate of deposit	355,155	-	355,155	-
Negotiable certificates of deposit	5,001	-	5,001	-
Medium term corporate notes	49,913	-	49,913	-
Commercial Paper	438,019	-	438,019	-
Municipal Bonds	62,924	-	62,924	-
Supranational instruments	559,437	-	484,571	74,866
U.S. Treasury notes	10,018	-	10,018	-
Total investments subject to fair value hierarchy	\$ 2,046,135	\$ 34,985	\$ 1,936,284	\$ 74,866
Investments not subject to fair value hierarchy:				
CalTRUST	15,000			
LAIF	35,000			
Total investments not subject to fair value hierarchy	50,000			
Total investments in Investment Pool	\$ 2,096,135			
Investments outside Investment Pool				
<i>SRP Pension Trust:</i>				
Bond mutual funds	\$ 6,851	\$ -	\$ 6,851	\$ -
Equity mutual funds	13,561	-	13,561	-
Total investments outside investment pool	\$ 20,412	\$ -	\$ 20,412	\$ -
Total investments	\$ 2,116,547			

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3 - PROPERTY TAXES

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Property is originally assessed at 100 percent of full cash or market value at the date of transfer or completion of construction pursuant to Article XIII(A) of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. Annual increases are limited to 2 percent of base year values.

The property tax levy to support general operations of various jurisdictions is limited to one percent of full cash value and is distributed in accordance with statutory formulas. Amounts levied each fiscal year to finance the annual requirements of voter approved debt are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into approximately 2,504 tax rate areas, which are unique combinations of various jurisdictions serving a specific geographic area. In fiscal year 2015-16, the rates levied within each tax rate area varied from a low of 1.000000 to a high of 1.431974 per \$100 of assessed valuation. Property taxes are levied on both real and personal property. Secured property taxes are levied July 1, and payable in two equal installments: the first is generally due November 1, and delinquent with penalties after December 10; the second is generally due on February 1, and delinquent with penalties after April 10. Unsecured property taxes become delinquent with penalties after August 31. Secured property taxes become a lien on the property on January 1, or the date on which title to the property transfers or improvements to the property are completed. Supplemental property tax assessments/refunds associated with changes in assessed valuations due to transfers of title and completed property improvements are levied in two equal installments and have variable due dates based on the date of title transfer and/or completion of the property improvements.

The County elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County, through the Property Tax Resource Allocation Fund (PTRAF), purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the PTRAF records a tax receivable and receives the delinquent secured taxes. The Property Tax Loss Reserve Fund (PTLRF) receives delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including the County, certain special districts, and the school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the PTRAF. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received prior to fiscal year-end. The balance in the PTRAF is recorded to the General Fund for financial reporting purposes only as of fiscal year-end.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4 - RECEIVABLES

Year-end receivables of the County's major, non-major, and proprietary funds, as well as governmental and business-type activities, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

Governmental Funds	General Fund	Roads	Watershed Protection Districts	Fire Protection District	Non-major Governmental Funds	Internal Service Funds	Total Governmental Activities
Receivables:							
Taxes	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31
Accounts	93,235	1,125	1,302	8,918	14,513	3,723	122,816
Interest	933	75	91	163	260	387	1,909
Gross Receivables	94,199	1,200	1,393	9,081	14,773	4,110	124,756
Loans and other long-term receivables	29,243	401	-	-	10,587	97	40,328
Total receivables	<u>\$ 123,442</u>	<u>\$ 1,601</u>	<u>\$ 1,393</u>	<u>\$ 9,081</u>	<u>\$ 25,360</u>	<u>\$ 4,207</u>	<u>\$ 165,084</u>

Proprietary Funds	Medical Center	Department of Airports	Waterworks Districts	Non-major Enterprise Funds	Total Enterprise Funds and Business-type Activities
Receivables:					
Accounts	\$ 423,042	\$ 331	\$ 2,779	\$ 3,143	\$ 429,295
Interest	-	21	57	37	115
Other	50	-	-	245	295
Gross Receivables	423,092	352	2,836	3,425	429,705
Less: Allow./Uncollectible Acct	(263,796)	(20)	(88)	-	(263,904)
Total Receivables - fund statements	159,296	332	2,748	3,425	165,801
Loans and other long-term receivables	-	-	-	1,780	1,780
Total receivables	<u>\$ 159,296</u>	<u>\$ 332</u>	<u>\$ 2,748</u>	<u>\$ 5,205</u>	<u>\$ 167,581</u>

The balance of loans and other long-term receivables at year-end for governmental activities includes Short-Doyle Medi-Cal (SDMC) admin and Cost Settlement recoupment of \$15,735,000, and SB90 revenue of \$13,225,000 in the General Fund. Also included are special assessment receivables of \$9,671,000, primarily in County Service Area #34.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/ Payables (Short-Term):

The composition of interfund balances as of June 30, 2016, is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Roads Fund	\$ 33	
	Watershed Protection Districts	309	
	Fire Protection District	307	
	Non-major Governmental Funds	5,089	
	Medical Center	5,357	
	Department of Airports	3	
	Waterworks Districts	81	
	Non-major Enterprise Funds	64	
	Internal Service Funds	<u>530</u>	
			\$ 11,773
Roads Fund	General Fund	37	
	Watershed Protection Districts	1	
	Internal Service Funds	<u>4</u>	
			42
Watershed Protection Districts	General Fund	182	
	Non-major Governmental Funds	166	
	Internal Service Funds	<u>13</u>	
			361
Fire Protection District	General Fund	1,338	
	Internal Service Funds	<u>146</u>	
			1,484
Non-major Governmental Funds	General Fund	1,637	
	Fire Protection District	3	
	Non-major Governmental Funds	99	
	Medical Center	115	
	Non-major Enterprise Funds	<u>1</u>	
			1,855
Medical Center	General Fund	1,863	
	Roads Fund	95	
	Watershed Protection Districts	93	
	Fire Protection District	118	
	Non-major Governmental Fund	214	
	Department of Airports	12	
	Waterworks Districts	41	
	Non-major Enterprise Funds	29	
	Internal Service Funds	<u>119</u>	
			2,584
Department of Airports	General Fund	<u>9</u>	
			9
Waterworks Districts	General Fund	27	
	Roads Fund	<u>1</u>	
			28

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Receivable Fund	Payable Fund	Amount
Non-major Enterprise Funds	General Fund	\$ 44
	Medical Center	<u>4,000</u>
		\$ 4,044
Internal Service Funds	General Fund	5,362
	Roads Fund	694
	Watershed Protection Districts	357
	Fire Protection District	308
	Non-major Governmental Funds	134
	Medical Center	613
	Department of Airports	69
	Waterworks Districts	187
	Non-major Enterprise Funds	352
	Internal Service Funds	<u>1,033</u>
		<u>9,109</u>
Total Due To/Due From		<u>\$ 31,289</u>

The balance of \$5,089,000 due to the General Fund from Non-major Governmental Funds is primarily the reimbursement of capital projects expenditures from Public Financing Authority.

The balance of \$5,357,000 due to the General Fund from the Medical Center is primarily administrative expenditures due to the Health Care Agency.

The balance of \$1,338,000 due to Fire Protection District from the General Fund is primarily the transfer of property tax and Proposition 172 revenue.

The balance of \$1,637,000 due to Non-major Governmental Funds from the General Fund is primarily the transfer of Short Doyle Medi-Cal, and mental health services revenue related to 2011 Realignment.

The balance of \$1,863,000 due to the Medical Center from the General Fund is primarily for employee health services.

The balance of \$4,000,000 due to Non-major Enterprise Funds from the Medical Center primarily represents a liability for profit risk-sharing between the Medical Center and the Ventura County Health Care Plan.

The balance of \$5,362,000 due to Internal Service Funds from the General Fund is primarily for tenant improvement and other projects due to the General Services Agency.

The remaining interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include working capital loans that the General Fund expects to collect in the subsequent year.

COUNTY OF VENTURA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

Advances to/from Other Funds (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Non-major Governmental Fund	\$ 35
	Medical Center	65,000
	Waterworks Districts	1,237
Total Advances		\$ 66,272

The General Fund extends long-term advances, when needed, for cash flow purposes to funds outside the General Fund that receive funding on a reimbursement basis. Repayment is expected when available cash is in excess of that needed for operations.

The General Fund has extended a long-term advance, interest free, for cash flow purposes, to:

- Workforce Development Fund (WDD) in the amount of \$35,000. WDD receives funding after the expenditures have been incurred. This advance was authorized for up to \$35,000.
- Ventura County Medical Center (VCMC) in the amount of \$65,000,000. The VCMC cash flow shortage is primarily due to the delayed timing of revenue receipts from the State and Federal governments.

Based on available information, these loans are not expected to be repaid by June 30, 2017.

The General Fund extended a loan in the amount of \$1,237,000 to the Waterworks Districts for the Piru Wastewater Treatment Plant (Piru WWTP) in FY 2012-13. In addition, in FY 2012-13 a loan in the amount of \$3,000,000 to the Waterworks Districts for the Piru WWTP Tertiary Project was authorized. Both of these loans are with interest at the Investment Pool rate with repayment within four years of the first draw down on the Tertiary Project loan. Due to the delay in the construction of the project, the first draw down is projected to be in FY 2016-17.

Advances are included in the internal balances on the Government-wide Statement of Net Position.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Transfers

Transfers are used to move funding for capital projects, lease payments or debt service, subsidies of various County operations, and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-major Governmental Funds	\$ 8,570	Transfer funds for scheduled debt service
	Non-major Governmental Funds	3,574	Subsidy for operating expenses
	Non-major Governmental Funds	900	Health and welfare realignment
	Non-major Governmental Funds	450	Subsidy for capital asset purchase
	Medical Center	9,019	Health and welfare realignment and tobacco settlement revenues
	Medical Center	27,997	Subsidy for operating expenses
	Non-major Enterprise Funds	1,506	Subsidy for operating expenses
	Internal Service Funds	536	Subsidy for capital asset purchase
	Internal Service Funds	1,692	Subsidy for operating expenses
	Internal Service Funds	<u>5,792</u>	Subsidy for capital projects
		<u>60,036</u>	
Roads Fund	Internal Service Funds	<u>374</u>	Subsidy for capital asset purchase
Watershed Protection Districts	Internal Service Funds	<u>213</u>	Subsidy for capital asset purchase
Fire Protection District	General Fund	<u>301</u>	Subsidy for capital asset purchase
Non-major Governmental Funds	General Fund	467	Transfer of HUD and Home grant funding
	Internal Service Funds	<u>108</u>	Subsidy for capital asset purchase
		<u>575</u>	
Total		<u>\$ 61,499</u>	

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows (in thousands):

