

CAMARILLO HEALTH CARE DISTRICT

Independent Auditor's Reports, Management's Discussion and Analysis, Financial Statements and Supplementary Information June 30, 2014 and 2013

Prepared by:

POINDEXTER AND COMPANY

Certified Public Accountant

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Camarillo Health Care District
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Camarillo Health Care District
Governing Board of Directors
As of June 30, 2014

<u>Name</u>	<u>Office</u>
Peggy O'Neill, R.N.	President
Rodger Brown, M.B.A.	Vice President
Mark Hiepler, Esg.	Clerk of the Board
Richard S. Loft, M.D.	Director
Christopher Loh, M.D.	Director
Management	
Jane Rozanski	Chief Executive Officer
Kara Ralston	Chief Operating Officer
Sue Tatangelo	Chief Resource Officer
Sonia Amezcua	Human Resources Officer

POINDEXTER AND COMPANY

Certified Public Accountant

To the Board of Directors of
Camarillo Health Care District

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of the Camarillo Health Care District, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Camarillo Health Care District, as of June 30, 2014 and June 30, 2013, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages five through eight, and the funding status of the pension plan and post employment health insurance benefit plan on page twenty-four be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance

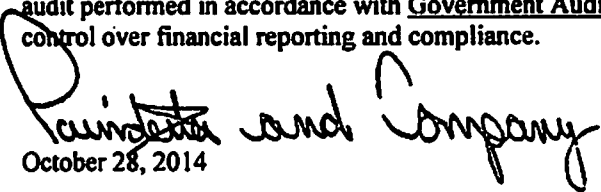
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Camarillo Health Care District's basic financial statements. The governing board of directors section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The governing board of directors section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 28, 2014 on my consideration of the Camarillo Health Care District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Camarillo Health Care District's internal control over financial reporting and compliance.


October 28, 2014

POINDEXTER AND COMPANY

Certified Public Accountant

To the Board of Directors of
Camarillo Health Care District

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts, the financial statements of Camarillo Health Care District, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise Camarillo Health Care District's basic financial statements, and have issued my report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

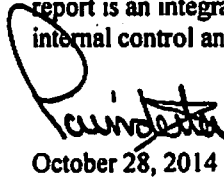
As part of obtaining reasonable assurance about whether Camarillo Health Care District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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Purpose of this Report

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

 and Company
October 28, 2014

**Camarillo Health Care District
Management's Discussion and Analysis
June 30, 2014 and 2013**

This discussion and analysis of the Camarillo Health Care District's ("District") financial performance during the stated period provides an overview of the District's operational activities that had an impact on the financial performance of the District.

This report consists of a series of financial statements with accompanying notes. The Statements of Net Position reflects the financial position of the District at June 30, 2014 and 2013. The Statements of Revenues, Expenses and Changes in Net Position provide the results from operations through the fiscal years ended June 30, 2014 and 2013, and reflect how the operating results for the fiscal years affected the Statements of Net Position.

The District uses a single enterprise fund for accounting and reporting the results of all operations. The statements referenced above include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The District is operated and reported as a single enterprise fund; there are no subsidiary fund statements presented as part of this report. The following is a summary of the net position of the District and the change in those net positions from the prior fiscal year.

**Camarillo Health Care District
Management's Discussion and Analysis
June 30, 2014 and 2013**

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current Assets	\$1,666,711	\$1,595,484
Restricted Assets	10,582	13,510
<u>Capital Assets</u>	<u>2,007,726</u>	<u>2,067,500</u>
Total Assets	\$3,685,019	\$3,676,494
<u>Liabilities</u>		
Current Liabilities	\$422,202	\$382,220
<u>Net Position</u>		
Invested in Capital Assets	\$2,007,726	\$2,067,500
<u>Unrestricted Net Position</u>	<u>1,255,091</u>	<u>1,226,774</u>
Total Net Position	\$3,262,817	\$3,294,274
<u>Total Liabilities and Net Position</u>	<u>\$3,685,019</u>	<u>\$3,676,494</u>

The asset value of the District increased less than 1%, as follows:

- Current assets increased by 4% from the prior year reflecting less use of funds for operating expenses due to more accrued expenses.
- A decrease in capital assets of 3% reflects the retirement of various assets with corresponding accumulated depreciation and the purchase of additional fixed assets.
- An increase in current liabilities of 10% reflects an increase in accrued operating expenses that were paid subsequent to year end.
- A decrease in net assets of 1% reflects investment in a new program, Care Transitions.