	Balance July 1, 2015 (1)	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Capital assets, nondepreciable:				
Land	\$ 38,828	\$ 1,367	\$ -	\$ 40,195
Easements	199,880	165	-	200,045
Construction in progress	<u>37,900</u>	<u>29,569</u>	<u>23,107</u>	<u>44,362</u>
Total capital assets, nondepreciable	<u>276,608</u>	<u>31,101</u>	<u>23,107</u>	<u>284,602</u>
Capital assets, depreciable/amortizable:				
Land improvements	43,970	2,030	257	45,743
Structures and improvements	512,630	15,543	5,737	522,436
Equipment	101,045	6,122	6,491	100,676
Vehicles	88,424	8,026	4,031	92,419
Software	66,904	16,726	1,706	81,924
Infrastructure	<u>553,283</u>	<u>8,181</u>	<u>-</u>	<u>561,464</u>
Total capital assets, depreciable/amortizable	<u>1,366,256</u>	<u>56,628</u>	<u>18,222</u>	<u>1,404,662</u>
Less accumulated depreciation/amortization for:				
Land improvements	5,414	1,195	3	6,606
Structures and improvements	192,280	12,781	3,424	201,637
Equipment	69,813	6,703	6,341	70,175
Vehicles	47,749	6,298	3,185	50,862
Software	48,461	5,312	432	53,341
Infrastructure	<u>119,034</u>	<u>5,609</u>	<u>-</u>	<u>124,643</u>
Total accumulated depreciation/amortization	<u>482,751</u>	<u>37,898</u>	<u>13,385</u>	<u>507,264</u>
Total capital assets, depreciable/amortizable, net	<u>883,505</u>	<u>18,730</u>	<u>4,837</u>	<u>897,398</u>
Governmental activities capital assets, net	<u>\$ 1,160,113</u>	<u>\$ 49,831</u>	<u>\$ 27,944</u>	<u>\$ 1,182,000</u>
Business-type Activities (Enterprise):				
Medical Center:				
Capital assets, nondepreciable:				
Land	\$ 2,047	\$ -	\$ -	\$ 2,047
Construction in progress	<u>169,283</u>	<u>115,489</u>	<u>-</u>	<u>284,772</u>
Total capital assets, nondepreciable	<u>171,330</u>	<u>115,489</u>	<u>-</u>	<u>286,819</u>
Capital assets, depreciable/amortizable:				
Land improvements	1,084	-	-	1,084
Structures and improvements	130,371	597	752	130,216
Equipment	40,471	757	8	41,220
Software	<u>43,004</u>	<u>212</u>	<u>-</u>	<u>43,216</u>
Total capital assets, depreciable/amortizable	<u>214,930</u>	<u>1,566</u>	<u>760</u>	<u>215,736</u>
Less accumulated depreciation/amortization for:				
Land improvements	1,084	-	-	1,084
Structures and improvements	47,562	3,987	546	51,003
Equipment	32,879	1,880	8	34,751
Software	<u>22,371</u>	<u>7,468</u>	<u>-</u>	<u>29,839</u>
Total accumulated depreciation/amortization	<u>103,896</u>	<u>13,335</u>	<u>554</u>	<u>116,677</u>
Total capital assets, depreciable/amortizable, net	<u>111,034</u>	<u>(11,769)</u>	<u>206</u>	<u>99,059</u>
Medical Center capital assets, net	<u>\$ 282,364</u>	<u>\$ 103,720</u>	<u>\$ 206</u>	<u>\$ 385,878</u>

(1) Certain amounts reported at June 30, 2015, have been reclassified to the appropriate asset type. Such reclassifications had no effect on the previously reported capital asset total.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

	Balance July 1, 2015 (1)	Additions	Deletions	Balance June 30, 2016
Department of Airports:				
Capital assets, nondepreciable:				
Land	\$ 9,271	\$ 91	\$ -	\$ 9,362
Easements	849	-	-	849
Construction in progress	<u>936</u>	<u>579</u>	<u>-</u>	<u>1,515</u>
Total capital assets, nondepreciable	<u>11,056</u>	<u>670</u>	<u>-</u>	<u>11,726</u>
Capital assets, depreciable/amortizable:				
Land improvements	48,994	225	-	49,219
Structures and improvements	17,248	75	-	17,323
Equipment	1,075	52	-	1,127
Vehicles	<u>990</u>	<u>-</u>	<u>-</u>	<u>990</u>
Total capital assets, depreciable/amortizable	<u>68,307</u>	<u>352</u>	<u>-</u>	<u>68,659</u>
Less accumulated depreciation/amortization for:				
Land improvements	20,272	2,050	-	22,322
Structures and improvements	12,977	423	-	13,400
Equipment	710	-	-	710
Vehicles	<u>492</u>	<u>64</u>	<u>-</u>	<u>556</u>
Total accumulated depreciation/amortization	<u>34,451</u>	<u>2,537</u>	<u>-</u>	<u>36,988</u>
Total capital assets, depreciable/amortizable, net	<u>33,856</u>	<u>(2,185)</u>	<u>-</u>	<u>31,671</u>
Department of Airports capital assets, net	<u>\$ 44,912</u>	<u>\$ (1,515)</u>	<u>\$ -</u>	<u>\$ 43,397</u>
Waterworks Districts:				
Capital assets, nondepreciable:				
Land	\$ 2,496	\$ -	\$ 6	\$ 2,490
Easements	326	-	-	326
Construction in progress	<u>7,425</u>	<u>5,849</u>	<u>3,590</u>	<u>9,684</u>
Total capital assets, nondepreciable	<u>10,247</u>	<u>5,849</u>	<u>3,596</u>	<u>12,500</u>
Capital assets, depreciable/amortizable:				
Land improvements	2,074	-	-	2,074
Structures and improvements	129,525	9,778	5,366	133,937
Equipment	2,924	180	180	2,924
Vehicles	<u>99</u>	<u>-</u>	<u>6</u>	<u>93</u>
Total capital assets, depreciable/amortizable	<u>134,622</u>	<u>9,958</u>	<u>5,552</u>	<u>139,028</u>
Less accumulated depreciation/amortization for:				
Land improvements	333	41	-	374
Structures and improvements	34,811	2,646	145	37,312
Equipment	1,596	92	-	1,688
Vehicles	<u>82</u>	<u>4</u>	<u>6</u>	<u>80</u>
Total accumulated depreciation/amortization	<u>36,822</u>	<u>2,783</u>	<u>151</u>	<u>39,454</u>
Total capital assets, depreciable/amortizable, net	<u>97,800</u>	<u>7,175</u>	<u>5,401</u>	<u>99,574</u>
Waterworks Districts capital assets, net	<u>\$ 108,047</u>	<u>\$ 13,024</u>	<u>\$ 8,997</u>	<u>\$ 112,074</u>

(1) Certain amounts reported at June 30, 2015 have been reclassified to the appropriate asset type. Such reclassifications had no effect on the previously reported capital asset total.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

	Balance July 1, 2015 (1)	Additions	Deletions	Balance June 30, 2016
Non-major Enterprise Funds:				
Capital assets, nondepreciable:				
Land	\$ 8,860	\$ -	\$ -	\$ 8,860
Easements	122	-	-	122
Construction in progress	352	249	69	532
Total capital assets, nondepreciable	<u>9,334</u>	<u>249</u>	<u>69</u>	<u>9,514</u>
Capital assets, depreciable/amortizable:				
Land improvements	31,516	20	-	31,536
Structures and improvements	37,599	265	-	37,864
Equipment	2,363	65	120	2,308
Vehicles	48	-	11	37
Software	6,438	206	-	6,644
Total capital assets, depreciable/amortizable	<u>77,964</u>	<u>556</u>	<u>131</u>	<u>78,389</u>
Less accumulated depreciation/amortization for:				
Land improvements	15,310	1,488	-	16,798
Structures and improvements	16,748	962	-	17,710
Equipment	1,814	104	120	1,798
Vehicles	47	-	11	36
Software	2,565	1,449	-	4,014
Total accumulated depreciation/amortization	<u>36,484</u>	<u>4,003</u>	<u>131</u>	<u>40,356</u>
Total capital assets, depreciable/amortizable, net	<u>41,480</u>	<u>(3,447)</u>	<u>-</u>	<u>38,033</u>
Non-major Enterprise Funds capital assets, net	<u>\$ 50,814</u>	<u>\$ (3,198)</u>	<u>\$ 69</u>	<u>\$ 47,547</u>
Business-type activities capital assets, net	<u>\$ 486,137</u>	<u>\$ 112,031</u>	<u>\$ 9,272</u>	<u>\$ 588,896</u>

Depreciation/amortization

Depreciation/amortization expense was charged to governmental functions as follows (in thousands):

General government:		
General administration	<u>\$ 7,636</u>	
Total general government		\$ 7,636
Public protection:		
Judicial	723	
Police protection	1,967	
Detention and correction	4,189	
Fire protection	4,935	
Watershed protection and soil & water conservation	3,644	
Protective inspection	36	
Other	<u>1,494</u>	
Total public protection		16,988
Public ways and facilities		2,059
Health and sanitation services		585
Public assistance:		
Administration	<u>497</u>	
Total public assistance		497
Education		204
Capital assets held by the internal service funds		<u>9,929</u>
Total depreciation/amortization expense - governmental activities		<u>\$ 37,898</u>

(1) Certain amounts reported at June 30, 2015 have been reclassified to the appropriate asset type. Such reclassifications had no effect on the previously reported capital asset total.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Depreciation/amortization expense was charged to the business-type activities as follows (in thousands):

Medical Center	\$ 13,335
Department of Airports	2,537
Waterworks Districts	2,783
Parks Department	1,623
Channel Islands Harbor	890
Health Care Plan	1,461
Oak View District	<u>29</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 22,658</u>

Construction in Progress and Capital Projects Commitments

Construction in progress for governmental activities represents work being performed on Fire Protection District projects, infrastructure, Watershed Protection District projects, El Rio Sewer project, Information Technology Services projects, and a number of smaller projects. Construction in progress for the business-type activities represents work being performed on the Medical Center and Clinics, Waterworks District projects, Harbor Department projects, and information technology projects.

Construction in progress and capital projects commitments as of June 30, 2016, are as follows (in thousands):

	<u>Construction in Progress</u>	<u>Additional Committed Funds</u>
Governmental activities	<u>\$ 44,362</u>	<u>\$ 13,159</u>
Business-type activities:		
Medical Center	\$ 284,772	\$ 35,551
Department of Airports	1,515	-
Waterworks Districts	9,684	1,388
Parks Department	34	-
Channel Islands Harbor	<u>498</u>	<u>-</u>
Total business-type activities	<u>\$ 296,503</u>	<u>\$ 36,939</u>

Long-term commitments for infrastructure construction contracts totaled \$2,824,239 (principally for road and watershed protection projects) at June 30, 2016.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7 - ACCRUED LIABILITIES

Accrued liabilities at year-end of the County’s major, non-major, and internal service funds in the aggregate are as follows (in thousands):

<u>Governmental Funds</u>	<u>General Fund</u>	<u>Roads</u>	<u>Watershed Protection Districts</u>	<u>Fire Protection District</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
Accrued salaries, benefits, and other payroll liabilities	\$ 19,100	\$ -	\$ -	\$ 4,176	\$ 1,656	\$ 3,253	\$ 28,185
Audit disallowances:							
Mental Health Short Doyle	10,293	-	-	-	-	-	10,293
Other audit disallowances	1,056	-	-	-	-	-	1,056
Accrued interest on tax and revenue anticipation notes	3,033	-	-	-	-	-	3,033
Money managed for others by Public Administrator/Public Guardian	6,092	-	-	-	-	-	6,092
Property tax clearing	4,086	-	-	-	-	-	4,086
Public assistance benefits payable	3,030	-	-	-	-	-	3,030
Civil judgments and holdings	449	-	-	-	-	-	449
Seized money pending release	2,509	-	-	-	-	-	2,509
Clearing and other liabilities	<u>9,270</u>	<u>713</u>	<u>1,868</u>	<u>7</u>	<u>224</u>	<u>2,212</u>	<u>14,294</u>
Total	<u>\$ 58,918</u>	<u>\$ 713</u>	<u>\$ 1,868</u>	<u>\$ 4,183</u>	<u>\$ 1,880</u>	<u>\$ 5,465</u>	<u>\$ 73,027</u>
<u>Proprietary Funds</u>	<u>Medical Center</u>	<u>Department of Airports</u>	<u>Waterworks Districts</u>	<u>Non-major Enterprise Funds</u>	<u>Total Business-type Activities</u>		
Accrued salaries and benefits	\$ 4,671	\$ 87	\$ -	\$ 365	\$ 5,123		
Medicare, Medi-Cal, and SB1100 reserves	16,265	-	-	-	16,265		
Clinic liabilities	6,494	-	-	-	6,494		
Clearing and other liabilities	<u>1,737</u>	<u>-</u>	<u>17</u>	<u>418</u>	<u>2,172</u>		
Total	<u>\$ 29,167</u>	<u>\$ 87</u>	<u>\$ 17</u>	<u>\$ 783</u>	<u>\$ 30,054</u>		

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8 - LEASES

Operating Leases as Lessee

The County is committed under various noncancelable operating leases (principally in the General Fund for governmental activities). Future minimum operating lease commitments are as follows (in thousands):

Year ending June 30:	Governmental Activities	Business-type Activities
2017	\$ 7,644	\$ 4,168
2018	7,165	4,255
2019	6,573	4,317
2020	6,313	3,947
2021	6,183	3,889
2022-2026	14,061	13,349
Total minimum payments required	\$ 47,939	\$ 33,925

Rental expense for County-wide operating leases was \$31,495,000 for the year ended June 30, 2016.

Operating Leases as Lessor

The Channel Islands Harbor, Parks Department, and Department of Airports Enterprise funds lease properties to others under operating leases with terms of up to 85 years. The following is a summary of future minimum rental revenues on noncancelable leases at June 30, 2016 (in thousands):

Year ending June 30:	Amounts
2017	\$ 6,708
2018	6,041
2019	5,892
2020	5,676
2021	5,501
2022-2026	25,150
2027-2031	20,799
2032-2036	17,428
2037-2041	14,818
2042-2046	13,766
2047-2051	8,994
2052-2056	5,162
2057-2061	3,192
2062-2066	2,306
2067-2071	2,250
2072-2076	1,801
2077-2081	1,002
2082-2086	1,002
2087-2091	1,001
2092-2096	1,001
2097-2101	701
Total	\$ 150,191

Contingent rental revenues under operating leases are based on percentages of lease sales and totaled approximately \$1,474,085 for the year ended June 30, 2016.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Capital Leases

The County has entered into capital lease agreements under which the present value of the minimum lease payments required under the lease is at least 90% of the fair value of the assets at the inception of the lease. There were no capital leases in the governmental activities.

The following is a schedule of property leased under capital lease by major class in the business-type activities at June 30, 2016 (in thousands):

	Business-type Activities
Equipment	\$ 2,515
Less: Accumulated amortization	<u>(75)</u>
Total net of amortization	<u><u>\$ 2,440</u></u>

As of June 30, 2016, capital lease annual amortization in the business-type activities is as follows (in thousands):

Year ending June 30:	Business-type Activities
2017	\$ 528
2018	529
2019	529
2020	486
2021	<u>486</u>
Total requirements	2,558
Less: amount representing interest	<u>(111)</u>
Present value of remaining payments	<u><u>\$ 2,447</u></u>

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9 - LONG-TERM LIABILITIES

Long-term obligations of the County consist of certificates of participation, lease revenue bonds, tax-exempt commercial paper, loans payable, capital leases, compensated absences, and other liabilities. Capitalized lease obligations are described further in Note 8.

Certificates of participation (COPs) and lease revenue bonds (LRBs) are obligations of a public entity based on a lease agreement and are paid by lease payments from County departments/funds for use of the facilities or equipment constructed or purchased from the debt proceeds. Tax-exempt commercial paper (TECP) is unsecured short-term promissory notes issued with maturities ranging from 2 to 270 days.

The Public Financing Authority (PFA) was formed in August of 1998. TECP is used for the acquisition and renovation of facilities and the acquisition and upgrade of information systems. In 2015-16, TECP was used to fund the Upgrade of the Ventura County Financial Management System.

On July 14, 2009, the PFA originally issued \$89,720,000 of 2009 Certificates of Participation (PFA III COPs) used to currently refund PFC V, PFA I, and reimburse advances from TECP for the Fillmore office building, and the VCMC clinic and its continuing construction costs.

On March 7, 2013, the PFA issued \$302,060,000 of Lease Revenue Bonds, (LRBs Series 2013A) used to finance a new replacement wing of the Ventura County Medical Center and to retire \$20,656,000 of TECP.

On December 19, 2013, the PFA issued \$34,100,000 of Lease Revenue Bonds, (LRBs Series 2013B), used to prefund PFA II, and finance the acquisition of an office building located at 1911 Williams Drive, Oxnard, California.

On December 1, 2013, the PFA entered into a purchase agreement with the Ventura County Waterworks District No. 19 pursuant to which the District sold the Ventura County Waterworks District No. 19 Water Infrastructure Project to the PFA and the PFA entered into an installment sale agreement pursuant to which the PFA agreed to sell the Project to the District in consideration for which the District has agreed to make certain installment payments. The PFA then assigned to the County of Ventura Treasurer-Tax Collector, as trust Administrator, certain of its rights, title, and interest in and to the installment sale agreement including its right to receive installment payments thereunder.

On January 22, 2014, the United States Department of Agriculture, Rural Development agreed to purchase COPs in an aggregate amount not to exceed \$5,000,000 evidencing the right to receive installment payments made to the PFA pursuant to the Installment Sale Agreement dated December 1, 2013, between the PFA and the District. As of June 30, 2016, the United States Department of Agriculture, Rural Development had purchased COPs of \$2,996,986.

Compensated absences are liabilities for vacation, vested sick leave benefits, and compensatory time reported as required by GASB Statement Nos. 16 and 34 in the proprietary fund financial statements and the governmental and business-type activities of the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured due to employee resignations and retirements. Governmental fund liabilities are typically liquidated in the General Fund and certain special revenue funds.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Other liabilities include the net pension liability as required by GASB Statement No. 68, the liability for medical malpractice insurance claims incurred but not reported (tail coverage) for General Fund health departments and the Medical Center, the net pension obligation relating to the Management Retiree Health Benefit, the net other postemployment benefits (OPEB) obligation, claims liabilities relating to the self-insurance of certain risks in the General Insurance and Employee Benefit Insurance Internal Service Funds, and the Health Care Plan.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Summaries of long-term indebtedness and liabilities incurred by the governmental and business-type activities, outstanding as of June 30, 2016, are as follows (in thousands):

Type of indebtedness/liabilities	Maturity	Interest Rates	Original Issue Amount
Governmental Activities:			
<i>Certificates of Participation/Lease Revenue Bonds:</i>			
Public Financing Authority III:			
General Fund (including premiums)	08/15/16-08/15/29	3.00 - 6.00%	\$ 20,663
General Services - Facilities	08/15/16-08/15/29	3.00 - 6.00%	1,845
Public Financing Authority			
Lease Revenue Bonds (Series 2013A):			
General Fund (including premiums)	11/01/16-11/01/43	2.00 - 5.00%	4,975
Information Technology Services			
- Telecommunications (including premiums)	11/01/16-11/01/43	2.00 - 5.00%	9,735
Lease Revenue Bonds (Series 2013B):			
General Fund (including premiums)	11/01/16-11/01/27	3.00 - 5.00%	<u>34,100</u>
Total Certificates of Participation/Lease Revenue Bonds			<u>71,318</u>
<i>Tax-Exempt Commercial Paper:</i>			
Public Financing Authority:			
General Fund	Rolling	0.02 - 0.45%	34,537
Transportation	Rolling	0.02 - 0.45%	300
General Services - Facilities	Rolling	0.02 - 0.45%	2,386
JJC Traffic Signal	Rolling	0.02 - 0.45%	<u>250</u>
Total Tax-Exempt Commercial Paper			<u>37,473</u>
<i>Loans Payable:</i>			
County Service Areas - 34 El Rio (SWRCB 09)	06/30/16-06/30/40	2.60%	6,869
County Service Areas - 34 El Rio (SWRCB 10)	06/23/16-06/23/41	1.0%	<u>4,564</u>
Total Loans Payable			<u>11,433</u>
<i>Compensated Absences Liability</i>	N/A	N/A	<u>-</u>
<i>Other Liabilities:</i>			
Net Pension Liability	N/A	N/A	-
Medical malpractice (General Fund)	N/A	N/A	-
Net Pension Obligation (Mgmt Retiree Health Benefit)	N/A	N/A	-
Net Other Postemployment Benefits (OPEB)	N/A	N/A	-
Claims liabilities (General Insurance and Employee Benefit Insurance)	N/A	N/A	<u>-</u>
Total Other Liabilities			<u>-</u>
Total Governmental Activities			<u>\$ 120,224</u>

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Outstanding July 1, 2015	Additions and Transfers	Reductions and Transfers	Outstanding June 30, 2016	Amount Due Within One Year	Type of indebtedness/liabilities
Governmental Activities:					
<i>Certificates of Participation/Lease Revenue Bonds:</i>					
\$ 10,514	\$ -	\$ 2,215	\$ 8,299	\$ 2,324	Public Financing Authority III:
558	-	272	286	286	General Fund (including premiums)
					General Services - Facilities
					Public Financing Authority
					Lease Revenue Bonds (Series 2013A):
5,167	-	356	4,811	361	General Fund (including premiums)
					Information Technology Services
9,341	-	977	8,364	1,002	- Telecommunications (including premiums)
					Lease Revenue Bonds (Series 2013B):
34,862	-	3,130	31,732	3,240	General Fund (including premiums)
<u>60,442</u>	<u>-</u>	<u>6,950</u>	<u>53,492</u>	<u>7,213</u>	Total Certificates of Participation/Lease Revenue Bonds
<i>Tax-Exempt Commercial Paper:</i>					
					Public Financing Authority:
8,576	11,100	1,167	18,509	1,917	General Fund
181	-	20	161	19	Transportation
2,402	-	183	2,219	170	General Services - Facilities
73	-	36	37	37	JJC Traffic Signal
<u>11,232</u>	<u>11,100</u>	<u>1,406</u>	<u>20,926</u>	<u>2,143</u>	Total Tax-Exempt Commercial Paper
<i>Loans Payable:</i>					
5,897	-	170	5,727	176	County Service Areas - 34 El Rio (SWRCB 09)
<u>3,038</u>	<u>-</u>	<u>103</u>	<u>2,935</u>	<u>104</u>	County Service Areas - 34 El Rio (SWRCB 10)
<u>8,935</u>	<u>-</u>	<u>273</u>	<u>8,662</u>	<u>280</u>	Total Loans Payable
<u>68,516</u>	<u>37,692</u>	<u>35,150</u>	<u>71,058</u>	<u>37,045</u>	<i>Compensated Absences Liability</i>
<i>Other Liabilities:</i>					
478,456	410,960	152,468	736,948	-	Net Pension Liability
327	178	-	505	-	Medical malpractice (General Fund)
827	-	165	662	-	Net Pension Obligation (Mgmt Retiree Health Benefit)
4,832	426	-	5,258	-	Net Other Postemployment Benefits (OPEB)
					Claims liabilities (General Insurance and
149,062	35,688	22,980	161,770	35,167	Employee Benefit Insurance)
<u>633,504</u>	<u>447,252</u>	<u>175,613</u>	<u>905,143</u>	<u>35,167</u>	Total Other Liabilities
<u>\$ 782,629</u>	<u>\$ 496,044</u>	<u>\$ 219,392</u>	<u>\$ 1,059,281</u>	<u>\$ 81,848</u>	Total Governmental Activities

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Type of indebtedness/liabilities	Maturity	Interest Rates	Original Issue Amount
Business-type Activities - Major Funds:			
<i>Medical Center:</i>			
Public Financing Authority III	08/15/16 - 08/15/29	3.00 - 6.00%	\$ 67,130
Public Financing Authority Lease Revenue Bonds (Series 2013A) (including premium)	11/01/16 - 11/01/43	2.00 - 5.00%	283,465
Public Financing Authority/Tax-Exempt Commercial Paper	Rolling	0.02 - 0.45%	3,753
Capital Lease Obligation - Stryker	Semi-Annual to 1/19	7.76%	180
Capital Lease Obligation - BAPCC	Quarterly to 6/21	1.53%	2,335
Total Medical Center			<u>356,863</u>
<i>Department of Airports:</i>			
Department of Transportation Loan	08/13/15	4.987%	240
Total Department of Airports			<u>240</u>
<i>Waterworks Districts:</i>			
Revolving Fund Loan (Maximum Commitment of \$1,769)	06/11/16-06/11/23	1.40%	1,364
Revolving Fund Loan (Maximum Commitment of \$5,555)	07/01/16 - 07/01/40	1.00%	3,532
Waterworks District No. 19 USDA Loan (Maximum Commitment of \$5,000)	12/01/16 - 12/01/53	3.375	114
Total Waterworks Districts			<u>5,010</u>
Business-type Activities - Non-major Funds:			
<i>Channel Islands Harbor:</i>			
Public Financing Authority Lease Revenue Bonds (Series 2013A) (including premium)	11/01/16-11/01/43	2.00 - 5.00%	3,885
Harbor Revetment Project			-
Total Channel Islands Harbor			<u>3,885</u>
<i>Oak View District:</i>			
Public Financing Authority/Tax-Exempt Commercial Paper	Rolling	0.02 - 0.45%	1,200
<i>Compensated Absences Liability</i>	N/A	N/A	-
<i>Other Liabilities:</i>			
Net Pension Liability	N/A	N/A	-
Claims liabilities (Health Care Plan)	N/A	N/A	-
Medical malpractice (Medical Center)	N/A	N/A	-
Total Other Liabilities			<u>-</u>
Total Business-type Activities			<u>\$ 367,198</u>