Camarillo Health Care District
Management's Discussion and Analysis
June 30, 2014 and 2013

<u>Operating Revenues</u>	<u>2014</u>	<u>2013</u>
Program Revenues	\$705,907	\$708,482
Operating Grants	299,316	415,550
Bequest Distribution - Care-A-Van	135,885	104,427
<u>Other Operating Revenue</u>	<u>48,687</u>	<u>25,728</u>
Total Operating Revenues	\$1,189,795	\$1,254,187
<u>Non-Operating Revenues</u>		
Property Taxes	\$2,123,180	\$2,101,943
Investment Income	1,878	1,857
Other Non-Operating Revenue	47,845	330,600
<u>Loss on Sale of Equipment</u>	<u>(5,346)</u>	<u>(187,514)</u>
Total Non-Operating Revenues	\$2,167,557	\$2,246,886
<u>Program Expenses</u>		
Salaries, Wages and Benefits	\$1,779,768	\$1,887,815
Professional Fees	346,277	325,343
Contracted Program Services	-0-	115,443
Depreciation	139,768	206,302
<u>Combined Other</u>	<u>409,044</u>	<u>444,859</u>
Total Program Expenses	\$2,674,857	\$2,979,762
<u>Administration Expenses</u>	<u>\$713,952</u>	<u>\$534,821</u>

- Total Operating Revenues reflect a decrease of 5%, primarily due to a decrease in operating grants.
- Total Non-Operating Revenues have decreased by 4%, primarily due to a decrease in other non-operating revenues.
- Total Program Expenses decreased by 10% due primarily to lower compensation expense.
- Administration Expenses have increased by 33%, due to an increase in compensation expense and benefits relating to healthcare costs.

Camarillo Health Care District
Management's Discussion and Analysis
June 30, 2014 and 2013

Actual Results Compared to Budget

The Board of Directors adopts an annual budget in June for the following fiscal year, beginning on July 1. Performance to budget is monitored by the Board throughout the year. Following is a summary of actual results in comparison to budget.

	<u>Actual</u>	<u>Budget</u>
Total Operating Revenues	\$ 1,189,795	\$ 1,206,726
Less: Expenses		
Salaries and Benefits	(2,263,527)	(2,209,263)
<u>Other Operating Expenses</u>	<u>(940,386)</u>	<u>(996,847)</u>
Net Operating Loss	(\$2,014,118)	(\$1,999,384)
Non-Operating Revenues		
Property Taxes	\$2,123,180	\$2,188,941
Investment Income	1,878	2,150
<u>Other Non-Operating Revenue</u>	<u>42,499</u>	<u>27,650</u>
Total Non-Operating Revenues	\$2,167,557	\$2,218,741
<u>Less Depreciation</u>	<u>(\$184,896)</u>	<u>(\$192,415)</u>
<u>Change in Net Assets</u>	<u>(\$31,457)</u>	<u>\$26,942</u>

Requests for information:

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report should be addressed to the Chief Financial Officer, Camarillo Health Care District, 3639 East Las Posas Road, Suite 117, Camarillo, CA 93010.

Camarillo Health Care District
 Statements of Net Position
 June 30, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,487,903	\$ 1,415,333
Accounts receivable		3,110
Taxes Receivable	46,687	45,356
Other receivables	652	336
Grant receivable	105,869	106,888
Interest receivable	637	579
Prepaid expenses	24,963	23,882
Total Current Assets	1,666,711	1,595,484
Restricted cash and cash equivalents (Note 2)	10,582	13,510
Building and equipment, net of accumulated depreciation (Note 3)	2,007,726	2,067,500
Total Assets	\$ 3,685,019	\$ 3,676,494
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 104,384	\$ 55,686
Accrued expenses	131,233	153,441
OPEB payable (Note 7)	155,379	154,980
Deferred revenue (Note 4)	31,206	18,113
Total Liabilities	422,202	382,220
NET POSITION		
Invested in capital assets	2,007,726	2,067,500
Unrestricted net position	1,255,091	1,226,774
Total Liabilities and Net Position	\$ 3,685,019	\$ 3,676,494

Camarillo Health Care District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Program revenues	\$ 705,907	\$ 708,482
Legacies and bequests (Note 9)	135,885	104,427
Grant income (Note 10)	299,316	415,550
Miscellaneous revenue	48,687	25,728
Total Operating Revenues	1,189,795	1,254,187
OPERATING EXPENSES		
Program Expenses		
Salaries, wages and benefits	1,779,768	1,887,815
Professional fees	346,277	325,343
Contracted program services		115,443
Postage and printing	77,110	63,385
Supplies and activities	66,559	101,394
Depreciation	139,768	206,302
Insurance	26,911	29,091
Advertising and promotion	17,411	31,294
Utilities and telephone	94,124	94,307
Repairs and maintenance	44,125	48,810
Other program	82,804	76,578
Total Program Expenses	2,674,857	2,979,762
Administration Expenses		
Salaries, wages and benefits	483,759	280,462
Professional fees	39,651	41,054
Postage and printing	736	940
Supplies and activities	18,613	21,019
Depreciation	45,171	48,240
Insurance	21,033	20,430
Association fees, utilities and telephone	17,389	21,938
Repairs and maintenance	4,814	4,458
Other administration	39,539	40,630
Board	43,247	55,650
Total Administration Expenses	713,952	534,821
Total Operating Expenses	3,388,809	3,514,583
Operating Changes in Net Position	(2,199,014)	(2,260,396)

Camarillo Health Care District
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
NON-OPERATING REVENUES/(EXPENSES)		
Property taxes	2,123,180	2,101,943
Contributions	898	1,040
Interest income	1,764	2,443
Unrealized gain/loss on investments	114	(585)
Realized gain/loss on investments		(13)
Other non-operating revenue	46,947	329,572
Loss on sale of equipment	<u>(5,346)</u>	<u>(187,514)</u>
 Total Non-Operating Revenues and Expenses	 <u>2,167,557</u>	 <u>2,246,886</u>
 Changes in Net Position	 (31,457)	 (13,510)
 Net Position at Beginning of Year	 <u>3,294,274</u>	 <u>3,307,784</u>
 Net Position at End of Year	 <u>\$ 3,262,817</u>	 <u>\$ 3,294,274</u>

Camarillo Health Care District
Statements of Cash Flows
For Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Cash receipts from user charges	\$ 721,794	\$ 713,635
Operating grant revenue received	300,335	438,110
Other operating receipts	48,687	26,548
Distribution from Ventura County Community Foundation	135,885	104,427
Cash payments to other suppliers of goods or services and other operating expenses	(892,726)	(1,106,119)
Cash payments to employees	(2,285,336)	(2,165,816)
Net Cash Provided/(Used) By Operating Activities	(1,971,361)	(1,989,215)
Cash Flows From Investing Activities		
Interest income	1,820	2,220
Other non-operating income	47,845	330,612
Net Cash Provided/(Used) By Investing Activities	49,665	332,832
Cash Flows From Capital Activities		
Purchase of capital assets	(130,511)	(33,852)
Proceeds from sale of capital assets		316
Repayment on long-term note		(150,000)
Net Cash Provided/(Used) By Capital Activities	(130,511)	(183,536)
Cash Flows From Non-capital Financing Activities		
Property taxes collected	2,121,849	2,143,837
Net Cash Provided/(Used) By Non-capital Financing Activities	2,121,849	2,143,837
Net Increase/(Decrease) In Cash And Cash Equivalents	69,642	303,918
Cash And Cash Equivalents At Beginning Of Year	1,428,843	1,124,925
Cash And Cash Equivalents At End Of Year	\$ 1,498,485	\$ 1,428,843
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating changes in position	\$ (2,199,014)	\$ (2,260,396)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	184,939	254,542
(Increase)/Decrease in Assets:		
Accounts receivable	3,110	3,472
Grant receivable	1,019	22,560
Other receivables	(316)	820
Prepaid expenses	(1,081)	(19,051)
Increase/(Decrease) in Liabilities:		
Accounts payable	48,698	10,959
Accrued expenses	(22,208)	5,313
OPEB payable	399	(2,852)
Deferred revenue	13,093	(4,582)
Net Cash Provided/(Used) By Operating Activities	\$ (1,971,361)	\$ (1,989,215)

Camarillo Health Care District

Notes to Financial Statements

June 30, 2014 and 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity:

Camarillo Health Care District (the "District") is a political subdivision of the State of California, classified as a public not-for-profit local government special district. The District encompasses the greater Camarillo area which includes Somis, the Las Posas Valley, and a portion of the Santa Rosa Valley. The District's overall goal is to provide quality health and wellness related services to meet the needs of all District residents. The District's five-member Board of Directors comprises representatives who are elected at large and serve four year terms.