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Outstanding July 1, 2015	Additions and Transfers	Reductions and Transfers	Outstanding June 30, 2016	Amount Due Within One Year	Type of indebtedness/liabilities
Business-type Activities - Major Funds:					
<i>Medical Center:</i>					
\$ 50,957	\$ -	\$ 3,294	\$ 47,663	\$ 3,463	Public Financing Authority III
305,708	-	4,368	301,340	4,473	Public Financing Authority Lease Revenue Bonds Bonds (Series 2013A) (including premiums)
4,689	-	554	4,135	531	Public Financing Authority/Tax-Exempt Commercial Paper
144	-	32	112	34	Capital Lease Obligation - Stryker
<u>-</u>	<u>2,335</u>	<u>-</u>	<u>2,335</u>	<u>452</u>	Capital Lease Obligation - BAPCC
<u>361,498</u>	<u>2,335</u>	<u>8,248</u>	<u>355,585</u>	<u>8,953</u>	Total Medical Center
<i>Department of Airports:</i>					
<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	Department of Transportation Loan
<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	Total Department of Airports
<i>Waterworks Districts:</i>					
633	-	73	560	74	Revolving Fund Loan (Maximum Commitment of \$1,769)
4,790	-	162	4,628	164	Revolving Fund Loan (Maximum Commitment of \$5,555)
<u>2,635</u>	<u>300</u>	<u>63</u>	<u>2,872</u>	<u>65</u>	Waterworks District No. 19 USDA Loan (Maximum Commitment of \$5,000)
<u>8,058</u>	<u>300</u>	<u>298</u>	<u>8,060</u>	<u>303</u>	Total Waterworks Districts
Business-type Activities - Non-major Funds:					
<i>Channel Islands Harbor:</i>					
<u>3,527</u>	<u>-</u>	<u>458</u>	<u>3,069</u>	<u>473</u>	Public Financing Authority Lease Revenue Bonds (Series 2013A) (including premiums)
<u>3,527</u>	<u>-</u>	<u>458</u>	<u>3,069</u>	<u>473</u>	Harbor Revetment Project Total Channel Islands Harbor
<i>Oak View District:</i>					
<u>680</u>	<u>-</u>	<u>40</u>	<u>640</u>	<u>36</u>	Public Financing Authority/Tax-Exempt Commercial Paper
<u>8,798</u>	<u>6,037</u>	<u>5,447</u>	<u>9,388</u>	<u>5,756</u>	<i>Compensated Absences Liability</i>
<i>Other Liabilities:</i>					
58,745	52,899	18,685	92,959	-	Net Pension Liability
6,874	58,706	54,561	11,019	11,019	Claims liabilities (Health Care Plan)
1,420	457	-	1,877	-	Medical malpractice (Medical Center)
<u>67,039</u>	<u>112,062</u>	<u>73,246</u>	<u>105,855</u>	<u>11,019</u>	Total Other Liabilities
<u>\$ 449,611</u>	<u>\$ 120,734</u>	<u>\$ 87,748</u>	<u>\$ 482,597</u>	<u>\$ 26,540</u>	Total Business-type Activities

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

As of June 30, 2016, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Year Ending June 30:	Certificates of Participation		Lease Revenue Bonds		Tax-Exempt Commercial Paper		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,557	\$ 336	\$ 4,140	\$ 1,820	\$ 2,143	\$ 314	\$ 280	\$ 178
2018	565	259	4,305	1,641	2,138	282	283	172
2019	595	230	4,505	1,434	2,155	250	290	167
2020	620	200	3,970	1,229	2,182	218	296	161
2021	655	168	3,070	1,053	2,214	185	301	155
2022-2026	2,955	317	14,715	3,003	8,104	441	1,603	681
2027-2031	-	-	5,285	218	1,990	64	1,775	509
2032-2036	-	-	-	-	-	-	1,971	316
2037-2041	-	-	-	-	-	-	1,863	100
Total requirements	7,947	\$ 1,510	39,990	\$ 10,398	\$ 20,926	\$ 1,754	\$ 8,662	\$ 2,439
Bond premium	638		4,917					
Total	\$ 8,585		\$ 44,907					

Interest payments and certificate of participation retirements are serviced by revenues generated from lease payments made by the General Fund on leased facilities.

As of June 30, 2016, annual debt service requirements of business-type activities for major funds and non-major funds to maturity are as follows (in thousands):

Year Ending June 30:	MEDICAL CENTER						WATERWORKS DISTRICTS	
	Certificates of Participation		Lease Revenue Bonds		Tax-Exempt Commercial Paper		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,463	\$ 2,454	\$ 3,460	\$ 12,869	\$ 531	\$ 62	\$ 303	\$ 149
2018	2,470	2,305	3,585	12,746	539	54	308	145
2019	2,600	2,176	3,730	12,599	547	46	315	140
2020	2,730	2,043	3,920	12,427	555	38	321	135
2021	2,865	1,904	4,170	12,224	564	29	326	130
2022-2026	16,655	7,125	29,725	57,193	1,399	64	1,459	568
2027-2031	16,880	2,006	44,160	47,983	-	-	1,409	445
2032-2036	-	-	56,630	36,019	-	-	1,542	309
2037-2041	-	-	72,260	20,394	-	-	1,697	152
2042-2046	-	-	52,025	3,567	-	-	380	16
Total requirements	\$ 47,663	\$ 20,013	273,665	\$ 228,021	\$ 4,135	\$ 293	\$ 8,060	\$ 2,189
Bond premium			27,675					
Total			\$ 301,340					

Year Ending June 30:	NON-MAJOR FUNDS			
	Lease Revenue Bonds		Tax-Exempt Commercial Paper	
	Principal	Interest	Principal	Interest
2017	\$ 410	\$ 114	\$ 36	\$ 10
2018	425	99	36	9
2019	440	81	37	9
2020	460	61	37	8
2021	485	38	38	7
2022-2026	510	13	198	28
2027-2031	-	-	258	10
Total requirements	2,730	\$ 406	\$ 640	\$ 81
Bond premium		339		
Total		\$ 3,069		

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Legal Debt Limit

The County's legal annual debt limit as of June 30, 2016, is approximately \$1,528,776,000. The County's legal debt limit is set by statute at 1.25 percent of total assessed valuation. The general obligation bonded debt per capita is \$0.00.

Arbitrage

The Internal Revenue Code of 1986, Sections 103 and 141 through 150, restricts the amount of interest earnings an issuer of tax-exempt issuances can earn on the proceeds. The interest earnings rate cannot exceed the yield on the tax-exempt COPs.

Management believes that as of June 30, 2016, there is no arbitrage liability. The activities of tax-exempt debt issues will continue to be monitored and appropriate analysis made to determine any future obligation.

Special Assessment Debt

As of June 30, 2016, tax-exempt commercial paper was outstanding in the amount of \$640,000 for the Oak View School Preservation and Maintenance District (Oak View District). On August 2, 2002, the Oak View District was formed to purchase and rehabilitate the Oak View School for a community park and family resource center. The initial funding was provided by a loan from tax-exempt commercial paper partially offset by grant funds. The cost of debt payments over the thirty year period and operations will be paid solely from benefit assessments.

The County acts as an agent for the property owners in collecting assessments for the Oak View District and initiating foreclosure proceedings, if appropriate. The County directly administers the Oak View School project and the related PFA debt; therefore, the debt, along with other PFA issued County debt, is included in the accompanying financial statements.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10 - SERVICE CONCESSION ARRANGEMENTS (SCA)

The County has determined that the following arrangements meet the criteria set forth in GASB Statement No. 60, where the County is the transferor and therefore included these SCAs in the County's financial statements.

Rustic Canyon Golf Course

Effective May 1, 2001, the County entered into a 50-year lease agreement (having options for two successive 10-year extensions) with Happy Camp Canyon, LLC (Happy Camp), under which Happy Camp will develop, operate, and maintain a regulation, high quality, fully public 18-hole golf course, clubhouse, pro shop, food and beverage facility, cart storage structure(s), maintenance equipment storage structure(s), and supporting infrastructures. Happy Camp will invest a minimum of \$5,000,000 in real property improvements. Rates and charges to patrons shall be reasonable, competitive, and comparable to rates and charges at other comparable public golf courses in Ventura and Los Angeles Counties. The County has approval rights over the rules and regulations schedule, the operating schedule, and the prices. The agreement provides for base minimum rents which are considered installment payments under GASB 60 and percentage rents which are not. Minimum base rent terms are: Year 1, \$60,000; Year 2, \$130,000; Years 3-5, \$250,000 (less \$125,000 water credit); and Years 6-50, minimum annual rent is adjusted every 5 years to an amount equal to 80 percent of the average of the total yearly rent (minimum rent and percentage rent) for the previous 5 years, provided it shall not be less than \$250,000 per year adjusted by CPI; less \$125,000 water credit. It is reasonable to assume that those conditions will be met during the term of the agreement, therefore reductions to the base minimum rent installment payments have been made accordingly. At the end of the lease, all lessee owned improvements, except personal property, shall remain on the property and thereafter be owned by the County.

Steckel Park – Ventura Ranch KOA

Effective October 1, 2009, the County entered into a 14-year, 9 month lease agreement with Ventura Ranch Resort, LLC (Ventura Ranch KOA) (having one option for an additional 15 years, and two additional 10-year options, each contingent on the lessee's completion of additional capital improvements), under which Ventura Ranch KOA will improve, operate, and maintain the Steckel Recreation Vehicle Campground. The first investment commitment of \$1,000,000, which triggers GASB 60, will extend the lease term of 15 years to June 30, 2039, and is presumed to be exercised. Ventura Ranch KOA may use a rate management system that is commonly accepted and applies hospitality industry experience and practices and accounts for market conditions, capital expenditure, available amenities, and level of service. The County has approval rights over the rules and regulations schedule and the operating schedule. The agreement provides for base minimum rents which are considered installment payments under GASB 60 and percentage rents which are not. Minimum base rent terms are: Years 1-5, \$45,000, and Years 6 through the end of the term, minimum annual rent is adjusted every 5 years to an amount equal to 80 percent of the average of the total yearly rent (minimum rent and percentage rent) for the previous 5 years. At the end of the lease, all lessee owned improvements, except personal property, shall remain on the property and thereafter be owned by the County.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Capital asset balances and related accumulated depreciation for each SCA for the year ended June 30, 2016 are as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Rustic Canyon Golf Course:				
Capital assets, depreciable/amortizable:				
Land improvements	\$ 6,321	\$ -	\$ -	\$ 6,321
Structures and improvements	1,724	-	-	1,724
Total capital assets, depreciable/amortizable	<u>8,045</u>	<u>-</u>	<u>-</u>	<u>8,045</u>
Less accumulated depreciation/amortization for:				
Land improvements	5,083	423	-	5,506
Structures and improvements	691	57	-	748
Total accumulated depreciation/amortization	<u>5,774</u>	<u>480</u>	<u>-</u>	<u>6,254</u>
Total capital assets, depreciable/amortizable, net	<u>2,271</u>	<u>(480)</u>	<u>-</u>	<u>1,791</u>
Steckel Park - Ventura Ranch KOA:				
Capital assets, depreciable/amortizable:				
Land improvements	944	13	-	957
Structures and improvements	852	-	-	852
Total capital assets, depreciable/amortizable	<u>1,796</u>	<u>13</u>	<u>-</u>	<u>1,809</u>
Less accumulated depreciation/amortization for:				
Land improvements	213	68	-	281
Structures and improvements	325	87	-	412
Total accumulated depreciation/amortization	<u>538</u>	<u>155</u>	<u>-</u>	<u>693</u>
Total capital assets, depreciable/amortizable, net	<u>1,258</u>	<u>(142)</u>	<u>-</u>	<u>1,116</u>
SCA capital assets, net	<u>\$ 3,529</u>	<u>\$ (622)</u>	<u>\$ -</u>	<u>\$ 2,907</u>