Reporting Entity:

The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by the Financial Accounting Standards Board ("FASB"). Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. There are no component units included within the reporting entity.

Basis of Accounting:

The Camarillo Health Care District is accounted for as a proprietary fund in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. Proprietary funds are used to account for operations that are either (a) financed and operated in a manner similar to private business enterprises where the expenses, including depreciation, of providing goods or services to the general public, are recovered through user charges, or (b) governed by the decision that periodic determination of revenues earned, expenses incurred, and net income are appropriate for capital maintenance, public policy, management control, or other purposes. Because the Camarillo Health Care District is accounted for as a proprietary fund, the District uses the economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District applies all Governmental Accounting Standards Board ("GASB") pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus all assets and all liabilities associated with the operation of these funds are included on the Statements of Net Position. The net positions are segregated into invested in capital, restricted net position and unrestricted net position. Unrestricted resources are used first to fund a restricted purpose only after the restricted resources are depleted.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are program fees charged to clients for services and grants received from other governmental agencies and private enterprises for operating purposes. Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Presentation:

The accompanying financial statements are presented utilizing the accrual method of accounting.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions include, but are not limited to:

- depreciation
- compensated absences
- allowance for uncollectible receivables
- investments
- inventory

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The District considers funds in the Local Agency Investment Fund and the Ventura County Treasury Fund to be cash equivalents.

Investments:

Investments are carried at fair value. The District's Investment Policy authorizes investments in obligations of the U. S. Treasury, U. S. Agencies, certificates of deposit, money market checking accounts, the Local Agency Investment Fund and the Ventura County Treasury Fund.

Capital Assets:

The District capitalizes assets with a cost greater than \$1,000 and an estimated useful life greater than one year at cost. Depreciation is calculated using the straight-line or accelerated methods of depreciation over the estimated useful lives of the assets ranging from two to thirty-nine years.

Compensated Absences:

The District accrues the estimated obligation for vacation pay as earned. Sick leave is not included in the accrual as the District does not pay for unused sick leave upon employee termination.

Budgets:

The District annually adopts a budget prior to and for the upcoming fiscal year, which includes anticipated expenditures and their means of financing. Once adopted, the budget as approved is subject to amendment as considered necessary.

Property Taxes:

Tax revenues are received by the District pursuant to its status as a political subdivision of the State of California.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

The District is exempt from income taxes.

Subsequent Events:

The District has evaluated subsequent events through October 28, 2014, the date which the financial statements were available to be issued.

New Accounting Pronouncements:

In June 2011, the GASB issued Statement of Governmental Accounting Standard No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB No. 63 was effective for the year ending June 30, 2013.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District's carrying value of deposits were \$255,899 and \$487,906 at June 30, 2014 and 2013, respectively. The corresponding bank balances were \$272,661 and \$520,481, respectively. The deposits are insured up to \$250,000 by Federal Deposit insurance. As of June 30, 2013 one account went over the insured limit, but as of June 30, 2014, all accounts were within the insured limit. The California Government Code requires all financial institutions to secure a local government agency's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All cash held by financial institutions is, therefore, entirely insured or collateralized.

Cash and cash equivalents, and investments consist of the following as of June 30, 2014:

	<u>Fair Value</u>	<u>Carrying Value</u>
State of California Local Agency Investment Fund	\$ 1,237,926	\$ 1,237,926
County Treasury Investment	3,505	3,505
Total	<u>\$ 1,241,431</u>	<u>\$ 1,241,431</u>

Cash and cash equivalents, and investments consist of the following as of June 30, 2013:

	<u>Fair Value</u>	<u>Carrying Value</u>
State of California Local Agency Investment Fund	\$ 936,424	\$ 936,424
County Treasury Investment	3,358	3,358
Total	<u>\$ 939,782</u>	<u>\$ 939,782</u>

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The State of California Local Agency Investment Fund ("LAIF") is an external investment pool. LAIF operates in accordance with appropriate state laws and is an unrated pool. The share value of the District's investment in LAIF is \$1,237,556.

The County of Ventura Treasurer maintains a cash investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Interest is apportioned to the District based on the average daily balances on deposit with the County Treasurer. Investment earnings are accrued at year-end. The County Treasurer invests District funds in accordance with the County's investment policy as approved by the Treasury Oversight Committee and the County Board of Supervisors. The policy emphasizes safety, liquidity, and yield and follows the "prudent investor rule". The County Treasurer is authorized by Government Code Section to invest in U.S. Government Treasury and Agency Securities, certain commercial paper, bankers' acceptances, corporate bonds and notes repurchase agreements and the State of California Local Agency Investment Fund. The fair value of the District's investment in the pool approximates cost.

To address credit risk, the District invests its funds in accordance with state statutes and the District's investment policy. The criteria for selecting investments are, in order of priority, (1) safety – consideration of the potential loss of principal or interest, (2) liquidity – the ability to have funds available at any moment in time with a minimal potential loss and (3) yield – the optimum rate of return while preserving capital.

Restricted assets of \$10,582 and \$13,510 as of June 30, 2014 and 2013, respectively, are amounts received that are designated for program scholarship awards.

Note 3 - CAPITAL ASSETS

As of June 30, 2014, capital assets were comprised of the following:

<u>Asset Description</u>	<u>Estimated Lives</u>	<u>Cost as of 6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Cost as of 6/30/14</u>
Building and related improvements	3 to 39 years	\$ 3,145,025		\$ (2,453)	\$ 3,142,572
IS equipment	3 to 8 years	335,617	\$ 29,818	(146,149)	219,286
Equipment and furnishings	2 to 15 years	258,782	6,585	(20,560)	244,807
Transportation vehicles	10 years	349,636			349,636
Construction in progress			<u>94,792</u>		<u>94,792</u>
Total capital assets		4,089,060	131,195	(169,162)	4,051,093
Less accumulated depreciation		<u>(2,021,560)</u>	<u>(184,939)</u>	<u>163,132</u>	<u>(2,043,367)</u>
Net capital assets		<u>\$ 2,067,500</u>	<u>\$ (53,744)</u>	<u>\$ (6,030)</u>	<u>\$ 2,007,726</u>

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 - CAPITAL ASSETS (Continued)

As of June 30, 2013, capital assets were comprised of the following:

<u>Asset Description</u>	<u>Estimated Lives</u>	<u>Cost as of 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Cost as of 6/30/13</u>
Building and related improvements	3 to 39 years	\$ 3,134,592	\$ 16,639	\$ (6,206)	\$ 3,145,025
Lifeline units	1 to 8 years	611,158		(611,158)	
IS equipment	3 to 8 years	322,661	13,822	(866)	335,617
Equipment and furnishings	2 to 15 years	265,695	3,391	(10,304)	258,782
Transportation vehicles	10 years	<u>349,636</u>			<u>349,636</u>
Total capital assets		4,683,742	33,852	(628,534)	4,089,060
Less accumulated depreciation		<u>(2,207,722)</u>	<u>(254,542)</u>	<u>440,704</u>	<u>(2,021,560)</u>
Net capital assets		<u>\$ 2,476,020</u>	<u>\$ (220,690)</u>	<u>\$ (187,830)</u>	<u>\$ 2,067,500</u>

Note 4 - DEFERRED REVENUE

Deferred scholarship revenue is comprised of undisbursed donations received by the District which are designated by the donors for specific internal scholarship use. The District records restricted donations as deferred revenue until the restrictions are satisfied, at which time the donation is recorded as revenue.

Note 5 - LINE OF CREDIT

The District has a secured line of credit with a bank with no maturity date. Security consists of inventory, chattel paper, accounts, equipment and general intangibles. The line of credit has a maximum borrowing amount of \$300,000 with interest at .90% over the lender's base rate (Bank of the West prime rate), but not less than 4% (4.15% at June 30, 2014).

Note 6 - DEFINED BENEFIT PENSION PLAN

Plan Description:

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

Camarillo Health Care District
Notes to Financial Statements
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Note 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy:

Participants are required to contribute 6.25% of their annual covered salary. With respect to the pre-January 31, 2013 plan, the District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013-2014 was 8.486% and the employee portion withheld was 7%. With respect to the post-January 1, 2013 plan, the District does not make contributions required of District employees on their behalf and for their account. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2013-2014, the District's annual pension cost of \$122,887 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.30% to 14.20% depending on age, service and type of employment, (c) 3.0% per year cost-of-living adjustments, and (d) 2.75% inflation. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value or investments over a fifteen year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized at a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 8 years.