The deferred inflows of resources activity for each SCA for the year ended June 30, 2016 was as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions/ Amortization	Balance June 30, 2016
Present Value of Installment Payments (1)				
Rustic Canyon Golf Course	\$ 1,949	\$ -	\$ 152	\$ 1,797
Steckel Park - Ventura Ranch KOA	252	-	25	227
Sub-total Present Value of Installment Payments	<u>2,201</u>	<u>-</u>	<u>177</u>	<u>2,024</u>
SCA Capital Assets (2)				
Rustic Canyon Golf Course	6,026	-	169	5,857
Steckel Park - Ventura Ranch KOA	1,569	13	66	1,516
Sub-total SCA Capital Assets	<u>7,595</u>	<u>13</u>	<u>235</u>	<u>7,373</u>
Total deferred inflows	<u>\$ 9,796</u>	<u>\$ 13</u>	<u>\$ 412</u>	<u>\$ 9,397</u>

(1) Installment payments present values calculated using a discount rate of 7.57% for Rustic Canyon Golf Course and 9.46% for Ventura Ranch KOA with deferred inflows recognized in accordance with the amortization schedules.

(2) Amortization calculated using straight-line method for the term of agreement for each SCA.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11 - NET POSITION/FUND BALANCES

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation, the outstanding balances of debt, and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted* – This category reflects the component of net position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2016, restricted net position for governmental activities totaled \$322,177,000, of which \$294,454,000, was restricted by enabling legislation.
- *Unrestricted* – This category represents the net position of the County not restricted for any project or other purpose. Outstanding liabilities and deferred inflows of resources that are attributable to this component reduce the balance of this category.

Fund Statement - Fund Balances

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories or prepaid amounts, and may also include the long-term receivables.

Restricted fund balance - includes amounts with constraints on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for the specific purposes determined by the highest form of decision-making authority, an Ordinance, of the highest level of decision-making authority, the County Board of Supervisors (Board). Commitments may be changed only by the County taking the same formal action, amending or repealing the ordinance, that originally imposed the constraint.

Assigned fund balance – includes amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be expressed by either the highest level of decision making, the Board, or by a body or an official to which the Board has delegated the authority. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

At June 30, 2016, fund balance for governmental funds is made up of the following (in thousands):

Fund Balances	General Fund	Roads	Watershed Protection Districts	Fire Protection District	Non-major Governmental Funds	Total
Nonspendable:						
Inventory and prepaid amounts	\$ 945	\$ -	\$ -	\$ 1,714	\$ 97	\$ 2,756
Long term loans and notes receivable	66,272	-	-	-	-	66,272
Permanent fund principal	-	-	-	-	1,133	1,133
Restricted for:						
Teeter tax loss reserve	14,996	-	-	-	-	14,996
Law enforcement programs and capital projects	30,767	-	-	-	9,453	40,220
District attorney programs	9,377	-	-	-	-	9,377
Automation improvements	16,314	-	-	-	-	16,314
Health care programs	3,807	-	-	-	-	3,807
Behavioral health programs	6,479	-	-	-	-	6,479
Public assistance programs	10,467	-	-	-	141	10,608
Roads administration, maintenance, and projects	-	20,631	-	-	-	20,631
Watershed protection	-	-	47,662	-	-	47,662
Fire protection	-	-	-	100,237	-	100,237
County service areas	-	-	-	-	3,223	3,223
Mental Health Services Act (MHSA)	-	-	-	-	26,317	26,317
MHSA prudent reserve	-	-	-	-	9,499	9,499
Special assessment debt	-	-	-	-	540	540
Education	-	-	-	-	1,443	1,443
Recreation	-	-	-	-	139	139
Debt service	-	-	-	-	4,053	4,053
Other governmental purposes	2,322	-	-	-	-	2,322
Committed to:						
Waste management	4,133	-	-	-	-	4,133
Roads administration, maintenance, and projects	-	351	-	-	-	351
Traffic impact mitigation fees	-	17,422	-	-	-	17,422
Watershed protection	-	-	368	-	-	368
Facility ordinance fees	-	-	-	33	-	33
County service areas	-	-	-	-	3,719	3,719
Other governmental purposes	111	-	-	-	9	120
Assigned to:						
Purchase contracts	29,467	-	-	-	-	29,467
Fixed asset acquisitions	14,029	-	-	-	-	14,029
Stormwater management	2,149	-	-	-	-	2,149
Public assistance programs	1,097	-	-	-	-	1,097
Attrition and program mitigation	3,000	-	-	-	-	3,000
Audit disallowances	1,000	-	-	-	-	1,000
Law enforcement programs	462	-	-	-	-	462
Roads administration, maintenance, and projects	-	1,229	-	-	-	1,229
Watershed protection	-	-	1,451	-	-	1,451
County service areas	-	-	-	-	100	100
Education	-	-	-	-	2,946	2,946
Other governmental purposes	623	-	-	-	-	623
Unassigned	140,746	-	-	-	-	140,746
Total fund balances	<u>\$ 358,563</u>	<u>\$ 39,633</u>	<u>\$ 49,481</u>	<u>\$ 101,984</u>	<u>\$ 62,812</u>	<u>\$ 612,473</u>

When restricted and unrestricted (committed, assigned, or unassigned) resources are available, restricted resources are generally considered to be used first, followed by committed, assigned and unassigned resources as they are needed.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12 - MEDICARE AND MEDI-CAL PROGRAMS

The Medical Center provides services to eligible patients under Medi-Cal and Medicare programs. For the fiscal year ended June 30, 2016, the Medi-Cal and Medicare programs represented approximately 72 percent of the Medical Center's net revenue.

Medi-Cal inpatient services are reimbursed through the guidelines and methodology covered under California's Medi-Cal 2020 Waiver. The interim hospital per diem rates were computed based on the hospital's cost report data, supplemental worksheets, and supporting documentation that were designed by the Department of Health Care Services and are subject to reconciliation based on the filed and reconciled Medi-Cal 2552-96 cost report. Medi-Cal outpatient services are reimbursed under a schedule of maximum allowances and additional supplemental funding through AB915 for uncompensated costs. Outpatient services at the Federally Qualified Health Centers clinics are reimbursed based on a Medi-Cal Prospective Payment System (PPS) rate. Medical Managed Care (Gold Coast Health Plan) inpatient services are reimbursed at per diem rates, outpatient primary care services are reimbursed on a capitated basis, and outpatient specialty services are reimbursed based on the Medi-Cal fee schedule.

Medicare inpatient services are reimbursed based upon pre-established rates for diagnostic-related groups. Medicare outpatient services and certain defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology. Final reimbursement is determined as a result of audits by the intermediary of annual cost reports submitted by the Medical Center. Reports on the results of such audits have been received through June 30, 2013 for Medicare and June 30, 2014 for Medi-Cal. Adjustments as a result of such audits are recorded in the year the amounts can be determined.

In addition, for the Medicare and Medi-Cal programs, the Medical Center has established liability reserves in the aggregate amount of \$16,265,000, for settlement included in the line item "Accrued Liabilities" for cost report settlement reserves covering the period from fiscal year 2005-06 through fiscal year 2015-16. In accordance with the California Medi-Cal 2020 Waiver, the Medical Center receives an interim per diem payment in Medi-Cal revenue under Fee-for-Service program (FFS), Public Hospital Redesign and Incentive in Medi-Cal program (PRIME) a Medi-Cal incentive program aimed for improvement activities for specific delivery system for the hospitals, and a Global Payment Program (GPP) to provide support for the delivery of more cost effective and higher value care for indigent, uninsured individuals. In addition, it also includes a Whole Person Care Pilot (WPC), a competitive grant awarded to the Medical Center effective 2016 to improve and coordinate care for health, behavioral health, and social services, for the high risk population through more efficient and effective use of resources. For the fiscal year ended June 30, 2016, the Medical Center has recorded \$47,170,000 of PRIME revenue, \$30,573,000 of GPP revenue, and \$3,669,000 of WPC revenue. Medicare revenue represented 16 percent and Medi-Cal revenue represented 56 percent of the net revenue.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 13 - PENSION PLANS

Ventura County participates in the VCERA and SRP which are subject to GASB Statement No. 68. A summary of the pension amounts for the County's plans at June 30, 2016 is as follows (in thousands):

	<u>VCERA</u>	<u>SRP</u>	<u>Total</u>
Deferred outflows related to pensions	\$ 353,301	\$ 1,571	\$ 354,872
Net pension liability	822,802	7,105	829,907
Deferred inflows related to pensions	139,644	292	139,936
Pension expense	86,298	1,707	88,005

VCERA

Plan Description

The County has a contributory defined benefit plan (Plan) established pursuant to Government Code Sections 31450 through 31899 and administered by the VCERA. VCERA operates a cost-sharing, multiple-employer system with substantially all member employers included in the County's governmental reporting entity. Covered employees include those from Courts, Air Pollution Control District and other smaller special districts. Membership in the VCERA is mandatory for permanent employees who work a regular schedule of 64 hours or more per biweekly pay period.

VCERA is governed by the Board of Retirement. The Plan's benefit provisions and contribution requirements are established and may be amended by state law and resolutions and ordinances adopted by the Board of Retirement and Board of Supervisors. VCERA issues an independently audited Comprehensive Annual Financial Report. A copy of this report can be obtained by contacting the Retirement Association at 1190 South Victoria Avenue, Suite 200, Ventura, California, 93003.

Plan members are classified as either General or Safety. Safety membership includes those involved in active law enforcement, fire suppression, and probation. Members are classified in tiers as follows:

Closed to New Enrollment:

- General Tier 1* All general members with membership dates before June 30, 1979, plus Deputy Sheriff trainees and certain executive management with membership dates before January 1, 2013.
- General Tier 2* All general members with membership dates on or after June 30, 1979 and before January 1, 2013, except as noted above for General Tier 1.
- Safety* All safety members with membership dates before January 1, 2013.

Open to New Enrollment:

- PEPRA General Tier 1* Deputy Sheriff trainees and certain executive management with membership dates on or after January 1, 2013.
- PEPRA General Tier 2* All general members with membership dates on or after January 1, 2013, except as noted above for PEPRA General Tier 1.
- PEPRA Safety* All safety members with membership dates on or after January 1, 2013.

COUNTY OF VENTURA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

Retirement Benefits

VCERA provides retirement, disability, death, and survivor benefits to its members and qualified beneficiaries. A General or Safety member with 10 or more years of County service is entitled to an annual retirement allowance beginning at age 50. General members with 30 or more years of service and Safety members with 20 or more years of service may begin receiving a retirement allowance regardless of age. PEPRA members are eligible to retire with 5 or more years of service beginning at age 52 for general members and at age 50 for safety members. The basic retirement allowance is based upon the member's age, years of retirement service credit, and final average compensation. The tiers and benefit formulas are as follows:

<u>Tier:</u>	<u>Benefit Formula</u>
General Tier 1	2% @ 58.5
General Tier 2	2% @ 61
Safety Tier1	2% @ 50
PEPRA General	2.5% @ 67
PEPRA Safety	2.7% @ 57

Employees terminating before accruing 5 years of retirement service credit (5-year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. In addition, certain death, disability, and supplemental benefits are provided to eligible employees. Cost of living adjustments of up to three percent per annum are made for all Safety and Tier 1 employees. Certain General Tier 2 members also receive a fixed two percent cost of living adjustment on eligible SEIU service.