Eight-Year Trend Information for the Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/2007	\$ 94,022	100%	\$ 0
06/30/2008	\$ 103,300	100%	\$ 0
06/30/2009	\$ 104,108	100%	\$ 0
06/30/2010	\$ 111,094	100%	\$ 0
06/30/2011	\$ 106,323	100%	\$ 0
06/30/2012	\$ 113,511	100%	\$ 0
06/30/2013	\$ 113,155	100%	\$ 0
06/30/2014	\$ 122,887	100%	\$ 0

Camarillo Health Care District
Notes to Financial Statements
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Note 7 - OTHER POST EMPLOYMENT BENEFITS

Plan Description:

The District administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime post-employment medical insurance to eligible retirees and their spouses through the California Public Employees Retirement System. Annually, the District establishes a maximum monthly premium that the District will contribute to the cost of current-year medical insurance premiums. For calendar year 2014 and 2013, the maximum monthly contribution by the District was \$790 per retiree.

Funding Policy:

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2011, the District entered into an agreement and elected to prefund OPEB through CalPERS in the California Employer's Retiree Benefit Trust Program (CERBT). During the years ended June 30, 2014 and 2013, the District chose to contribute \$145,000 and \$110,000, respectively, in cash for each of the years to the CERBT. The other post-employment benefits that are due to retirees during the fiscal year are funded and expensed on a pay-as-you-go basis. The District will pay 100% of the cost of the post-employment benefit plan.

Annual OPEB Cost and Net OPEB Obligation:

The following table shows the components of the District's annual OPEB expense for the year ended June 30, 2014 and 2013, the amount actually contributed to the Plan, and the changes in the District's net OPEB obligation:

	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$ 145,399	\$ 101,553
Interest on net OPEB obligation	11,794	14,024
Adjustment to annual required contribution	<u>(11,794)</u>	<u>(8,429)</u>
Annual OPEB cost	145,399	107,148
Contribution made to Plan during fiscal year	<u>(145,000)</u>	<u>(110,000)</u>
Increase in net OPEB obligation	399	(2,852)
Net OPEB obligation - beginning of year	<u>154,980</u>	<u>157,832</u>
 Net OPEB obligation - end of year	 <u>\$ 155,379</u>	 <u>\$ 154,980</u>

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 7 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014 and 2013 are shown in the following table. Only five years' information is available since 2010 was the District's initial year of implementation for GASB Statement No. 45.

	<u>Annual OPEB Cost (AOC)</u>	<u>% of AOC Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2010	\$ 124,644	107.10%	\$ 116,377
06/30/2011	\$ 115,520	81.41%	\$ 141,897
06/30/2012	\$ 105,935	67.12%	\$ 157,832
06/30/2013	\$ 107,148	69.14%	\$ 154,980
06/30/2014	\$ 145,399	93.38%	\$ 155,379

Funded Status and Funding Progress:

The funded status of the Plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

	<u>2013</u>	<u>2012</u>
Actuarial accrued liability	\$ 1,078,857	\$ 817,788
Actuarial value of plan assets	<u>316,585</u>	<u>184,804</u>
Unfunded actuarial accrued liability	<u>\$ 762,272</u>	<u>\$ 632,984</u>
Funded ratio	<u>29.34%</u>	<u>22.60%</u>
Covered payroll	<u>\$ 1,371,151</u>	<u>\$ 1,516,405</u>
Unfunded actuarial accrued liability as a percentage of covered payroll	<u>55.59%</u>	<u>41.74%</u>

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plans assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 7 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increase	2.75%
Inflation – discount rate	2.75%

Note 8 - RISK MANAGEMENT

The District is exposed to potential losses from claims arising from its business operation; torts; theft; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage through independent carriers for property and equipment and employee dishonesty. There have been no significant reductions in insured coverage.

The District participates in the workers' compensation program organized by the Association of California Hospital Districts, Inc., ALPHA Fund Joint Powers Agreement ("ALPHA"). ALPHA is a Joint Powers Authority ("JPA") which is comprised of 48 participants organized pursuant to the California Government Code. The purpose of the JPA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage; whereby the risk of loss is mitigated by the public entity pool. The Fund currently has \$1,000,000 of workers' compensation coverage. The JPA is not a component unit of the District for financial purposes, as explained below.