Contributions

The County of Ventura and contracting districts contribute to VCERA based upon actuarially determined contribution rates adopted by the Board of Retirement. Members are required to make contributions to VCERA regardless of the retirement plan or tier in which they are included. Employer contribution rates are adopted annually based upon recommendations received from VCERA's actuary after the completion of the annual actuarial valuation. Employer contributions to VCERA from the County were \$169,941,000 for the year ended June 30, 2016. Contribution rates, based on pensionable payroll, are as follows:

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>
General Tier 1	22.93%	9.16%
General PEPRA Tier 1	N/A	N/A
General Tier 2	18.07%	5.78%
General PEPRA Tier 2	16.63%	6.92%
General Tier 2C*	20.70%	8.41%
General PEPRA Tier 2C*	19.21%	9.55%
Safety	53.87%	12.40%
Safety PEPRA	50.30%	14.69%

*2C (with COLA)

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

*Pension Liabilities, Pension Expenses, and Deferred Outflow of Resources
and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the County reported a liability of \$822,802,000 for its proportionate share of the Net Pension Liability (NPL). The NPL was measured as of June 30, 2015. The Plan's fiduciary net position was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from the actuarial valuation as of June 30, 2014. The County's proportion of the NPL was based on the ratio of the County's compensation by tier to the total compensation for the tier. This ratio was then applied to the NPL for the tier. The County's NPL is the sum of the NPL for each tier. At June 30, 2015, the County's proportion was 96.286 percent, which was an increase of 0.234 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$86,298,000. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 107,805
Changes in assumptions	182,636	-
Net difference between projected and actual earnings on Retirement plan investments	-	31,382
Changes in proportion and differences between County Contributions and proportionate share of contributions	724	457
County contributions subsequent to the measurement date	169,941	-
Total	\$ 353,301	\$ 139,644

\$169,941,000 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending June 30,	Amount
2017	\$ (10,021)
2018	(10,021)
2019	(10,020)
2020	69,250
2021	4,528
Total	\$ 43,716

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Actuarial Assumptions

The TPL was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

	Assumptions
• Rate of return on investment	7.50%
• Projected salary increases	4.00% - 11.50%
Amount attributable to inflation	3.00%
Amount attributable to merit and longevity	0.50% - 8.50%
Amount attributable to real "across the board"	0.75%
• Annual cost of living increases after retirement (Tier 1 and Safety members - contingent upon CPI increases, 3% maximum. Tier 2 SEIU members - fixed 2% not subject to CPI increases, for service after March 2003.)	0.00% - 3.00%
• Mortality	RP-2000 Combined Health Mortality Table

The actuarial assumptions used in the June 30, 2014 valuation, which was rolled forward to June 30, 2015, were based on the results of an experience study for the period July 1, 2011 through June 30, 2014. Based on the experience study, the assumptions used in the actuarial valuation changed from 7.75 percent to 7.50 percent for the discount rate and from 3.25 percent to 3.00 percent for the inflation rate.

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

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

Discount Rate

The discount rate used to measure the TPL was 7.50 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, VCERA's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

COUNTY OF VENTURA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to changes in the discount rate

The following table presents the County's proportionate share of the NPL calculated using the discount rate of 7.50 percent, as well as what the County's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate (in thousands):

	1% Decrease (6.50 %)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 1,496,994	\$ 822,802	\$ 272,828

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued VCERA financial report.

Supplemental Retirement Plan

Plan Description

The SRP is a single employer contributory defined benefit pension plan governed by the Board of Supervisors and provisions of Internal Revenue Code Section 401. The SRP was adopted on January 1, 1992, and amended on the following dates: August 31, 1993, December 1, 2000, June 8, 2004, May 17, 2005, July 10, 2007, December 14, 2010, and May 15, 2012. The County Board of Supervisors governs the plan and has the authority to amend the benefit provisions and contribution requirements of the SRP. There is no separate report issued by the plan. SRP is comprised of three parts as follows:

- Part B - Safe Harbor. This plan was adopted on January 1, 1992, and provides benefits to County employees whose employment with the County does not otherwise entitle them to retirement benefits under the County's 1937 Act Retirement Plan or the Social Security Act and is in compliance with the Omnibus Budget Reconciliation Act of 1990. Eligible employees are vested upon enrollment.
- Part C - Early Retirement Incentive. This plan was adopted effective on January 1, 1992, and provides early retirement benefits to County employees pursuant to periodic early retirement incentive programs adopted by the County and is a tax qualified pension plan under Internal Revenue Code Section 401(a).
- Part D - Elected Department Head. This plan was adopted by the Board of Supervisors effective on December 1, 2000, and provides a supplemental retirement benefit to the County's elected department heads for retirement parity with appointed agency/department heads. The plan was amended on June 8, 2004, limiting eligible participants to those employees in an elected department head position between December 1, 2000, and June 8, 2004.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

The following disclosures are related to the plan reporting requirements of GASB Statement No. 67, and use a measurement date of June 30, 2016:

Plan Membership

Plan participants at June 30, 2016, were as follows:

<u>Participant Classification</u>	<u>Number of Participants</u>
Retirees and beneficiaries currently receiving benefits:	
Supplemental retirement participants (Safe Harbor)	389
Early retirement participants (Early Retirement Incentive Plan)	33
Elected department head participants	7
Current employee participants:	
Supplemental retirement participants (Safe Harbor)	649
Elected department head participants	2
Terminated participants not yet receiving benefits:	
Supplemental retirement participants (Safe Harbor)	9,768
Total	10,848

Benefits

- Part B - Safe Harbor. The participant's monthly benefit or lump sum benefit is based on the total amount of compensation for the period of the participant's benefit accrual service for the last 30 years of participation. The participant is entitled to the benefit at the later of age 65 or the termination of employment. The benefit will be payable as a single life annuity or, if the actuarial present value of the accrued benefit is not more than \$5,000, a one-time lump sum amount will be paid in lieu of the monthly benefit. If the participant dies before retirement benefits begin, the participant's beneficiary will be entitled to receive a lump-sum death benefit payment. In May 2005, the plan was amended to allow participants to receive an actuarially reduced benefit beginning at age 50, if terminated from County employment. Also in May 2005, the plan was amended to allow participants, upon retirement, to elect a joint and survivor annuity option in which the annuity benefit will continue to the surviving spouse upon the death of the retiree.
- Part C - Early Retirement Incentive. The benefit is a monthly retirement benefit payable to the participant for life. Upon the death of the participant, the monthly retirement benefit shall be paid to the participant's surviving spouse, if any, for life.
- Part D - Elected Department Head. The benefit is a supplemental monthly retirement benefit payable to the participant for life. Upon the death of the participant, the monthly retirement benefit shall be paid to the surviving spouse for life, depending on the retirement payment option selected.

Contributions

The funding policy provides for periodic employer and employee contributions at actuarially determined rates expressed as percentages of annual covered payroll that are sufficient to accumulate the required assets to pay benefits when due.

- Part B - Safe Harbor. Each participant contributes three percent of compensation to the plan on a pre-tax basis. Employee contributions cease upon attainment of 30 years of Benefit Accrual Service.
- Part C - Early Retirement Incentive. This benefit is funded solely by employer contributions.
- Part D - Elected Department Heads. This benefit is funded solely by employer contributions.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

The actuarially determined contribution rate/contributions for the County for the fiscal year ending June 30, 2016, was 9.49 percent for Part B, \$62,000 for Part C, and \$209,000 for Part D.

Investment Policy

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Supervisors by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that emphasizes safety, diversification and yield and follows the "prudent investor rule." Fair value calculations are based on market values provided by the Plan's investment custodian. The following was the Board's adopted asset allocation policy as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	60 %
Fixed Income	39 %
Cash	<u>1 %</u>
Total	<u>100 %</u>

As of June 30, 2016, the Plan held the following investments that represent 5 percent or more of the plans fiduciary net position:

<u>Investment</u>	<u>Percentage of Fiduciary Net Position</u>
Wells Fargo Core Bond CIT F	24 %
Wells Fargo/Blackrock Large Cap Value Index CIT F	23 %
Wells Fargo/Blackrock Large Cap Growth Index CIT F	23 %
Wells Fargo/Blackrock Russell 2000 Index CIT F	10 %
Wells Fargo/Blackrock U.S. Aggregate Bond Index CIT F	9 %
Wells Fargo/Blackrock International Equity Index CIT F	7 %

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.47 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the NPL at June 30, 2016, were as follows (in thousands):

Total pension liability	\$ 28,451
Plan fiduciary net position	<u>(20,961)</u>
County's net pension liability	<u>\$ 7,490</u>
Plan fiduciary net position as a percentage of the total pension liability	73.7 %

The actuarial liabilities and assets are valued as of June 30, 2016.

COUNTY OF VENTURA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

Actuarial Assumptions

The TPL was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Assumptions</u>
• Actuarial cost method	Entry age normal for Parts B and D, not applicable for Part C
• Amortization method	Level percentage of pay
• Remaining amortization period	9-15 years for Part B, 4 years for Part C, 9 years for Part D, closed
• Asset valuation method	5 years smoothed market value
• Rate of return on investment	7.50% net of expense
• Payroll Growth	3.00% for Part B, 3.00% for Part D, not applicable for Part C
• Projected salary increases	4.00% for Part B and 4.50% for Part D; not applicable for Part C
Amount attributable to inflation	3.00% for Parts B, C and D
• Annual cost of living increases after retirement	3.00% for Part D; none for Parts B and C
• Mortality	RP-2000 Combined Healthy Mortality Table for Parts B, C and D

An experience study has not been conducted for the SRP. However, the County participates in VCERA and utilizes the assumptions used by VCERA where appropriate and reasonable. The most recent VCERA experience study was conducted in 2015 for the period of July 1, 2011 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - Large Cap	40.00 %	6.00 %
Domestic equity - Small Cap	10.00 %	7.75 %
International equity	10.00 %	6.89 %
Fixed income	39.00 %	1.00 %
Cash	<u>1.00 %</u>	0.25 %
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the TPL was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with the SRP Funding Policy. Based on that assumption, the pension plan's fiduciary net position was projected to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.50 percent assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Sensitivity of the Net Pension Liability to change in the discount rate

The following table presents the NPL of the Plan, calculated using the discount rate of 7.50 percent, as well as what the Plan's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate (in thousands):

	1% Decrease (6.50 %)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's net pension liability	\$ 11,820	\$ 7,490	\$ 4,023

The following disclosures are related to the employer reporting requirements of GASB Statement No. 68, and use a measurement date of June 30, 2015:

Employees covered by benefit terms

Plan participants at June 30, 2015, were as follows:

<u>Participant Classification</u>	<u>Number of Participants</u>
Retirees and beneficiaries currently receiving benefits:	
Supplemental retirement participants (Safe Harbor)	374
Early retirement participants (Early Retirement Incentive Plan)	34
Elected department head participants	7
Current employees participants:	
Supplemental retirement participants (Safe Harbor)	681
Elected department head participants	2
Terminated participants not yet receiving benefits:	
Supplemental retirement participants (Safe Harbor)	9,517
Total	10,615

Contributions

The required contributions were determined as part of the June 30, 2015 actuarial valuation. The actuarially determined contributions for the fiscal year ending June 30, 2015, were \$1,132,000 for the employer and \$402,000 for employees for Part B, \$63,000 for Part C, and \$214,000 for Part D.

Net Pension Liability

The County's NPL was measured as of June 30, 2015, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Assumptions</u>
• Actuarial cost method	Entry age normal for Parts B and D, not applicable for Part C
• Amortization method	Level percentage of pay
• Remaining amortization period	10-15 years for Part B, 5 years for Part C, 10 years for Part D, closed
• Asset valuation method	5 years smoothed market value
• Rate of return on investment	7.50% net of expense
• Payroll Growth	3.25% for Part B, 4.00% for Part D, not applicable for Part C
• Projected salary increases	4.00% for Part B and 4.00% for Part D; not applicable for Part C
Amount attributable to inflation	3.00% for Parts B, C and D
• Annual cost of living increases after retirement	3.00% for Part D; none for Parts B and C
• Mortality	RP-2000 Combined Healthy Mortality Table for Parts B, C and D

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

An experience study has not been conducted for the SRP. However, the County participates in VCERA and utilizes the assumptions used by VCERA where appropriate and reasonable. The VCERA experience study used was conducted in 2015 for the period of July 1, 2011 through June 30, 2014. Based on the experience study, the assumptions used in the actuarial valuation changed from 7.75 percent to 7.50 percent for the discount rate and from 3.25 percent to 3.00 percent for the inflation rate.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity - Large Cap	40.00 %	6.00 %
Domestic equity - Small Cap	10.00 %	7.75 %
International equity	10.00 %	6.89 %
Fixed income	39.00 %	1.00 %
Cash	1.00 %	0.25 %
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the TPL was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with the SRP Funding Policy. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015			
<i>for measurement date of June 30, 2014</i>	\$ 24,630	\$ 18,744	\$ 5,886
Changes for the year:			
Service Cost	695	-	695
Interest	1,869	-	1,869
Difference between expected and actual experience	(442)	-	(442)
Changes of assumptions	1,331	-	1,331
Contributions - employer	-	1,410	(1,410)
Contributions - employee	-	402	(402)
Net investment income	-	702	(702)
Benefit payments, including refunds of employee contributions	(1,019)	(1,019)	-
Administrative expense	-	(280)	280
Net changes	<u>2,434</u>	<u>1,215</u>	<u>1,219</u>
Balances at June 30, 2016			
<i>for measurement date of June 30, 2015</i>	<u>\$ 27,064</u>	<u>\$ 19,959</u>	<u>\$ 7,105</u>

Plan fiduciary net position as a percentage of the total pension liability 73.75 %

COUNTY OF VENTURA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Sensitivity of the Net Pension Liability to change in the discount rate

The following table presents the NPL of the Plan, calculated using the discount rate of 7.50 percent, as well as what the Plan's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate (in thousands):

	1% Decrease (6.50 %)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's net pension liability	\$ 11,245	\$ 7,105	\$ 3,791

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions

For the year ended June 30, 2016, the County recognized pension expense of \$1,707,000. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4
Changes in assumptions	13	-
Net difference between projected and actual earnings on Retirement plan investments	\$ -	\$ 288
County contributions subsequent to the measurement date	1,558	-
Total	\$ 1,571	\$ 292

\$1,558,000 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending June 30,	Amount
2017	\$ (139)
2018	(147)
2019	(147)
2020	154
Total	\$ (279)

COUNTY OF VENTURA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

Management Retiree Health Benefits Program

Plan Description

The Management Retiree Health Benefits Program is a cost-sharing, multiple-employer defined benefit plan administered by the County of Ventura. Substantially all participants are included in the County's primary government reporting entity. Due to the relative insignificance of the non-County employers participating in the plan, the County has elected to include financial statement disclosures required for a single-employer plan. The information presented is for all participants and includes non-County participants.

Adopted by the Board of Supervisors on June 8, 1999, employees covered by the Management Resolution who retired after July 1, 1999, became eligible to receive one year of payments for five years of service, up to a maximum of five years of coverage. Payments of approximately \$794 per month were equivalent to premiums for the Ventura County Health Care Plan. Total payments in fiscal year 2015-16 were \$1,361,000. The payments do not constitute any guarantee of medical care benefits. On June 21, 2005, the Board of Supervisors approved the elimination of this benefit for employees covered after July 2, 2005.

A separate financial statement is not issued for the plan. The schedule of funding progress is included in the required supplementary information section of this report.

Funding Policy

The County currently funds the management retiree health benefits on a pay-as-you-go basis. No assets directly or indirectly relating to this plan are held in trust or otherwise held or set aside for the exclusive benefit of participants or their beneficiaries.

Annual Pension Cost and Net Pension Obligation

For 2015-16, the annual pension cost consists of the annual required contribution plus interest on the net pension obligation less the adjustment to the annual required contribution as presented below (in thousands):

Annual required contribution	\$ 1,209
Interest on the net pension obligation	41
Adjustment to the annual required contribution	<u>(54)</u>
Annual pension cost	1,196
Contributions made	<u>(1,361)</u>
Increase (decrease) in net pension obligation	(165)
Net pension obligation - beginning	<u>827</u>
Net pension obligation - ending	<u>\$ 662</u>

The County's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the current and the preceding two fiscal years were as follows (in thousands):

Fiscal Year Ending June 30:	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2014	\$ 1,385	98.0 %	\$ 853
2015	1,294	102.0 %	827
2016	1,196	113.8 %	662

Funded Status and Funding Progress

COUNTY OF VENTURA
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(Continued)

As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$13,307,000. The annual covered payroll for all employees covered by the Management Retiree Health Benefits Program is \$34,814,000, and the ratio of the UAAL to the covered payroll was 38.2 percent.

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the County's June 30, 2016, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return, based on the rate of return over time of the County's Investment Pool since the plan is funded on a pay-as-you-go basis, projected salary increases of 3.5 percent, inflation rate at 3.0 percent, and a healthcare cost trend rate that starts at 6.0 percent and declines to 5.0 percent over 3 years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

Replacement Benefit Plan

Internal Revenue Code (IRC) Section 415(b) limits the maximum annual amount that a defined benefit plan can pay to any individual. The Replacement Benefit Plan, a qualified IRC 415(m) plan, provides annual retirement benefits earned in excess of Section 415(b) limits.

The plan is administered by the County. Participation is limited to retired members whose benefit payments are limited by Section 415(b). No assets directly or indirectly relating to this plan are held in trust or otherwise held or set aside for the exclusive benefit of participants or their beneficiaries. As of June 30, 2016, there was one participant in the plan.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Subsidized Retiree Health Benefits Program

Plan Description

The Subsidized Retiree Health Benefits Program is a cost-sharing, multiple-employer defined benefit plan administered by the County of Ventura. Substantially all participants are included in the County's primary government reporting entity. Due to the relative insignificance of the non-County employers participating in the plan, the County has elected to include financial statement disclosures required for a single-employer plan. The information presented is for all participants and includes non-County participants.

Eligible employees (age 50 with 10 years of County Service) who retire from the County may receive health benefits at subsidized rates. For coverage prior to age 65, the retiree pays premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more to insure than active employees, the premium paid by the retiree is less than the "true cost" of coverage for retirees thus creating an implicit subsidy. This implicit subsidy is considered an obligation under GASB 45.

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The plan is governed by the County Board of Supervisors. The County has made no commitments to maintain this program and retirees' participation in the program is approved on a year-to-year basis by the Board. Retiree Health Benefits are not vested and may be modified or eliminated at anytime.

A separate financial statement is not issued for the plan. The schedule of funding progress is included in the Required Supplementary Information section of this report.

Funding Policy

The County currently funds postemployment health benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

For 2015-16, the annual OPEB cost consists of the annual required contribution plus interest on the net OPEB obligation less the adjustment to the annual required contribution as presented below (in thousands):

Annual required contribution	\$ 1,627
Interest on the net OPEB obligation	242
Adjustment to the annual required contribution	<u>(200)</u>
Annual OPEB cost	1,669
Contributions made	<u>(1,243)</u>
Increase (decrease) in net OPEB obligation	426
Net OPEB obligation - beginning	<u>4,832</u>
Net OPEB obligation - ending	<u><u>\$ 5,258</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and the preceding two fiscal years were as follows (in thousands):

Fiscal Year	Annual OPEB	Percent of AOC	Net OPEB
<u>Ending June 30:</u>	<u>Cost (AOC)</u>	<u>Contributed</u>	<u>Obligation</u>
2014	\$ 1,598	66.5%	\$ 4,503
2015	1,533	78.5%	4,832
2016	1,669	74.5%	5,258

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the UAAL was \$17,396,000. The annual covered payroll for all employees covered by the Subsidized Retiree Health Benefits Program is \$521,868,000 and the ratio of the UAAL to the covered payroll was 3.3 percent.

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. The schedule of funding progress, is presented as required supplementary information following the notes to the financial statements. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations.

In the County's June 30, 2016, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.00 percent inflation rate, a 5.0 percent investment rate of return, based on the rate of return of the County's Investment Pool over time, since the plan is funded on a pay-as-you-go basis, and healthcare cost trend rates that vary by plan starting at 6.0 to 7.75 percent and declining to 5.0 percent over 3 to 6 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

NOTE 15 - TAX AND REVENUE ANTICIPATION NOTES PAYABLE

On July 1, 2015, the County issued \$140,585,000 in Tax and Revenue Anticipation Notes (Notes) at a 2.00 percent interest rate, priced to yield 0.275 percent, to meet current year cash flow requirements for operational needs. At June 30, 2016, the outstanding principal was \$140,585,000. Principal and interest for fiscal year 2015-16 was paid on July 1, 2016, the maturity date of these notes.

The Notes, in accordance with California law, are general obligations of the County and are payable out of fiscal year 2015-16 taxes and other revenues, which are legally available for payment thereof.

The summary of the notes transactions for the fiscal year ended June 30, 2016, is as follows (in thousands):

Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
<u>\$ 138,110</u>	<u>\$ 140,585</u>	<u>\$ (138,110)</u>	<u>\$ 140,585</u>	<u>\$ 140,585</u>

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NOTE 16 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; hospital liability (malpractice); errors and omissions; theft of, damage to, and destruction of assets; and natural disasters for which the government is either self-insured, commercially insured, or a combination of both.

The Human Resources Department acquired commercial insurance for primary group medical and long-term disability insurance. Unemployment insurance benefits are self-insured and administered by the Human Resources Department within the Employee Benefits Insurance Internal Service Fund (ISF). Professional Firefighters and Deputy Sheriffs Associations also administer commercial group medical insurance plans available for their members.

The Ventura County Health Care Plan (VCHCP), administered by the Health Care Agency, provides a County self-insured medical plan for County employees. In addition, a separate self-insured plan is offered to certain other County employees and to related clinic employees through their employers. A state Healthy Families plan is also available from VCHCP. Excess commercial coverage is also purchased for VCHCP.

The Risk Management Department within the General Insurance ISF administers the commercial and self-insurance aspects of the County's casualty risk programs. General liability is self-insured to \$1,000,000 per occurrence, as of July 1, 2014, thereafter, covered by excess commercial liability insurance up to \$32 million per occurrence.

In October 2004, the County joined the California State Association of Counties (CSAC) Excess Insurance Authority, a joint powers authority, for property and earthquake coverage. The Authority was formed in 1979 by and for California counties and currently has - participating counties, and a number of other public entities. The Authority is governed by a Board of Directors composed of one director from each member county appointed by each member county's Board of Supervisors, and five other public entity Board members. The Authority annually issues an audited Comprehensive Annual Financial Report. Through participation in the Authority, risk is pooled (shared) among the pool participants. Accordingly, the premiums are reported as insurance expenses in the General Liability Internal Service Fund as required by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Medical malpractice liability insurance provides liability coverage on a claims made basis, up to \$50 million per incident for the County, and \$3,000,000 per occurrence for individually named physicians, with a \$100,000 per occurrence deductible. Medical malpractice claims made coverage includes a retroactive date of October 1, 1986. Tail coverage for events that occurred prior to October 1, 1986 but have not yet been reported is self-insured. In March 2004, the County began participating in the BETA Healthcare Group, a joint powers authority, for the purpose of purchasing medical malpractice insurance. This risk-sharing pool program, established as a cost effective alternative to the commercial insurance market, is structured like a traditional insurer in that members are not assessed for excess pool losses. Coverage was renewed in July 2016.