ALPHA provides workers' compensation insurance for the District. Periodic deposits paid by each participant for the workers' compensation joint protection are computed based on independent actuarial computations taking into account factors such as the participants' number of employees, types of employees, annual budget, all relevant loss experience and rates established through the California Inspection Ratings Bureau. The Fund may assess the participants in order to eliminate any deficiency in the fund balance of the Fund.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 8 - RISK MANAGEMENT (Continued)

Under the terms of the JPA, withdrawing or terminated member districts owe their pro-rata share of the fund deficiency. A withdrawing or terminated member district's pro-rata share contributions is based on its total contributions during its membership in the Fund as a percentage of the total contributions by all member districts during the same period.

The District also participates in the Beta Healthcare Group Joint Powers Agreement ("BETA"). BETA is a Joint Powers Authority ("JPA") which is comprised of local health care districts, counties, other governmental entities and qualified nonprofits which operate hospitals, clinics and other health-related facilities and is organized pursuant to the California Government Code. The purpose of the JPA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage; whereby the risk of loss is mitigated by the public entity pool. BETA currently has \$5,000,000 of auto liability, \$5,000,000 of comprehensive liability and \$2,000,000 of directors, officers and trustee liability coverage.

BETA provides automobile, comprehensive liability and directors' and officers' liability insurance for the District. Periodic deposits paid by each participant for the insurance joint protection are computed based on individual coverage contracts.

Note 9 - DISTRIBUTIONS FROM VENTURA COUNTY COMMUNITY FOUNDATION

In 2006, the District was named as a beneficiary recipient of a permanent endowment now managed by the Ventura County Community Foundation (VCCF). The District has a current beneficial interest of 100%. However, VCCF has variance power which allows the Foundation to modify the donor's stipulations under certain rare circumstances and as the Foundation monitors the changing needs of the community.

Each year, VCCF distributes a portion of the earnings based on its distribution policies, which are subject to change based on VCCF's investment management performance. The amounts received in 2014 and 2013, were \$135,885 and \$104,427 respectively. The distribution amounts are to be used only for the Care-a-Van service in Camarillo. At June 30, 2014, the market value of the fund held by VCCF on behalf of the District was \$3,128,222. At June 30, 2013, the market value of the fund held by VCCF on behalf of the District was \$2,870,470.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2014 and 2013

Note 10 - GRANTS

The District is the recipient of grants from government agencies and the private sector. The grants received for the year ended June 30, 2014 are:

<u>Funding Source</u>	<u>Program</u>	<u>Purpose</u>	<u>Amount</u>
Ventura County Area Agency on Aging (VCAAA)	Wellness & Caregiver Center	Caregiver Support	\$ 41,458
Ventura County Transportation Commission (VCTC)	Care a Van	ADA Transportation	26,373
Ventura County Area Agency on Aging (VCAAA)	Senior Lunch Program	Senior Meals	52,572
Dignity Health	Wellness & Caregiver Center	Care Coordinator	17,500
The Scan Foundation	Care Transitions	IT Infrastructure	62,500
Ventura County Area Agency on Aging (VCAAA)	Wellness & Caregiver Center	Senior Helpline	51,279
Ventura County Area Agency on Aging (VCAAA)	Wellness & Caregiver Center	Healthy IDEAS	33,234
The Scan Foundation	Wellness & Caregiver Center	Community of Constituents	<u>14,400</u>
Total Grant Funds			<u>\$ 299,316</u>

Camarillo Health Care District
 Required Supplementary Information
 June 30, 2014 and 2013

Funded Status of PERS Multiple-Employer Defined Benefit Plan

Valuation Date	Entry Age Normal Accrual Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2010	\$582,841,869	\$553,953,526	\$28,888,343	95.0%	\$184,319,666	15.7%
6/30/2011	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
6/30/2012	\$682,375,804	\$639,237,247	\$43,138,557	93.7%	\$193,877,169	22.3%

The information shown is from the CalPERS Actuarial Valuation Report of June 30, 2012, in compliance with GASB No. 27 for a cost-sharing multiple-employer defined benefit plan. The District's share is not provided by CalPERS.

Funded Status of the Post Employment Health Insurance Benefit Plan

Valuation Date	Entry Age Normal Accrual Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2011	\$ 910,096	\$ 92,308	\$ 817,788	10.1%	\$ 1,463,230	55.9%
6/30/2012	\$ 817,788	\$ 184,804	\$ 632,984	22.6%	\$ 1,516,405	41.7%
6/30/2013	\$ 1,078,857	\$ 316,585	\$ 762,272	29.34%	\$ 1,371,151	55.6%

The District implemented GASB No. 45 during the year ended June 30, 2010 on a prospective basis.