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The unpaid claims liabilities included in the General Insurance fund are based on actuarial studies and include amounts for claims incurred but not reported including loss adjustment expenses. Beginning with fiscal year 1994-95, the General Insurance liabilities were discounted at 5.5 percent. Due to decline of the economy and interest rates, for the actuarial report as of June 30, 2011, the discount rate for the General Insurance liability has been lowered to 3.0 percent. The revenue received, including interest, and contribution funded liabilities, and net position are sufficient to meet liabilities as they come due.

Workers' compensation occurrences are self-insured effective July 1, 2002, with coverage for all employees. Injuries occurring from July 1, 1995 to June 30, 2002, are fully covered by the prior commercial insurer without a maximum. Injuries occurring prior to July 1, 1995, were originally self-insured and self-administered. Beginning in April 1997, these claims were adjusted and funded through a loss portfolio transfer policy with limits of liability of \$22,800,000, and the insurance carrier's right to reimbursement for claims expenses in excess of the policy limit. The limit of liability was exceeded in July 2007. Litigation ensued against the carrier, resulting in a settlement in March 2011, whereby the carrier waived reimbursement of \$1.65 million in expenses and the County took over further administration of the claims as of April 2011. As a result, the claims are now once again administered by, and claims costs borne by the County, along with the post July 1, 2002, self-insured claims. As of June 30, 2016, the expected liability on the pre-1995 claims, at the 80 percent confidence level, discounted at 4.0 percent, was actuarially estimated to be \$8,832,905.

The unpaid claims liabilities in the Workers' Compensation fund for losses prior to 1995 and subsequent to 2002 included in the self-insurance fund are based on actuarial studies and include amounts for claims incurred but not reported including loss adjustment expenses. Due to persistently low investment rates, as of the June 30, 2014 actuarial study, the discount rate for the Workers' Compensation fund has been reduced from 5.5 percent to 4.0 percent. This discount rate is higher than the discount rate for the liability fund because the liability for workers' compensation cases is much longer than other types of liabilities in the General Insurance ISF.

Settlements or judgments have not exceeded commercial coverage for any risk of loss in each of the past three fiscal years. In addition, litigation expenses and liability for damages for uninsured cases, such as inverse condemnation and land subsidence cases, have been incurred by the General Insurance ISF.

Changes in the balances of claims liabilities of General Insurance and Employee Benefits ISFs and Health Care Plan Enterprise Fund and medical malpractice liability of the Medical Center during fiscal years 2014-15 and 2015-16 are as follows (in thousands):

	Claims Fiscal Year		Medical Malpractice Fiscal Year	
	2015-16	2014-15	2015-16	2014-15
Liabilities, beginning	\$ 155,936	\$ 150,568	\$ 1,420	\$ 1,818
Incurred losses and adjustments	94,394	78,489	457	(398)
Claim payments	(77,541)	(73,121)	-	-
Liabilities, ending	<u>\$ 172,789</u>	<u>\$ 155,936</u>	<u>\$ 1,877</u>	<u>\$ 1,420</u>

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Medical malpractice liability for public and mental health functions in the General Fund of \$505,000, an increase of \$178,000 from the prior year, is reported in the governmental activities portion of the government-wide financial statements.

NOTE 17 - DEFERRED INFLOWS OF RESOURCES - UNAVAILABLE REVENUE

Deferred inflows of resources to the County's governmental funds relate to unavailable revenue as of June 30, 2016. Unavailable revenue is revenue that is earned, however is not available for use on current or near-term expenditures. The year-end unavailable revenue balances are summarized as follows:

Governmental Funds	General Fund	Roads	Fire Protection District	Non-major Governmental Funds	Total Governmental Activities
Unavailable Revenue:					
SB 90 Revenue	\$ 13,225	\$ -	\$ -	\$ -	\$ 13,225
Medi-Cal	16,030	-	-	-	16,030
Special Assessments	-	458	-	9,731	10,189
CalWORKs	2,044	-	-	-	2,044
Other	642	775	4,409	1,362	7,188
Total Unavailable Revenue	<u>\$ 31,941</u>	<u>\$ 1,233</u>	<u>\$ 4,409</u>	<u>\$ 11,093</u>	<u>\$ 48,676</u>

Non-major governmental funds had unavailable revenue related to the County Successor Housing Agency Fund of approximately \$718,000, the H.U.D. Grants Fund of approximately \$599,000, the County Library Fund of approximately \$45,000, Debt Service Fund for County Service Area #34 of approximately \$9,406,000 and Capital Projects Fund for the Santa Rosa Road Assessment District of approximately \$325,000.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Grants

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. The County's grant programs are subject to audit under the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, & Audit requirements for Federal Awards (Uniform Grant Guidance), and are generally subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant or in reductions of future grant monies. An annual amount is set aside for contingencies in the General Fund for this possibility. Based on prior experience, management believes that grant costs ultimately disallowed, if any, would not materially affect the financial condition of the County.

Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. Encumbrances outstanding at year end are not accounted for as expenditures and liabilities, but are included in fund balance. As of June 30, 2016, encumbrances of \$29,467,000 were reported in the General Fund, \$4,052,000 in the Road Fund, \$5,845,000 in the Watershed Protection Districts, \$12,333,000 in the Fire Protection District, and \$2,715,000 in the Non-major Governmental Funds.

Other

Legal proceedings normally occur related to construction projects and are subject to arbitration by agreement. Claims are negotiated by the County of Ventura. In the opinion of management, current claims are not likely to have a material adverse impact on the County financial statements and, accordingly, no provision for losses has been recorded.

COUNTY OF VENTURA
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NOTE 19 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 1, 2016, the County issued \$177,635,000 of 2.00 percent fixed-rate, priced to yield 0.650 percent, tax and revenue anticipation notes. The notes received SP-1+ and MIG 1 ratings from Standard and Poor's Ratings Services (S & P) and Moody's Investors Services (Moody's), respectively. Proceeds from the notes will be used to meet fiscal year 2016-17 expenditures and the discharge of other obligations of the County. The maturity date of the notes is July 1, 2017.

Ventura County Public Financing Authority Lease Revenue Refunding Bonds Series 2016A

On July 6, 2016, the Ventura County Public Financing Authority (PFA), a component unit of the County, issued \$40,880,000 of Lease Revenue Refunding Bonds, Series 2016A, (Refunding Bonds). The net proceeds of the Refunding Bonds, along with funds available from the County of Ventura 2009 Certificates of Participation (PFA III COPs) and other funds contributed by the County, will be used to defease the PFA III COPs in full.

Winthrop Settlement Agreement

On October 18, 2016 the County entered into a Settlement Agreement (Agreement) and Release with Winthrop Resources Corporation (Winthrop) to resolve certain claims and disputes between them in the lawsuit *Winthrop v. County of Ventura*. Under the terms of the Agreement the County agrees, in part, to enter into a new lease agreement with Winthrop to lease new hospital equipment worth at least \$9.9 million.

NOTE 20 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County of Ventura that previously had reported a redevelopment agency within the reporting entity of the County as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the County or another unit of local government shall serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. Effective February 1, 2012, the County became the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012, (effectively the same date as January 31, 2012) from governmental funds of the County to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. In accordance with the Bill all capital assets were disposed of during fiscal year 2013-14. Accordingly there are no capital assets as of June 30, 2016.

Pursuant to Health and Safety Code 34179.6(c), the County of Ventura Successor Agency submitted to the California Department of Finance (DOF) the Low and Moderate Income Housing Due Diligence Review (DDR) on October 12, 2012, and the Other Funds and Accounts DDR on January 10, 2013. After completion of the two required DDRs, a Finding of Completion Request was granted on April 26, 2013 by the DOF.

On September 22, 2015, the Governor signed Senate Bill 107 adding section 34191.6 to the Health and Safety Code. Section 34191.6 authorized Successor Agencies to submit a Last and Final Recognized Obligation Payment Schedule (ROPS) beginning January 1, 2016. On March 25, 2016, the DOF approved the Last and Final ROPS for the Successor Agency to the former redevelopment agency. The Last and Final ROPS authorizes payments on Successor Agency obligations and administrative costs until June 30, 2038, when all Successor Agency obligations have been fully discharged. However, no payments on administrative costs are permitted for fiscal year 2016 - 2017.

Long-Term Debt

Tax revenues for the Successor Agency for the current year were \$191,773.

Information about the Successor Agency long-term debt is as follows:

Community Development Block Grant (CDBG) Loan

An interest-free, unsecured loan from the County's CDBG Supplemental Earthquake funds was obtained in July 1996. The original loan was approved for \$150,000, with \$50,000 drawn down on September 23, 1996, and \$100,000 drawn down on June 17, 1997. The initial repayment date was set for 1999. The County approved an extension for the repayment dates to June 2005 and June 2010. In 2007, the County forgave \$30,000 of the outstanding balance of \$65,000 and further extended the repayment dates for the remaining balance of \$35,000 to June 2011 and June 2016. In fiscal year 2010-11, the Agency made a payment of \$17,500, leaving a remaining balance of \$17,500. In fiscal year 2015-16, the remaining balance of \$17,500 was paid in full.

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U.S. Department of Agriculture (USDA) Loan #1

On October 9, 2001, the Successor Agency applied for a USDA Rural Development Community Facilities Direct Low Interest Loan, in the amount of \$750,000. The loan was offered to and accepted by the Agency in August 2002. The loan was secured through the purchase of tax allocation bonds issued by the Agency. To repay the tax allocation bonds, the Agency pledged property tax increment revenues consistent with the term and outstanding amount of the tax allocation bonds issued. The loan documents stipulated loan proceeds would not be distributed to the Agency until the Town Square project was completed, and project completion occurred in fiscal year 2002-03. The total loan proceeds received in fiscal year 2002-03 were \$676,636; the remaining balance of \$73,364 was received in fiscal year 2003-04. The first principal payment was made in fiscal year 2003-04. Bond payments are at a fixed rate not to exceed 4.75 percent for a term not to exceed 15 years.

USDA Loan #2

On May 8, 2007, the Agency applied for a second USDA Rural Development Community Facilities Direct Low Interest Loan, in the amount of \$750,000. On June 3, 2008, the Agency accepted the loan and authorized the issuance of tax allocation bonds to the USDA to secure the loan. To repay the tax allocation bonds, the Agency pledged property tax increment revenues in the same manner as USDA Loan #1 described above. On July 24, 2008, the tax allocation bonds were delivered to the USDA. The first principal payment was made in fiscal year 2009-10. Bond payments are at a fixed rate not to exceed 4.125 percent for a term not to exceed 30 years.

On February 1, 2012, the CDBG Loan and the USDA Loans #1 and #2 were transferred from the County of Ventura Redevelopment Agency to the Successor Agency.

Summaries of long-term indebtedness outstanding as of June 30, 2016, are as follows (in thousands):

Loan/ Bonds	Outstanding July 1, 2015	Additions	Maturities	Outstanding June 30, 2016	Amount Due Within One Year
CDBG	\$ 18	\$ -	\$ 18	\$ -	\$ -
USDA Loan #1	193	-	61	132	64
USDA Loan #2	663	-	16	647	18
Totals	<u>\$ 874</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 779</u>	<u>\$ 82</u>

Deficit Net Position

As a result of the transfer of two assets to the County of Ventura in fiscal year 2014-15, the RDA County Successor Agency had a deficit net position as of June 30, 2016. The deficit will continue to be reduced over the years as the related debt is paid off with funds received from the Redevelopment Property Tax Trust Fund, which is administered by the County Auditor-Controller.

NOTE 21 - DEFICIT NET POSITION/FUND BALANCE

The Public Works Services fund, an internal services fund, had a deficit net position of approximately \$9,674,000 as of June 30, 2016. This resulted from an adjustment to the beginning net position in fiscal year 2014-15 related to the recognition of its net pension liability and subsequent adjustments.

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